Cheshire East Council
Medium-Term Financial Strategy
2022-26
Executive Summary

February 2022

An Open, Fairer, Greener Cheshire East

www.cheshireeast.gov.uk

Cheshire East
Council

This document is available to download on the Cheshire East Council website. It will form part of the 10th February 2022 Corporate Policy Committee Agenda and the recommended version will be distributed to all Members as part of the 24th February 2022 Council Agenda.

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

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Executive Summary – Delivering Our Corporate Plan

Overview

The vision for Cheshire East Council is to create a borough that is Open, Fair and Green. The Council provides essential services such as Social Care, Education, Highways, Economic Development and Waste that will lead the way in achieving this vision for local people. Council services are funded mostly from council tax, with additional contributions from business rates and government grants and managing these resources appropriately will enable our plans to be sustainable over the medium-term.

The vision can be achieved by being a transparent organisation that cares for the people who need our support as we develop a locally sustainable place. The Corporate Plan that articulates the vision, and how we will make it a local reality was approved by Council in February 2021 and achievements will be monitored each year to understand if any amendments may be require in future.

The Council's financial strategies focus on sustainability, whereby expenditure can be matched to achievable income over time. Population growth and inflation cause costs to increase, but normally in a largely predictable way. But recently inflation has been increasing and the impact of COVID-19 has been unprecedented, unpredictable and prolonged.

Cheshire East is the third largest Council in the Northwest of England, responsible for approximately 500 services and with a population of over 386,000. Our gross annual spending is normally in the region of £700m and includes capital spending and costs funded direct from government grants such as Dedicated Schools Grant. Net Spending reflects spending that is only funded from Council Tax, Business Rates and un-ringfenced government grants and is approximately £300m. The MTFS approved in February 2021 was balanced for a four-year period, whilst still recognising emerging risks inherent with demand led services.

The Council continuously seeks to engage with the communities of Cheshire East in delivering services to people who need them.

Impact of COVID-19

The impact of the pandemic continues to be felt across the whole borough. In financial terms the Council continues to administer a 'COVID-19 budget', funded from Central Government grants. Spending and income continue to be affected, with increased support to social care markets and transport and reductions in income for key services such as car parking.

To assist in developing the Council's Medium-Term Financial Strategy additional grants, payable beyond 2021/22, are assumed to be spent entirely within guidance from Central Government and on COVID-19 related issues alone. Recent confirmation that Contain Outbreak Management Fund allocations can be spent beyond 31st March 2022 supports this approach.

On this basis the figures within this report largely exclude COVID-19 related spending, income losses or grant funding from 1st April 2022. For transparency Section 1 (paragraph 5 to 8) describes the expected financial impact from COVID-19 in 2021/22 and beyond.

Medium-Term Financial Pressure

Over 60% of the Council's net budget is spent on providing support for Adults' and Children based services, which are demand-led and continue to be increasingly complex. Strong housing growth in the area also brings additional challenges for our key services such as increased waste collection and disposal and highway maintenance. There is also inflation in the Council's contracts and annual pay costs.

Almost 95% of the Council's net budget is funded from local taxation due to our very low levels of Central Government support. Future settlements from Government seem highly unlikely to reverse this position. Growth in demand for services must therefore be funded locally, and this creates a requirement to continue to increase council tax levels in-line with Government expectations. In recent years the Council has increased council tax specifically to fund the pressures in Adults' and Children's Social Care. Additional funding continues to be required to keep up with the demand in these vital services.

Creating Financial stability over four years

To provide the best opportunity to achieve the Corporate Plan, and manage the ambitions of the area, the Council has created a Medium-Term Financial Strategy that continues to balance spending on services against resources across each of the next four years.

The headlines of the MTFS are:

- Addressing increasing demand, particularly within the social care system, through **growth of £4m in Adult Services** and **growth of £4m in Children's Services** budgets.
- **Supporting Highways Maintenance spending of £19m** over the next four years, and providing additional funding for new infrastructure in Middlewich, Poynton and Crewe.
- **Managing additional inflation pressures of £13m** relating to Waste Services, utility bills, staff pay and ICT contracts.
- Supporting growth in key services by **managing efficiencies and savings of c.£7m**, through new ways of working with partners and reductions in staff mileage through remote working.
- Responding to the expectation from central government of additional income from Council Tax in 2022/23 that will increase Core Spending Power for the Council by 6% based on the Spending Review 2021.
- Council tax will **increase by 2.99%** in 2022/23 with forecast increases of a further 2.99% each year over the medium-term. 1% (£2.4m) of the council tax increase in 2022/23 will be solely utilised to fund increasing care costs within Adult Social Care.
- **Enhancing the Council Tax Support Scheme to help to protect families on low incomes** from council tax increases. This is being supported by the use of £1.4m from the Local Council Tax Support grant funding received and set aside from 2020/21. Changes will allow some households on low income to receive 100% in support.
- Increasing the annual Capital Financing Budget from £14m to £21m by 2025/26 to support capital schemes, such as schools and infrastructure projects totaling £202.5m.
- Balancing the increasing costs of services through a combined approach of local taxation, appropriate pricing for services and efficiencies in service provision.

Table 1: Running costs (Revenue) and Investment in assets (Capital) are both increasing in 2022/23

Table 1	2021/22* Budget £m	2022/23 Budget £m	Change £m
Revenue Budget	311.1	327.7	16.6
Capital Budget	171.3	185.3	14.0

* Approved Permanent Budget as at Financial Update 2021/22

Net Revenue Budget 2022/23

- Income is estimated to vary from 2021/22 as follows:
  - Increase in Council Tax levels (+£7.3m)
  - Growth in Council Taxbase (+£4.5m)
  - Decrease in New Homes Bonus (-£1.2m)
  - Increase in Social Care grants (+£3.4m)
  - New Services Grant (+£2.9m)
  - Other Specific grants (-£0.3m)

- Net expenditure is estimated to increase by **£16.6m** from 2021/22 across each of the Council's Corporate priorities as set out in **Table 2**:

Table 2	Change from 2021/22 Budget £m	2022/23 Budget £m
Open	+2.2	
Fair	+6.6	
Green	+5.1	
Total Service Budget		312.6
Central Budgets including: Capital Financing, Past pension contribution changes as a result of actuary results and Bad debt provision change	+2.7	
Total Central Budgets		15.1
Total Net Revenue Budget	**+16.6**	**327.7**

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

Capital Budget 2022/23 to 2025/26

The four-year capital programme includes investment plans of around £0.6bn. This is affordable through a mixture of Government grants, contributions from other external partners and Council resources.

- The forecasted funding sources are:
  - Government Grants (£289m / 46%)
  - Other external contributions (£104m / 16%)
  - Receipts from Council Assets (£37m / 6%)
  - Borrowing or Revenue Contributions (£203m / 32%)

- Expenditure is estimated in the following areas:
  - Highways (£271m)
  - Growth & Enterprise (£200m)
  - Children & Families (including Schools) (£97m)
  - Finance & Customer Services (£18m)
  - Environment & Neighbourhoods (£27m)
  - ICT (£20m)

Strategic Management of Reserves

The Council holds relatively low levels of reserves as funding has been utilised to maintain services. Reserves are retained to enable the Council to invest in opportunities and to manage exposure to financial risk over time. The Council manages reserves over the medium-term for several main purposes:

- General reserves will be held to manage in-year risks and opportunities across the medium-term, they have been increased slightly in accordance with the approved strategy. This recognises that the Council's budget increases in the medium-term and forecasts in later years may be subject to change.
- Earmarked Reserves reduce annual risks associated with in-year fluctuations in spending as well as the management of the Capital Programme and the Collection Fund.
- Earmarked Reserves will also be used to support service development and modernisation during the life of the MTFS.

Good financial management in-year reduces the overall need for high Total Revenue Reserves

Table 3	**Forecast Closing Balance** 2021/22 £m	**Forecast Closing Balance** 2022/23 £m	Change £m
General Reserves	11.5	11.5	-
Earmarked Reserves*	68.8**	43.2	(25.6)**
Total Revenue Reserves	**80.3**	**54.7**	**(25.6)**

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

**Earmarked reserves are inflated in 2021/22 by business rates of £12m which must be used to pay down the deficit during 2022/23 (as a result of the Retail Relief granted during 2021/22).

The Council's Reserves Strategy (**Annex 13**) provides more detail of the reasons for holding General or Earmarked Reserves at current levels.

The Council is temporarily managing a negative Dedicated Schools Grant reserve, based on a national override of recommended accounting practice. This approach protects general Council reserves but is not a long-term solution. An unfavourable resolution to this temporary position could present significant risk to the Council's financial stability. Any emerging guidance on this will be reported to members along with ongoing local mitigation measures.

A Listening Council

The budget report reflects the Council's ongoing commitment to transparency, engagement and consultation. The process to develop the MTFS demonstrates that we listen to residents and stakeholders. **Annex 2** provides further details on the process.

The stakeholder engagement process included:

- An appropriate timescale that supported the development and sharing of draft Budget ideas.
- Regular elected Member involvement through virtual meetings and briefings.
- Stakeholder engagement via social media and an online consultation tool to gather feedback.
- Effective internal challenge processes including staff and trade union briefings.

In October 2021 the Council received headline details of the Spending Review from Government. The Council's consultation process was launched on 24th November 2021 and included an Adult Social Care council tax precept of 1% as the Spending Review made it clear that specific further allocations of government grant expected this increase to have been made.

The detail of the settlement was received during the Council's consultation process and confirmed the detailed funding allocations for 2022/23. The Settlement confirmed increases to the funding assumptions within the consultation document which totaled £6.6m as follows:

- Increase in New Homes Bonus (+£2.7m)
- New Social Care Grant (+£3.3m)
- Changes to other grants (+£0.6m)

In addition to stakeholder feedback the Council also reviewed the impact of its 2021/22 financial forecasts.

Based on the feedback, and revised up-to-date information, the following changes have been made to the position presented in the Consultation.

- Increase Capital Financing Budget by £2.7m across 4 years to support borrowing costs associated with Highways Improvement capital budgets of £19m.
- Increase Home to School Transport by £1.2m in 2022/23, with a further £1m being drawn from reserves.
- Increase utility and carbon management budgets by £1.5m in 2022/23.
- Provide additional temporary support to Planning and Public Rights of Way Services £0.7m in 2022/23. A further £0.3m being provided for PROW for the period 2023/24 to 2025/26.
- The balance is added to the Medium-Term Financial Strategy Reserve to protect services in the medium term.
- 'New' proposals have been marked as such within the MTFS.

After the settlement was published, a further announcement of funding was made, related to market sustainability and fair cost of care. This additional grant, of £979m, supports additional matched expenditure in the Adult Social Care budget.

The proposals within the MTFS are affordable based on a council tax increase of 2.99% in 2022/23 and 2.99% thereafter, which is in line with Government expectations. The Council is not proposing to exceed the referendum limit set by the Secretary of State.

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

Annex 1

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

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

Council 24th February 2022 – APPENDIX C

Cheshire East Council
Medium-Term Financial Strategy
2022-26

February 2022

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Report from the Director of Finance and Customer Services (Chief Finance Officer)

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

The financial strategies of the Council present a balanced position across a four-year horizon. This position relies on significant assumptions, not least that each proposal within the strategy is achieved and that unforeseen financial consequences can be managed, either by changing plans or temporary use of reserves.

The financial impact of COVID-19 continues to present challenges in longer term forecasting as does the single year nature of the Local Government Finance Settlement from Central Government.

Financing the pandemic

The Council has continued to work with the Local Government Association, County Council's Network and various Treasurer groups to liaise with government departments on the costs and lost income linked to responding to and recovering from the pandemic. Although reserves have been set aside from government funding of the pandemic the MTFS does not present any forecasts that rely on future grants related to COVID-19. If future costs should occur it is expected that government will provide further funding if such financial impacts exceed the Council's previous grants. Confirmation that Contain Outbreak Management Funding can be carried forward in to 2022/23 has been very welcome in this regard.

The full financial impact of COVID-19 will remain unclear until the pandemic is over, and a more sustained level of services and funding has been re-established.

Producing Robust Estimates

The process to produce the Council's Medium-Term Financial Strategy for 2022 to 2026 engaged a wide array of stakeholders throughout 2021/22. This process included public Committee meetings as well as virtual meetings with elected members and staff of the authority. There were also presentations to businesses and partners alongside the on-line public consultation. All responses are coordinated and the results provided to members in advance of the February Council meeting. Changes proposed for the 2022/23 budget are backed with appropriate business cases and equality impact assessments. Changes to proposals since the consultation are clearly identified within this document.

The MTFS Strategy relies on the closing balances and performance within the 2021/22 financial year, but reporting progress during the year has been difficult. The impact of COVID-19 has continued to distort in-year reporting, and the Council also changed the core financial system during the year too. Although monitoring has been ongoing there is a greater risk, compared to previous years, that year-end forecasts may be different to those identified in this report. This risk must be managed through the MTFS Earmarked Reserve in the first instance. Although year-end balances may vary, several issues have required a response in creating a robust set of estimates.

Complexity and market forces have continued to drive over-spending in Children's Social Care. It is still forecast that some efficiency savings will be achievable within Children's Services over the medium-term, but the base budget is being increased by £4m in response to the ongoing financial pressure. Over the four year period to 2026 the changes in this MTFS represent an increase of almost £30m for Children's Services. There has also been an emerging pressure on Home to School Transport. Changes were made to bring services in-house, from the Council's wholly owned company, but pupil numbers, particularly with Special Educational Needs and Disabilities, have significantly increased. In response £1.2m is being added to the 2022/23 transport budget to help manage demand. It is expected a further £1m of COVID-19 funding will also be drawn down to support the service.

During 2022/23 there will be a review of Children's Services to understand the ongoing demand led pressures and ensure appropriate strategies are in place to achieve a financially sustainable position. The review will continue to have access to transformation funding approved by Council in February 2021.

Ongoing demand for Adult Services is being addressed through ongoing annual increases in budget, as is the increasing costs of waste management linked with an increasing population and changes in behaviour (such as more home-working).

The MTFS also recognises inflationary pressure from staff pay awards and increasing utility costs. These are mitigated to a degree by reductions in travel expenses and further funding to support carbon management.

The Capital Programme has been subject to scrutiny to ensure the costs of borrowing are being managed over the medium-term. This review has allowed the funding of an annual Highways Improvement Programme, costing £19m over four years, which responds to Council and resident priorities. The issue of highways maintenance was a feature of the feedback received during the consultation period. This increased programme is partially supported by additional grant funding within the settlement.

The strategy to utilise the Financing Reserve to manage fluctuations in borrowing costs has been effective to date and will support the Capital Financing Budget for the next four years. The strategy is being updated though. The Addendum is being removed as this caused frequent pressure on the revenue budget from expectations that were unaffordable.

The Capital financing budget is increasing significantly over the medium-term to reflect the size of the current programme. It was £12m in 2019/20 and will rise to £21m by 2025/26. Even this significant increase relies on the ongoing drawdown of the Financing Reserve, which is not sustainable. As such any slippage in the programme, or additional receipts from asset sales must be used to minimise further increases in capital financing costs. New schemes should not be added to the programme unless additional funding has been identified to cover the associated whole life costs.

Otherwise, estimates suggest the underlying budget has performed well and presents a sound base for setting future budgets.

To address the short-term government settlement, and potential further funding reductions, council tax increases are included in the MTFS in line with government expectations. Assumptions include the reduction of grants over the medium-term. The quantum of government grant implies an increase in spending power for Local Government over the next three years but there is a threat of reductions to some Councils. Statements from government, with regard to Levelling Up, Business Rate Retention and Fairer Funding, focus on deprivation and access to resources as key features of future funding allocations. Cheshire East Council has low average deprivation and a high tax base and receives funding to compensate for a negative Revenue Support Grant. The grants announced in the settlement in December 2021 are therefore being treated as single year allocations.

These assumptions and response to recognised issues create a robust set of financial proposals. Implementation will remain challenging and will rely on strong leadership and clear and timely decision making from the Council's Committees.

Adequate Reserves

The Reserves Strategy provides information on the impact of the MTFS on the Council's reserves. In considering whether reserves are adequate I have reflected on ongoing work by CIPFA to produce a resilience index as well as considering local and national risks.

Spending in 2021/22 has not increased the risk, which reflects the quality of the Council's ongoing financial management. But overspending has continued in relation to Children's Social Care and Transport. This may not impact reserves due to underspending elsewhere in the budget, but the assessment of robust estimates in this area is again a feature of the MTFS. Reversing the trend of overspending in these services is essential to the management of the MTFS.

General reserves were increased in 2021/22 to £11.5m or 3.3% of the net budget by 2025/26. This reflects the increasing size of the annual budget, but also the fact that forecast spending in later years of the MTFS may be subject to change over time. This level of reserves is relatively low, so does not provide any scope for non-delivery of proposals within the MTFS. Members should recognise that emerging pressures may require identification of additional savings.

Earmarked reserves will be required during the next four years to support the Capital Financing Budget and Collection Fund. This approach is strategic, but ultimately not sustainable in the long-term. It reflects potential year-on-year variations that can occur in these budgets without transferring the potential negative impacts on to services in one year which may be unnecessary in another.

Capital financing costs are increasing over the next four years, as evidenced in the Capital Strategy. This issue will reduce the Financing Reserve significantly, and longer-term profiling of capital expenditure must be considered. The Financing Reserve was also capable of covering abortive costs of capital projects that may not pass feasibility stages. If the reserve continues to reduce then this cost would fall to the MTFS reserve in the first instance. The Collection Fund Reserve is important to protect against risks from revaluations, appeals and changing government policy, particularly in relation to business rates. Use of this reserve may be reviewed in the medium term depending on the governments review of business rate retention.

There are further financial risks associated with High Needs Education and the Private Finance Initiative (PFI) that the Council may have to address in the medium-term. Overspending in High Needs is currently creating a negative reserve, that is only allowable due to an accounting override by the Department for Levelling Up, Housing and Communities (DLUHC). At a point in time, as yet unknown, the Department will remove this override and the Council would have to manage the financial consequences locally. This change will be dependent on negotiation with DfE about future funding levels. Local mitigation for the ongoing rising costs is taking place but no reserves are currently sat outside of general reserves for this. Similarly, there are no additional financial implications identified in relation to the Council's Extra Care PFI. Although any transfer of costs or risks to the Council is not in keeping with PFI schemes the current contract is not running at full capacity due to the fire at Beechmere in 2019.

Although reserves are adequate to support the proposals within this four-year strategy, members must recognise that there is virtually no scope for variation without alternative matching proposals coming forward to retain the balanced position.

Short term variations in annual budgets are capable of being managed through the MTFS Earmarked Reserve. This protects such variations from having immediate negative impacts on services to residents. This reserve must be monitored at least annually to ensure the balance is appropriate, and neither excessive nor inadequate. As the government settlement is currently only certain for a single year this presents a short-term risk. It is therefore appropriate to hold balances in the MTFS reserve this protect services from any potential negative impact from future government funding reviews. Such reviews are due in 2022/23, which could potentially make the 2023/24 financial year somewhat transitional in nature.

Conclusion

Based on my engagement and observations of the process to determine a balanced budget for 2022/23 I can report that the budget presents a robust set of forecasts, subject to the achievement of proposals identified within this report.

Based on my assessment of the risks the Council is able to articulate at this point in time I am satisfied that the Reserves Strategy presents an adequate level of reserves to manage risks as part of a Medium-Term Financial Strategy.

I will monitor the impact of the closure of the 2021/22 financial year, and review in-year performance, in order to provide timely updates over the medium-term.

Alex Thompson

Alex Thompson FCPFA, IRRV(Hons)

Director of Finance and Customer Services

(Chief Finance Officer - Section 151 Officer)

Table 1 – Four Year Summary Position

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

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

Section 1 – Context & Budget Proposals

Cheshire East Council is responsible for providing approximately 500 local public services across an area of over 1,100km^2 for over 386,000 residents.

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

For further information please see our borough profile.

The population of Cheshire East – Now and Future

Population now

The population of Cheshire East at the time of the 2011 census was **370,127**

The current estimated population of Cheshire East is **386,700,** an increase of 16,574 from census (2020 mid-year population estimates, ONS). The population has a fairly even gender split at 51% female and 49% male.

Households

2018

There were **159,411** households at the time of the 2011 census.

There are currently an estimated **166,568** households.

2038

By 2038 the number of households based on demographic trends will increase to **188,688** an increase of 22,120 or 13%.

By 2043 households in Cheshire East will look like...

Older (65+) Households	Single Occupant Households		Two or more dependent children
83,860	29,111	37,073	21,527
32% increase	21% increase	31% increase	2% decrease

Population in 2038

	0 to 14	15 to 64	65+
	62,487 -3%	226,440 -1%	124,098 43%
Cheshire East	15%	55%	30%
North West	16%	60%	23%
England	16%	60%	24%

The population of Cheshire East by 2038 is projected to be **413,025**

Biggest areas of growth are in the older population with the number of residents aged **70 plus** increasing to **94,918** a 50% increase from now and those aged **85 plus** to **22,016** an 87% increase from now.

Cheshire East will need to prepare to face the challenges presented by an ageing population, above the rate of the North West and England as well as dealing with a slowly reducing population that is of working age.

Our Residents

51% are female

49% are male.

Between the 2001 and 2011 Census, the average age of residents has increased from 40.6 years to

43.6 years

By 2030, the average age of residents is expected to further increase to approximately 47 years.

The most common non-British Isles countries for residents to have been born in are Poland and India.

3% of Cheshire East households have members for whom English is not the main language, and, in half of these households, no members have English as their main language.

17.5% of Cheshire East residents have a long-term health problem / disability.

The proportion of Cheshire East residents who classed themselves as White British is

93.6%

We know that our population, when compared to the region and the UK has an older demographic profile.

40,003 residents are 'unpaid carers', with 8,024 providing at least 50 hours per week.

5.1% of Cheshire East residents were born outside the British Isles, with **2.7%** born outside the EU.

We have fewer 'working age' and under 16s living in our area compared to North West and national averages. However, our 65+ population is larger than average. This brings additional pressures for us in ensuring we have the capacity to deliver services to our residents as they need them.

Whilst we have a smaller than average 'working age' population, more people are in work with a low unemployment rate (3.2%) - lower than regional and national averages and with a lower number of 'workless' households. Those who are employed earn higher than average earnings.

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

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
	Listen, learn and respond to our residents, promoting opportunities for a two-way conversation					
1	Improving Digital Customer Experience	1	0.110	-	-	-
2	Children's Social Care Transformation and OFSTED Response	MTFS 21-25 (NEW)	*-1.500**	-	-	-
	Support and sustain a financial future for the Council, through service development, improvement and transformation					
3	Pay inflation	2	5.536	3.873	3.964	4.062
4	National Insurance increase at 1.25% for social care funding	3	0.913	-	-	-
5	Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	4	0.337	0.013	-0.024	-
6	Removal of temporary implementation budget and investment to run the new Financial System	11	-0.453	0.006	0.006	0.006
7	Continuing Healthcare Reviews	MTFS 21-25 (9)	-1.000	-0.500	-	-
8	Efficiency savings and Restructures within Corporate Services	MTFS 21-25 (13)	-0.350	-	-	-
9	Reduce Base budget assigned to Community Grants	MTFS 21-25 (12)	-0.100	-	-	-
10	CCTV migration to wireless networks	MTFS 21-25 (27)	-0.085	-	-	-
11	Transfer of Congleton Visitor Information Centre	MTFS 21-25 (25)	-0.020	-0.010	-0.020	-
12	Review of corporate subscriptions	MTFS 21-25 (21)	-0.015	-	-	-

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
13	Regulatory Services and Environmental Health ICT procurement	MTFS 21-25 (26)	-0.009	-	-	-
14	Shared services review	MTFS 21-25 (15)	-	-0.200	-	-
15	Mitigation of reduction in the Dedicated Schools Grant (Corporate Services)	MTFS 21-25 (6)	0.042	0.033	0.027	-
15	Mitigation of the year-on-year reduction in the Dedicated Schools Grant (ICT)	MTFS 21-25 (7)	0.065	0.089	0.109	-
	Look at opportunities to bring more income into the borough					
16	Transactional Service Centre additional funding	5	0.238	-	-	-
17	Orbitas income and management fee	MTFS 21-25 (29)	0.021	-	-	-
18	Strategic Leisure Review	MTFS 21-25 (42)	-0.250	-	-	-
19	Brighter Futures Together Programme Customer Experience	MTFS 21-25 (34)	-0.133	-0.081	-	-
20	Review of governance of ASDVs and seeking increased opportunities for savings/ commercial opportunities	MTFS 21-25 (39)	-0.225	-0.100	-	-
21	Everybody Sport and Recreation Annual Management Fee	MTFS 21-25 (31)	-0.042	-0.041	-0.040	-
22	Establish a traded service for non-statutory elements of Attendance Service	MTFS 21-25 (38)	-0.035	-0.035	-	-
23	Establish an Education Psychologist traded service to enable a proactive early support and intervention offer	MTFS 21-25 (37)	-0.025	-0.075	-	-
	Support and develop our workforce to be confident, motivated, innovative, resilient and empowered					

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
24	Revenue implications of capital: Vendor Management Phase 3 to drive improvements in procurement	6	0.175	-0.089	0.071	-
25	Revenue implications of capital: Essential replacement of unified IT Communications to support service delivery	7	0.110	0.009	0.017	-
26	Revenue implications of capital: Essential – security and Compliance work to protect Council information and systems	8	0.097	0.006	0.006	-
27	Revenue implications of capital: Procurements of Application Lifecycle Management	9	0.075	0.075	0.078	-
28	Revenue implications of capital to deliver IT - Information Assurance and Data Management Phase 3, including cyber security	10	0.040	-	-	-
29	Staff Travel and related savings	12	-0.525	-	-	-
30	Productivity and Efficiency in Adult Social Care	MTFS 21-25 (48)	-0.500	-0.500	-	-
31	Neighbourhood Estate Review	MTFS 21-25 (51)	-0.260	-	-	-
32	Estates Transformation - Office Accommodation	MTFS 21-25 (49)	-0.100	-0.460	-	-
33	Revenue implications of capital Revenue implications of capital : IT - Infrastructure Investment Programme	MTFS 21-25 (43)	0.127	0.224	-	-
	Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia					
34	Investment in Adult Social Care	13	4.000	3.500	4.000	4.000
35	Care fee uplifts in Adult Social Care	14	-	2.000	-	-

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
36	Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and future cost avoidance	MTFS 21-25 (61)	-0.500	-0.750	-	-
37	Mental Health Services Review	MTFS 21-25 (64)	-0.500	-	-	-
38	Day Care Review	MTFS 21-25 (63)	-0.070	-0.150	-	-
39	Electronic Call Monitoring Reclamation	MTFS 21-25 (67)	-0.030	-	-	-
40	Market Sustainability and Fair Cost of Care – Expenditure Budget	New post consultation	0.979	-	-	-
40	Market Sustainability and Fair Cost of Care - Grant Income	New post consultation	-0.979	-	-	-
	Safeguarding our children from abuse, neglect and exploitation					
41	Investment in Cared for Children and Care Leavers and other pressures	15	4.000	0.400	0.400	0.400
42	Increase capacity to support Statutory SEND service	16	0.400	0.200	0.120	-
43	Revenue costs for Crewe Youth Zone	17	-	-	-	0.400
44	Restructure Early Help Budget to fund Crewe Youth Zone	22	-	-	-	-0.400
45	Safeguarding Children – legacy staffing pressure	18	0.390	-	-	-
46	Growth in Children & Families Commissioning Contracts	19	0.180	-	-	-
47	Increase capacity to support Statutory Education Psychology Service	20	0.125	0.063	-	-
48	A redesign of Early Help Services into a Locality model	21	-0.424	-	-	-

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
49	Learning Disabilities Future Service Development and Review	MTFS 21-25 (73)	-1.000	-1.250	-	-
	Increase the life opportunities for young adults and adults with additional needs					
50	Development and Partnerships Service	MTFS 21-25 (76)	-	-0.300	-	-
	A great place for people to live, work and visit					
51	Asset / Service Transfer	MTFS 21-25 (81)	-0.030	-0.020	-	-
52	Tatton Park	MTFS 21-25 (80)	-0.006	-0.028	-0.046	-
	To reduce the impact on our environment					
53	Waste Contract Inflation and Tonnage Growth	MTFS 21-25 (84)	0.644	0.657	0.613	-
54	Tree Risk Management	MTFS 21-25 (86)	0.500	-	-	-
55	Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units	MTFS 21-25 (87)	0.030	-0.004	-0.031	-
56	Environment Strategy and Carbon Neutrality	MTFS 21-25 (85)	0.020	-0.081	-	-
57	Inflation in Utility costs and enhanced Carbon Management	NEW post consultation	1.500	*-1.500**	-	-
58	Investment in improving the customer experience in Planning Services	NEW post consultation	0.500	*-0.500**	-	-
59	Investment in Public Rights of Way	NEW post consultation	0.200	*-0.100**	-	-
	A transport network that is safe and promotes active travel					
60	Parking service – postponement of review of charges	23	0.504	-	-	-

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
61	Local Supported Buses	24	0.008	-0.012	-	-
62 *REPLACED*	*School Transport*	*25*	*0.150*	*-0.050*	*-0.150*	-
62 REPLACEMENT	School Transport – post provisional settlement		1.200	*-1.200**	-	-
Total Proposed Service Budget Change (November 2021)			**10.650**	**6.412**	**9.100**	**8.467**
Total Revised Service Budget Change (February 2022)			**13.900**	**3.163**	**9.250**	**8.468**

	Detailed List of Proposed Budget Changes – Central Budgets	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
	Increased Council Tax Base - % increase planned at 2.99%	-7.306	-7.622	-7.952	-8.293
	Increase Council Tax Base - New Homes	-4.527	-2.807	-2.728	-2.639
	Business Rates Retention	-	-	-	-
[REPLACED]	*Unring-fenced Grant changes*	*1.755*	*3.969*	*0.046*	-
[REPLACEMENT]	Unring-fenced Grant changes - provisional settlement	-4.797	9.141	0.046	-
[REPLACED]	Minimum Revenue Provision	4.000	1.000	1.000	-
[REPLACEMENT]	Minimum Revenue Provision	5.000	-	1.000	1.000
	Central Pension adjustment based on Actuary results	-2.500	2.100	-	-
	Bad Debt Provision – change to provision	0.200	-0.800	0.600	-
[REPLACED]	*Use of (-) / Contribution to (+) Earmarked Reserves*	*-2.272*	*-2.252*	*-0.066*	*2.465*
[REPLACEMENT]	Use of (-) / Contribution to (+) Earmarked Reserves	0.030	-3.175	-0.217	1.464

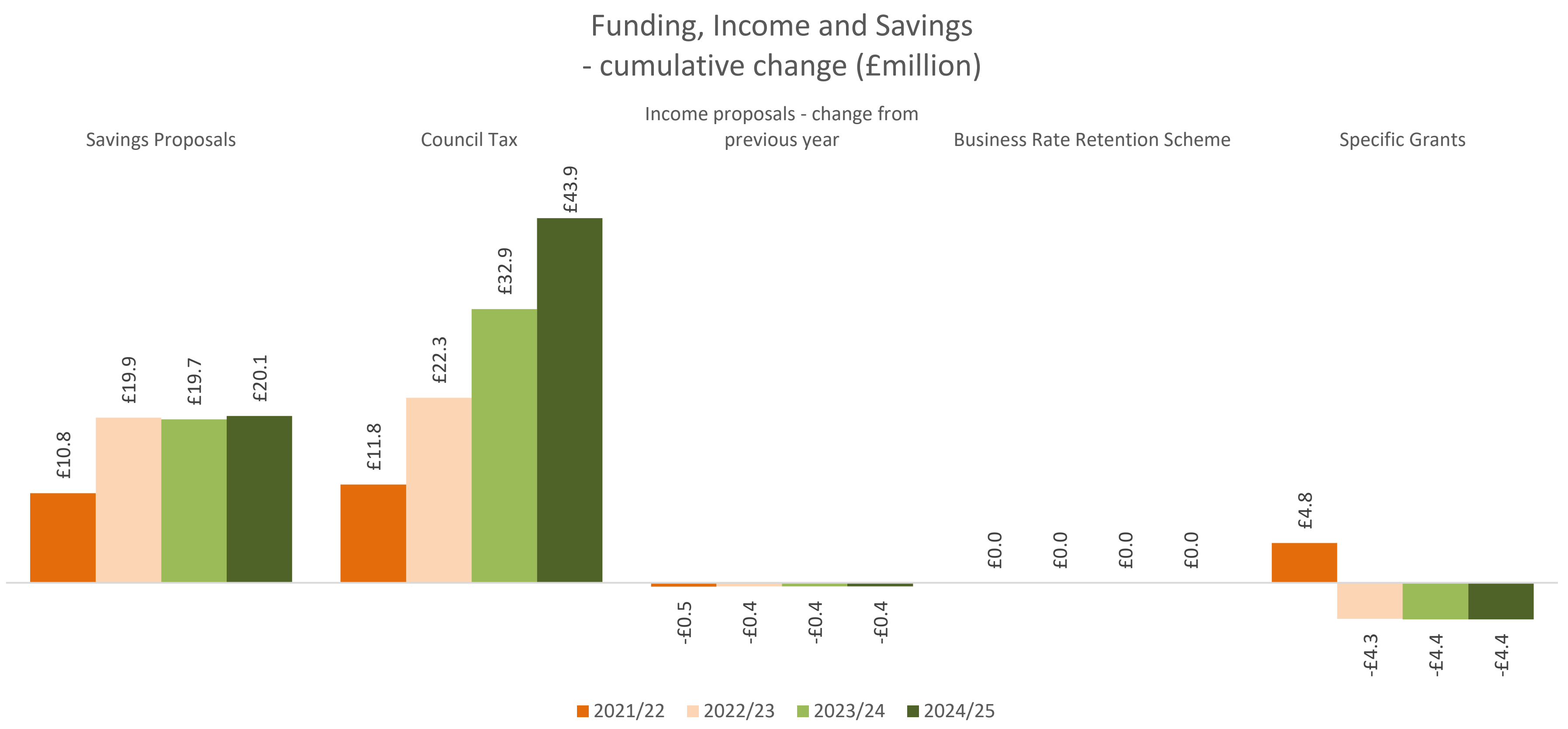
Total Proposed Central Budget Items (November 2021)	**-10.650**	**-6.412**	**-9.100**	**-8.467**
Revised Central Budget Items (February 2022)	**-13.900**	**-3.163**	**-9.250**	**-8.468**

Funding Deficit at Budget Engagement (November 2021)	**0.000**	**0.000**	**0.000**	**0.000**
Funding Position (February 2022)	**0.000**	**0.000**	**0.000**	**0.000**

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

Summary List of Changes during consultation period	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Listen, learn and respond to our residents, promoting opportunities for a two-way conversation	-	-	-	-
Support and sustain a financial future for the Council, through service development, improvement and transformation	-	-	-	-
Look at opportunities to bring more income into the borough	-	-	-	-
Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	-	-	-	-
Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia	-	-	-	-
Safeguarding our children from abuse, neglect and exploitation	-	-	-	-
Increase the life opportunities for young adults and adults with additional needs	-	-	-	-
A great place for people to live, work and visit	-	-	-	-
To reduce the impact on our environment	2.200	-2.100	-	-
A transport network that is safe and promotes active travel	1.050	-1.150	0.150	-
Minimum Revenue Provision	1.000	-1.000	-	1.000
Use of / Contribution to Reserves	2.302	-0.923	-0.150	1.000
Change in Grant Funding	-6.552	5.173	-	-
Total	**0.000**	**0.000**	**0.000**	**0.000**

This chart below shows the change in funding, income and savings over the medium-term. Council tax is steadily increasing while business rates are forecast to plateau due to the uncertainties around the future of the Business Rates Retention scheme. Specific grants available to support the general revenue budget are estimated to decline over the medium-term (although this remains a prudent estimate until firmer allocations are announced in the next Spending Review). Some proposed car parking charge increases are no longer being implemented as planned (as shown by the negative income stream compared to current budget levels).



Engagement on the Budget

Committee and Council Approval Meetings:

- Corporate Policy Committee and Council December 2021 (Taxbase and Council Tax Support Scheme)
- Corporate Policy Committee February 2022 (MTFS)
- Council February 2022 (MTFS & Budget Engagement response)

All Member Workshops:

- Finance workshops covering the budget process, pressures, Council priorities and ideas for savings (September 2021)
- Budget Engagement – all Member briefings December 2021

Updates for staff on budget progress:

- Updates made available in Team Voice, on CEntranet and on the Cheshire East Council website. This included the Budget Engagement
- Manager Share and Support Finance update (Sept 2021)
- Save Us Money campaign asking staff for budget saving and efficiency ideas

All Committee Review:

- Opportunity to examine service budget proposals during the consultation period
- Examination of in-year performance reports (both January 2022)

Engagement events with stakeholder groups:

- Including businesses, Trades Unions, Town and Parish Councils, other key partners, voluntary, community and faith sector, and the Schools Forum
- These events highlighted how the Cheshire East Council budget will affect our stakeholders and help to answer questions they may have, to help us develop our relationship with our stakeholders and the wider community

Residents:

- Any comments? – Speak to your local Councillor
- Information included with Council Tax bills
- Media releases
- Digital Influence Panel
- Social media

Understanding the financial tables in this document

Budget changes in this document are expressed as **incremental changes** to the Council's Approved Budget for 2021/22.

Each proposed change is included in a table as described below:

Theme of the Potential Change(s) (such as "Transparency" or "Listen, Learn")	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[x] Number and Title of Budget change [reference from the Pre Budget Engagement document] A narrative to describe what the proposal is *Net Carbon Impact** = XX* *Impact on service budget =*	**-x.xxx**	**-x.xxx**	**-x.xxx**	**-x.xxx**
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

As part of our commitment to be carbon neutral for our operations by 2025, proposals have been assessed for their estimated annual impact on our carbon footprint. The number is the projected tonnes of carbon, with negative meaning a reduction, and positive being an increase

Revenue expenditure is incurred on the day-to-day running of the Council. Examples include salaries, energy costs, and consumable supplies and materials.

Capital expenditure is incurred on the acquisition of an asset, or expenditure which enhances the value of an asset.

Current budgets are detailed in the Medium-Term Financial Strategy.

Changes to Capital budgets are split by the year in which expenditure is incurred.

Figures here represent an increase or decrease in spending compared to the 2021/22 Approved Budget.

Each subsequent year then represents any change from the previous year.

Negative numbers represent a budget saving or additional income. Positive numbers represent budget growth or reduced income.

Open

We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition in Cheshire East

Priority Aim 1: Open

Proposals to vary the Budget under our Priority to be Open are focused on these areas:

Listen, Learn Listen, learn and respond to our residents, promoting opportunities for a two-way conversation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[1] Improving Digital Customer Experience (1) This proposal directly supports the implementation of the agreed Customer Experience Strategy which will improve customer responsiveness and delivery. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.110**			
[2] Children's Social Care Transformation and OFSTED Response [MTFS 2021-25] This one-off investment will support the delivery of frontline services and care for our most vulnerable children. The directorate will target areas that require improvement following the ILACS (Inspection of Local Authority Children's Services) visit in December 2019 and it will provide a significant opportunity to ensure resources go towards improving the lives of children and families. *Net Carbon Impact** = 0.0* *Impact on service budget =*	***-1.500**** **Represents the removal of a prior year one-off budget*			
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[3] Pay inflation (2) This proposal includes incremental increases for eligible staff and nationally negotiated pay awards. Average increases are forecast at c.2.5%. This may not apply evenly across pay bands due to implications of the Living Wage. The proposals recognise the additional delayed impact of the 2021/22 pay negotiations which have not yet concluded and that also affect the 2022/23 budget. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+5.536**	**+3.873**	**+3.964**	**+4.062**
[4] National Insurance increase at 1.25% for social care funding (3) The planned introduction of a national Social Care Levy will increase national insurance contributions for all employers. As the Council is part of the public sector, government will provide compensation for such payments. Although not confirmed these costs are currently mitigated in full through increased grant. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.913**			
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[5] Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels (4) Improving debt collection will reduce income from court costs, which are already forecasting a budget shortfall. This is positive in many respects, although it does reflect an income deficit. The Council will continue to innovate with debt collection improvements that recognise the circumstances of those in debt. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.337**	**+0.013**	**-0.024**	
[6] Removal of temporary implementation budget and investment to run the new Financial System (11) Revenue funds are required to cover the running costs of the Council's existing business system (Oracle) during the period of decommissioning where there will be dual running with the new system. This need has arisen as a result of changes authorised through the B4B Programme governance and the early realisation of associated savings in previous years. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.453**	**+0.006**	**+0.006**	**+0.006**
Values represent a +/- variation to the Cheshire East Council approved budget for 2021/22* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[7] Continuing Healthcare Reviews [MTFS 2021-25] NHS Continuing Health Care is arranged and funded by the NHS for people who have complex ongoing healthcare needs. We intend to undertake reviews of Nursing Home placements and complex care packages to identify those people who have a primary health need and are therefore eligible for Continuing Healthcare Funding. This is to ensure that those who are eligible receive Continuing Healthcare Funding. This will be done in conjunction with our NHS Colleagues. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-1.000**	**-0.500**		
[8] Efficiency savings and Restructures within Corporate Services [MTFS 2021-25] All areas of the Corporate Services Directorate will look at ways to achieve efficiency savings, reduce costs and generate income. This will include staff restructures to focus on priority activities, self-service and digital solutions and any other suitable ways to reduce the cost base. *Net Carbon Impact** = +0.6* *Impact on service budget =*	**-0.350**			
Values represent a +/- variation to the Cheshire East Council approved budget for 2021/22* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[9] Reduce Base budget assigned to Community Grants [MTFS 2021-25] The Council had a budget of £200,000 per annum on Community Grants in 2020/21, most recently known as the Bright Idea Fund. Given the Council's current financial situation the Community Grants will reduce to £150,000 per annum in 2021/22, and to £50,000 per annum in 2022/23. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.100**			
[10] CCTV migration to wireless networks [MTFS 2021-25] The migration of the current CCTV service to a modern wireless network to improve efficiency and effectiveness and meet national codes of practice for CCTV delivery. Migration and a reduction in the fibre cable network will reduce current annual revenue expenditure following initial investment. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.085**			
[11] Transfer of Congleton Visitor Information Centre [MTFS 2021-25] Cheshire East Council have begun discussions regarding a new operating model for Congleton Visitor Information Centre, with a view to the Congleton Town Council managing and operating the centre through the transfer of Visitor Information provision. This will provide a sustainable and cost-effective visitor information model going forward. *Net Carbon Impact** = -3.9* *Impact on service budget =*	**-0.020**	**-0.010**	**-0.020**	
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[12] Review of corporate subscriptions [MTFS 2021-25] A review of the subscriptions, professional associations and journals that the corporate directorate subscribes to has been undertaken. The aim of the review was to identify any spend that is unnecessary, duplicated or surplus to requirements. A number of subscriptions have now been agreed as non-essential and will be cancelled within contractual obligations. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.015**			
[13] Regulatory Services and Environmental Health ICT procurement [MTFS 2021-25] The purchase of a replacement ICT system to support Regulatory Services in carrying out their enforcement and intervention activities as well as provide efficiencies through the automation of tasks and work allocation to officers. The system will store all activity records and produce reports and statutory returns on performance. As a result of this new system, from 2022/23, there is a forecast budget saving per annum of £9,000 which is the removal of the budget provided to the service to implement the system. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.009**			
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[14] Shared services review [MTFS 2021-25] A review of each service, shared between Cheshire East and Cheshire West and Chester Councils, will take place to ensure they are delivering value for money, that there is merit in continued collaboration, they are efficient and effective in their operational delivery, and identify opportunities for efficiencies. *Net Carbon Impact** = 0.0* *Impact on service budget =*		**-0.200**		
[15] Mitigation of reduction in the Dedicated Schools Grant [MTFS 2021-25] The central school services block (CSSB) within the DSG provides funding for local authorities to carry out central functions on behalf of maintained schools and academies. The block comprises two distinct elements: ongoing responsibilities and historic commitments. The DfE have begun to reduce the element of funding within the CSSB that some local authorities receive for historic commitments made prior to 2013/14, and which have been unwinding since. For CEC this impacts prudential borrowing repayments, budgets for ICT contracts and data intelligence. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.107**	**+0.122**	**+0.136**	
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22]* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Commercial Opportunities Look at opportunities to bring more income into the borough	2022/23 £m*	2023/24 £m	2024/25 £m	2025/26 £m
[16] Transactional Service Centre additional funding (5) This is a bid for growth, for the Transactional Service Budget as the base budget is underfunded due to a loss of income, additional costs of the Unit4 governance team, and inflation costs to the base budgets. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.238**			
[17] Orbitas income and management fee [MTFS 2021-25] Adjustments to the Council Company Orbitas Bereavement Services income target and management fee in line with the company's Service Delivery Plan and agreed by the commissioner. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.021**			
[18] Strategic Leisure Review [MTFS 2021-25] A strategic review will be undertaken of the subsidised Leisure provision paid by the Council through the management fee to Everybody Sport and Recreation to ensure the investment is achieving health and wellbeing outcomes for residents. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.250**			
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22]* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Commercial Opportunities Look at opportunities to bring more income into the borough	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[19] Brighter Futures Together Programme Customer Experience [MTFS 2021-25] This proposal will contribute to the Brighter Futures Programme Customer Experience Workstream objective: to become a customer centric organisation that puts all our customers at the heart of the everything we do, reflecting their feedback in the design and delivery of services. *Net Carbon Impact** = -0.4* *Impact on service budget =*	**-0.133**	**-0.081**		
[20] Review of governance of ASDVs and seeking increased opportunities for savings / commercial opportunities [MTFS 2021-25] The Council owns or partly owns several companies. It will review the governance arrangements of the Council wholly owned companies including the development of opportunities for efficiencies/ income generation. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.225**	**-0.100**		
[21] Everybody Sport and Recreation Annual Management Fee [MTFS 2021-25] The Operating Agreement between the Council and Everybody Sport & Recreation requires a minimum of a 3% cash reduction of the annual management fee based on the previous years agreed figure. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.042**	**-0.041**	**-0.040**	
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Commercial Opportunities Look at opportunities to bring more income into the borough	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[22] Establish a traded service for non-statutory elements of Attendance Service [MTFS 2021-25] The service has been undergoing a full review and developing plans to offer a traded service to schools. This would provide early intervention support and improve the support offer to schools and families to improve the attendance of children at school. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.035**	**-0.035**		
[23] Establish an Education Psychologist traded service to enable a proactive early support and intervention offer [MTFS 2021-25] The Education Psychology service has been undergoing a full review and developing plans to offer a traded service to schools. This would provide early intervention support to children and therefore also potentially reduce demand on the SEND service. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.025**	**-0.075**		
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[24] Revenue implications of capital: Vendor Management Phase 3 to drive improvements in procurement (6) Continuing improvements to the Council procurement and contract management process have seen the rollout and adoption of a new system. The system, Atamis, is a cloud-based contract lifecycle management (CLM) solution across Cheshire East Council, by the Corporate Procurement Team. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.175**	**-0.089**	**+0.071**	
[25] Revenue implications of capital : Essential replacement of unified IT Communications to support service delivery (7) Additional funding required to modernise the communication systems including telephony and video conferencing, to further enable the Flexible and Mobile Working (FMW) strategy by enabling corporate calling from most devices in most locations and improve video calling between corporate locations. *Net Carbon Impact** = -13.1* *Impact on service budget =*	**+0.110**	**+0.009**	**+0.017**	
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[26] Revenue implications of capital: Essential – security and compliance work to protect council information and systems (8) Cyber threats are increasing in both quantity and sophistication, with sources ranging from individuals, professional groups, and international actors. Additional investment would be needed from CEC to ensure the Council continues to have an appropriate security and compliance posture, capability, and capacity across our ICT platforms. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.097**	**+0.006**	**+0.006**	
[27] Revenue implications of capital: Procurements of Application Lifecycle Management (9) Additional funding would be needed for the Council's key line of ICT business systems from initial procurement, to implementation, maintenance and decommissioning. The benefits of robust Application Lifecycle Management (ALM) will be modern business systems that are secure, supportable and compliant. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.075**	**+0.075**	**+0.078**	
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[28] Revenue implications of capital to deliver IT - Information Assurance and Data Management Phase 3, including cyber security (10) The Information Assurance and Data Management (IADM) programme phase 3, will deliver key projects that will underpin the safeguarding of information and enhance its use. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.040**			
[29] Staff Travel and related savings (12) Staff travel savings will be derived from changes to working practices since COVID-19, some of which will continue in the future. A review of other terms and conditions is being undertaken to ensure that the Council is aligned with other Local Authorities in its application of terms and conditions. *Net Carbon Impact** = -247.2* *Impact on service budget =*	**-0.525**			
[30] Productivity and Efficiency in Adult Social Care [MTFS 2021-25] The COVID-19 pandemic has highlighted how adult social care can operate differently. There are opportunities on the horizon such as the development of the Integrated Care Partnership (ICP) and integration commissioning that will enable the staff to work differently. New ways of working and integrated posts will be adopted which will result in more efficient ways of working. *Net Carbon Impact** = -2.5* *Impact on service budget =*	**-0.500**	**-0.500**		
Values represent a +/- variation to the Cheshire East Council approved budget for 2021/22* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[31] Neighbourhood Estate Review [MTFS 2021-25] This proposal involves a review of all Council buildings that provide customer facing services within towns and neighbourhoods across the Borough. The aim would be to examine the potential to deliver services in a more coordinated and efficient way and reduce the Council's overall costs and carbon emissions associated with the running of these buildings. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.260**			
[32] Estates Transformation - Office Accommodation [MTFS 2021-25] This involves a strategic review and transformation of the existing main office estate as part of the Estates and ICT transformation programme. This will improve the design of the office environment, support flexible working, reduce overall carbon emissions by the Council and deliver net savings for the Council. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.100**	**-0.460**		
[33] Revenue implications of capital: IT - Infrastructure Investment Programme [MTFS 2021-25] To enable the delivery of a modern business architecture, including all core ICT infrastructure platforms, which underpin and support innovation, and affordable frontline delivery. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.127**	**+0.224**		
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Fair

We aim to reduce inequalities, promote fairness and opportunity for all and support our most vulnerable residents

Priority Aim 2: Fair

Proposals to vary the Budget under our Priority to be Fair are focused on these areas:

Reduce Reliance Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[34] Investment in Adult Social Care (13) The Adult Social Care (Operations and Commissioning) and Public Health budgets remain under continued pressure across the country. The rising cost of social care in Cheshire East is driven by two main factors: increasing demand for services and the increasing costs of providing them. Unit costs are driven mainly by workforce costs and reflect current difficulties with the recruitment of staff. Demand for social care is related directly to the number of people who need personal care or support to help them live their lives. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+4.000**	**+3.500**	**+4.000**	**+4.000**
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Reduce Reliance Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia	2022/23 £m*	2023/24 £m	2024/25 £m	2025/26 £m
[35] Care fee uplifts (14) Cheshire East Council has a duty under the Care Act 2014 to "promote the efficient and effective operation of a market in services for meeting care and support needs." In delivering this obligation, Councils must ensure the sustainability of the market and that there are sufficient high-quality services available to meet the care and support needs of adults in the area. This business case proposes a fee uplift for delivering care at home. *Net Carbon Impact** = 0.0* *Impact on service budget =*		**+2.000**		
[36] Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and future cost avoidance [MTFS 2021-25] The current and future cost savings will be made by reconfiguring the Communities Team to focus on low level prevention activity and mobilising the local community to support low level domiciliary care tasks. The appropriate management structure would be more integrated within Commissioning which will allow a seamless approach to gathering local need and intelligence and matching this to future integrated commissioning intentions. *Net Carbon Impact** = +2.3* *Impact on service budget =*	**-0.500**	**-0.750**		
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Reduce Reliance Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[37] Mental Health Services Review [MTFS 2021-25] We are proposing to undertake a full review and reassessment of all the Local Authority's section 117 aftercare arrangements under the Mental Health Act (1983), as permitted under the Act and acknowledging that people can recover from episodes of mental health and therefore can be enabled to live their lives more independently. As required by the legislation, this will be done in consultation with our NHS colleagues. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.500**			
[38] Day Care Review [MTFS 2021-25] Our strategic vision for day opportunities in the future within Cheshire East is to support safe, purposeful and personalised activities that enable citizens to play a valued role in their community and to live as independently as they choose. Ensuring that vulnerable adults can access activities appropriate to their needs, and with choice and control is paramount. By ensuring that all day opportunities adopt a more personalised and flexible approach we can potentially reduce the level of expenditure and see more people take up Direct Payments. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.070**	**-0.150**		
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Reduce Reliance Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[39] Electronic Call Monitoring Reclamation [MTFS 2021-25] This business case outlines how the Contract Management Team intend to monitor providers performance and potential cost reclamation against Key Performance Indicators for fulfilment of commissioned hours via the Electronic Monitoring System. The system is utilised to monitor the commissioned prime providers delivering care and support across the borough of Cheshire East against their Key Performance Indicators (KPI) as set out in the Care At Home contract specification, pricing schedule and Performance Monitoring Framework. The system aims to drive up the quality of the service that care providers deliver to people whose care is commissioned by the Council. The quality of the service actually delivered is measured against the commissioned care packages in terms of the start time of the call, call duration and continuity of carers. In cases where the care call is less than 80% of the commissioned call time and overall, less than 90% the contract allows Commissioners to recover any costs attributed to the failure to adhere to the call duration KPI. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.030**			
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Reduce Reliance Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[40] Market Sustainability and Fair Cost of Care - Grant Income (post consultation) The funding is designed to ensure local authorities can prepare their markets for reform (particularly the impact of section 18(3)) and move towards paying providers a fair cost of care, as appropriate to local circumstances. To prepare markets, we expect local authorities will carry out activities such as conducting a cost of care exercise, further engagement with the local market, strengthening market oversight or increasing fee rates. *Additional Ring-fenced Grant Income =* *Net Carbon Impact** = 0.0* *Impact on service budget =*	 **-0.979** **+0.979**			
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Safeguard Children Safeguarding our children from abuse, neglect and exploitation	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[41] Investment in Cared for Children and Care Leavers and other pressures (15) Cheshire East Council has corporate parenting responsibility for over 500 children and young people. These children and young people require the local authority to provide high quality, usually regulated care to safeguard and promote their welfare. Cheshire East Council provides this care in several different ways, through inhouse foster care including foster placements with family members, externally commissioned foster and residential care, 16+ supported accommodation and adoption. Children's Social Care have a clear strategy for the delivery of this essential care which includes increasing in-house fostering provision and mobilising additional residential children's homes. Currently the service utilises both in-house and externally commissioned care for children and young people and in 2020/2021 agreed a MTFS based on demand and best assumption around future predicted demand and complexity pre-pandemic. The COVID-19 pandemic has increased demand, complexity and acuity across the spectrum of need. The pandemic has also impacted upon our ability to recruit new foster carers at the pace that we require and fully mobilise our block residential contract, resulting in a financial pressure at the mid-point review 2021/2022. The impact of the pandemic remains visible nationally in relation to demand for statutory services and sufficiency challenges. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+4.000**	**+0.400**	**+0.400**	**+0.400**
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Safeguard Children Safeguarding our children from abuse, neglect and exploitation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[42] Increase capacity to support Statutory SEND service (16) Additional Special Educational Needs and / or Disabilities (SEND) Service capacity required due to the growth in the number of children with Education Health and Care Plans (EHCP) and the need to comply with statutory timescales for annual reviews, ensure coproduction and improve communications with families. Figures are under review and may be revised following further analysis of demand and pressures. *Net Carbon Impact** = +2.1* *Impact on service budget =*	**+0.400**	**+0.200**	**+0.120**	
[43] Revenue costs for Crewe Youth Zone (17) To develop a new Crewe Youth Zone, including an outdoor satellite site. The Crewe Youth Zone will provide a high-quality new build facility that supports young people to develop new skills and socialise in a safe, positive, and accessible environment, thereby demonstrating our investment in young people as valued citizens and vital users of our town centres. *Net Carbon Impact** = 0.0* *Impact on service budget =*				**+0.400**
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Safeguard Children Safeguarding our children from abuse, neglect and exploitation	2022/23 £m*	2023/24 £m	2024/25 £m	2025/26 £m
[44] Restructure Early Help Budget to fund Crewe Youth Zone (22) The revenue funding contribution from the council (estimated to be £400,000 for the first three years) to the operation of the Crewe Youth Zone will be funded through the restructure of Early Help and Prevention Services. The Youth Zone will create an estimated 70 jobs (35 full time equivalent) for youth workers and other associated building-based support services. We will review our Early Help and Prevention Services in light of the creation of these roles to ensure that our services are streamlined and there is not duplication between the council's offer and the support offered through the Youth Zone. *Net Carbon Impact** = 0.0* *Impact on service budget =*				**-0.400**
[45] Safeguarding Children – legacy staffing pressure (18) In previous years children's social care has increased its frontline capacity due to increased demand and particularly in relation to the need for agency placement. The service continues to experience high demand and is not in a position to offset legacy savings. This has been exacerbated by the impact of the pandemic where complexity across the spectrum of need has increased and frontline capacity is essential. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.390**			
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Safeguard Children Safeguarding our children from abuse, neglect and exploitation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[46] Growth in Children and Families Commissioning Contracts (19) Growth to correct a legacy pressure in the Children and Families commissioning budget. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.180**			
[47] Increase capacity to support Statutory Education Psychology Service (20) Significant growth in the number of children with Education Health and Care Plans requires urgent additional Educational Psychology capacity to carry out statutory work to meet the needs of vulnerable young people. Financial figures are under review and may be revised following further analysis of demand and pressures. *Net Carbon Impact** = +0.6* *Impact on service budget =*	**+0.125**	**+0.063**		
[48] A redesign of Early Help Services into a Locality model (21) We will redesign Early Help Services to a locality model. This will support us to achieve better outcomes for children as it will enable services to be strongly connected to communities which will support strong partnership working and information sharing. The redesign will result in a reduction in the budget for Early Help Services, but this will be offset by funding from external grants, including the Supporting Families Grant. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.424**			
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Safeguard Children Safeguarding our children from abuse, neglect and exploitation	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[49] Learning Disabilities Future Service Development and Review [MTFS 2021-25] We intend to review our commissioned services to ensure that they offer the very best experience and life chances for people with learning disabilities. This will involve working with our NHS colleagues and care providers ensuring a person-centred approach at all times. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-1.000**	**-1.250**		
Values represent a +/- variation to the Cheshire East Council approved budget for 2021/22* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Best Start All children to have the best start in life with ongoing opportunities to maximise their potential	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[50] Development and Partnerships Service [MTFS 2021-25] This service supports achieving better outcomes for children, young people and families through delivery of service development, improvement and transformation initiatives, effective partnership working through the coordination of the key children's partnership boards, coordination of external support and validation including inspection, and support to the cross service business functions for the Children's and Adults, Health and Integration Directorates. As the service manages projects and service developments, some of which are grant funded, this proposal is to reduce Council base funding for the service and replace this with other funding opportunities, including external grants. *Net Carbon Impact** = -1.4* *Impact on service budget =*		**-0.300**		
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Green

We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development

Priority Aim 3: Green

Proposals to vary the Budget under our Priority to be Green are focused on these areas:

Great Place A great place for people to live, work and visit	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[51] Asset / Service Transfer [MTFS 2021-25] Council wishes to engage with Community organisations and Local Councils to explore opportunities to support service delivery and efficiencies for example through community asst transfers and partnership approaches to supporting services. Based on engagement with partner organisations we have reduced the savings target as a more deliverable target. *Net Carbon Impact** = -10.5* *Impact on service budget =*	**-0.030**	**-0.020**		
[52] Tatton Park [MTFS 2021-25] These planned savings result from income and efficiencies generated through the investment programme in the facilities at Tatton Park, which will improve the visitor experience and reduce the overall subsidy the Council makes to Tatton Park. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**-0.006**	**-0.028**	**-0.046**	

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Subsequent years are the incremental change from the previous year
*** Estimated annual change in the Council's carbon footprint*

Environment To reduce the impact on our environment	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[53] Waste Contract Inflation and Tonnage Growth [MTFS 2021-25] Housing growth to date and future projections will see a corresponding increase in collection costs and recycling and waste. In addition, annual contract inflation and a rise in the quantity of waste per household is increasing waste handling and disposal costs. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.644**	**+0.657**	**+0.613**	
[54] Tree Risk Management [MTFS 2021-25] Additional investment is required to fund the implementation of the Council's tree risk management strategy. *Net Carbon Impact** = +1.1* *Impact on service budget =*	**+0.500**			
[55] Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units [MTFS 2021-25] Illuminated traffic signs and bollards are an integral feature of the highway providing guidance and direction for all road users. Installed over the last 50 years they are an ageing, energy inefficient asset that requires replacement with low energy LED illumination or no energy de-illumination to current standards. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.030**	**-0.004**	**-0.031**	
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Environment To reduce the impact on our environment	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[56] Environment Strategy and Carbon Neutrality [MTFS 2021-25] We have committed to be carbon neutral by 2025 and to influence carbon reduction across the borough. Our Environment Strategy and Carbon Action Plan sets out how we will achieve this, and this funding is to enable its delivery. This is a priority for the Council as outlined in the draft corporate plan and the response to consultation supports this growth being included in the budget. *Net Carbon Impact** = -77.2* *Impact on service budget =*	**+0.020**	**-0.081**		
[57] Inflation in Utility costs and enhanced Carbon Management (post consultation) Growth Bid to cover the increasing cost of energy on the wholesale market, which are as a result of factors outside the control of the Council, together with additional investment to support the Council's carbon neutral ambitions through energy efficiency in Council buildings. *Net Carbon Impact** = -55* *Impact on service budget =*	**+1.500**	***-1.500**** **Represents the removal of a prior year one-off budget*		
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22](#)* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Environment To reduce the impact on our environment	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[58] Investment in improving the customer experience in Planning Services (post consultation) This temporary investment will be used to implement recommendations from the Planning Deep Dive review. It will include measures to help reduce the backlog that has built up over the last two years due to above average numbers of applications, improve performance and customer experience and help retain/attract staff. *Net Carbon Impact** = +1.1* *Impact on service budget =*	**+0.500**	***-0.500**** **Represents the removal of a prior year one-off budget*		
Values represent a +/- variation to the Cheshire East Council approved budget for 2021/22* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Environment To reduce the impact on our environment	**2022/23** **£m***	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
[59] Investment in Public Rights of Way (post consultation) Growth bid to increase capacity in statutory Public Rights of Way and related service delivery, access improvement and management of sustainable access routes, including a) determination of Definitive Map Modification Order applications; and b) revenue budget allocation to match inflation for continued maintenance of assets. *Net Carbon Impact** = +0.1* *Impact on service budget =*	**+0.200**	***-0.100**** **Represents the removal of a prior year one-off budget (part)*		
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Transport A transport network that is safe and promotes active travel	**2022/23 £m***	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
[60] Parking service – postponement of review of charges (23) This business case updates a prior year's proposal to align parking operational arrangements with corporate priority outcomes through changes to the borough's car parking provision. Following a decision at the Highways Committee in September 2021, these proposals will not be taken forward at this time. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.504**			
[61] Local Supported Buses (24) The planned efficiency savings are no longer considered to be achievable at this time following market testing of options and taking into account the bus sectors prolonged impact from the pandemic. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+0.008**	**-0.012**		
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Transport A transport network that is safe and promotes active travel	2022/23 £m*	2023/24 £m	2024/25 £m	2025/26 £m
[62] School Transport (25) [REVISED] A review of current school transport budget requirements shows an increase in eligible children, in particular those with special educational needs and / or disabilities (SEND), and rising costs of school transport provision. Forecasted financials are being updated and should be revised following this analysis of demand and pressures but the latest forecasts suggest there may be a requirement to increase funding for this proposal by a further £1m due to current cost pressures. There is clearly an impact of increased transport costs due to COVID-19 and could therefore require draw down from available COVID-19 funding. The planned transport review will consider the costs and benefits as part of a wider range of sustainable transport options across the borough. *Net Carbon Impact** = 0.0* *Impact on service budget =*	**+1.200**	*-1.200** *Represents the removal of a prior year one-off budget*		
Values represent a +/- variation to the [Cheshire East Council approved budget for 2021/22]* *Subsequent years are the incremental change from the previous year* * Estimated annual change in the Council's carbon footprint*				

Section 2 - Financial Stability

Introduction

1. Proposals to vary the Council's expenditure and income plans, are set out in **Section 1** of this report. The proposals highlight the significant variations required over the medium-term to help the Council provide appropriate support to local residents and businesses via sustainable services. To achieve a balanced financial position the Council reflects service ambitions, and any impact on Central budgets and matches this to the available resources from Council Tax, Business Rates, Grants and an appropriate use of reserves.

2. A balanced MTFS, matches expenditure to resources over the medium-term, and creates a financially sustainable position. The 2022 to 2026 MTFS is the second time that Cheshire East Council has produced a four-year budget where a balanced position is presented across all financial years of the strategy. This is a significant undertaking, but maintaining this approach supports sound decision making.

3. In October 2021, the Chancellor announced the Spending Review 2021 that covered the next three years (2022/23 to 2024/25). Details of the funding allocations for each local authority were announced at the provisional settlement on 16th December 2021, allocations prioritised "stability in the immediate-term" by confirming the position for 2022/23 only.

4. The national review of local authority funding, including the changes planned to the Business Rates Retention Scheme are being delayed a further year until 2023/24. Consultation with local authorities will recommence in Spring 2022.

The key areas being covered in this section include:

Forecast Outturn 2021/22

2021/22 (GROSS Revenue Budget £492.7m)	Revised Budget (NET) £m	Forecast Outturn Including Covid £m	Forecast Covid Expenditure £m	Forecast Outturn Excluding Covid £m	Forecast Over / (Underspend) Excluding Covid £m
SERVICE DIRECTORATES					
Adult Social Care - Operations	28.1	27.6	0.4	27.2	(0.9)
Commissioning	90.9	92.9	0.8	92.1	1.2
Public Health	-	-	-	-	-
Adult, Health and Integration	119.0	120.5	1.2	119.3	0.3
Directorate	0.9	0.8	-	0.8	(0.1)
Children's Social Care	43.2	48.5	0.5	48.0	4.8
Prevention & Early Help	8.3	8.0	0.2	7.8	(0.5)
Education & 14-19 Skills	16.4	18.3	0.2	18.1	1.7
Children's Services	68.8	75.6	0.9	74.7	5.9
Directorate	0.9	0.9	-	0.9	-
Environment & Neighbourhood Services	42.3	44.8	3.6	41.2	(1.1)
Growth & Enterprise	20.9	20.4	0.3	20.1	(0.8)
Highways & Infrastructure	11.2	14.0	2.1	11.9	0.7
Place	75.3	80.1	6.0	74.1	(1.2)
Directorate	0.4	0.3	-	0.3	(0.1)
Finance & Customer Services	12.0	12.7	0.5	12.2	0.2
Governance & Compliance Services	9.1	8.6	0.2	8.4	(0.7)
Transformation	14.0	13.9	0.2	13.7	(0.3)
Corporate Services	35.5	35.5	0.9	34.6	(0.9)
TOTAL SERVICES NET BUDGET	298.6	311.7	9.0	302.7	4.1
CENTRAL BUDGETS					
Capital Financing	14.0	14.0	-	14.0	-
Transfer to/(from) Earmarked Reserves	2.2	2.2	-	2.2	-
Corporate Contributions / Central Budgets	(2.9)	(4.7)	-	(4.7)	(1.8)
Central Budgets	13.3	11.5	-	11.5	(1.8)
TOTAL NET BUDGET	311.9	323.2	9.0	314.2	2.3
Business Rates Retention Scheme	(49.1)	(49.1)	-	(49.1)	-
Specific Grants	(20.0)	(29.0)	(9.0)	(20.0)	-
Council Tax	(242.8)	(242.8)	-	(242.8)	-
Central Budgets Funding	(311.9)	(320.9)	(9.0)	(311.9)	-
FUNDING POSITION	-	2.3	-	2.3	2.3

5. In December a forecast outturn of £2.2m net overspend was reported at the Finance Sub-Committee (The full report can be found [Agenda for Finance Sub-Committee on Wednesday, 1st December, 2021, 2.00 pm | Cheshire East Council]). The outturn position is now forecast to be an overspend of £4.1m across Council Services due to the following changes:
   - Increased care costs within Adults, Health and Integration (£0.1m)
   - Increase in Children's Social Care agency placements (£0.1m)
   - Staff vacancies in Prevention and Early Help (-£0.1m)
   - Increased costs of school transport (£1.8m) within Education and 14-19 skills, offset by catering position (-£0.2m)
   - Temporary benefit within Environment from increased recycling income, mitigating costs from additional waste collection and high levels of waste (-£0.6m)
   - Underspend in Facilities Management from reduced electricity and gas usage due to continued closed and under utilised buildings due to COVID-19, together with energy and water efficiency projects (-£1.0m)
   - A fall in commissioned hours in ICT Shared Service (£0.2m)

6. Mitigation in Central Budgets has come from positive pension valuation forecasts. In the third quarter there was improved recovery of past service pensions in Central Budgets (-£0.2m) reducing the net overspend to £2.3m.

7. This forecast may be subject to variation in the final quarter, as COVID-19 and changes to the core finance system have disrupted normal reporting processes in 2021/22. Budget managers take robust actions to control costs and any remaining variation to budget at year-end will be managed

through the Council's Medium-Term Financial Strategy Earmarked Reserve in the first instance.

8. Individual pressures identified above are reflected in the MTFS for 2022/23 to 2025/26. The emerging pressure in school transport is the only significant item that has required adjustment compared to the consultation document produced in November 2021.

Balance of National vs Local Funding

9. Cheshire East Council continues to rely on local funding to fund services as opposed to Central Government grant. Funding for Council services from council tax and business rates continues to be c.95% of the total net funding into 2022/23. Net funding excludes ring-fenced grants for Schools, Public Health and Housing Benefits for example.

10. The Government Spending Review 2021 provided additional funding to Local Government, but deferred changes to the funding models currently in use. Core spending power (the measure that Central Government uses to measure any increase in available revenue funding for local authorities) is set to increase by £4.9bn for Local Government for 2022/23 (excluding the additional funding for social care reform) which is much higher than in recent years.

11. Key measures for Local Government from the announcements include:
    a. 1.99% increase in "core" council tax, plus a further 1% increase in the Adult Social Care precept;
    b. £4.8bn additional grant funding over the next three years for the sector (£1.6bn each year);
    c. Additional funding for social care reform (£3.6bn over three years) to implement the "cap" on personal care costs

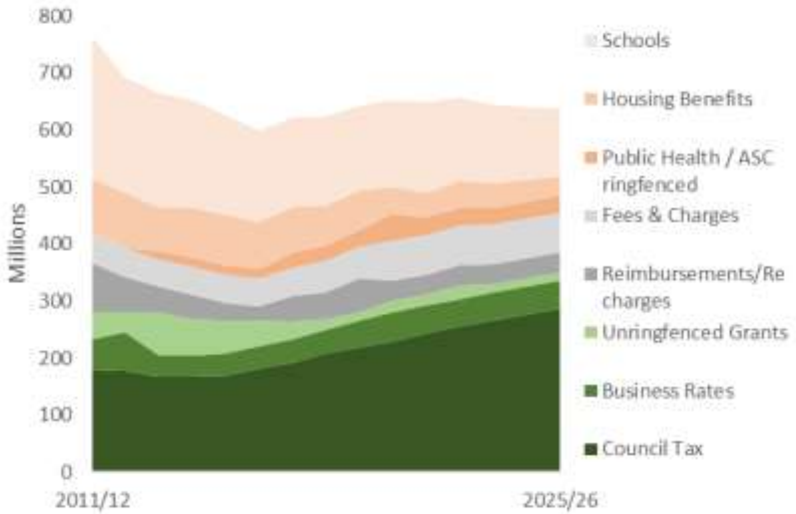
12. These were confirmed as part of the Provisional Local Government Finance Settlement which was announced on 16th December 2021. Detailed grant allocations for each local authority (for 2022/23 only) were announced at this time.

13. A new one-off 2022/23 Services Grant has been created to fund general responsibilities. Existing social care grants have continued for a further year and increased for 2022/23. There is also a further year of the New Homes Bonus. Full details are set out in this section and also in **Appendix 7**.

14. **Chart 1** illustrates how the balance between funding sources continues the trend of placing increasing emphasis on support from local funding sources over time.

15. The 2022/23 Budget Report is based on the Provisional Local Government Finance Settlement released on 16th December 2021. The final settlement is expected in early 2022 with a debate in the House of Commons shortly after. Any further information on funding will be reported to Members as soon as practical and may require management through the MTFS Earmarked Reserve.

Chart 1: The Council continues the trend of being more reliant on local funding sources



Source: Cheshire East Finance

16. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2021/22 to 2025/26. This shows how local funding sources are being increased to fund growth in service budgets, and how Government grants are contributing to a lesser extent in monetary terms.

Table 2: Council Tax increase funding available to Services

	2021/22 £m	2025/26 estimated £m	Change £m	Change %
Council Tax	-242.8	-286.7	+43.9	**+18.1%**
Government Grants	-19.2	-14.8	-4.4	**-22.9%**
Business Rates Retention	-49.1	-49.1	-	**-**
Funding Available to Services	**-311.1**	**-350.6**	**+39.5**	**+12.7%**

Sources:
Cheshire East Council
Department for Levelling Up, Housing and Communities

17. Central Government management of the Business Rates Retention Scheme and control over council tax levels continue to influence Councils' spending plans.

18. In Cheshire East, the Council is meeting this challenge in a number of ways and focusing on longer term financial stability through the following actions:

- **Growing the domestic taxbase** - Each new home brings additional council tax revenue, New Homes Bonus (up to 2022/23) and, since 1st March 2019, a community infrastructure levy where relevant. However, homes also bring additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully examined to achieve maximum value to ensure council tax increases for residents are kept to a minimum overall.

- **Promoting Economic Growth** - business growth could result in additional income being retained for local investment, subject to certain thresholds. Therefore, the Council continues to invest in driving economic growth and infrastructure projects that will unlock development land and support inward investment.

- **Increasing employment opportunities** - through economic growth resulting in fewer people relying on welfare benefits from the Council which releases funding for further investment or for direct provision of front- line services.

- **Maintaining strong collection rates and challenge of taxbases** - to ensure fairness to all involved and ensure the Council maximises local income for local use.

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

Government Grant Funding of Local Expenditure

19. The detailed funding settlement from Government impacts on longer term financial planning. Key dates for 2022/23 include:

- The Spending Review announcement on 27th October 2021.

- The release of the Provisional Settlement on 16th December 2021 confirming the allocation of grants, approach to council tax and confirmation of business rates baselines.

- Final Settlement announced early February 2022.

These have set out changes to:

- General funding levels – confirming the continuation of no Revenue Support Grant for the Council (barring £7,000), a new one-off Services Grant to fund general responsibilities, Social Care grants increased from 2021/22 levels, and one more year of new NHB funding.

- Additional funding announcements, payable to local authorities, for the following areas:
    - Social care and support
    - Disabled Facilities Grant
    - Highways
    - Strategic Housing Deals

20. The Government Grants provided to local authorities can be categorised under several main headings:

- Revenue Support Grant (£7,000 in 2022/23)

- Specific Grants (unring-fenced revenue) (£23.9m in 2022/23)

- Specific Grants (ring-fenced revenue) (£227.6m in 2022/23)

- Capital Grants (main programme) (£88.4m in 2022/23)

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

Revenue Support Grant (RSG)

21. The Council will continue to receive no Revenue Support Grant in 2022/23 (barring £7,000) and means that all grants rolled into RSG over the years, including previous Social Care new burdens, and Council Tax Freeze Grants, have also been reduced to virtually nil.

22. Negative RSG arose as part of the four-year settlement from 2016/17 to 2019/20. It is defined as a 'downward adjustment of an authority's business rates top-up and tariff'. It occurs when an authority's required reduction in core funding

exceeded the available amount of RSG for that authority meaning that the reduction has to be sought from their retained business rates share.

23. This is the position that Cheshire East is in due to RSG ceasing by 2019/20 and negative RSG is now in the region of £2.6m.

24. Central Government has funded this negative adjustment each year rather than physically removing funding from all authorities in this position therefore, to date, no negative RSG has been paid by the authority. This has been confirmed again for 2022/23 but continues to present a risk that future settlements will remove this level of support.

Unring-fenced Specific Grants

25. Separate unring-fenced Specific Grants have been largely retained, or increased, and total £23.9m in 2022/23, but reduce to an estimated £14.8m by 2025/26. The detailed list is shown in **Annex 7** and summarised in **Table 3.** Note that Table 3 shows the original budget for 2021/22 and **Annex 7** shows the revised in-year position including grants received after the budget was set.

26. The list of Specific Grants mainly relates to funding for the New Homes Bonus (NHB) and Social Care Grants. Together they equate to 78% of the total unring-fenced specific grants expected in 2022/23.

27. As part of the Spending Review (October 2021) and Provisional Local Government Finance Settlement (December 2021), there were unring-fenced funding allocations for 2022/23 of £11.4m to support social care for Cheshire East. This is made up of the continuation of the Social Care Support grant from 2021/22 (£8.0m) and a further allocation of £3.4m which is the authorities share of the announced new monies. The new Services Grant, which will cover expenditure including the additional cost of the National Insurance increase for example, is £2.9m for 2022/23 for Cheshire East. Full details of all the announced funding for 2022/23 is set out in **Appendix 7**.

Table 3: Specific grant levels are reducing over time

	2021/22 £m	2025/26 estimated £m	Change £m	Change %
Revenue Support Grant	-	-	-	
New Homes Bonus	-7.8	-	-7.8	
Social Care Grants	-8.0	-11.4	+3.4	
Independent Living Fund	-0.8	-0.8	-	
Other Grants	-2.6	-2.6	-	
Total Specific Grants	**-19.2**	**-14.8**	**-4.4**	**-22.9%**

Sources:
Cheshire East Council
Department for Levelling Up, Housing and Communities

28. The 2022/23 allocation of NHB is again to be paid for one year only which extends the 2020/21 and 2021/22 single year allocations. Legacy payments will continue and phase out as planned with the final NHB payment to be made in 2022/23.

Ring-fenced Specific Grants

Dedicated Schools Grant (DSG)

29. The Government announced the revised allocations of DSG for 2022/23 on 16th December 2021. DSG is a ring-fenced grant provided to the Council to meet certain educational costs.

30. Under the national funding formula (NFF) arrangements DSG is allocated in funding blocks, namely the Schools Block, Early Years Block, High Needs Block and Central Schools Services Block.

31. The Schools Block allocation to the Council is based on the schools' block NFF. This takes October 2021 pupil data and provides a basic per pupil amount plus additional funding for issues such as deprivation and low attainment. The NFF also applies a minimum per pupil level of funding of £4,265 Primary and £5,525 Secondary in 2022/23. Those values must be used in any local formula.

32. Local authorities can provide funding to schools through a local formula for 2022/23. The Schools Forum have agreed that a local formula using the NFF values and allocating any additional funding via the basic entitlement and applying a minimum funding guarantee of +0.5% should be submitted for consideration at the 14th February 2022 Children and Families Committee.

33. For 2022/23 the Schools Forum has not agreed to a transfer of 0.5% from the Schools Block to High Needs. As a result, the Council has applied to the DfE to reverse that decision. The outcome is not yet known, and an update will be provided to Committee. The transfer has **not** been assumed for the model submitted to Committee.

34. Subject to permission from the DfE and subsequent Committee approval that formula will be used to allocate funding to schools for 2022/23. The per pupil figures in **Table 4** assume that the formula is approved.

35. The Early Years Block is mainly comprised of:

- Funding for the universal 15 hour entitlement for all three- and four-year-olds.
- Funding for the additional 15 hours for three- and four-year-old children of eligible working parents.
- Funding for two-year-olds.
- Funding for the Early Years pupil premium plus a few other areas.

36. The High Needs Block is a single block for local authorities' high needs pupils / students aged 0-24. The block includes place funding for pre-16 and post-16 places in appropriate establishments such as mainstream schools, special schools and the pupil referral unit. The block includes top-up funding for pupils and students occupying places in such settings.

37. The high needs block is calculated through the high needs NFF. This is made up of a range of factors and weightings including:

- A basic entitlement
- An historic spend factor
- A population factor

- Measures relating to low attainment and deprivation
- A funding floor
- An area cost adjustment

38. The Council has received additional high needs funding for 2022/23 of £4.3m. The 2022/23 DSG figure in **Table 4** includes that amount. Under current forecasts that will be used to bring the DSG Reserve back to balance, but it will not be sufficient to meet demands placed on high needs funding.

39. The Central Schools Services Block is based on a NFF that includes:

- Historic commitments
- Ongoing responsibilities
- An area cost adjustment

40. The historic commitments element of the central block has been subject to a further 20% reduction by the DFE for 2022/23. This is being reviewed to establish what the options are as historic commitments includes prudential borrowing costs.

41. **Table 4** shows the DSG received for 2021/22, the indicative DSG for 2022/23, and per pupil funding levels. (This excludes the adjustment for Academy recoupment).

42. Other than the high needs transfer all the schools block funding is passported directly through to schools.

Table 4: The largest increase in Dedicated Schools Grant is in the High Needs Block

	Actual 2021/22 £m	Dec 21 2022/23 £m	Change £m	Change %
Total Dedicated Schools Grant				
Comprising:				
Schools Block	245.3	254.7	9.4	**3.8%**
Central School Services Block	2.6	2.5	-0.1	**-4.0%**
Early Years Block	23.2	23.3	0.1	**0.4%**
High Needs Block	44.5	48.8	4.3	**9.7%**
Per Pupil Funding	**£ / pupil 2021/22**	**£ / pupil 2022/23**		
Dedicated Schools Grant:				
Schools Block				
Primary	4,417	4,539		
Secondary	5,644	5,780		
Central Schools Block (ongoing responsibilities)	32.16	35.54		
Early Years Block 3 and 4 hourly rate	4.44	4.61		
2-Year-old hourly rate	5.44	5.65		

Figures quoted are before the Academy recoupment and before any High Needs reduction.

Figures are prior to de-delegation and assumes High Needs Transfer and Growth Funding are removed.

Sources:
Cheshire East Council
DFE

Teachers Pay and Pensions Funding

43. The DSG figures for 2021/22 and 2022/23 for the schools, high needs and central blocks continue to reflect the rolling in of the previously separate grants for teachers' pay and pensions funding.

Dedicated Schools Grant (DSG) ~ Academy Funding

44. The Department for Education are clear that becoming an academy should not bring about a financial advantage or disadvantage to a school but rather, enable academies to have greater freedom over how they use their budgets.

45. The Schools Block funding receivable for the 89 academies which opened before or during 2021/22 has not been removed from the total DSG award to be received (as reflected in **Table 4**). The funding for these academies of approximately £179.6m (based on 2021/22 funding) will be deducted from the Authority's DSG as part of the academy recoupment process (see **Annex 7).**

Sixth Form Funding

46. Total sixth form funding of £2.9m is receivable for maintained schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known). In 2021/22 a balance of £62.2m was allocated directly to academies by the Education and Skills Funding Agency. The allocation for 2022/23 is not yet known.

Pupil Premium Grant

47. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2022/23 are £1,385 for primary aged pupils and £985 for secondary-aged pupils for every eligible child in both maintained schools and academies. All looked after children, adopted children and children with guardians will attract funding of £2,410 and children whose parents are in the armed forces will attract £320 per annum for 2022/23. It is estimated that Cheshire East Council will receive £4.5m in relation to the Pupil Premium for 2022/23.

Physical Education Grant

48. The Council expects to receive £1.1m for 2022/23. This is an estimate after any reduction for academies.

Universal Infant Free School Meals (UIFSM)

49. The Council expects to receive £1.8m for 2022/23. This is an estimate for maintained schools. The figure is normally based on a set amount per eligible pupil. The grant is paid directly to local authorities or academies. The Council will comply with the requirement to pass on the grant to maintained schools in full.

School Improvement Monitoring and Brokering Grant

50. This is a grant for local authorities to continue to monitor and broker school improvement provision for low-performing maintained schools and intervene in certain cases. The Council has received funding up to March 2021.

51. The DfE consulted on significant changes to the grant during 2021 and the Government response to how local authorities' school improvement functions are funded was announced on 11th January 2022. This confirms that the grant will be reduced by 50% for 2022/23 to £0.1m, prior to full removal in 2023/24.

Milk Subsidy Grant

52. This grant has not yet been confirmed for 2022/23, however based on previous allocations, the current grants register assumes £10,000 will be received in 2022/23.

DSG Reserve Forecasts

53. The Council holds a reserve to manage DSG balances without impacting on the Council's General Reserves. The pressure from high needs as a result of the growth in the number of pupils with an EHCP had been reducing the reserve balance and in 2019/20 the reserve moved into a deficit position.

54. The pressures continued into 2020/21 and 2021/22 extending the overall deficit. Current forecasts suggest the reserve will continue to be in an increasing deficit in the medium-term. Plans are being taken forward to reduce the spend pressures but funding models do not reflect forecast activity. It is not clear when, or even if, the reserve can be returned to surplus.

55. The reserve position can be summarised as:

Table 5: Dedicated Schools Grant Reserves are negative

Table 5	2021/22 £m
Brought Forward Position	-10.0
Forecast Overspend for High Needs	-15.5
Early Years – additional hours	Tba
Predicted Carry Forward	**-25.5**

Source:
Cheshire East Council

56. Additional High needs expenditure will continue to form a pressure on the reserve in 2022/23 and the medium-term. Local Authorities are allowed to hold a negative reserve based on a temporary override of accounting treatment approved by DLUHC. The removal of this override would present a significant risk to Councils. DLUHC are looking to a managed reduction of this risk with DfE.

Public Health Grant

57. Public Health responsibilities cover a wide range of services including sexual health services; children's 0-19 services; NHS health check programmes; substance misuse services, infection control and One You services.

58. Public Health grant has been ring-fenced from 2013 and will continue to be so during 2022/23 to ensure expenditure is incurred in line with the public health framework.

59. Estimated allocations for 2022/23 set the grant levels at £16.9m. Confirmation of the final allocations has not yet been received.

COVID-19 – Contain Outbreak Management Fund

60. The Contain Outbreak Management Fund (COMF) was originally announced in June 2020 and at the time was called the Test and Trace Support Grant. It started off as £300m for local authorities to develop local outbreak management plans and support Test & Trace.

61. The grant was subsequently renamed as the COMF and expanded to provide Local Authorities with further financial support. Since then, the criteria for distribution and spending have adapted to allow English LAs to tailor their coronavirus responses to suit the needs of their communities.

62. Cheshire East has been allocated £12.7m since the start of the pandemic up to the end of 2021/22.

63. Currently all COMF funding must be spent by the end of March 2022. There have been calls to extend it, however, at the time of writing there has not been any updates regarding new allocations for 2022/23 or whether unspent COMF can be carried into 2022/23.

COVID-19 – Income losses

64. There is no expectation that support to fund losses in sales, fees and charges will continue into 2022/23.

65. There is also likely to be no further compensation funding for losses in local taxation.

COVID-19 – Support for Families

66. On 21st June 2021, the COVID-19 Local Support Grant was extended for a final time, by a further £160m nationally, to cover the period up to 30th September 2021. This temporary support is being extended beyond the planned ending of COVID-19 restrictions to help families as the economy recovers and the vaccine rollout continues.

67. There is therefore no additional grant funding expected for 2022/23.

COVID-19 – Support for Businesses

68. On 21st December the Chancellor announced a further £1bn in support for businesses hit by the rise on COVID-19 cases. Businesses in the hospitality and leisure sector will be eligible for one-off grants of up to £6,000 per premises.

69. There has been no announcement that this level of support will continue into 2022/23.

Collecting Local Taxes for Local Expenditure

Business Rate Retention Scheme (BRRS)

70. Locally collected non-domestic taxes, that are directly retained by the Council, will provide approximately 15% of the Council's net funding in 2022/23. The Council anticipated collection of approximately £151m (before accounting adjustments) in business rates in 2021/22, is based on the Council's NNDR1 return to Central Government on 31st January 2021.

71. The projected total deficit on the Business Rates collection fund, primarily as a result of COVID-19, is **c.£9.1m**. This includes the prior year spreading of the 2020/21 deficit over the period 2021/22 to 2023/24. One third of this 2020/21 deficit will be repayable in 2022/23 along with the deficit as a result of the 2021/22 performance. More information is included in **Annex 5**.

72. Under the BRRS arrangements 50% of the net rates collected is paid to Government with 49% being retained specifically to support Cheshire East Council services. 1% is paid to the Fire Authority. In addition to this reduction a tariff of £24.7m must be paid to Government which is used to top-up funding allocations to other local authorities.

73. From 2021/22, growth forecasts in business rates have been paused due to the overall reduction in the taxbase and uncertainty around growth in future years, in part, due to the ongoing pandemic situation. **Annex 5** sets out the position in further detail, but for budgeting purposes the total business rates funding available for the revenue budget has been maintained at the same overall level as the 2021/22 budgeted level (£49.1m).

74. Since the baseline funding level for business rates retention was set back in 2013/14, there have been many policy changes around reliefs for different business types. With each policy change, all local authorities are compensated for their share of business rates foregone. In 2022/23 £6.6m of this compensation has been included within the business rates budget with the remaining compensation being credited to the Collection Fund Earmarked Reserve to continue to support any future risks around business rate funding.

Table 6: Funding from Business Rates is static

	2021/22 £m	2025/26 £m	Change £m	Change %
Business Rates Retention Scheme – Baseline Funding	-42.5	-42.5		
Growth in retained rates (cumulative)	-3.1	-		
S31 compensation grants	-3.5	-6.6		
Business Rates Retention Scheme – Total Funding	**-49.1**	**-49.1**	**-**	**-**

Sources:
Cheshire East Council

75. The Impact Assessment at **Annex 3** identifies how changes in business rates could affect local business.

Council Tax

76. Locally collected domestic taxes that are directly retained by the Council will provide 77.7% of the Council's net funding in 2022/23. The Council therefore takes a very careful approach to managing the domestic taxbase in a way that reflects local growth ambitions and supports sustainable services in the medium-term.

77. The Provisional Finance Settlement confirmed the referendum limit on base increases was to be set at 2%, with a further 1% flexibility for another Adult Social Care precept. As such it is proposed that council tax is increased by 2.99% (including 1% ring-fenced for Adult Social Care pressures) for 2022/23 to give a Band D charge of £1,626.24 for 2022/23.

78. The proposed increases over the rest of medium-term are currently 2.99% at this time which aligns with government expectations of resources available within the Council's Core Spending Power.

79. The calculation of the council tax for 2022/23 is shown in **Table 7**.

Table 7: Band D Council Tax is calculated after grant and business rate allocations

		2022/23 £m	2022/23 £m
Total Net Revenue Budget 2022/23			327.7
Specific Grants			-23.9
Revenue Budget recommended to Council on 24th February 2022			303.8
Less:			
Business Rates Retention Scheme	-15.0% [1]	-49.1	
Revenue Support Grant	0.0% [1]	0.0	-49.1
Amount to be raised from Council Tax	**77.7%** [1]		**254.7**
No. of Band D Equivalent Properties			**156,607.48**
Band D Council Tax			**£1,626.24**

Sources:
Cheshire East Council
[1] Percentage of Cheshire East Net Budget

80. The impact on each council tax band and the number of dwellings in each band is shown in **Table 8**.

Table 8: Impact of Council Tax on each Band

Band	**A**	**B**	**C**	**D**
Council Tax £	1,084.16	1,264.85	1,445.55	1,626.24
No of Dwellings	31,141	37,645	35,919	27,142
Band	**E**	**F**	**G**	**H**
Council Tax £	1,987.63	2,349.02	2,710.40	3,252.48
No of Dwellings	21,880	14,710	12,699	1,918

Source:
Cheshire East Council

Council Taxbase

81. The council taxbase quantifies the number of properties from which the Council is able to collect council tax. The taxbase is presented as an equivalent number of domestic properties in council tax Band D terms after adjusting for relevant discounts and exemptions (for example a Band H property counts as two Band D properties, whereas a Band A property counts as two thirds of a Band D). The level of council tax multiplied by the taxbase equals the expected income from local taxation.

82. The gross taxbase for 2022/23 (before making an allowance for non-collection) is calculated as 158,189.37. After taking into account current high collection rates, the non-collection rate has been maintained at 1.00% for 2022/23. This results in a final taxbase of **156,607.48** Band D equivalent domestic properties.

83. The taxbase for 2022/23 reflects an increase of 1.8% on the 2021/22 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of continuing higher levels of council tax support due to the ongoing pandemic situation. The council taxbase was approved by Council on 15th December 2021.

84. Cheshire East has a relatively high council taxbase compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands F to H in the Cheshire East area (16% in Cheshire East compared to the England average of 9%).

85. The taxbase has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords, under Section 13A of the Local Government Finance Act 1992. The period eligible for exemption is being maintained at four weeks.

86. In common with most Billing Authorities, Cheshire East Council charges a council tax premium of 100% on property that has been empty for two years or more in order to encourage homes to be brought back into use. The Local Government Finance Act 1992 (amended) enables Councils to charge a premium on empty properties.

87. The Autumn Budget 2017 allowed Councils to increase the premium from 100% to 200% with effect from April 2020. This change was implemented with effect from 1st April 2020. There was further flexibility granted for properties over 10 years old by allowing a 300% charge to be levied from April 2021. This change was also implemented with effect from 1st April 2021.

The impact of the Council Tax Support Scheme

88. From 1st April 2013 the council tax benefit system was replaced by a locally designed council tax support scheme. Claimants under this scheme receive appropriate discounts to their bills depending on their circumstances. It is important to note that pensioner claimants remain unaffected by this change.

89. The taxbase reflects assumptions around Council Tax Support (CTS) payments. The Cheshire East CTS scheme was introduced in 2013/14 and was amended following consultations in 2016/17 and 2020/21. It is being amended again for 2022/23 to make the scheme more supportive following a recent increase in Council Tax levels.

90. Local Council Tax Support grant was received in 2020/21 and transferred to the Collection Fund Earmarked reserve to support an improved scheme following public consultation. The funding will be used over the medium-term to support the revenue budget to compensate for suppressed council tax levels as a result of higher Council Tax Support payments.

91. The budget required for CTS for 2022/23, included within the taxbase calculation, remains at £18.0m. This level will be reviewed in future years to ensure the budget remains aligned with changing need.

Collection Fund

92. Receipts from council taxpayers and businesses are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire Authority, Police and Crime Commissioner, Central Government and local Town and Parish Councils).

93. A predicted surplus in the Collection Fund can be drawn down to support revenue funding for the following annual budget, and vice versa in the case of a deficit. This can happen if actual changes in the taxbase vary from the predicted changes, or if collection rates vary from the original forecasts.

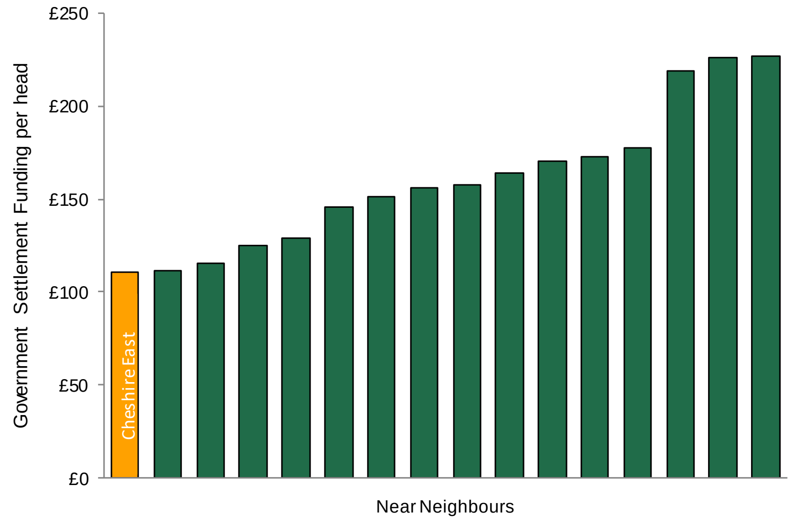
94. The estimated balance on the council tax collection fund has been forecast to be a £1.6m cumulative deficit as at 31st March 2022. Government regulations during 2020/21 allowed the 2020/21 deficit to be spread evenly over a three-year period 2021/22 to 2023/24. Therefore, a third of that deficit will be repayable in 2022/23 along with the 2021/22 in-year deficit. This results in a **£0.8m** deficit (Cheshire East share) to be repaid in 2022/23 and will be managed through the Collection Fund earmarked reserve.

95. For a further detailed breakdown of the Collection Fund position for both Council Tax and Business Rates see **Annex 5**.

Funding Comparisons to similar Councils

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

Chart 2: Cheshire East Council receives the lowest level of Government Settlement Funding per head compared to its Near Neighbours



Sources:
Cheshire East Council
CIPFA Finance & General Estimate Statistics 2020-2021 (Final)
Department for Levelling Up, Housing and Communities (Core Spending Power 2021/22)

What is the Council doing about it?

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

Responding to Key Consultations

98. 2021/22 has seen several consultations affecting Local Government. The Council has had the opportunity to input into the relevant responses collated by the Society of County Treasurers, Society of Unitary Treasurers and the Local

Government Association (Cheshire East Council is a member of all three) and therefore, in some cases, relied on their collective responses to make any relevant comments.

99. The consultations that have taken place so far in 2021/22 are as follows:

- Rates Retention and Formula Grant
  - Provisional Local Government Finance Settlement 2022/23 (closed January 2022)
  - Technical Consultation - Business Rates (closed February 2022)

- Council Tax and Business Rates
  - Changes to the payment process of schools' business rates (closed May 2021)
  - Fundamental Review of Business Rates (closed August 2021)
  - Business Rates Revaluation 2023: the central rating list (closed November 2021)

- Pensions
  - New best value statutory guidance: Special Severance Payment (closed August 2021)

- Accounting and Audit
  - Redmond Review Response – Methodology for allocating £15m to local bodies (closed May 2021)
  - Local Audit Framework: Technical Consultation (closed September 2021)

- Education and Schools
  - High Needs National Funding Formula (closed March 2021)
  - Fair School Funding for All: Completing our reforms to the National Funding Formula (closed September 2021)
  - Skills for jobs: A new Further Education funding and accountability system (closed October 2021)
  - Prioritising schools for the schools' rebuilding programme (closed October 2021)
  - Reforming how local authorities' school improvement functions are funded (closed November 2021)

- Health and Social Care
  - Adult Social Care Select Committee Inquiry (closed April 2021)

- General
  - Future of New Homes Bonus (closed April 2021)
  - Local Government Finance Data Review (closed August 2021)

Membership of Collective Groups

100. The Council has membership of several collective groups which provide a stronger voice at a national level. They are:

- The Local Government Association
- The Society of County Treasurers
- The Society of Unitary Treasurers
- The Sparse Rural Network
- The F40 Group

101. The Council is also continuing to make use of the Pixel Financial Management Service and LG Improve

(benchmarking) to assist with financial forecasts, strategy and comparisons.

Monitoring Developments

102. The Council is monitoring news alerts and public sector journals for any developments with the new business rates retention scheme and Fairer Funding Review now due to be implemented from 2023/24 following consultation which will resume in Spring 2022. The Council will actively feed into consultations around the new funding arrangements where possible.

Ongoing briefing with Members of Parliament

103. The Council provides an update on key issues to local MPs on a regular basis, or when special updates are required. At certain times these focus on the Budget and funding issues.

Charges to Local Service Users

104. In certain circumstances the Council makes direct charges for access to services. Some prices will be set nationally but prices should always be related to recovering some or all of the Council's costs in delivering discretionary services.

105. Charges for services represent 14% of total gross income to Cheshire East Council and the prices are reviewed at least annually. This income is netted off the cost of services before Council Tax levels are calculated.

106. The Cheshire East Council pricing structure has over 1,500 different charges. The overall objective is to reduce subsidy from taxation in charged for services. This means some price rises may exceed inflation in the medium-term. In such cases users are consulted and alternative service options are discussed.

107. To assist officers and Members to recover full cost, the Council has a Charging and Trading Strategy to provide the relevant guidance to be applied.

Investment, Borrowing and the Capital Programme

108. The capital programme reflects the Council's priority to promote local economic wellbeing. To support this ambition the Council actively pursues funding from private sector organisations and Government as well as attempting to maximise receipts from asset sales. Resources will be utilised in a timely way to allow flexibility within the overall programme. Major highway infrastructure projects, for example, sometimes require Council resources before capital receipts and developer contributions have been received. Funding requirement for future years are updated as plans and funding streams are secured.

109. The Council applies an agreed Treasury Management Strategy (**Annex 11**) to ensure capital financing is affordable in the medium-term. During 2017/18 the Council revised its approach to calculating the Minimum Revenue Provision (MRP) to release revenue funding and mitigate overspending on services. Whilst within the existing policy, this consisted of a change from using the straight line to the annuity method under the Asset Life (Option 3).

110. The capital financing budget for 2022/23 is shown in **Table 9**. This includes repayment of debt and interest payable on the Council's long-term loans. Costs are partly offset by the

interest earned on the Council's investments. The Capital Financing budget has increased to £19m in 2022/23.

Table 9: Services and Interest receipts help to offset the Capital Financing Budget

	2022/23 £m
Repayment of Outstanding Debt	15.9
Contribution from Services	-1.5
Transfer to Financing Reserve	0.7
Interest on Loans	4.8
Less: Interest Receivable on Cash Balances	-0.9
Net Capital Financing Budget	**19.0**

Sources:
Cheshire East Council

111. Charges for the amount borrowed are made to the Council's income and expenditure account and, for 2022/23, comprise of the following elements:

- **For borrowing incurred prior to April 2008**: Cost is calculated at a 2% annuity rate over a 50-year period.
- **For borrowing incurred after April 2008**: Cost is calculated on an annuity basis over the anticipated life of the asset. These periods vary from five years to 50 years depending on the type of expenditure funded from the borrowing.

112. Details of the Council's Minimum Revenue Provision Policy are shown at **Annex 10**.

113. The Council currently has external borrowing of £144m of which £64m is temporary borrowing with other local authorities. The amount of interest paid on the Council's portfolio of loans is a mix of long-term fixed rates of interest and low-rate short-term rates of interest (average 2.42%). Currently long-term interest rates are around 2.4%.

114. The income earned on the Council's cash balances that are temporarily invested is budgeted to be £0.9m.

115. The Council sets out the approach to these issues in its Treasury Management Strategy which is set out in **Annex 11** of this report.

Capital Programme Planning

116. The 2021/22 capital programme was approved by Council on 17th February 2021. Updates have been provided to service committees during 2021/22.

117. The Finance Update reported in December 2021 and the revised profile of spend for 2022/23 onwards forms the base for the 2022-26 programme, which is detailed in **Annex 10**.

118. Capital commitments have been reviewed to identify the profile of expenditure. There is recognition that the complexities around planning applications, public consultation and dependencies on third parties for external funding can mean that projects are delayed from one year to the next.

119. Spending plans are monitored to ensure a robust quality assurance framework is followed for each project. The governance arrangements safeguard against projects proceeding where costs may escalate beyond budgets. Potential variances from approved budgets may become

subject to supplementary approval in accordance with Financial Procedure Rules. Further details on the governance arrangements for the capital programme are set out in **Annex 10.**

Capital Programme Financing

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

Table 10: Capital spending forecasts are very high in the next three years

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total 2022-26 £m
Committed Schemes	148.6	140.6	128.1	28.8	**446.1**
New Schemes	36.7	72.4	51.6	26.9	**187.6**
Total Capital Programme	**185.3**	**213.0**	**179.7**	**55.7**	**633.7**
Financing:					
Government Grants	88.4	105.5	76.7	18.9	**289.5**
External Contributions	27.1	26.9	38.7	11.8	**104.5**
Revenue Contributions	0.2	0.0	0.0	0.0	**0.2**
Capital Receipts	3.7	13.2	19.7	0.4	**37.0**
Prudential Borrowing	65.9	67.4	44.6	24.6	**202.5**
Total Sources of Funding	**185.3**	**213.0**	**179.7**	**55.7**	**633.7**

Sources:
Cheshire East Council

121. 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 for the period 2022-26 is a prudent approach based on the work plans of the Asset Management team and their most recently updated Disposals Programme.

122. The schemes in the Capital Programme, both existing and new proposals, have undergone a prioritisation exercise to ensure they represent value for money, attract external

funding or alternatively are affordable within the capital financing budget and do not commit the Council to additional debt repayments that are not affordable in the medium-term.

Borrowing for Capital Expenditure

123. The Council's capital investment complies with the "Prudential Code for Capital Finance in Local Authorities". Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital programmes.

124. The level of Prudential Borrowing required in 2022/23 and in future years is detailed in **Annex 10** Prudential Borrowing Indicators. The revenue consequences have been considered as part of the medium-term strategy to ensure they can be afforded in future years.

Government Capital Grants

125. **Annex 8** provides a list of Government grants that are supporting the Cheshire East capital programme.

Other Economic Factors

126. The Council makes an assessment of its financial position over the next four years by using a model known as the financial scenario. It is based on a series of planning assumptions which were published in the Budget Consultation 2022-26 launched on-line in November 2021 and updated through the year as more accurate forecasts become available. Allowance will be made in the 2022/23 budget for other economic factors, such as pay inflation of £5.5m, which is higher than expected partly as a result of under budgeting for the 2021/22 pay inflation required.

127. The Budget Report for 2022/23 reflects inflationary pressure in waste services, but otherwise continues the theme of not including a central allowance for non-pay inflationary pressures on the basis that this is being mitigated by effective contract management, service efficiency proposals or increased charges.

Employer Pensions Contributions

128. A valuation of the Cheshire Pension Fund was undertaken to determine the employer contribution rates for the Local Government Pension Scheme which comes into effect from 1st April 2020. Forecast contribution rates for 2021/22 to 2023/24 are unchanged from the 2020/21 rate to reflect the improved position on the Fund.

129. Past deficit fixed contribution requirements into the Fund are decreasing over the next three years so the over recoupment from service budgets is being used to support the wider revenue budget.

Managing the Reserves Position

130. The Council Reserves Strategy 2022/23 states that the Council will maintain reserves to protect against risk and support investment. The Strategy is updated each year and the latest update is provided at **Annex 13**.

131. The Strategy identifies two types of reserves:
    - **General Reserves**

Balances in this category are not identified for specific purposes but will be used to cushion against the impact of emerging events or genuine emergencies.

- **Earmarked Reserves**
  Balances in this category have been set aside for a specific purpose and will either be spent on that purpose or otherwise returned to General Reserves.

Further details, such as opening and closing balances and protection against financial risks, are contained within the Reserves Strategy.

Summary of Financial Stability

132. **Table 12** summarises the position for 2022/23 to 2025/26.

Table 12	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m	Estimated Net Budget 2024/25 £m	Estimated Net Budget 2025/26 £m
Total Service Expenditure	**312.6**	**315.8**	**325.0**	**333.5**
Central Budgets:				
Capital Financing	19.0	19.0	20.0	21.0
Past Pensions Adjustment	-5.4	-3.3	-3.3	-3.3
Bad Debt Provision increase	0.2	-0.7	-	-
Use of (-) / Contribution to (+) Earmarked Reserve	1.3	-1.9	-2.1	-0.6
Total Central Budgets	**15.1**	**13.2**	**14.6**	**17.1**
TOTAL: SERVICE + CENTRAL BUDGETS	**327.7**	**329.0**	**339.7**	**350.6**
Funded by:				
Council Tax	254.7	265.1	275.8	286.7
Business Rates Retention	49.1	49.1	49.1	49.1
Specific Grants	23.9	14.8	14.8	14.8
TOTAL: FUNDED BY	**327.7**	**329.0**	**339.7**	**350.6**
FUNDING DEFICIT	**0.0**	**0.0**	**0.0**	**0.0**

133. Service expenditure for 2022/23 is shown as **£327.7m**. This represents an increase of £16.6m (5.3%) on the Budget at the 2021/22 Financial Year Update position.

134. The Funding Available to Services in 2022/23 is estimated at **£327.7m** to give a balanced position.

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

Forecasting the Medium-Term Budget 2022/23 to 2025/26

136. The Council has a track record of balancing the revenue budget, spending in-line with the forecasts and maintaining adequate reserves to protect against risk and provide necessary investment, although in recent years this has proven to be a significant challenge requiring in-year mitigating activity.

137. The overall approach to funding is sound, and has been for some time, in that local sources such as council tax and business rates will fund a greater share of local costs in the future, so a pro-growth approach is appropriate.

138. The Medium-Term Financial Strategy reflects a balanced position for each of the next four years with a mix of specific policy proposals in each Service alongside a medium-term approach to Council Tax increases.

139. The Council adopts a standard five measures approach to balancing the MTFS and each measure is explored in relation to the medium-term balancing of the MTFS. The measures are:

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

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

Table 13 – Forecasting the Medium-Term Budget

Measure One:

Challenge Financial Assumptions

- The October 2021 Spending Review (SR) set out public spending totals for the financial years 2022/23 to 2024/25 in broad terms and announced additional funding for local government. But indications at this time were that Councils would still be required to increase council tax in order to achieve the forecast Core Spending Power totals.
- The provisional settlement in December 2021 only confirmed spending allocations for 2022/23 rather than over the three years. This was done with a view to gaining “stability in the immediate-term”, with a more fundamental review of local government funding starting in Spring 2022 which will include the long-awaited review of the Business Rates Retention Scheme.
- Overall Core Spending Power, which is the measure of the resources available through the Local Government Finance Settlement to local authorities to fund service delivery, will increase by over 4% nationally in real terms (£3.5bn in cash terms), including extra funding for social care reform and business rates multiplier cap compensation.

- Core Spending Power includes:

  Business Rates

  - Business Rate income is not due to increase for 2022/23 as the national multiplier has been frozen at 2021/22 levels to assist businesses further through the pandemic recovery phase. No further growth forecasts have been assumed over the medium-term due to the current volatility in Business Rate income.
  - Ministers will be re-starting the local government funding reforms in the Spring including the review of the current Business Rates Retention Scheme. This means that the Fair Funding Review and potential business rates baseline resets are both going to be under consideration again, for possible implementation in 2023/24.

Table 13 – Forecasting the Medium-Term Budget

Revenue Support Grant (RSG)

- RSG reduced to nil from 2019/20 for Cheshire East Council (barring £7,000 due in 2022/23). The Government settlement continues to assume authorities can replace an element of lost grant with council tax increases. However, this is a local discretion and is subject to referendum limits on base increases (maintained at 2% for 2022/23 for base/unring-fenced increases).

New Homes Bonus (NHB)

- Legacy payments from previous allocations will continue as planned and the Local Government Provisional Settlement in December 2021 announced one further round of NHB allocations for 2022/23 but this will be another single payment and will attract no further legacy payments.

Specific Grants

- These remain subject to ad-hoc information releases from Government departments. Where no information is available assumptions are used based on the reductions in general funding levels or past trends.
- During the October 2021 Spending Review and then confirmed in the Provisional Settlement in December 2021, additional grant funding for Local Government was announced for the coming three years (£4.6bn), plus funding from the Health and Social Care Levy (£3.6bn). The provisional settlement announced additional funds for social care (£3.4m for Cheshire East) and a new one-off Services Grant of £2.9m for Cheshire East. Further details on all grant allocations can be found in **Appendix 7**.

Council Tax Estimates

- Core Spending power also assumes all authorities will increase council tax in-line with the maximum allowed before referendum limits. For 2022/23 this is 2.99% (including 1% ring-fenced for Adult Social Care for all unitary authorities with responsibility for social care).

Table 13 – Forecasting the Medium-Term Budget

Measure Two:

Review Local Taxation

The Council retains the opportunity to review current funding assumptions:

- Income from local taxation has been hit hard by the COVID-19 pandemic and impacted on council collection targets from March 2020. The affect on non-collection continued into 2021/22 while the economy and employment levels slowly recovered. Central Government support has been provided in part and the ability to spread deficits in collection fund budgets from the 2020/21 in-year outturn (over the period 2021/22 to 2023/24) was welcome. Any possible future deficits resulting from the 2022/23 outturn will be managed through the Collection Fund Earmarked Reserve.

- Council tax will rise in line with Government expectations and to support Adult Social Care by the acceptance of raising a further 1% ring-fenced precept (2.99% in total). This approach supports the development of a balanced Medium-Term Financial Strategy.

- Increases for later years will be reviewed annually but current assumptions are for 2.99% over the medium-term, which is in-line with national target inflation plus a further 1% p.a. for ASC. This approach matches assumptions of potential increases in costs also linked to inflation.

- The Council will continue to review its taxbase in light of any further flexibility made available by legislation. The potential for development in the area, backed by the Council's continued support for economic growth, is also likely to carry on increasing the domestic and non-domestic taxbases over time.

- The taxbase has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords for a maximum period of four weeks, under Section 13A of the Local Government Finance Act 1992.

Table 13 – Forecasting the Medium-Term Budget
• The Councils also adopted the approach of charging a premium on homes that are left empty, including a 100% premium on homes over two years old, 200% over 5 years and 300% over 10 years empty. This is having the desired effect to reduce the number of empty homes and from October 2020 to October 2021 the number left empty reduced by 269. • The Cheshire East Council Tax Support scheme was introduced in 2013/14 and subsequently amended following consultations in 2016/17, 2020/21 and is due to be revised again for 2022/23 to make the scheme more supportive in the light of funding being made available from central government (£3.3m) to be able to further assist the pandemic recovery for those most in need. Changes will allow some households on low income to receive 100% in support. • Increasing employment opportunities – through economic growth, resulting in fewer people relying on welfare benefits from the Council and releasing funding for to support services. • As the potential benefits of investment in local infrastructure are realised local business may engage with the Council to consider the introduction of a Business Rate Supplement (BRS) to raise funds for specific local purposes. The total maximum BRS which may be levied by a levying authority is 2p per pound of rateable value and supplements are not applicable to properties with a rateable value of £50,000 or below, authorities do have the discretion to increase that threshold. The principle is that this option would be cost neutral, as funding would match new spending initiatives. This option is not currently a feature of the MTFS. • There is potential to work with local businesses to introduce business improvement districts for specific purposes. The principle is that this option would be cost neutral, as funding would match new spending initiatives. This option is not currently a feature of the MTFS.

Table 13 – Forecasting the Medium-Term Budget

Measure Three:

Manage Reserves

- The Council adopts a rigorous approach to managing in-year expenditure. Service heads will sign off their Budget allocations to endorse accountability. In-year reporting will identify variances to budget.
- The robustness of the proposals in the budget will improve budget management, significantly reducing the risks of unforeseen budget pressure.
- The Reserves Strategy (see **Annex 13**) aims to maintain adequate reserve levels over the medium-term, although emerging risks or opportunities may require short-term use of reserves.
- The strategy is that variations between outturn and the core budget will, in the first instance, be managed through the MTFS Earmarked Reserve. Variations in the Capital Financing Budget will be managed through the Financing Earmarked Reserve and variations in the Collection Fund will be managed through the Collection Fund Reserve. If any of the activities are unmanageable through the use of these reserves, then the impact would have to be managed through the use of General Reserves.
- General Reserves remain relatively low but will be kept under review to recognise potential risks, linked to the overall size of the budget as it increases over time, and potential emerging changes in the medium-term forecasts.

Table 13 – Forecasting the Medium-Term Budget

Measures Four and Five:

Manage Cost Drivers and Income

- The Council's current proposals for change are contained within **Section 1** of the Medium-Term Financial Strategy. Although the financial implications focus on 2022/23, many of these programmes will deliver further savings through to 2025/26 as highlighted by further savings figures in the later three years.
- Some of the financial areas continually under review by budget holders and the Finance Team are:
  - General pay inflation will be assumed at 2.5% per annum for 2022/23 to 2025/26 as the "pause" in wage increases for public sector workers (except low paid workers) was lifted as announced as part of the Spending Review in October 2021.
  - Continually reviewing management control and staffing structures. Expenditure on employees' accounts for c.24% of the Council's revenue gross expenditure on services, and the constant review will look to ensure that the Council continues to operate an effective commissioning model that focuses best fit service providers while achieving cost benefits and efficiency.
  - Ensuring Corporate back-office services, which account for c.4% of the Council's net budget, continue to reflect changes that are making the Council a smaller organisation. This has been supported by the implementation of the Business World system during 2021/22.
  - Challenging discretionary services to ensure these meet priority needs, are paid for in the most effective way or are instead ceased or transferred to alternative providers.
  - Review and challenge of all Council contracts to ensure the most cost-effective services are commissioned.
- Exploring opportunities to improve health and reduce dependency through integration of the local health programme with key partners. Net expenditure on Adult Services continues to account for c.40% of the Council's budget. This is the largest budget area so managing costs in this area is essential.

Table 13 – Forecasting the Medium-Term Budget
• Engaging with voluntary, community and faith groups and local town and parish councils is essential to explore ways of transforming service delivery at a local level. Through the commissioning of services and allocation of grants many of the third sector providers are already financially engaged with Cheshire East Council which can often provide support to the 50,000 people that volunteer within the sector per annum. The third sector is a powerful economic partner, employing 2.5% of the workforce and generating an income of over £25m per annum, the vast proportion of which is invested back into our local communities and economies. Further opportunities will be explored as part of the Council's ambitions to work more collaboratively facilitating conversations between the Public Sector, Business and Industry and the third sector to maximise social value and corporate social responsibility. • Carrying out a further Capital Challenge to ensure the benefits of the ambitious programme are realised and that spending profiles are accurate. • Promoting a digital strategy across the Council, where suitable, to improve access to services, improve the customer experience and ensure services are cost effective and customer focused. • Making sure that ways of working maximise the technology we have within the organisation and helping staff to take advantage of expertise and development opportunities that can increase productivity. This has developed significantly in the last two years due to the coronavirus pandemic forcing a change in working patterns and increased flexible home working. This will also help with the drive to rationalise the Council's assets to minimise costs associated with utilities and rates and maximise receipts that can support economic growth outcomes.

Annexes to the Medium-Term Financial Strategy Report 2022-26

February 2022

An Open, Fairer, Greener Cheshire East

1. Corporate Plan 2021 to 2025

Our Vision **An open, fairer, greener Cheshire East**

Open

We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition in Cheshire East

Fair

We aim to reduce inequalities, promote fairness and opportunity for all and support our most vulnerable residents

Green

We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development

Our Priorities

An open and enabling organisation

- Ensure that there is transparency in all aspects of council decision making
- Listen, learn and respond to our residents, promoting opportunities for a two-way conversation
- Support a sustainable financial future for the council, through service development, improvement and transformation
- Look at opportunities to bring more income into the borough
- Support and develop our workforce to be confident, motivated, innovative, resilient and empowered
- Promote and develop the services of the council through regular communication and engagement with all residents

A council which empowers and cares about people

- Work together with residents and partners to support people and communities to be strong and resilient
- Reduce health inequalities across the borough
- Protect and support our communities and safeguard children, adults at risk and families from abuse, neglect and exploitation
- Be the best Corporate Parents to our children in care
- Support all children to have the best start in life
- Increase opportunities for all children and young adults with additional needs
- Ensure all children have a high quality, enjoyable education that enables them to achieve their full potential
- Reduce the reliance on long term care by improving services closer to home and providing more extra care facilities, including dementia services

A thriving and sustainable place

- A great place for people to live, work and visit
- Welcoming, safe and clean neighbourhoods
- Reduce impact on the environment
- A transport network that is safe and promotes active travel
- Thriving urban and rural economies with opportunities for all
- Be a carbon neutral council by 2025

Our Values

We are **flexible**

We **innovate**

We take **responsibility**

We deliver the **service** that customers need

We use effective **teamwork**

2a. Business Planning Process - Engagement

Introduction

2.1 Cheshire East Council conducted an engagement process on its Medium-Term Financial Plans through a number of stages running from November 2021 to Council in February 2022. Engagement will continue as proposals are implemented.

2.2 The budget engagement launched on-line on the 24th November 2021, included details of the proposals against each Corporate Plan aim. This consultation was made available to various stakeholder groups and through a number of forums.

2.3 Where consultation with specific stakeholder groups is required in relation to specific proposals, this is being identified as part of the proposals High-Level Business Case. Therefore, some of the proposals remain "subject to consultation", and further targeted consultation activity will be undertaken in advance of those specific proposals being implemented.

2.4 The Council acknowledges that such consultation activity may alter the outcome of the final proposal and mean the expected financial impact included within the budget is subject to change. The Council deals with financial risk by factoring into its minimum level of reserves an allowance for negative changes to proposals arising from consultation or delayed implementation.

Background

2.5 Local authorities have a statutory duty to consult on their Budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with other stakeholder groups. The Council continues to carry out stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.

2.6 This analysis helps to inform the consultation process for each Budget and continues to identify additional channels of communication which are used to facilitate consultation with more of our stakeholder groups.

Business Planning Process

2.7 The Business Planning Process for 2022-26 started early in the 2021/22 financial year and the Pre-Budget position was launched in late November following the Spending Review announcements in late October. The engagement exercise used existing meetings, as well as specific events, to provide a briefing on the Council's financial position, direction of travel in line with new priorities, the Budget Setting Process, and updates on progress for various stakeholder groups. It was based around the proposals that were included in the Council's Budget Engagement 2022-26, launched online on 24th November 2021.

2.8 The key events are outlined over the page.

2.9 All the feedback received by the Council is set out in the separate report (**Annex 2b – separate document**).

Key Engagement Events

Event	Date	Comments
Corporate Leadership Team Budget Sessions	May to November 2021	Confirm potential funding deficit for 2022/23 and the process to manage it. Set out budget setting timetable. Discuss high level proposals around demand pressures and proposed mitigating actions. Discuss funding strategy.
All Committees	July 2021	Received current MTFS in new Committee structure.
Finance Sub-Committee – task Group	27th August 2021	Review current MTFS assumptions.
All Member Workshops	21st and 27th September 2021	Budget process, pressures and Council priorities.
Finance Sub-Committee	22nd September 2021	Receive 2020/21 Financial Outturn Report.
Corporate Leadership Team	October 2021	Review Capital Programme (various sessions).
Spending Review 2021	27th October 2021	Announcements from Central Government.
Committee Chairs/CLT	Pre 24th November 2021	Finalised Budget Engagement content.
Cheshire East Council website	24th November 2021	Budget Engagement survey launched on Council's website.

Event	Date	Comments
Message from Chief Executive	24th November 2021	Issued to all staff and Members to headline release of Budget Engagement.
Team Voice	24th November 2021	Issued to all staff and Members to headline release of Budget Engagement.
Town and Parish Councils	24th November 2021	Issued to all clerks to headline release of Budget Engagement.
Finance Sub-Committee	1st December 2021	Receive 2021/22 Financial Year Review.
Corporate Policy Committee	2nd December 2021	Receive 2021/22 Financial Year Review. Consider the Domestic Taxbase and Council Tax Support Scheme for recommendation to Council.
Cheshire East Business Forum	7th December 2021	Considered Budget Engagement.
Corporate Leadership Team	8th December 2021	Review Capital Programme
Schools Forum	9th December 2021	Considered Budget Engagement.
All Member Briefing (1)	10th December 2021	Considered Budget Engagement.
Trades Unions	13th December 2021	Considered Budget Engagement.
Council	15th December 2021	Agree the Domestic Taxbase and Council Tax Support Scheme.
Provisional Funding announcements	16th December 2021	From Central Government.

Event	Date	Comments
All Member Briefing (2)	16th December 2021	Considered Budget Engagement.
Budget Engagement survey	4th January 2022	Budget Engagement survey closes.
Finance Sub-Committee	5th January 2022	Considered Budget Engagement (relevant areas of the budget) Consider MTFS Strategies – • Treasury Management Strategy • Investment Strategy • Capital Strategy • Reserves Strategy
Children and Families Committee	10th January 2022	Considered Budget Engagement (relevant areas of the budget). Receive 2021/22 Financial Year Review.
Economy and Growth Committee	11th January 2022	Considered Budget Engagement (relevant areas of the budget). Receive 2021/22 Financial Year Review.
Corporate Policy Committee	12th January 2022	Considered Budget Engagement (relevant areas of the budget).
Highways and Transport Committee	13th January 2022	Considered Budget Engagement (relevant areas of the budget). Receive 2021/22 Financial Year Review.
Town and Parish Councils (1)	17th January 2022	Engagement event with local town and parish councils.
Adults and Health Committee	18th January 2022	Considered Budget Engagement (relevant areas of the budget).

Event	Date	Comments
		Receive 2021/22 Financial Year Review.
Environment and Communities Committee	20th January 2022	Considered Budget Engagement (relevant areas of the budget). Receive 2021/22 Financial Year Review.
Town and Parish Councils (2)	20th January 2022	Engagement event with local town and parish councils.
Corporate Leadership Team	26th January 2022	Finalise Capital Programme.
Corporate Policy Committee	10th February 2022	Consider MTFS Report and Consultation feedback and recommend proposals to Council.
Final Funding announcements	February 2022	From Central Government.
Council	24th February 2022	Debate and approval of 2022/23 budget and council tax levels.

2b. Budget Engagement Report

See separate document.

3. Impact Assessment

Executive Summary

3.1 This annex sets out the impact the budget has on the Council's various stakeholder groups. It is important that people can understand the consequences of the Council's proposals on their lives and the following impacts are expanded on in this section:

1. **Households** – This section looks at the financial impact of this budget on some of the 185,000+ households in Cheshire East.

2. **Businesses** – This section looks at the impact of proposals on some of the 19,000 businesses in the area.

3. **Council Partners and Stakeholders** – This section focusses on who the Council works with to achieve shared outcomes.

4. **Local Environment** – The Council is committed to being carbon neutral by 2025, and this section identifies how this budget helps our ambition.

5. **Equality, Diversity and Inclusion** – The Council's EDI strategy sets out our vision and this section identifies how this budget supports our approach.

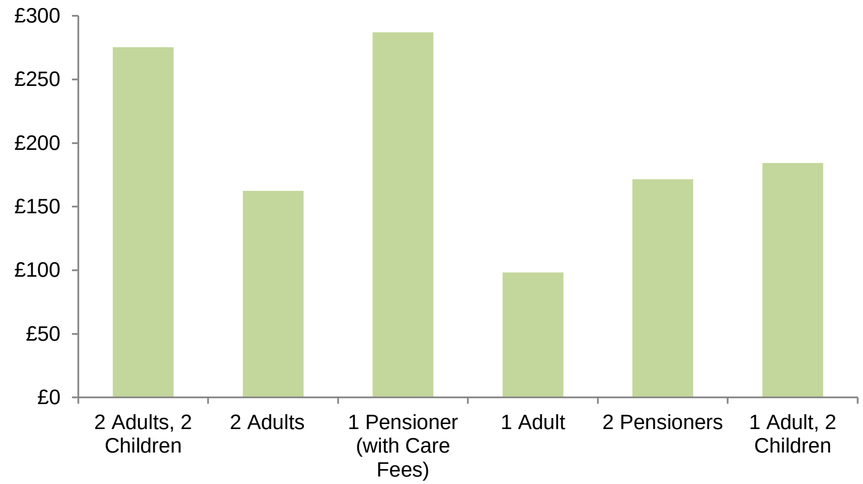
1. Household Impact

3.2 The 2022/23 Budget is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous sections in terms of financial stability and allocation to services. This section considers the impact of the Budget on typical groups of service users in terms of the changes they may see and the charges they may pay.

3.3 A number of assumptions must be made in relation to property sizes and service usage. The Council uses existing data to inform this process.

3.4 **Chart 1** below illustrates the annual impact on six typical households accessing a variety of different services if a blanket increase in line with Retail Price Index (RPI), as at November 2021, were to be applied.

Chart 1: Households would face £197 increases in costs if simple inflation was applied to charges



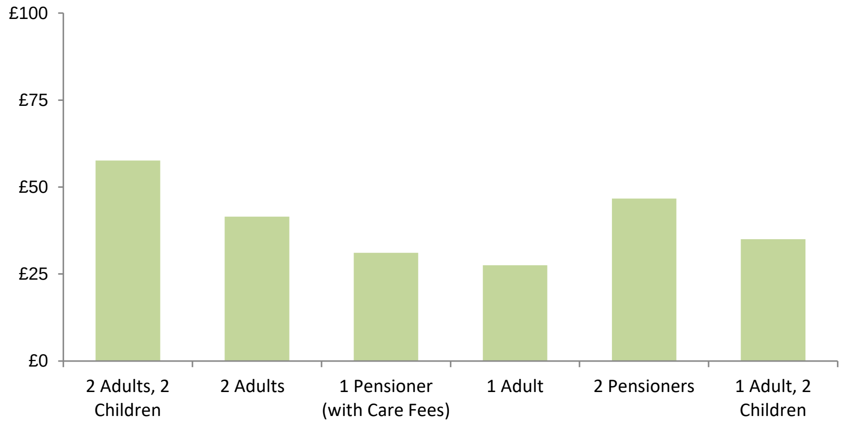
Source: Cheshire East Finance

3.5 Every service within the Authority is refining and updating a Charging and Trading Strategy which sets out the rationale for setting/changing fees and charges within that area.

3.6 The Strategies calculate full cost of the service being provided and therefore set out the resulting subsidy or surplus each time a charge is made. This will then be used to inform the setting of future levels of fees and charges to ensure fairness and that the Council meets any statutory obligations.

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

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



Source: Cheshire East Finance

3.8 The anticipated average increase per household is £40. This is £157 lower than an average increase of £197 if RPI at 7.1% had been applied across all services. This is due to the council tax increase only being 2.99% which is well below the November RPI rate. Fees and charges in these typical household examples are still in the process of being agreed for 2022/23.

Note:
Typical households are made up as follows:

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

3.9 Each household average is based on typical use of chargeable services expected for that category such as school meals, libraries and environmental, and leisure services.

2. Business Impact

Impact of the 2022/23 Budget Proposals on Businesses and the Economy

3.10 The Council takes a proactive role in engaging with and supporting local businesses. Over the last 18 months, the focus of the team has changed from supporting businesses with new growth and investment opportunities to supporting existing businesses to survive. The Business and Growth Team led the Council's economic response to the pandemic and oversaw the management and delivery of an £18.8m of discretionary grant programme. To date the Team has already awarded over £16.6m in grants to nearly 2,000 businesses. However, in addition to this, the Team has had to deal with an exponential growth in the number of general business advice and support enquiries.

3.11 Over the last 18 months, the Team has dealt with over 4,000 business enquiries via email and telephone, averaging 222 enquiries per month, compared to a pre-pandemic 20-25 enquiries per month, from either potential new inward investors or from businesses based in Cheshire East that need support and advice with investment and growth plans. It is expected that the enquiry volumes will continue to be much higher throughout 2022/23. A Recovery and Growth Programme has been designed to provide a range of support options to help businesses to develop recovery and growth plans.

3.12 An online support portal is available to be viewed at: https://cerecoveryandgrowth.org.uk/. It includes access to an online hub including on-demand webinars, guides, templates, and a schedule of live workshops, covering the key topics needed to run a business, from cash-flow forecasting to developing your pitch. Businesses can also book 1-2-1 sessions with an expert business advisor to help develop their plans and applications.

3.13 Typical Facts:

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

Town Centres

3.14 The Council has made significant commitments to the regeneration of Crewe town centre and approved the town's Regeneration Delivery Framework in 2015. This framework outlined the plan for helping Crewe prepare itself as a HS2 station location. As part of this plan the following activities have been delivered or are being progressed:

- The refurbished £3.0m Market Hall opened in May 2021.
- Plans have advanced for the redevelopment of the Royal Arcade site. The scheme was granted planning consent as a two-phase scheme; the first phase comprising a new bus station and 400+ space multi-storey car park is expected to be completed by summer 2023, with a commercial scheme that includes a cinema, other commercial leisure and retail uses open in 2025.
- Up to £37m has been secured via two government regeneration programmes (Future High Street Fund

and the Towns Fund) to develop projects that 'provide more reasons for more people to visit the town centre more often'.

3.15 Several regeneration projects are being pursued within Macclesfield aligned with the Strategic Regeneration Framework (SRF) for Macclesfield Town Centre. This framework establishes the vision for Macclesfield as a place which 'celebrates its quirkiness' and capitalises on the strengths of its location, close to the Manchester conurbation but on the doorstep of the Peak District, and its accessibility via its mainline train station. In 2021/22 the focus has been on enhancing the environmental quality of the public realm and a £1.6m Castle Street public realm project was completed. Pipeline projects are being brought forward that are at concept, start up, initiation or concept design stage. During 2022/23, detailed business cases will be developed for projects associated with the Market Hall and enhanced public realm to support outdoor hospitality and funding will be sought from the government's Levelling Up Fund.

3.16 With regard to other towns, it is recognised that with the rise of internet retailing, all town centres will likely have to adapt and change to varying degrees to remain healthy. Some centres may naturally and gradually diversify away from retail as businesses close and become available, but during a period of transition, centres may need support. All towns are individual and there is no recognised single strategy which will suit all centres. How best to support individual towns will vary from place to place. The Council has recognised this and has resourced the development of Town Centre Vitality Plans for all Key Service Centres across the borough.

Business Rates multipliers for 2022/23

3.17 Multipliers for business rates normally increase each year by CPI. The Government have announced that the multiplier will freeze for 2022/23. Multipliers for 2021/22 were set as follows:-

- Standard Multiplier at 51.2p* in the £.
- Small Business Multiplier 49.9p** in the £.

(* Includes supplement to fund small business rate relief. ** All occupied properties with a rateable value below £51,000 are charged using the lower multiplier – except for those ratepayers receiving mandatory rate relief.)

Transitional Scheme for 2017 rating list

3.18 The transition scheme was due to end on 31st March 2022, the Chancellor confirmed in the Autumn Budget 2021 that the relief scheme will be extended for 2022/23. This will continue to help businesses that face a large increase in their rates payable following the last revaluation in April 2017.

Small Business Rate Relief (SBRR)

3.19 Properties with RV below £12,000 where the ratepayer meets the criteria will receive 100% relief and properties between £12,000 and £15,000 will receive tapered relief.

3.20 Continuation of amended SBRR criteria to allow businesses in receipt of SBRR to keep it for one year when they take on an additional property that would currently cause them to lose SBRR, in order to help small businesses with expansion costs.

Rural Rate Relief

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

Retail Discount

3.22 In the Autumn Budget 2021 the Chancellor announced that there will be a new temporary relief for eligible retail, hospitality and leisure businesses. Eligible properties will receive 50% relief up to cash cap of £110,000 per business. We are currently waiting for further guidance to clarify eligibility on this scheme from Government.

Supplementary Business Rates

3.23 There are no proposals for Cheshire East Council to charge supplementary rates in 2022/23.

BID

3.24 Feasibility studies are underway for a Business Improvement District (BID) in Wilmslow and Crewe.

Supporting Small Businesses

3.25 This relief is awarded to businesses that faced large increases following the revaluation in 2017, as a result of the loss of small business or rural rate relief. The Government will extend the current scheme into 2022/23.

Local Retention of Business Rates

3.26 From 1st April 2013 Cheshire East Council retains c.31% of any local growth in the rates generated through increased occupancy of commercial premises subject to certain tolerances. The Medium-Term Financial Strategy (**Annex 5**) sets out the Council's ambition and forecast income from promoting economic development.

Local Discretionary Rate Relief

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

Payment of business rates

3.28 Continuation of the option to spread business rates bills over 12 months rather than 10 months. In addition, we will make special arrangements with businesses to extend their instalments into 2022/23 to assist with recovery from COVID-19.

Additional measures announced in the Autumn Budget 2021

3.29 A new relief to award 100% relief for 12 months for ratepayers facing higher bills where eligible improvements to an existing property increase the rateable value and a new exemption and relief to support green technologies.

3.30 The Government will give more detail on the above in a consultation with changes to take effect in 2023.

Revaluation

3.31 Revaluation of business rate premises by the Valuation Office Agency will move to a three-yearly cycle from 2023 with the following revaluation in 2026.

3. Council Partners and Stakeholders

3.32 The Council is fully committed to creating platforms for cross sector partnership working to ensure resource is maximised to provide the best possible services. Developing a shared vision across Cheshire East on key priorities is best practice to achieve the most effective outcomes for our residents. The key areas of cross sector working, including examples, are as follows:

1. By developing integrated approaches across the Public Sector, we are seeing joined up offers for local people whilst having a greater understanding of the local needs of our population.
   - The Integrated Care Partnership across Cheshire East will explore how commissioning activities can be developed, focusing on population health.
   - The 8 Care Communities partnerships across health and social care are understanding the local health inequalities and identifying solutions to keep people fit and well.
   - Our ongoing partnership operations with Cheshire Police is making Cheshire East a safer place to live.
   - The fast growing partnership arrangements with Cheshire Fire and Rescue to gather local intelligence and undertake safe and well checks are having an impact on the prevention agenda.

2. By working collaboratively with business and industry we are wanting to protect our businesses, grow our opportunities for local people whilst improving the environmental impact across the borough.
   - A Social Value movement across Cheshire East has developed a network through a Social Value award. This allows all partners to show their commitment to making their organisation and the impact they have to be even greater on the environment, the economy and in our communities.
   - By developing trusted relationships through Regulatory Services, Economic Growth and Regeneration we support business and industry to flourish across Cheshire East.

3. By working closely with Town and Parish Councils to gather local intelligence, disseminate key messages, and promote resident engagement.
   - During the pandemic the ability to recruit volunteers and support the most vulnerable happened at a local level, Cheshire East Council with the support of several Town and Parish Councils alongside the Voluntary sector created partnerships now known as Volunteer Coordination Points. This work is continuing to provide local support to local people.
   - The development of a Crowdfunding site has created a partnership approach to local projects, it allows partners to come together to create, promote and fund projects in a transparent and inclusive way whilst engaging with local residents.

4. By working closely with the Voluntary, Community and Faith Sector we are gaining even more insight into the needs of residents and how Council statutory services can be complimented by more localised approaches that build on the skills that exist within communities.
   - The Voluntary, Community and Faith Sector Leaders group are now key stakeholders in any Councils coproduction activities.

- The Social Action Partnership are working across the VCFSE sector creating purpose-built partnerships that enhance the local offer and provide either more or joined up resources within communities.
- 15 Local Neighbourhood Partnerships representing the beating heart of their communities where resource, ideas and opportunities are shared each month which result in the development of local activities.

3.33 This cross-sector working will allow us to unite on key priorities such as building our local economy, investing in our local environment, and developing opportunities that meet the needs of our communities.

3.34 The Council is keen to build on existing relationships and always seek opportunities to develop new relationships to achieve a range of shared priorities.

3.35 **Town Councils:** The funding of Cheshire Association of Local Councils to support the relationships and strong communication between Cheshire East Council and Town and Parish Council can provide consistent approaches to local communities.

3.36 **Neighbourhood Partnerships:** The development of 15 place based Neighbourhood Partnerships brings together a range of partners including the Voluntary, Community and Faith sector, Public sector, Private sector and local residents to understand local priorities based on accessible data and local intelligence. As a partnership they collaboratively create and tailor projects to suit the communities needs building on existing assets.

3.37 **Connected Communities Centres:** by recognising our key partners that have accessible venues in our communities, we have developed a social franchise model to host a range of activities and support local residents. Each of the 30 centres delivers services tailored to their community, from coffee mornings, computer classes and line dancing, to learning a language, sharing a problem, and offering space and support for local residents to turn their interests and passions into a group or activity that will benefit their wider community.

3.38 **Local Residents:** Local people are Cheshire East Council’s key stakeholders. We work to consult and engage on various issues and changes the Council make across the borough. One example of how we encourage our communities to remain strong and supportive is the availability of the Cheshire East Bright Idea fund which allows the Voluntary, Community and Faith sector as well as local people to apply for funding to improve their local community.

4. Carbon Impact

3.39 The Council committed to be carbon neutral for its own emissions by 2025, and has pledged to work with businesses, residents, and organisations to achieve borough wide carbon neutrality by 2045. Our Environment Strategy and Carbon Action Plan sets out the Councils' policy on the Environment and how it will achieve carbon neutrality by 2025 and influence carbon reduction across the borough.

3.40 The Council 2025 target will be achieved though Council carbon reduction measures, sustainable energy production and carbon offset through locally focused environmental schemes such as large-scale tree planting sequestration (long-term removal of carbon from the atmosphere).

3.41 A highlight this year has seen the introduction of our green hydrogen filling station and two hydrogen dual fuel refuse collection vehicles as we trial alternatives to power our larger vehicle fleet.

3.42 To assess progress against our carbon neutrality commitment, we have assessed all new savings and growth proposals for the estimated annual change in the Council's carbon emissions – whether positive or negative – so that we can more effectively monitor progress and encourage climate action in everything we do. This, alongside measures which have been previously funded, provides our anticipated progress towards carbon neutrality.

3.43 There are significant new proposals which are targeted at delivering a positive contribution towards carbon neutrality, including:

- Capital investment for renewable energy through a large scale solar farm and the delivery of a heat network at North Cheshire Garden Village.
- Additional capital investment in energy efficiency in our buildings, which will also bring in more in match funding.
- Capital investment for carbon storage through tree planting on Council land.
- Capital investment for electric vehicle charging points for our fleet (Carbon reductions will only be counted when vehicles are electrified).
- Helping staff to travel less on Council business, including through better IT.

Carbon Impact of Measures	Tonnes of CO2 equivalent
Carbon footprint of the Council's operations	14,469
Anticipated net impact of previously funded measures	-6,573
Estimated net impact of new savings / proposals	**-7,679**
Projected net impact of all measures	-14,252
% towards carbon neutrality by 2025	99%

5. Equality Impact Assessment

3.44 Our vision is to make Cheshire East a welcoming place, where equality, freedom, fairness and opportunity are open to all. We want everyone to feel valued, to celebrate diversity and to understand people’s different needs and aspirations whether they are living, visiting or working here and we will celebrate backgrounds, experiences, beliefs and faiths, genders, sexual orientations, disabilities and ages.

3.45 To achieve our vision, it is important to consider all individuals when carrying out day to day work. Services do this by providing evidence in the form of an Equality Impact Analysis (EIA) form that they have considered the effect of their work on different groups protected from discrimination by the Equality Act 2010.

3.46 The EIA ensures that services consider if there are any negative consequences for each of the ‘protected characteristics’ as detailed in the Equality Act 2010.

3.47 An EIA is carried out on:

- All new functions, policies, procedures and services as they are developed.
- Significantly altered functions, policies, procedures and services.
- On existing functions and policies.
- All consultations before they are published.

3.48 EIA’s are published on our website and can be found via this link EIA.

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

3.50 Under the Equality Act 2010, decision makers must show ‘due regard’ to the need to:

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

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

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

3.53 The Council needs to ensure that in taking decisions on the Medium-Term Financial Strategy, the Budget and the

Corporate Plan, the impacts on those with protected characteristics are considered. The Council undertakes equality impact assessments where necessary and continues to do so as proposals and projects develop across the lifetime of the Corporate Plan. The process assists us to consider what actions could mitigate any adverse impacts identified. Completed equality impact assessments form part of any detailed Business Cases.

3.54 The proposals within the MTFS include positive and negative impacts.

3.55 Positive impacts include significant investment in services for children and adults (protected characteristics primarily age and disability). Specific examples are Investment in Cared for Children and Care Leavers, SEND services and School Transport. There is also significant investment in adult social care and support to care providers (protected characteristics primarily age and disability).

3.56 There are savings proposals which could have a negative impact on those with protected characteristics and where appropriate mitigation will be required. These include reviews of Early Help, Mental Health Services and Learning Disabilities. They will be subject to more detailed work and consultation before any decisions are made.

3.57 The Corporate Plan's vision reinforces the Council's commitment to meeting its equalities duties, promoting fairness and working openly for everyone. Cheshire East is a diverse place and we want to make sure that people are able to live, work and enjoy Cheshire East regardless of their background, needs or characteristics.

Budget 2022/26 Cumulative Equalities Impact Assessment

Purpose of assessment

3.58 This assessment of the equalities impacts of the savings proposals set out in the Council's Budget for 2022/26, provides an assessment of the (cumulative impact) likely impacts of the budget savings on residents and employees with 'protected characteristics' as defined by the Equality Act 2010.

Context

Our commitment to fairness and equality

3.59 The vision for Cheshire East Council is to create a borough that is Open, Fairer and Greener. The Council provides essential services such as Social Care, Education, Highways, Economic Development and Waste that will lead the way in achieving this vision for local people. Council services are funded mostly from council tax, with additional contributions from business rates and government grants and managing these resources appropriately will enable our plans to be sustainable over the medium-term.

3.60 The vision can be achieved by being a transparent organisation that cares for the people who need our support as we develop a locally sustainable place. The Corporate Plan that articulates the vision, and how we will make it a local reality, was developed through consultation during Autumn 2020 and evidences our strategic direction until 2024.

3.61 Equality impact assessments are an important part of ensuring our services are responsive to the needs of our diverse communities and help tackle inequalities, creating a fairer borough for all. Each of the savings' proposals set out in this budget has been considered through an equalities lens and, where there is a potential or perceived negative impact, a full Equalities Impact Assessment has been undertaken and actions identified to mitigate any risks.

3.62 These individual assessments have been used to inform this overall assessment of the impacts of our budget savings proposals on residents and staff and, in particular, on any specific group.

Our priorities

3.63 The vision is ambitious and long-term and we are making progress towards delivering it.

3.64 To help focus on the right things we have set ourselves three broad aims, each with a set of priorities. Achieving these priorities will help us to realise our vision.

Our aims are:

- An open and enabling organization;
- A Council which empowers and cares about people; and
- A thriving and sustainable place.

3.65 For each aim we have identified a set of actions and projects which we will strive to deliver by 2025. We have also identified a set of success measures to monitor our progress. These will be included in the Council's Key Performance Indicators and built into the performance management and reporting system from 2022/23.

Our legal duties

3.66 Under Section 149 of the Equalities Act, the Council has a legal duty to have "due regard" to the need to:

- eliminate unlawful discrimination, harassment and victimisation;
- advance equality of opportunity; and
- foster good relations between different groups.

3.67 The precise wording of the Public Sector Equality Duty (PSED), together with a list of the 'protected characteristics' defined in the Act, is set out at **Annex A**.

3.68 We are required to demonstrate fulfilment of our duty to pay 'due regard' in the decision-making process and, as such, we need to understand the effect our policies and practices have on equality. Although the Council is not legally obligated to reject savings or growth proposals that could have negative impacts on any particular groups, it must carefully and with rigour consider the impact of its proposals on the PSED, take a reasonable and proportionate view about the overall impact on particular groups, and seek to mitigate negative impacts where possible.

Our diverse population

3.69 Our borough is home to over 386,000 residents and more than 180,000 households. It contains the major towns of Crewe, Macclesfield, Congleton and Wilmslow (with populations above 20,000). There are also a number of other significant centres of population (over 10,000) in Sandbach, Poynton, Nantwich, Middlewich, Knutsford and Alsager.

3.70 Whilst the population is predominantly White British (93.6%), Cheshire East is becoming an increasingly diverse borough due to its proximity and continually improving transport links to Manchester, Birmingham and London. It is also the home of choice for many migrant communities from across the world.

3.71 **Population**: The total population of Cheshire East is over 386,000. Residents aged under 25 represent 26% of this total population, which is significantly lower than figures for both the North West (30%) and England (30%). There are more residents over the age of 65 in Cheshire East (23%) compared to both the North West (19%) and England (18%). There is little difference in gender between the age groups shown, with the exception of residents aged over 65 where the female population (54%) is notably higher than the male population (46%) partly reflecting differences in life expectancy between females and males.

3.72 **Race**: The proportion of the population in Cheshire East that were born outside the UK is 5.5%, significantly lower than the figure for both the North West (8.2%) and England overall (13.8%). The highest proportion of residents born outside the UK was in the Crewe Central ward (17%) followed by Crewe South (16%). Thirty two (62%) of Cheshire East's wards' proportion of residents born outside the UK less than five percent.

3.73 **Ethnicity**: The most reliable source for data on ethnicity remains the 2011 Census. This is an 18 category self-report measure with an 'any other' write in option. Cheshire East has a high proportion of 'White' residents at 96% of the population, higher than the national (86%) and regional average (90%). The figure for 'White: other' population is included above as this represents the largest minority group population in Cheshire East (2.6%) but is hidden due to the way 'White' is considered a single homogenous group when reported.

3.74 The most ethnical diverse settlements in Cheshire East are Crewe and Wilmslow however these are comprised of different populations. Crewe has a high proportion of 'White Other' residents, 13% in Crewe Central and 11.2% in Crewe South. Wilmslow has a high proportion of 'Asian/Asian British' residents, 7.8% in Wilmslow Dean Row and 6.2% in Wilmslow East.

3.75 **Disability**: The term 'disability' is used to refer to a limiting long-term illness, health problem or disability (LLTI) which limits a person's day-to-day activities. This is usually captured using the decennial Census. The proportion of LLTI residents was 18%, equal to the national figure (18%) but slightly lower than the North West average (20%). Ten percent of residents stated their activities were limited a little and eight percent stated their activities were limited a lot.

3.76 The wards with the three highest proportion of LLTI residents were Sandbach Heath & East (22.4%), Macclesfield Hurdsfield (21.7%) and Macclesfield West & Ivy (21.6%). The proportion of residents with LLTI was lowest in Leighton Ward (9.9%) and Wilmslow Dean Row (11.6%). As might be expected, the prevalence of LLTI broadly increases with an areas' average (median) age.

3.77 **Religion**: The majority of the Cheshire East population is religious (71%). Whilst this figure is lower than the figure for the North West (74%), it is higher than England overall (68%). Additionally, the proportion of the population that is not religious is lower in Cheshire East (23%) and the North West (20%) than in England overall (25%). These figures come from the 2011 Census and are the most reliable and accepted figures on religion.

3.78 Considering the total population, the majority of Cheshire East residents are Christian (68.9%), which is marginally higher than the figure for the North West and significantly higher than the figure for England overall (59.4%). The second most practiced religion in Cheshire East is Islam (0.7%). However, while Islam is also the second most practiced religion in both the North West and England, the percentage of the population it represents is much higher in the North West (5%) and England overall (5.1%). These figures also come from the 2011 Census.

3.79 **Sexual Orientation**: Sexual orientation is an umbrella concept, which includes sexual identity, behaviour and attraction. There are no reliable local, Cheshire East estimates for the proportion of residents identifying as Lesbian, Gay or Bisexual (LGB). However, over the last five years national estimates of LGB have increased from 1.5% in 2012 to 2.0% in 2017 for the population aged 16 years and over.

3.80 Using these prevalence rates, more than 6,000 Cheshire East residents aged 16 and over may be estimated as identifying as LGB. Nationally, Males (2.3%) were more likely to identify as LGB than females (1.8%) in 2017. Also, people aged 16 to 24 years were most likely to identify as LGB in 2017 (4.2%).

3.81 **Pregnancy and maternity**: In 2017 there were 4,607 conceptions to women in Cheshire East.

3.82 This equates to conception rate of 75.5 per 1,000 or approximately 8% of women aged 15 to 44.

3.83 **Marriage and Civil Partnership**: At the time of the 2011 Census, 52% of adult residents were married and a further 0.2% were registered in a same-sex civil partnership. Since 2009, there have been a total of 167 civil partnerships. Most of these partnerships were formed before 2014 when same-sex marriages were introduced.

3.84 **Gender Reassignment**: There is no accurate figure for how big the transgender community is. Research funded by National Government, carried out by Gender Identity Research and Education Society (GIRES) estimated the trans population as approximately 0.6%-1% of the UK adult population, this would equate to 1,900 to more than 3,000 of Cheshire East adult residents.

3.85 The Equality and Human Rights Commission (EHRC) reported that 100 people out of 10,000 (1%) answered yes to undergoing part of the process of changing from the sex you were described as at birth to the gender you identify with, or do you intend to. Gender variant people present for treatment at any age. Nationally the median age is 42.

The impact of COVID-19

3.86 COVID-19 has impacted residents in many ways including affecting employment, health and education to name a few. National research, undertaken by Public Health England and the Law Society, indicates that certain groups are more likely to have disproportionately impacted by COVID-19 such as Black, Asian and Minority Ethnic, women, those shielding, young people particularly those living in large households, and those with mental health conditions. We are working hard to support those affected ensuring they receive the support they need. The investment (noted in the MTFS) in equalities, diversity and inclusion will accelerate the progression of our equality, diversity and inclusion objectives in Cheshire East.

The scale of the challenge

3.87 The Council is dealing with an increasing demand for services, at a time of ongoing uncertainty around the future of Local Government funding from Central Government beyond the 2022/23 financial year. We have therefore updated the Medium-Term Financial Strategy to focus on locally predictable resources funding locally provided services that are sustainable.

3.88 This year, as in previous years, we have made every endeavour to protect those in greatest need and at most risk. Where possible, savings focus on optimising efficiencies in service delivery. However, some reductions in services have been unavoidable. Where this is the case, we have assessed the potential impact on groups with protected characteristics.

3.89 We have set aside of £100,000 of specific funding within the Transformation earmarked reserve to help support our focus on equality, diversity and inclusion from 2022.

Equalities Impacts: overall cumulative impact

3.90 The overall assessment is that there is **no cumulative negative impact** on those with protected characteristics from the budget savings proposals for 2022-26.

3.91 The majority of savings will come from efficiencies, maximising use of the various funding streams the Council has access to and making better use of technology. These will result in 'back office' changes but with little or no impact on residents.

3.92 However, there are some savings that have the potential to impact upon:

- All residents
- Specific service users
- Staff

3.93 Positive impacts include investment in services for children and adults (protected characteristics primarily age and disability). Specific examples are investments in Children and Families modernisation, Ofsted response, SEND, children's social care and care leavers. There is significant investment in adult social care, support to care providers and for supporting accommodation (protected characteristics primarily age and disability). There is a specific proposal for investment in a transit site (protected characteristic race and belief).

3.94 There are savings proposals which could have a negative impact on those with protected characteristics and where appropriate mitigation will be required. These include reviews of Direct Payments, Day Opportunities, Mental Health Services, Learning Disabilities, Local Supported Buses and Parking Strategy. They will be subject to more detailed work and consultation before any decisions are made.

Impacts on all residents

3.95 There are a small number of changes to universal services and charges, and these have the potential to affect all residents.

3.96 Residents will see an increase in their Council Tax and some may also be impacted by increases in other charges. However, the most vulnerable residents will continue to be protected. We have received a grant from Central Government to help with the financial pressures households are facing as a result of the pandemic and we intend to use this to increase overall spending on Council Tax Support.

Impacts on specific service users

3.97 There are proposals that relate to changes in services which support specific groups of residents and their families. These include services for vulnerable adults, disabled people, and those with learning disabilities or mental health problems, and children and young people.

3.98 The key impact for these groups is a potential change to the service they currently receive. This may be in the shape of a new provider where services are being recommissioned to achieve savings, or a review of support packages to focus more upon a person's strengths, resources and ability to access help in their community (strengths-based approach), rather than automatically assigning the highest level of care, regardless of needs or abilities.

3.99 Overall, there should be no negative impact on the vulnerable groups these services support as each person will continue to be assessed and to receive the level of support required to meet their needs. Indeed, there may be a positive impact as people are empowered and supported to access help in their community and retain their independence for longer.

3.100 However, there is a risk that service users, families and carers could be unsettled by any change in the normal support arrangements and feel worried that the revised offer will not meet their needs. It will therefore be essential for services to ensure that service users and their families and carers are involved in any review of the support offer, and that the offer is reviewed on a regular basis to identify and respond to any change in needs and tailor the offer accordingly.

Impacts on staff

3.101 The vast majority of staff savings and efficiencies will come from deleting / not recruiting to vacant posts, so there will be no direct impact on staff or specific protected characteristics.

3.102 There are proposals relating to reconfiguring or consolidating teams, bringing common functions together to achieve staff efficiencies. It is not possible at this stage to assess the overall impacts on any specific protected characteristics but as numbers are low and spread across a number of services / types of roles there are unlikely to be any groups disproportionately impacted. Any restructure will be subject to staff and staff union consultation, in accordance with the Council's reorganisation policy and procedures. Where redundancies are necessary, affected staff will be offered support and prioritised for any new jobs being advertised within the Council.

Overall equalities impact assessment

3.103 Looking at the totality of the savings to be delivered in 2022-26, the impacts on Cheshire East residents and staff are assessed as follows:

- There are no significant impacts on Cheshire East residents as a whole – and where changes have been introduced around universal services and charges, vulnerable residents are not disproportionately impacted and those facing socio-economic disadvantage are protected from financial impacts.

- There are some changes to services for specific groups – older vulnerable people, disabled people, including those with learning disabilities, and mental health problems. However, service users will continue to receive the appropriate level of support to meet their needs. Where potential impacts have been identified for individual proposals, mitigating actions have been set out which will minimise any adverse impact.
- Several proposals will bring positive impacts for the community and could have a positive impact on service users by supporting them to retain some independence and engage in their community.
- However, some savings proposals, together with wider initiatives will impact vulnerable older people and those with physical or learning disabilities in particular. Whilst these changes are largely positive, any change can be disruptive. It is therefore essential that we continue to engage with these groups to ensure their voice are heard and that we recognise and respond to any needs and concerns as proposals are developed and rolled out.
- There are no significant impacts on staff – the number of redundancies from these proposals is low and there are no obvious impacts on specific protected characteristics.

3.104 The conclusion is that the Council's proposals for achieving savings are therefore considered reasonable and have shown due regard to the PSED.

Staffing Impacts

3.105 The impacts of these proposals on staff with protected characteristics cannot yet be fully determined but as numbers are low and spread across a number of services / types of roles there are unlikely to be any groups disproportionately impacted. Any changes to staffing structure will require consultation with staff unions in accordance with the Council's reorganisation policy and procedures.

3.106 Our established organisational change process ensures we support our staff through this change. Where restructures are proposed we carry out an assessment that identifies the implications for those with protected characteristics and finds ways to mitigate accordingly.

3.107 Where a redundancy situation is possible, we will take several steps including:

- not filling vacancies in advance of a restructure so as many opportunities as possible are available to our existing staff.
- using our redeployment process to help staff at risk find suitable alternative employment within the Council.
- considering alternative options to redundancy such as early retirement, flexible working or other 'working differently' options.
- stress management support and counselling services will be offered to staff through the Employee Assistance Programme to help them cope with the additional pressures that structural change may bring.

3.108 We have an ongoing commitment to making Cheshire East Council an employer of choice and are supporting flexible working opportunities available where possible, including condensed hours, flexible start and end times and part time working.

3.109 The Council is committed to a workforce that is representative of the borough at all levels and will continue to look for new ways to improve progression routes for staff and equip them to be senior managers of the future. We will continue to promote our staff equality forums as a way of engaging with, and listening to, staff and working together to continually improve their experience of working in Cheshire East.

Human Rights and Safeguarding

Human Rights

3.110 It is unlawful for the Council to act in a way that is incompatible with a European Convention right (unless the council could not have acted differently as a result of a statutory provision).

3.111 An interference with a qualified right (such as the right to respect for private and family life) is not unlawful if the Council acts in accordance with the law and the interference is necessary in a democratic society.

3.112 In deciding whether the interference is necessary, the law applies a proportionality test, including whether a fair balance has been struck between the rights of the individual and the interests of the community.

Safeguarding

Implications for safeguarding in Adult Social Care

3.113 Proposals outlined in this document build on the Council's work on Making Safeguarding Personal (MSP). MSP is enshrined in the Care Act (2014) and our Local Safeguarding Adults Policies and Procedures.

3.114 MSP puts the person at risk of harm or abuse at the centre of decisions and actions about them. MSP respects that adults often bring ideas and solutions which will work best for them and the outcomes they need support in achieving.

3.115 This means that safeguarding adults continues to be integral in the work we are undertaking to really embed strengths-based practice. Ensuring vulnerable adults are safe and focusing on wellbeing is a core element of strengths-based practice and ensures there is consistency in approach whether we are working with a vulnerable person on a support plan or a safeguarding plan.

Implications for safeguarding in Children's Services

3.116 Safeguarding children is about protecting them from maltreatment, preventing their health and development being impaired, ensuring that they grow up in environments which provide safe and effective care and taking action to enable all children to have the best outcomes.

3.117 The mitigation identified for each proposal reduces very significantly the risk of poor safeguarding practice. The Council's mitigation should include not adopting any policy where safeguarding practice is adversely affected.

3.118 The proposals put forward have been tested against effective safeguarding practice. A broad range of quality assurance measures are already in place and will continue to be monitored and responded to robustly.

Monitoring

3.119 Whilst the overall assessment is that there is not a cumulative negative impact on any group as a result of the savings proposals, there is a need to continue to monitor this. Each individual proposal will continue to be reviewed and updated as required. Consultation will be carried out where required to seek the views of residents and service users. The lead officer for each proposal will be responsible for ensuring that equality considerations remain at the forefront of decision making as each of these proposals are progressed.

Investment Proposals

	EIA comments
1. Improving Digital Customer Experience This proposal directly supports the implementation of the agreed Customer Experience Strategy which will improve customer responsiveness and delivery.	Improving Digital Customer Experience has an EIA.
2. Pay inflation This proposal includes incremental increases for eligible staff and nationally negotiated pay awards. Average increases are forecast at c.2.5%. This may not apply evenly across pay bands due to implications of the Living Wage. The proposals recognise the additional delayed impact of the 2021/22 pay negotiations that also affect the 2022/23 budget.	The national pay award and increase in the government's NI rates does not require EIAs.
3. National Insurance increase at 1.25% for social care funding The planned introduction of a national Social Care Levy will increase national insurance contributions for all employers. As the Council is part of the public sector, government will provide compensation for such payments. Although not confirmed these costs are currently mitigated in full through increased grant.	The national pay award and increase in the government's NI rates does not require EIAs.
4. Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels Improving debt collection will reduce income from court costs, which are already forecasting a budget shortfall. This is positive in many respects, although it does reflect an income deficit. The Council will continue to innovate with debt collection improvements that recognise the circumstances of those in debt.	Improved debt recovery and corrected court costs does not require an EIA.
5. Transactional Service Centre additional funding Transactional Service is a shared service with Cheshire West and Chester. The TSC Team budget is again unbalanced due to a loss of income (primarily from schools opting out), additional costs of the new Unit4 governance and support team, and inflation costs to the base budgets.	Transactional Service Centre additional funding does not require an EIA.

6. Vendor Management Phase 3 Continuing improvements to the Council procurement and contract management process have seen the rollout and adoption of a new system. The system, Atamis, is a cloud-based contract lifecycle management (CLM) solution across Cheshire East Council, by the Corporate Procurement Team.	Vendor Management Phase 3 does not require an EIA.
7. Unified IT Communications Additional funding required to modernise the communication systems including telephony and video conferencing, to further enable the Flexible and Mobile Working (FMW) strategy by enabling corporate calling from most devices in most locations and improve video calling between corporate locations.	Unified IT Communications does not require an EIA.
8. IT Security and Compliance Cyber threats are increasing in both quantity and sophistication, with sources ranging from individuals, professional groups, and international actors. Additional investment would be needed from Cheshire East and matched funding from Cheshire West and Chester to ensure the Councils continue to have an appropriate security and compliance posture, capability, and capacity across the shared platforms.	IT Security and Compliance does not require an EIA.
9. IT Procurements and Application Lifecycle Management Additional funding would be needed for the Council's key line of ICT business systems from initial procurement, to implementation, maintenance and decommissioning. The benefits of robust Application Lifecycle Management (ALM) will be modern business systems that are secure, supportable and compliant.	IT Procurements and Application Lifecycle Management does not require an EIA.
10. Information Assurance and Data Management Phase 3 The Information Assurance and Data Management (IADM) programme phase 3, will deliver key projects that will underpin the safeguarding of information and enhance its use.	Information Assurance and Data Management Phase 3 does not require an EIA.

13. Investment in Adult Social Care The Adult Social Care (Operations and Commissioning) and Public Health budgets remain under continued pressure across the country. The rising cost of social care in Cheshire East is driven by two main factors: increasing demand for services and the increasing costs of providing them. Unit costs are driven mainly by workforce costs and reflect current difficulties with the recruitment of staff. Demand for social care is related directly to the number of people who need personal care or support to help them live their lives.	To ensure that the Council has sufficient resources within its ASC budget to meet its duties under the Care Act to meet eligible needs. To increase the ASC budget to take account of increasing levels and complexity of need. An EIA will be needed to assess the impacts upon those with protected characteristics.
14. Care fee uplifts Cheshire East Council has a duty under the Care Act 2014 to "promote the efficient and effective operation of a market in services for meeting care and support needs." In delivering this obligation, Councils must ensure the sustainability of the market and that there are sufficient high-quality services available to meet the care and support needs of adults in the area. This business case proposes a fee uplift for delivering care at home.	To uplift care fees to ensure that the council is meeting its statutory duty to maintain a sustainable care market locally. To contribute to the Council's objective to prioritise Home First for patients leaving hospital. An EIA will be needed to assess the impacts upon those with protected characteristics.
15. Investment in Cared for Children and Care Leavers and other pressures Cheshire East Council has corporate parenting responsibility for over 500 cared for children and young people. The COVID-19 pandemic has increased demand and complexity across the spectrum of need. The pandemic has also impacted upon our ability to recruit new foster carers at the pace that we require and fully mobilise our block residential contract, resulting in a financial pressure. The impact of the pandemic remains visible nationally in relation to demand for statutory services and sufficiency challenges. Figures are under review and may be revised following further analysis of demand and pressures.	Through a revision of the demand management strategy, it may be necessary to consult with key stakeholders at various points during the process. This could include children and young people and care experienced adults, the wider partnerships and community in relation to the location of any new settings. As we do not currently employ any staff directly in the delivery of our commissioned children's home contract it is not necessary to consult with them and this will be a separate and innovative approach for Cheshire East. An EIA will be needed to assess the impacts upon those with protected characteristics.

16. Increase capacity to support Statutory SEND service Additional SEND service capacity required due to the growth in the number of children with Education Health and Care Plans (EHCP) and the need to comply with statutory timescales for annual reviews, ensure co-production and improve communications with families. Figures are under review and may be revised following further analysis of demand and pressures.	Additional SEND Service capacity required due to the growth in the number of children with Education Health and Care Plans (EHCP) and the need to comply with statutory timescales for annual reviews, ensure coproduction and improve communications with families. An EIA will be needed to assess the impacts upon those with protected characteristics.
17. Revenue costs for Crewe Youth Zone Growth for running costs of Crewe Youth Zone for three years (to be funded through restructure of Early Help Budget).	Revenue costs for Crewe Youth Zone will require an EIA to assess the impacts upon those with protected characteristics.
18. Safeguarding Children – legacy staffing pressure In previous years children's social care has increased its frontline capacity due to increased demand and particularly in relation to the need for agency placement. The service continues to experience high demand and is not in a position to offset legacy savings. This has been exacerbated by the impact of the pandemic where complexity across the spectrum of need has increased and frontline capacity is essential.	Safeguarding Children – legacy staffing pressure will not require an EIA.
19. Growth in Children & Families Commissioning Contracts Growth to correct a legacy pressure in the Children and Families commissioning budget.	Growth in Children & Families Commissioning Contracts will not require an EIA.
20. Increase capacity to support Statutory Education Psychology Service Growth in the number of children with Education Health and Care Plans requires additional Educational Psychology capacity to carry out statutory work.	Increase capacity to support Statutory Education Psychology Service will not require an EIA.
23. Parking service – postponement of review of charges This business case updates a prior year's proposal to align parking operational arrangements with corporate priority outcomes through changes to the borough's car parking provision. Following a decision at the Highways Committee in September 2021, these proposals will not be taken forward at this time.	An Equality Impact Assessment has been prepared for the project to review car parking charges boroughwide, including for the statutory consultation on these proposals.

24. Local Supported Buses The planned efficiency savings are no longer considered to be achievable at this time following market testing of options and taking into account the bus sector's prolonged recovery from the pandemic.	Local Supported Buses does not require an EIA.
25. School Transport Review of current school transport budget requirements as a result of an increase in eligible children, in particular those with SEND, and rising costs of school transport provision. Figures are under review and may be revised following further analysis of demand and pressures.	School Transport will require an EIA.
(New) Equality, Diversity and Inclusion Investment (post-consultation) This investment will support acceleration of progression of our equality, diversity and inclusion objectives to make Cheshire East a more welcoming place where equality, freedom, fairness and opportunity will be open to all. The investment will support equality, diversity and inclusion activities to support and enable both residents and staff.	Equality, Diversity and Inclusion Investment will require an EIA.

11. Removal of temporary implementation budget and investment to run the new Financial System Implementation costs for the Council core financial system can now be removed from the ongoing revenue budget. Inflation costs of the new system need to be reflected to ensure estimates are robust in respect of the whole life costs of the system.	Removal of temporary implementation budget and investment to run the new Financial System does not require an EIA.
12. Staff Travel and related savings Staff travel savings will be derived from changes to working practices since COVID-19, some of which will continue in the future. A review of other terms and conditions will be undertaken to ensure that the Council is aligned with other Local Authorities in its application of terms and conditions.	Staff Travel and related savings does not require an EIA.
21. A redesign of Early Help Services into a Locality model We will redesign Early Help Services to a Locality Model. This will support us to achieve better outcomes for children as it will enable services to be strongly connected to communities which will support strong joint partnership working and information sharing. The redesign will result in a reduction in the budget for Early Help Services, but this will be offset by funding from external grants, including the Supporting Families Grant.	A redesign of Early Help Services into a Locality model will require an EIA.
22. Restructure Early Help Budget to fund Crewe Youth Zone Restructure of Early Help Budget to fund Crewe Youth Zone for three years.	Restructure Early Help Budget to fund Crewe Youth Zone will not require an EIA.

Central budgets and funding activity

26. Minimum Revenue Provision (MRP) Councils are required to charge a minimum amount to their revenue account each year, to finance the cost of capital expenditure. This ensures that the revenue costs of repaying debt are spread over the life of the asset. The budget for MRP is included in the capital financing budget along with interest charges, offset by income received on investments. MRP will rise significantly over the period of the MTFS due to the number of major schemes in the capital programme that are to be funded by borrowing. These include: Highways Improvements; Crewe and Macclesfield Town Centre regeneration schemes; Congleton Leisure Centre; Poynton Relief Road and investment in the Council's assets and ICT infrastructure.	Minimum Revenue Provision does not require an EIA.
27. Changes to un-ringfenced specific grant estimates Un-ringfenced grant funding estimates continue to reduce over the medium-term despite Spending Review announcements that local government is due to receive an extra £4.8 billion over the next three years. Prudent estimates have been factored in at this stage due to uncertainties around allocation methods and the future of the New Homes Bonus Grant.	Changes to un-ringfenced specific grant estimates does not require an EIA.
28. Council tax Each new home brings additional council tax revenue as well as a New Homes Bonus and Community Infrastructure Levy (if applicable). But homes also create additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully examined to achieve maximum value to ensure council tax increases for residents are kept to an overall minimum. Percentage increases in the base council tax charge brings in additional income to help fund demand growth in vital service areas but has to be considered against the impact on Cheshire East residents (1.99%). Extra adult social care precepts are ringfenced specifically to fund demand led growth in this area (1.00%).	Council Tax will not require an EIA.
29. Business Rates Retention Scheme New commercial developments can result in additional income being retained to fund local services as well as benefiting local economic wellbeing. This supports the Council's approach to invest in economic growth through unlocking	Business Rates Retention Scheme will not require an EIA.

development land and supporting inward investment. Since the baseline funding level for business rates retention was set back in 2013/14, there have been many policy changes around reliefs for different business types. With each policy change, all local authorities are compensated for their share of business rates foregone. Up to and including 2018/19, these compensation grants have been set aside to help smooth changes in business rates that can arise when businesses are revalued or move out of the area. From 2019/20, some of the compensation grants being received are being used to fund the revenue budget. There are no changes forecast to the budget over the medium-term due to uncertainties around the future of the Business Rates Retention Scheme.	
30. Central Pension adjustment For 2020/21 and 2021/22, the past service deficit element of the draw from service budgets is clawing back more than is required to be paid over to the Pensions Service. This is due to the fact the service pension oncost rate was calculated then the rate required by Pensions was reduced. This will result in three years' worth of over recoupment from service budgets from 2020/21 to 2022/23 (if budgets remain at current levels). This is creating a surplus in the central pension budget which is available to support the wider revenue budget.	Central Pension adjustment will not require an EIA.
31. Bad Debt Provision – change in provision Outstanding debt is reviewed on a quarterly basis and the bad debt provision is adjusted to reflect the current position. The provision generally increases during the year and this proposal provides an annual budget for a low level of increase to the provision.	Bad Debt Provision – change in provision will not require and EIA.
32. Use of Earmarked Reserves Some of the proposals within this budget will be funded from specific earmarked reserves set aside to cover planned expenditure, or conversely, money is being put aside to cover future planned projects. Over the medium-term, money that has been set aside to cover COVID-19 related shortfalls is being released to help smooth the transition back to normal activity levels. The Council continues to have relatively low levels of reserves therefore they cannot be used to regularly manage the risk of potential reductions in income or unachievable savings proposals. Reliance on reserves is kept to a minimum.	Use of Earmarked Reserves will not require an EIA.

Annex A: Public Sector Equality Duty

Section 149 of the Equality Act 2010 provides that:

(1) A public authority must, in the exercise of its functions, have due regard to the need to —

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

(2) A person who is not a public authority but who exercises public functions must, in the exercise of those functions, have due regard to the matters mentioned in subsection (1).

(3) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to —

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

(4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include steps to take account of disabled persons' disabilities.

(5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard to the need to —

(a) tackle prejudice, and

(b) promote understanding

(6) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

(7) The relevant protected characteristics are —

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

4. Risk Management

4.1 The Council continues to implement and embed an effective risk management framework and appropriate risk appetite to ensure that it is better placed to manage its performance; achieve its corporate objectives; and provide an enhanced level of service and outcomes to the community. Risk management is a key principle of effective corporate governance and operating within the framework ensures that there is a mechanism in place to support effective decision making and appropriate risk responses.

4.2 Cheshire East recognises that in pursuit of its objectives and outcomes that it may choose, in some circumstances, to accept an increased degree of risk. Where the Council chooses to accept an increased level of risk it will do so whilst ensuring that the potential benefits and threats are fully understood before developments are authorised, that it has sufficient risk capacity, and that proportionate measures to mitigate risk are established.

4.3 In this constantly evolving environment, with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, demographic and social changes, it is possible for managers and decision makers to miss risks that may arise suddenly or unexpectedly. The Council uses its risk management framework to help protect against this and the Corporate Leadership Team regularly review the Council's strategic risks and give assurance on the effectiveness of risk management through the Council's Audit and Governance Committee.

4.4 The highest rated risks on the Council's strategic risk register are around increased demand for Council services and the challenges of capacity and resources within the Council, and through our key delivery partners and suppliers, placing additional strains on the financial resilience and organisational capacity of the Council.

4.5 At a strategic level, the Corporate Leadership Team and Committees are included as part of the process to review existing risks as well as identifying new and emerging risks. Operationally risk management is integrated into service planning and decision making to ensure that:

- Risks are recognised and responded to appropriately throughout business management and decision-making lifecycles.
- Risk activity is focused on the delivery of key organisational objectives.
- Risk registers are critically examined and refreshed throughout the year.

4.6 Risk to Council Funding, and Financial Management and Control are included in the strategic risk register and general reserves are focused on the Council's potential exposure to risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose.

4.7 In 2021/22 to date, the impact of the pandemic continues to influence other strategic risks and the organisation as a whole. COVID-19 has created financial and service pressures at an unprecedented level and continues to be an area of high risk and uncertainty.

4.8 As covered in other areas of the Reserves Strategy, financial risk is managed for example by estimating variations, demand led budgets, provisions in the Capital Strategy, limits within the Treasury Management Strategy. Financial and budgetary matters are reported regularly to the Corporate Policy

Committee, with the Audit and Governance Committee providing strategic oversight.

4.9 In the table below are the highest rated strategic risks (net score of 12 and above) which have implications for financial management and potential impact on reserves.

Highest Rated Strategic Risks Scoring 12 and above (out of 16)		
Ref	**Score**	**Short Risk Title**
SR 1A	16	Increased Demand for Adult's Services
SR 1C	16	Increased Demand for Children's Service
SR 2	16	NHS Funding and Integrated Care System
SR 4	12	Information Security and Cyber Threat
SR 6	12	Organisational Capacity and Demand
SR 7	16	Council Funding
SR 9	12	Capital Projects
SR 10	12	Infrastructure Investment
SR 11	12	Pandemic Virus
SR 12	16	Failure and fragility in the Social Care Market

5. Local Taxation (The Collection Fund)

Introduction

5.1 The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

5.2 It is one of the main statements that form part of the annual financial reporting and is contained within the annual Statement of Accounts.

5.3 This annex sets out the taxbase calculation and forecast outturn position for both Council Tax and Business Rates.

5.4 The forecast outturn positions noted in this section will be wholly managed through the Collection Fund Earmarked Reserve and will not impact on the revenue account in 2022/23.

Council Tax

5.5 Locally collected domestic taxes that are directly retained by the Council will provide approximately 78% of the Council's net funding in 2022/23. The Council therefore takes a very careful approach to managing the domestic taxbase in a way that reflects local growth ambitions and supports sustainable services in the medium-term.

5.6 Growth in the local taxbase supports the ambition in the Corporate Plan of creating economic independence from Government grant. In 2022/23, there continues to be no general Government grant support to the revenue budget of Cheshire East Council. The continued increase in demand related to protecting vulnerable people and inflation in costs maintains the requirement to increase council tax levels in line with Government expectations.

5.7 Taxbase levels have risen steadily in recent years as can be seen in the table below:

Table 1 - Taxbase increases	2019/20	2020/21	2021/22	2022/23
No. of properties as at Oct in previous year	175,059	178,158	180,505	183,054
Estimated new homes	2,200	2,200	1,800	2,100
Cheshire East Taxbase	149,517.54	152,597.84	153,796.10	156,607.48
Growth in taxbase	1.71%	2.06%	0.79%	1.83%

5.8 The taxbase also reflects assumptions around Council Tax Support (CTS) payments. The Cheshire East CTS scheme was introduced in 2013/14 and subsequently amended following consultations in 2016/17, 2020/21 and will be amended again for 2022/23 to make the scheme more supportive in the light of funding being made available from central government (£3.3m) to be able to further assist the pandemic recovery for residents.

5.9 The funding for this Local Council Tax Support grant was received in 2020/21 and transferred to the Collection Fund Earmarked reserve. The funding will be used over the medium-term to support the revenue budget to compensate for suppressed council tax levels due to higher Council Tax Support payments.

5.10 The taxbase for 2022/23, along with changes to the Council Tax Support Scheme, was approved by full Council on 15th

December 2021 and further information can be obtained from the Domestic Taxbase report.

5.11 Receipts from council taxpayers are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire Authority, Police and Crime Commissioner, and local Town and Parish Councils).

5.12 If receipts are more than the budgeted precepts of the billing authority (Cheshire East) and the major preceptors, then this creates a surplus in the fund which can be released in the following financial year. If receipts are less, then this results in a deficit which needs to be paid back by all parties in their proportionate shares in future years.

5.13 COVID-19 had a severe impact on both the Council Tax and Business Rates collection funds in 2020/21 and the authority was funded in part for shortfalls in income collected last year. This support is not set to continue into 2021/22 despite the pandemic continuing to have an effect.

5.14 It is forecast that there is to be a cumulative deficit of £1.6m on the Council Tax fund of which £0.8m is to be repaid by the authority in 2022/23.

5.15 The table below sets out the detailed position on the Council Tax fund as at the end of 2021/22.

Collection Fund 2021/22 - Council Tax	£m
Balance brought forward	**£m**
2020/21 Outturn Deficit	**2.183**
Demand on Collection Fund (precepts)	
Cheshire East (inc. Parish Precepts)	**251.939**
Cheshire Police and Crime Commissioner	**34.672**
Fire Authority	**12.437**
Total Payments due to Preceptors	**299.048**
2020/21 deficit estimation declared in Jan 2021 – repaid in 2021/22	**-0.574**
Total Payments due from Preceptors	**-0.574**
Net payment due to Preceptors	**298.474**
Net Income due into the Collection Fund (estimate as at Dec 2021)	**298.888**
Discretionary reliefs to be funded by General Fund	
Foster Carers / Care Leavers	**0.144**
Total	**0.144**
Estimated Total Overall Deficit	**1.625**
Preceptors Share of Deficit to be repaid in 2022/23 (excluding amounts that can be spread into 2023/24)	**£m**
Cheshire East Council	**0.840**
Cheshire Police	0.114
Cheshire Fire	0.042

Business Rates

5.16 The Government introduced the business rates retention scheme on 1st April 2013. There continues to be much uncertainty around the scheme from appeals to the local list. This has resulted in the need to create and build upon a specific earmarked reserve and provision for appeals to protect against large fluctuations in any given year. This Annex provides an illustration of how the scheme has worked and what changes are likely over the medium-term including estimates of future income.

5.17 The basic concept is that a baseline position is established and an element of growth over and above that can be retained. Central Government set the baseline over which growth is measured but the Council can budget on locally set figures. This can be informed by the NNDR1 form which contains estimates that must be provided to Government at the end of January each year.

5.18 In previous budget cycles, growth estimates above baseline were calculated and the taxbase has been monitored to assess the robustness of those estimates. This proved to be reasonably accurate but then in March 2020, the coronavirus pandemic locked the economy down and businesses have been dramatically affected. This affected the in-year performance of business rates for 2020/21 and 2021/22 and is likely to continue to impact over the medium-term.

5.19 Central government use compensation S31 grants to reimburse Local Authorities for the cost of any discounts or exemptions that have been granted since the start of the scheme in April 2013. For 2020/21, a very large Extended Retail Relief scheme was introduced to help support businesses through the pandemic. For Cheshire East this accounted for around half of the original business rates that were due to be collected. This discount continued for the first quarter of 2021/22 and the same process of compensation continued.

5.20 For 2021/22 the NNDR1 return was forecasting retained rates of £2.4m above the funding baseline (of £42.5m) giving a contribution to the revenue budget of £44.9m. This budget above the baseline was accounting for the growth projections since the start of the BRRS. Any shortfall against this budget as an ongoing result of the pandemic will continue to be covered by the Collection Fund Earmarked Reserve which was set up to provide protection against fluctuation in rates.

5.21 Business rates compensation grants, payable by Central Government, for any new exemptions or discounts granted since the baseline funding levels were set back in April 2013 are also being used in part to support the revenue budget in 2021/22 which took the total business rates income to £49.1m.

5.22 For 2022/23, despite the reduced starting point with the taxbase, the usual process of forecasting growth in Rateable Value has been undertaken as set out below.

Available Data

5.23 The Council has gathered information from several sources to judge likely levels of economic growth or decline including:

- Information from the business engagement team.
- Data from the Council's planning system.
- Data from the team working to generate capital receipts.

- Data from the Revenues collection service in terms of appeals and expected growth.
- Data from the valuation office.
- Financial Strategy & Reporting knowledge of the BRRS calculations.

Method

5.24 This available data has been reviewed to generate broad estimates of the potential increase in Rateable Value (RV) over the medium-term.

5.25 An allowance has been made for the average impact of timing delays, on appeals, on other RV nearby (displacement) and likely loss of RV where appropriate.

5.26 The end result has been converted to business rates and processed via a BRRS model developed and maintained by Strategy Finance.

Results

5.27 Retained rates income forecast from growth in the taxbase for 2022/23 is forecast to be £2.26m. After the central share and levy payments have been made it results in a net increase for Cheshire East of £0.70m as per **Table 2**.

5.28 However, due to the unprecedented times that businesses are continuing to face, it is prudent not to include any increase in overall business rates income for 2022/23 and beyond.

5.29 For 2022/23 the government has announced that the multiplier usually used to increase business rate bills by inflation are to be frozen at 2021/22 levels also.

5.30 For 2022/23, the retained rates are still in the process of being calculated (at the time of writing the MTFS). The assumption is that the use of the S31 compensation grants will continue into next year, with any remaining amount being credited to the Collection Fund Earmarked Reserve to help fund the risk around future business rates funding. Therefore, the resulting overall funding from business rates will be retained at £49.1m for 2022/23.

5.31 The revised Business Rates Retention Scheme that was due to be implemented from April 2021 has now been delayed again as per the provisional settlement that was announced on 16th December 2021. This also contributed to the decision not to increase business rates income over the medium-term.

Table 2 - Estimated Increased Net Business Rates Income

Business Type	2022/23 £m	2023/24 £m	2024/25 £m
Retail	2.04	0.44	1.16
Offices	0.42	0.69	-
Manufacturing	-0.26	0.39	-
Leisure	0.06	-	-
Other	-	0.04	-
Total Net Growth	**2.26**	**1.56**	**1.16**
Total Retention for Cheshire East	**0.70**	**0.48**	**0.19**

5.32 Receipts from businesses are paid into the Collection Fund which is then distributed to all precepting organisations in the following shares - Cheshire East Council (49%), Fire Authority (1%), and Central Government (50%).

5.33 New legislation was passed during 2020/21 to allow the "exceptional balance" deficit from that year to be spread equally over the period 2021/22 to 2023/24 to avoid all the costs being incurred in one year. For 2022/23, the year two element of this balance will be repaid and is included in the tables below.

5.34 For Business Rates the loss in income continues to be significant due mainly to the Extended Retail Relief which continued into 2021/22. This deficit will again be borne 49% by the billing authority and S31 compensation funding has already been received to offset this deficit.

5.35 An in-year deficit is forecast to continue due to lower collection which will increase year-end arrears and result in a higher loss in collection provision being required, reductions in ratable value and higher than average refunds in-year. The continuation of the Extended Retail Relief will also create an in-year deficit in the region of around £25m on its own as it was not included at the NNDR1 budget stage. Therefore, the full deficit is likely to be in the region of c.£34m by the end of the 2021/22 year (including prior year carried forward deficits not yet repaid), of which half is repayable by the authority.

5.36 Central Government have once again already compensated local authorities for their share of the Extended Retail Relief so this portion off the deficit can be immediately repaid in full in 2022/23. This will leave a residual deficit in the region of £9.1m by the end of 2021/22. This includes the unpaid deficit from 2020/21 that was allowed to be spread over a three-year period. Therefore, the total deficit to be repaid in 2022/23, will be £6.3m of which £3.1m will be repayable by Cheshire East. This will be covered from the Collection Fund Earmarked Reserve.

5.37 The detailed forecast outturn for Business Rates collection fund is shown in the table below.

Collection Fund 2021/22 - Business Rates	£m
Balance brought forward	
2020/21 Outturn Deficit	**72.003**
Demand on Collection Fund	
Central Government	**71.007**
Cheshire East	**69.587**
Fire Authority	**1.420**
Total payments due to Preceptors	**142.014**
2020/21 deficit estimation declared in Jan 2021 - repaid in 2021/22	**-65.059**
Total Payments due from Preceptors	**-65.059**
Net payment due to Preceptors	**76.955**
Net Income due into the Collection Fund (estimate as at Dec 2021)	**116.956**
Items to be excluded from Collection Fund share to preceptors	
Cost of Collection	**-0.569**
EZ Growth Disregard	**-1.437**
Renewable Energy Disregard	**-0.118**
Total	**-2.124**
Estimated Total Overall Deficit	**34.125**

Preceptors Share of Deficit to be repaid in 2022/23 (excluding - amounts that can be spread into 2023/24 and the deficit as a result of Extended Retail Relief that is 100% fully funded by grant)	
Cheshire East Council	**3.091**
Central Government	3.154
Cheshire Fire	0.063

Conclusion

5.38 The deficit on the Council Tax fund that is due to be repaid by the Authority in 2022/23 is **£0.840m.**

5.39 The deficit on the Business Rates fund that is due to be repaid by the Authority in 2022/23 is **£3.091m**.

5.40 Both deficits have been formally declared during January 2022 and will be managed through the use of the Collection Fund Earmarked Reserve during 2022/23.

6. The Budget Setting Process for the 2022/23 Financial Year

Set Parameters	Gather Evidence	Consult and Refine	Approve
Apr to May 2021	June to Nov 2021	Nov 2021 to Jan 2022	Feb 2022

Set Parameters — Apr to May 2021

Assumptions reported to Council in Feb 2021

Revenue Budget 2022/23	£m
Cost of services	314.1
Local Taxation	-299.2
Government Funding	-14.9
Total	0.0

Gather Evidence — June to Nov 2021

Develop Budget estimates to maintain balanced position

Review Assumptions	£m
Additional pressure on demand led services	7.8
Additional Pay inflation and NI costs	2.7
Use of Earmarked Reserves / increase in Bad Debt Provision	-2.8
Decrease in past service pension due to actuary result	-0.6
Local Taxation - increase in taxbase	-2.1
Local Taxation - extra ASC precept at 1%	-2.4
Additional grant estimates based on Spending Review	-2.6
Total	0.0

Consult and Refine — Nov 2021 to Jan 2022

Changes Post Pre Budget Engagement

Confirm Proposals	£m
Net change in policy proposals	3.3
Minimum Revenue Provision change	1.0
Change in use of Earmarked reserves	2.3
New Homes Bonus refinement following provisional settlement	-2.7
Additional Social Care Grant following provisional settlement	-3.3
Other Grant changes following provisional settlement	-3.3
Total	-2.7

Approve — Feb 2022

Medium Term Financial Strategy

Budget Report	£m
Cost of services	327.7
Local Taxation	-303.8
Government Funding	-23.9
Total	0.0

7. Revenue Grant Funding

Corporate Grants Register 2022-26	Revised Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
SPECIFIC USE (Held within Services)					
Schools					
Dedicated Schools Grant	315,711	315,711	315,711	315,711	315,711
Less Academy Recoupment	173,728	182,415	191,536	201,113	211,168
Dedicated Schools Grant (Cheshire East)	141,983	133,296	124,175	114,598	104,543
Pupil Premium Grant	4,476	4,476	4,476	4,476	4,476
Sixth Forms Grant	2,467	2,475	2,475	2,475	2,475
Universal Infant Free School Meals (UIFSM)	1,745	1,769	1,769	1,769	1,769
Primary Physical Education Sports Grant	1,048	1,014	1,014	1,014	1,014
Free School Meals (FSM) Supplementary Grant	203	0	0	0	0
Teachers Pay Grant	24	0	0	0	0
Teachers Pension Grant	66	0	0	0	0
School Improvement Monitoring & Brokering Grant	250	231	231	231	231
Milk Subsidy	21	10	10	10	10
COVID-19 Additional Dedicated Home to School and College Transport	55	0	0	0	0
COVID-19 Wellbeing for Education Recovery Grant	48	0	0	0	0
Total Schools	**152,386**	**143,271**	**134,150**	**124,573**	**114,518**
Children and Families					
Asylum Seekers	788	788	788	788	788
Tackling Troubled Families (Payments by Results)	70	0	0	0	0
Supporting Families PBR Upfront Grant	590	719	719	719	719
Adoption Support Fund (SGO's only)	33	28	28	28	28
KS2 Moderation & Phonics	12	12	12	12	12
Independent Support Grant (CEIAS)	10	10	10	10	10
Skills & Lifelong Learning	904	903	903	903	903
Supporting Families; Investing in Practice programme (Mockingbird Family Model)	55	0	0	0	0
Remand Grant	20	20	20	20	20
Domestic Abuse Safe Accommodation Housing Grant	648	648	648	648	648
Holiday Activities & Food Grant	793	0	0	0	0
Extension of the Role of Virtual School Heads to children with a social worker Implementation	118	118	118	118	118
COVID-19 Local Support Grant	1,036	0	0	0	0
COVID-19 Winter Grant Scheme	306	0	0	0	0
Total Children and Families	**5,383**	**3,246**	**3,246**	**3,246**	**3,246**

Corporate Grants Register 2022-26	Revised Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
Health and Adults[1]					
Additional Better Care (for Adult Social Care)	6,998	8,706	8,706	8,706	8,706
Winter Pressures	1,451	0	0	0	0
Market Sustainability and Fair Cost of Care Fund	0	979	0	0	0
Syrian Resettlement Programme	27	0	0	0	0
Private Finance Initiative (PFI) credits	4,125	4,125	4,125	4,125	4,125
COVID-19 Practical support for Self Isolation	626	0	0	0	0
COVID-19 Infection Control Fund & Rapid Testing Grant Apr 21 to Jun 21	3,029	0	0	0	0
COVID-19 Infection Control Fund & Rapid Testing Grant Jul 21 to Sep 21	2,257	0	0	0	0
Total Health and Adults	**18,513**	**13,810**	**12,831**	**12,831**	**12,831**
Public Health					
Public Health Grant	16,929	16,929	16,929	16,929	16,929
COVID-19 Contain Outbreak Management Fund	2,195	0	0	0	0
COVID-19 Community Testing Programme	272	0	0	0	0
PHE Adult weight management services grant	123	0	0	0	0
PHE SMS (CGL contract) enhance the current drug treatment, crime and harm reduction services	251	0	0	0	0
Total Public Health	**19,770**	**16,929**	**16,929**	**16,929**	**16,929**
Economy and Growth					
Rough Sleeping Initiative	371	300	0	0	0
Homelessness Prevention Grant	560	260	0	0	0
COVID-19 Cold Weather Fund	6	0	0	0	0
COVID-19 Opening High Streets	339	0	0	0	0
Local Enterprise Partnership (LEP): Core Funding	500	500	0	0	0
Local Enterprise Partnership (LEP): Growth Hub Funding	462	462	0	0	0
Local Enterprise Partnership (LEP): NP (Northern Powerhouse) 11	350	500	0	0	0
Local Enterprise Partnership (LEP): Growth Hub Cluster Network - Peer Networks	150	150	0	0	0
Local Enterprise Partnership (LEP): Skills Advisory Panel	75	75	0	0	0
Local Enterprise Partnership (LEP): Local Digital Skills Partnership Catalyst grant	75	75	0	0	0
Additional Restrictions Grant (Business Support)	3,405	0	0	0	0
Restart Grant (Business Support)	21,295	0	0	0	0
Total Economy and Growth	**27,588**	**2,322**	**0**	**0**	**0**

Corporate Grants Register 2022-26	Revised Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
Environment and Communities					
HS2 Phase 2a Environmental and Landscape Mitigation Fund	850	0	0	0	0
Total Environment and Communities	**850**	**0**	**0**	**0**	**0**
Highways and Transport					
Bus Service Operators Grant	440	348	0	0	0
Bus Capacity Grant	247	0	0	0	0
Local Authority Capability Fund	171	0	0	0	0
COVID-19 Bus Services Support Grant (Restart) - Tranche 6	91	0	0	0	0
Total Highways and Transport	**949**	**348**	**0**	**0**	**0**
Corporate Policy					
Housing Benefit Subsidy	48,141	47,090	42,381	38,143	34,329
Housing Benefits - New Burdens:					
Discretionary Housing Payments Grant	334	492	443	399	359
New Burdens: Universal Credit	11	10	10	10	10
Local Authority Data Sharing (LADS)	9	9	9	9	9
- New Burdens - Discretionary Housing Payments (DHP)	63	40	30	20	10
- New Burdens - Benefit Cap	1	1	1	1	1
- New Burdens - Single Fraud Investigation	2	1	1	1	1
- VEP (RTI) funding	34	34	34	34	34
- New Burdens - removal of savings credit element in personal allowance	2	0	0	0	0
COVID-19 Test and Trace Support (Self Isolation Payment)	1,039	0	0	0	0
COVID-19 Test and Trace Practical Support	257	0	0	0	0
Housing Benefit (HB) Award Accuracy Initiative	33	33	33	33	33
Democratic Services:					
COVID-19 Additional Local Elections Funding	14	0	0	0	0
Total Corporate Policy	**49,940**	**47,710**	**42,942**	**38,650**	**34,786**
TOTAL SPECIFIC USE	**275,379**	**227,636**	**210,098**	**196,229**	**182,310**

Corporate Grants Register 2022-26	Revised Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
GENERAL PURPOSE (Held Corporately)					
Children and Families					
Staying Put Implementation Grant	113	0	0	0	0
Extended Rights to Free Transport (Home to School Transport)	258	0	0	0	0
Extended Personal Adviser Duty Implementation	56	0	0	0	0
Extension of the role of Virtual School Heads	60	0	0	0	0
Adults and Health					
Social Care Support Grant	7,978	11,341	11,341	11,341	11,341
Independent Living Fund	861	818	818	818	818
Local Reform & Community Voices, Social Care in Prisons and War Pension Scheme Disregard	340	340	340	340	340
Economy and Growth					
Homelessness Domestic Abuse New Burdens	9	0	0	0	0
Environment and Communities					
Neighbourhood Planning Grant	70	0	0	0	0

Corporate Grants Register 2022-26	Revised Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
Corporate Policy					
Housing Benefit and Council Tax Administration	1,082	970	921	875	875
NNDR Administration Allowance	569	587	587	587	587
Breathing Spaces (Debt Respite Scheme)	2	0	0	0	0
New Homes Bonus	7,841	6,614	0	0	0
Services Grant	0	2,932	814	814	814
Individual Electoral Registration	5	0	0	0	0
Lower Tier Services Grant	335	353	0	0	0
COVID-19 Business Rates Reliefs 2021/22	27,279	0	0	0	0
COVID-19 Compensation for Sales, Fees and Charges Income	800	0	0	0	0
COVID-19 Local Council Tax Support	3,373	0	0	0	0
COVID-19 Local Authority Support Grant	8,508	0	0	0	0
Business Rates Reliefs Grant	8,606	0	0	0	0
TOTAL GENERAL PURPOSE	**68,145**	**23,955**	**14,821**	**14,775**	**14,775**
TOTAL GRANT FUNDING	**343,524**	**251,591**	**224,919**	**211,004**	**197,085**

(1) In respect of Private Finance Initiatives (PFI), Cheshire East Council are currently reflecting the total PFI grant monies received, even though Beechmere Extra Care Housing building, which was destroyed in a fire, no longer stands. No agreement has been reached with the HM Treasury on any possible reduction of grant income and Cheshire East Council continues to pay the residual unitary charge excluding Beechmere to Avantage. Discussions are continuing with the private sector partner, who has recently restructured, along with other relevant stakeholders, for example Central Government and the Nationwide Building Society, with regard to both the reinstatement of Beechmere and the remediation of the other four sites which make up the PFI scheme.

8. Capital Grant Funding

	Expected Receipt 2022/23 £000	Application of Grants in 2022/23 £000	Expected Receipt 2023/24 £000	Application of Grants in 2023/24 £000	Expected Receipt 2024/25 £000	Application of Grants in 2024/25 £000	Expected Receipt 2025/26 £000	Application of Grants in 2025/26 £000
SPECIFIC PURPOSE (Held Corporately)								
PEOPLE								
Education and 14-19 Skills								
Crewe Towns Funding	650	650	1,150	1,150	800	800	0	0
Early Years Sufficiency Fund - 2018/19	0	0	0	123	0	0	0	0
High Needs/Special Educational Needs Grant	0	1,189	0	0	0	0	0	0
Special Provision Fund	0	487	0	0	0	0	0	0
School Condition Grant	1,700	2,198	1,700	1,700	1,700	1,700	1,700	1,700
Devolved Formula Capital Grant	305	305	300	300	290	290	285	285
Basic Need Grant	5,277	24,078	0	9,799	0	6,136		
TOTAL PEOPLE	**7,932**	**28,907**	**3,150**	**13,072**	**2,790**	**8,926**	**1,985**	**1,985**
PLACE								
Growth and Enterprise								
Connecting Cheshire Digital 2020 - Super Fast Broadband	4,169	4,169	1,420	1,420	1,000	1,000	0	0
Crewe Towns Funding	6,770	6,770	6,886	6,886	5,404	5,404	1,210	1,210
Disabled Facilities Grant	2,490	2,490	2,342	2,342	2,342	2,342	2,342	2,342
Future High Street Funding	3,699	3,800	4,223	4,223	0	0	0	0
Green Homes Grants	0	1,000	0	0	0	0	0	0
Handforth Heat Network	0	0	5,420	5,420				
Homes England Grant - Gypsy Traveller Site	550	550	0	0	0	0	0	0
Homes England Grant - North Cheshire Garden Village	11,313	11,313	10,387	10,387	0	0	0	0
PROW CMM A6 MARR	0	98	0	0	0	0	0	0
Public Sector Decarbonisation Scheme - Council Buildings	3,714	3,714	0	0	0	0	0	0
Schools Capital Maintenance	0	846	0	0	0	0	0	0
Homes England Grant - South Macclesfield Development Area	1,000	1,000	9,000	9,000	0		0	0

	Expected Receipt 2022/23 £000	Application of Grants in 2022/23 £000	Expected Receipt 2023/24 £000	Application of Grants in 2023/24 £000	Expected Receipt 2024/25 £000	Application of Grants in 2024/25 £000	Expected Receipt 2025/26 £000	Application of Grants in 2025/26 £000
Infrastructure and Highways								
Department for Transport S31 Grant - A500	1,174	1,174	22,428	22,428	26,341	26,341	0	0
Department of Transport Incentive Fund	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Department of Transport Integrated Transport Grant	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003
Department of Transport Maintenance Grant	5,799	6,732	5,799	5,874	5,799	5,799	5,799	5,799
Department of Transport - Traffic Signal Maintenance Funding	0	250						
Department of Transport S31 Grant - Middlewich Eastern Bypass	4,800	4,800	9,039	9,039	21,910	21,910	4,092	4,092
Future High Street Funding	887	887	3,229	3,229	1,574	1,574	0	0
Housing Infrastructure Fund (MHCLG) - Northwest Crewe Package	423	423	8,695	8,695	0	0	0	0
National Productivity Investment Fund (NPIF) - Flower Pot Junction, Macclesfield	2,073	2,072	0	0	0	0	0	0
Local Growth Fund - Poynton Relief Road								
Department for Transport - Safer Road Fund A532	0	471	0	0	0	0	0	0
Department for Transport - Safer Road Fund A536	0	540	0	0	0	0	0	0
Department for Transport - Safer Road Fund A537	0	1,977	0	0	0	0	0	0
Local Growth Fund - Sustainable Travel Access Programme	977	977	0	0	0	0	0	0
TOTAL PLACE	**53,291**	**59,506**	**92,321**	**92,396**	**67,823**	**67,823**	**16,896**	**16,896**
TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING	**61,223**	**88,413**	**95,471**	**105,468**	**70,613**	**76,749**	**18,881**	**18,881**

9. Financial Summary Tables (Revenue)

9.1 The 2021/22 Budget, shown as the starting point for the following tables, takes account of any permanent changes made during the 2021/22 financial year to date. There may be differences from the budget position in the 2021/22 Financial Year Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

	2021/22 Net Revised Budget £000	Less 2021/22 Temporary Grant Budgets £000	Other Budget Amendments £000	2022/23 Base Budget £000
ADULT, HEALTH & INTEGRATION				
Adult Social Care - Operations	28,062	-	86,266	114,328
Commissioning	90,921	(43)	(86,174)	4,704
Public Health	-	-	-	-
	118,983	(43)	92	119,032
CHILDREN'S SERVICES				
Directorate	898			898
Children's Social Care	43,177	(169)		43,008
Prevention & Early Help	8,279			8,279
Education & 14-19 Skills	16,453	(57)	(290)	16,106
	68,807	(226)	(290)	68,291
PLACE				
Directorate	858	-	58	916
Environment & Neighbourhood Services	42,296	(470)	25	41,851
Growth & Enterprise	20,895	(9)	(22)	20,864
Highways & Infrastructure	11,245	-	(43)	11,202
	75,294	(479)	18	74,833
CORPORATE				
Directorate	423		23	446
Finance & Customer Services	11,991	(62)	(4)	11,925
Governance and Compliance Services	9,072	(5)	1,137	10,204
Transformation	14,003		(11)	13,992
	35,489	(67)	1,145	36,567
TOTAL SERVICE BUDGET	**298,573**	**(815)**	**965**	**298,723**

	2021/22 Net Revised Budget £000	Less 2021/22 Temporary Grant Budgets £000	Other Budget Amendments £000	2022/23 Base Budget £000
CENTRAL BUDGETS				
Capital Financing	14,000	-	-	14,000
Corporate Contributions	(2,898)	-	-	(2,898)
Contribution to / from Reserves	2,240	-	(965)	1,275
	13,342	-	(965)	12,377
TOTAL BUDGET	**311,915**	**(815)**	**-**	**311,100**
CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(49,086)	-	-	(49,086)
Specific Grants	(19,980)	815	-	(19,165)
Council Tax	(242,849)	-	-	(242,849)
TOTAL CENTRAL BUDGETS FUNDING	(311,915)	815	-	(311,100)
FUNDING POSITION	**-**	**-**	**-**	**-**

CHESHIRE EAST COUNCIL - Summary

REVENUE BUDGET

	Budget including Policy Proposals					
	2022/23			2023/24	2024/25	2025/26
Directorate	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Children's Services	77,272	-3,495	**73,777**	**73,768**	**75,247**	**76,630**
Adult Health and Integration	178,126	-57,287	**120,839**	**124,118**	**129,069**	**134,044**
Place	108,122	-28,437	**79,685**	**78,703**	**80,427**	**81,705**
Corporate	94,672	-56,350	**38,322**	**39,196**	**40,292**	**41,123**
Total Cost of Service	**458,192**	**-145,569**	**312,623**	**315,785**	**325,035**	**333,502**
Central Items	16,007	-900	**15,107**	**13,232**	**14,616**	**17,081**
Total Cost of Service	**474,199**	**-146,469**	**327,730**	**329,017**	**339,651**	**350,583**

	Policy Proposals included above					
Policy Proposals						
Children's Services	5,546	-60	**5,486**	**-9**	**1,479**	**1,383**
Adult Health and Integration	2,786	-979	**1,807**	**3,279**	**4,951**	**4,975**
Place	4,312	540	**4,852**	**-982**	**1,724**	**1,278**
Corporate	1,418	337	**1,755**	**874**	**1,096**	**831**
Central Items	2,730		**2,730**	**-1,875**	**1,384**	**2,465**
Financial Impact of Policy Proposals	**16,792**	**-162**	**16,630**	**1,287**	**10,634**	**10,932**

CHILDREN'S SERVICES - Summary

REVENUE BUDGET

	Budget including Policy Proposals					
	2022/23			2023/24	2024/25	2025/26
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate	1,119	-220	**899**	**900**	**901**	**902**
Children's Social Care	47,942	-1,478	**46,464**	**47,252**	**48,049**	**48,856**
Education and 14-19 Skills	19,869	-1,672	**18,197**	**17,445**	**17,866**	**18,175**
Prevention and Early Help	8,342	-125	**8,217**	**8,171**	**8,431**	**8,697**
Total Cost of Service	**77,272**	**-3,495**	**73,777**	**73,768**	**75,247**	**76,630**

	Policy Proposals included above					
Policy Proposals						
Directorate	1		**1**	**1**	**1**	**1**
Children's Social Care	3,456		**3,456**	**788**	**797**	**807**
Education and 14-19 Skills	2,151	-60	**2,091**	**-752**	**421**	**309**
Prevention and Early Help	-62		**-62**	**-46**	**260**	**266**
Financial Impact of Policy Proposals	**5,546**	**-60**	**5,486**	**-9**	**1,479**	**1,383**

CHILDREN'S SERVICES - Directorate REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate		1,118	-220	**898**	**898**	**898**	**898**
Pay Inflation		1		**1**	**2**	**3**	**4**
Total Cost of Service		**1,119**	**-220**	**899**	**900**	**901**	**902**

		Policy Proposals included above					
Policy Proposals							
Pay Inflation	**Open**	1		**1**	**1**	**1**	**1**
Financial Impact of Policy Proposals		**1**	**0**	**1**	**1**	**1**	**1**

CHILDREN'S SERVICES - Children's Social Care   REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Cared for Children and Care Leavers		24,841	-805	**24,036**	**24,436**	**24,836**	**25,236**
Children with Disabilities and Fostering		11,702	-633	**11,069**	**11,069**	**11,069**	**11,069**
Children in Need and Child Protection		7,045		**7,045**	**7,045**	**7,045**	**7,045**
Children's Safeguarding		2,066	-40	**2,026**	**2,026**	**2,026**	**2,026**
Childrens Contracts		1,258		**1,258**	**1,258**	**1,258**	**1,258**
Head of Service		644		**644**	**644**	**644**	**644**
Staff travel and related savings		-261		**-261**	**-261**	**-261**	**-261**
Pay Inflation		647		**647**	**1,035**	**1,432**	**1,839**
Total Cost of Service		**47,942**	**-1,478**	**46,464**	**47,252**	**48,049**	**48,856**

		Policy Proposals included above					
Policy Proposals							
Children's Social Care Transformation and OFSTED Response	**Open**	-1,500		**-1,500**			
Investment in Cared for Children and Care Leavers and other pressures	**Fair**	4,000		**4,000**	**400**	**400**	**400**
Safeguarding Children – legacy staffing pressure	**Fair**	390		**390**			
Growth in Children and Families Commissioning Contracts	**Fair**	180		**180**			
Staff Travel and related savings	**Open**	-261		**-261**			
Pay Inflation	**Open**	647		**647**	**388**	**397**	**407**
Financial Impact of Policy Proposals		**3,456**	**0**	**3,456**	**788**	**797**	**807**

CHILDREN'S SERVICES - Education and 14-19 Skills — REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Education Infrastructure and Outcomes		1,108	-712	**396**	**396**	**396**	**396**
Client Commissioning - Transport		11,009		**11,009**	**9,809**	**9,809**	**9,809**
Education Partnership and Pupil Support		1,756	-131	**1,625**	**1,578**	**1,578**	**1,578**
Head Of Service and Legacy Pension Costs		2,086		**2,086**	**2,086**	**2,086**	**2,086**
Skills and Lifelong Learning		859	-829	**30**	**30**	**30**	**30**
Special Educational Needs and Disabilities		2,575		**2,575**	**2,775**	**2,895**	**2,895**
Pay Inflation		476		**476**	**771**	**1,072**	**1,381**
Total Cost of Service		**19,869**	**-1,672**	**18,197**	**17,445**	**17,866**	**18,175**

		Policy Proposals included above					
Policy Proposals							
Establish a traded service for non-statutory elements of Attendance Service	**Open**		-35	**-35**	**-35**		
Establish an Education Psychologist traded service to enable a proactive early support and intervention offer	**Open**		-25	**-25**	**-75**		
Increase capacity to support Statutory SEND service	**Fair**	400		**400**	**200**	**120**	
Increase capacity to support Statutory Education Psychology Service	**Fair**	125		**125**	**63**		
School Transport	**Green**	1,200		**1,200**	**-1,200**		
Staff Travel and related savings	**Open**	-50		**-50**			
Pay Inflation	**Open**	476		**476**	**295**	**301**	**309**
Financial Impact of Policy Proposals		**2,151**	**-60**	**2,091**	**-752**	**421**	**309**

CHILDREN'S SERVICES - Prevention and Early Help								REVENUE BUDGET

		Budget including Policy Proposals					
			2022/23		2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Children's Development and Partnerships		642		**642**	**342**	**342**	**342**
Preventative Services		7,276	-125	**7,151**	**7,151**	**7,151**	**7,151**
Pay Inflation		424		**424**	**678**	**938**	**1,204**
Total Cost of Service		**8,342**	**-125**	**8,217**	**8,171**	**8,431**	**8,697**

		Policy Proposals included above					
Policy Proposals							
Revenue costs for Crewe Youth Zone	**Fair**			**0**			**400**
Restructure Early Help Budget to fund Crewe Youth Zone	**Fair**			**0**			**-400**
A redesign of Early Help Services in to a Locality model	**Fair**	-424		**-424**			
Development and Partnerships Service	**Fair**			**0**	**-300**		
Staff Travel and related savings	**Open**	-120		**-120**			
Reduced travel, supplies and services for Early Help Services (reversal of 21/22 proposal) (Staff Travel and related savings CP2226-07)	**Open**	26		**26**			
Reduce supplies and services in Children's Centres by 20%. (reversal of 21/22 proposal) (Staff Travel and related savings CP2226-07)	**Fair**	32		**32**			
Pay Inflation	**Open**	424		**424**	**254**	**260**	**266**
Financial Impact of Policy Proposals		**-62**	**0**	**-62**	**-46**	**260**	**266**

ADULT HEALTH AND INTEGRATION - Summary — REVENUE BUDGET

	Budget including Policy Proposals					
	2022/23			2023/24	2024/25	2025/26
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Adult Social Care Operations	147,731	-31,772	**115,959**	**119,072**	**123,854**	**128,655**
Commissioning	13,175	-8,295	**4,880**	**5,046**	**5,215**	**5,389**
Public Health	17,220	-17,220	**0**			
Total Cost of Service	**178,126**	**-57,287**	**120,839**	**124,118**	**129,069**	**134,044**

	Policy Proposals included above					
Policy Proposals						
Adult Social Care Operations	2,610	-979	**1,631**	**3,113**	**4,782**	**4,801**
Commissioning	176		**176**	**166**	**169**	**174**
Public Health			**0**			
Financial Impact of Policy Proposals	**2,786**	**-979**	**1,807**	**3,279**	**4,951**	**4,975**

ADULT HEALTH AND INTEGRATION - Adult Social Care Operations REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Care4CE		19,924	-4,489	**15,435**	**15,435**	**15,435**	**15,435**
Community Care – Locality Teams		73,680	-22,637	**51,043**	**55,143**	**59,143**	**63,143**
Community Care – Short Term Intervention		1,977		**1,977**	**1,977**	**1,977**	**1,977**
Adult Social Care Operations		1,206	-900	**306**	**306**	**306**	**306**
Mental Health and Learning Disability		48,215	-3,695	**44,520**	**42,770**	**42,770**	**42,770**
Adult Safeguarding		1,454	-51	**1,403**	**1,403**	**1,403**	**1,403**
Pay Inflation		1,275		**1,275**	**2,038**	**2,820**	**3,621**
Total Cost of Service		**147,731**	**-31,772**	**115,959**	**119,072**	**123,854**	**128,655**
		Policy Proposals included above					
Policy Proposals							
Productivity and Efficiency in Adult Social Care	Open	-500		**-500**	**-500**		
Increased Useage of Digital Technology (reversal of 21/22 proposal) (Staff Travel and related savings CP2226-07)	Open	125		**125**			
Continuing Healthcare Reviews	Open	-1,000		**-1,000**	**-500**		
Investment in Adult Social Care	Fair	4,000		**4,000**	**3,500**	**4,000**	**4,000**
Care Fee Uplifts	Fair			**0**	**2,000**		
Learning Disabilities Future Service Development and Review	Fair	-1,000		**-1,000**	**-1,250**		
Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and future cost avoidance	Fair	-500		**-500**	**-750**		
Mental Health Services Review	Fair	-500		**-500**			
Day Care Review	Fair	-70		**-70**	**-150**		
Electronic Call Monitoring Reclamation	Fair	-30		**-30**			
Market sustainability and fair cost of care - Grant income and Expenditure Budget	Fair	979	-979	**0**			
Staff Travel and related savings	Open	-169		**-169**			
Pay Inflation	Open	1,275		**1,275**	**763**	**782**	**801**
Financial Impact of Policy Proposals		**2,610**	**-979**	**1,631**	**3,113**	**4,782**	**4,801**

ADULT HEALTH AND INTEGRATION - Commissioning REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Integrated Commissioning		5,111	-3,416	**1,695**	**1,695**	**1,695**	**1,695**
ASC Commissioning		-882	-424	**-1,306**	**-1,306**	**-1,306**	**-1,306**
Contract Management and Quality		7,800	-4,295	**3,505**	**3,505**	**3,505**	**3,505**
Children's Commissioning		870	-160	**710**	**710**	**710**	**710**
Pay Inflation		276		**276**	**442**	**611**	**785**
Total Cost of Service		**13,175**	**-8,295**	**4,880**	**5,046**	**5,215**	**5,389**

		Policy Proposals included above					
Policy Proposals							
Reduce Base budget assigned to Community Grants	**Open**	-100		**-100**			
Pay Inflation	**Open**	276		**276**	**166**	**169**	**174**
Financial Impact of Policy Proposals		**176**	**0**	**176**	**166**	**169**	**174**

ADULT HEALTH AND INTEGRATION - Public Health REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	Aim Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Intelligence and Health Care		16,860		**16,860**	**16,860**	**16,860**	**16,860**
Health Improvement		360		**360**	**360**	**360**	**360**
Grant Income			-17,220	**-17,220**	**-17,220**	**-17,220**	**-17,220**
Total Cost of Service		**17,220**	**-17,220**	**0**	**0**	**0**	**0**

	Policy Proposals included above					
Policy Proposals						
Financial Impact of Policy Proposals	**0**	**0**	**0**	**0**	**0**	**0**

PLACE - Summary

REVENUE BUDGET

	Budget including Policy Proposals					
	2022/23			2023/24	2024/25	2025/26
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate	851		**851**	**861**	**872**	**883**
Environment and Neighbourhood Services	54,795	-10,422	**44,373**	**45,101**	**46,487**	**47,320**
Growth and Enterprise	31,803	-9,144	**22,659**	**20,845**	**21,091**	**21,411**
Highways and Infrastructure	20,673	-8,871	**11,802**	**11,896**	**11,977**	**12,091**
Total Cost of Service	**108,122**	**-28,437**	**79,685**	**78,703**	**80,427**	**81,705**

	Policy Proposals included above					
Policy Proposals						
Directorate	-65		**-65**	**10**	**11**	**11**
Environment and Neighbourhood Services	2,519	3	**2,522**	**728**	**1,386**	**833**
Growth and Enterprise	1,801	-6	**1,795**	**-1,814**	**246**	**320**
Highways and Infrastructure	57	543	**600**	**94**	**81**	**114**
Financial Impact of Policy Proposals	**4,312**	**540**	**4,852**	**-982**	**1,724**	**1,278**

PLACE - Directorate REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate		754		**754**	**754**	**754**	**754**
Sub Regional		80		**80**	**80**	**80**	**80**
Pay Inflation		17		**17**	**27**	**38**	**49**
Total Cost of Service		**851**	**0**	**851**	**861**	**872**	**883**

		Policy Proposals included above					
Policy Proposals							
Staff Travel and related savings	**Open**	-82		**-82**			
Pay Inflation	**Open**	17		**17**	**10**	**11**	**11**
Financial Impact of Policy Proposals		**-65**	**0**	**-65**	**10**	**11**	**11**

PLACE - Environment and Neighbourhood Services — REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Development Management		4,277	-3,967	**310**	**310**	**310**	**310**
Building Control & Planning Systems		2,305	-1,805	**500**			
Director of Environmental & Neighbourhood Services		136		**136**	**136**	**136**	**136**
Spatial Planning		797		**797**	**797**	**797**	**797**
Neighbourhood Planning		277	-230	**47**	**47**	**47**	**47**
Environmental		35,647	-2,849	**32,798**	**33,274**	**33,887**	**33,887**
Regulatory Services		3,799	-1,210	**2,589**	**2,589**	**2,589**	**2,589**
Libraries		4,006	-304	**3,702**	**3,702**	**3,702**	**3,702**
Leisure Commissioning		1,471		**1,471**	**1,430**	**1,390**	**1,390**
Emergency Planning		206	-49	**157**	**157**	**157**	**157**
Head of Neighbourhood Services & ASB/CEO		551	-8	**543**	**543**	**543**	**543**
Pay Inflation		1,323		**1,323**	**2,116**	**2,929**	**3,762**
Total Cost of Service		**54,795**	**-10,422**	**44,373**	**45,101**	**46,487**	**47,320**

		Policy Proposals included above					
Policy Proposals							
Orbitas income and management fee	Open	18	3	**21**			
Strategic Leisure Review	Open	-250		**-250**			
Review of governance of ASDVs and seeking increased opportunities for savings / commercial opportunities	Open	-100		**-100**	**-100**		
CCTV migration to wireless networks	Open	-85		**-85**			
Everybody Sport and Recreation Annual Management Fee	Open	-42		**-42**	**-41**	**-40**	
Regulatory Services and Environmental Health ICT	Open	-9		**-9**			
Waste Contract Inflation and Tonnage Growth	Green	644		**644**	**657**	**613**	
Tree Risk Management	Green	500		**500**			
Environment Strategy and Carbon Neutrality	Green	20		**20**	**-81**		
Investment in improving the customer experience in Planning Services	Green	500		**500**	**-500**		
Pay Inflation	Open	1,323		**1,323**	**793**	**813**	**833**
Financial Impact of Policy Proposals		**2,519**	**3**	**2,522**	**728**	**1,386**	**833**

PLACE - Growth and Enterprise REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Assets		1,660	-1,180	**480**	**480**	**480**	**480**
Facilities Management		15,874	-1,479	**14,395**	**12,415**	**12,415**	**12,415**
Farms		422	-785	**-363**	**-363**	**-363**	**-363**
Economic Development		1,622	-502	**1,120**	**1,120**	**1,120**	**1,120**
Housing		3,459	-516	**2,943**	**2,943**	**2,943**	**2,943**
Rural & Cultural Management		160		**160**	**160**	**160**	**160**
Tatton Park		4,694	-3,956	**738**	**710**	**664**	**664**
Public Rights of Way		805	-162	**643**	**543**	**543**	**543**
Cultural Economy		922		**922**	**922**	**922**	**922**
Countryside		1,119	-212	**907**	**907**	**907**	**907**
Visitor Economy		555	-352	**203**	**193**	**173**	**173**
Pay Inflation		511		**511**	**815**	**1,127**	**1,447**
Total Cost of Service		**31,803**	**-9,144**	**22,659**	**20,845**	**21,091**	**21,411**

		Policy Proposals included above					
Policy Proposals							
Neighbourhood Estate Review	Open	-260		**-260**			
Estates Transformation - Office Accommodation	Open	-100		**-100**	**-460**		
Transfer of Congleton Visitor Information Centre	Open	-20		**-20**	**-10**	**-20**	
Asset / Service Transfer	Green	-30		**-30**	**-20**		
Tatton Park	Green		-6	**-6**	**-28**	**-46**	
Inflation in Utility costs and enhanced Carbon Management	Green	1,500		**1,500**	**-1,500**		
Investment in Public Rights of Way	Green	200		**200**	**-100**		
Pay Inflation	Open	511		**511**	**304**	**312**	**320**
Financial Impact of Policy Proposals		**1,801**	**-6**	**1,795**	**-1,814**	**246**	**320**

PLACE - Highways and Infrastructure REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Car Parking		1,824	-5,997	**-4,173**	**-4,173**	**-4,173**	**-4,173**
Transport Policy		775		**775**	**775**	**775**	**775**
Transport Commissioning		4,192		**4,192**	**4,180**	**4,180**	**4,180**
Highways		12,527	-2,072	**10,455**	**10,451**	**10,420**	**10,420**
HS2		615		**615**	**615**	**615**	**615**
Infrastructure		557	-802	**-245**	**-245**	**-245**	**-245**
Pay Inflation		183		**183**	**293**	**405**	**519**
Total Cost of Service		**20,673**	**-8,871**	**11,802**	**11,896**	**11,977**	**12,091**

		Policy Proposals included above					
Policy Proposals							
ASDV Review (TSS)	Open	-125		**-125**			
Parking service – postponement of review of charges	Green	-39	543	**504**			
Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units	Green	30		**30**	**-4**	**-31**	
Local Supported Buses	Green	8		**8**	**-12**		
Pay Inflation	Open	183		**183**	**110**	**112**	**114**
Financial Impact of Policy Proposals		**57**	**543**	**600**	**94**	**81**	**114**

CORPORATE - Summary

REVENUE BUDGET

	Budget including Policy Proposals					
	2022/23			2023/24	2024/25	2025/26
	Expenditure	Income	Net	Net	Net	Net
Service Area	£000	£000	£000	£000	£000	£000
Directorate	213	-102	**111**	**-78**	**-67**	**-56**
Finance and Customer Services	61,292	-48,435	**12,857**	**12,951**	**13,253**	**13,515**
Governance and Compliance Services	13,760	-3,281	**10,479**	**10,645**	**10,815**	**10,988**
Transformation	19,407	-4,532	**14,875**	**15,678**	**16,291**	**16,676**
Total Cost of Service	**94,672**	**-56,350**	**38,322**	**39,196**	**40,292**	**41,123**

	Policy Proposals included above					
Policy Proposals						
Directorate	-335		**-335**	**-189**	**11**	**11**
Finance and Customer Services	595	337	**932**	**94**	**302**	**262**
Governance and Compliance Services	275		**275**	**166**	**170**	**173**
Transformation	883		**883**	**803**	**613**	**385**
Financial Impact of Policy Proposals	**1,418**	**337**	**1,755**	**874**	**1,096**	**831**

CORPORATE - Directorate

REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Chief Executive		305		**305**	**305**	**305**	**305**
Executive Director of Corporate Services		246	-2	**244**	**244**	**244**	**244**
Corporate Efficiencies & Restructure Savings		-353		**-353**	**-353**	**-353**	**-353**
Commercial Workstream			-100	**-100**	**-100**	**-100**	**-100**
Shared Service Review				**0**	**-200**	**-200**	**-200**
Pay Inflation		15		**15**	**26**	**37**	**48**
Total Cost of Service		**213**	**-102**	**111**	**-78**	**-67**	**-56**

		Policy Proposals included above					
Policy Proposals							
Efficiency savings and Restructures within Corporate Services	**Open**	-350		**-350**			
Shared services review	**Open**			**0**	**-200**		
Pay Inflation	**Open**	15		**15**	**11**	**11**	**11**
Financial Impact of Policy Proposals		**-335**	**0**	**-335**	**-189**	**11**	**11**

CORPORATE - Finance and Customer Services REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Finance		3,666	-973	**2,693**	**2,693**	**2,693**	**2,693**
Procurement		882	-193	**689**	**600**	**671**	**671**
Customer Services		6,989	-987	**6,002**	**5,934**	**5,910**	**5,910**
Housing Benefit Payments		47,356	-46,138	**1,218**	**1,218**	**1,218**	**1,218**
TSC		1,749	-131	**1,618**	**1,618**	**1,618**	**1,618**
Business Solutions		294	-13	**281**	**281**	**281**	**281**
B4B Best For Business System Savings		-9		**-9**	**-9**	**-9**	**-9**
Corporate Efficiencies & Restructure Savings		-56		**-56**	**-56**	**-56**	**-56**
Pay Inflation		421		**421**	**672**	**927**	**1,189**
Total Cost of Service		**61,292**	**-48,435**	**12,857**	**12,951**	**13,253**	**13,515**

		Policy Proposals included above					
Policy Proposals							
Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	**Open**		337	**337**	**13**	**-24**	
Transactional Service Centre additional funding	**Open**	238		**238**			
Revenue implications of capital: Vendor Management Phase 3 to drive improvements in procurement	**Open**	175		**175**	**-89**	**71**	
Brighter Futures Together Programme Customer Experience	**Open**	-133		**-133**	**-81**		
Removal of temporary implementation budget and investment to run the new Financial System TSC	**Open**	-106		**-106**			
Pay Inflation	**Open**	421		**421**	**251**	**255**	**262**
Financial Impact of Policy Proposals		**595**	**337**	**932**	**94**	**302**	**262**

CORPORATE - Governance and Compliance Services REVENUE BUDGET

		Budget including Policy Proposals					
		2022/23			2023/24	2024/25	2025/26
Service Area	**Aim Reference**	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Governance and Democratic Services		5,996	-1,459	**4,537**	**4,537**	**4,537**	**4,537**
Legal Services		3,921	-702	**3,219**	**3,219**	**3,219**	**3,219**
Audit and Risk		3,467	-1,120	**2,347**	**2,347**	**2,347**	**2,347**
Director		146		**146**	**146**	**146**	**146**
Corporate Efficiencies & Restructure Savings		-45		**-45**	**-45**	**-45**	**-45**
Pay Inflation		275		**275**	**441**	**611**	**784**
Total Cost of Service		**13,760**	**-3,281**	**10,479**	**10,645**	**10,815**	**10,988**

		Policy Proposals included above					
Policy Proposals							
Pay Inflation	**Open**	275		**275**	**166**	**170**	**173**
Financial Impact of Policy Proposals		**275**	**0**	**275**	**166**	**170**	**173**

CORPORATE - Transformation

REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2022/23 Expenditure £000	2022/23 Income £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000	2025/26 Net £000
Human Resources		3,077	-668	**2,409**	**2,409**	**2,409**	**2,409**
Staff Travel and Related Savings		-76		**-76**	**-76**	**-76**	**-76**
Corporate Efficiencies & Restructure Savings		-96		**-96**	**-96**	**-96**	**-96**
Pay Review		34		**34**	**34**	**34**	**34**
Communications		706	-41	**665**	**665**	**665**	**665**
ICT - Strategy		12,245	-2,858	**9,387**	**9,796**	**10,012**	**10,018**
Business Change		2,773	-965	**1,808**	**1,841**	**1,868**	**1,868**
Director of Transformation		140		**140**	**140**	**140**	**140**
Pay Inflation		604		**604**	**965**	**1,335**	**1,714**
Total Cost of Service		**19,407**	**-4,532**	**14,875**	**15,678**	**16,291**	**16,676**

Policy Proposals included above

Policy Proposals	Aim Reference	Expenditure £000	Income £000	Net £000	2023/24 Net £000	2024/25 Net £000	2025/26 Net £000
Revenue implications of capital: IT - Infrastructure Investment Programme	Open	127		**127**	**224**		
Improving Digital Customer Experience	Open	110		**110**			
Revenue implications of capital: Essential replacement of unified IT Communications to support service delivery	Open	110		**110**	**9**	**17**	
Revenue implications of capital: Essential – security and compliance work to protect council information and systems	Open	97		**97**	**6**	**6**	
Mitigation of reduction in the Dedicated Schools Grant (ICT)	Open	98		**98**	**89**	**109**	
Revenue implications of capital: Procurements of Application Lifecycle Management	Open	75		**75**	**75**	**78**	
Revenue implications of capital to deliver IT - Information Assurance and Data Management Phase 3, including cyber security	Open	40		**40**			
Removal of temporary implementation budget and investment to run the new Financial System	Open	-346		**-346**	**6**	**6**	**6**
Review of corporate subscriptions	Open	-15		**-15**			
Review Staff Terms and Conditions (reversal of 21/22 proposal, replaced by Staff Travel and Related Savings)	Open	50		**50**			
Staff Travel and Related Savings	Open	-76		**-76**			
Mitigation of reduction in the Dedicated Schools Grant (BI)	Open	9		**9**	**33**	**27**	
Pay Inflation	Open	604		**604**	**361**	**370**	**379**
Financial Impact of Policy Proposals		**883**	**0**	**883**	**803**	**613**	**385**

Central Items

REVENUE BUDGET

Service Area	Aim Reference	2022/23 Expenditure £000	2022/23 Income £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000	2025/26 Net £000
		Budget including Policy Proposals					
Capital Financing		19,900	-900	**19,000**	**19,000**	**20,000**	**21,000**
Past Service Pensions		-5,350		**-5,350**	**-3,250**	**-3,250**	**-3,250**
Transfer to/(from) Earmarked Reserves		1,305		**1,305**	**-1,870**	**-2,086**	**-621**
Bad Debt Provision		150		**150**	**-650**	**-50**	**-50**
Other Income / Expenditure		2		**2**	**2**	**2**	**2**
Total Cost of Service		**16,007**	**-900**	**15,107**	**13,232**	**14,616**	**17,081**

Policy Proposals	Aim Reference	2022/23 Expenditure £000	2022/23 Income £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000	2025/26 Net £000
		Policy Proposals included above					
Minimum Revenue Provision	**Open**	5,000		**5,000**		**1,000**	**1,000**
Central Pension adjustment	**Open**	-2,500		**-2,500**	**2,100**		
Bad Debt Provision	**Open**	200		**200**	**-800**	**600**	
Use of Earmarked Reserves	**Open**	30		**30**	**-3,175**	**-216**	**1,465**
Financial Impact of Policy Proposals		**2,730**	**0**	**2,730**	**-1,875**	**1,384**	**2,465**

10. Capital Strategy

Executive Summary

10.1 This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

10.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

10.3 The strategy includes a programme of capital investment which is aimed at delivering sustainable and inclusive economic growth in the borough and supporting the delivery of essential front-line services. The Capital Programme includes:

- Investment in projects to enable the delivery of the aim to be a Carbon Neutral Council by 2025
- Town centre redevelopment and regeneration projects
- Investment in infrastructure to improve walking, cycling and rail capacity in the borough, and capacity on the roads to reduce congestion and improve air quality
- Investment to enable the delivery of housing sites that meet the needs of residents including affordable housing and housing for vulnerable and older people
- Investment in assets to support key front-line services such as improvement to our leisure centres, expansion of our schools and planned investment to maintain the highway network

10.4 The arrival of HS2 services to the borough provide a significant opportunity for regeneration and economic growth. The Council has been working alongside Government, Network Rail and regional partners including Cheshire & Warrington Local Enterprise Partnership and Transport for the North to develop proposals for a Crewe HS2 Hub Station.

10.5 This investment decision will be subject to prior key government decisions and funding commitments to secure the necessary funding and revenue streams to support the associated borrowing.

Five Principles

10.6 Five Principles underpin the Capital Strategy:

1. Capital expenditure is priority based and is aligned with the Council's Corporate Plan priorities
2. The financial implications of capital projects are aligned with the Medium-Term Financial Strategy
3. Capital projects will be focused on achieving the best return on investment
4. Decisions will follow a clear framework
5. There will be a corporate approach to generate and apply capital resources

10.7 The overarching aim of the Capital Strategy is to provide a framework within which the Council's capital investment plans will be achieved. The plans are driven by the Corporate Plan.

Comment from the Section 151 Officer

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

10.9 The capital strategy:

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

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

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

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

Alex Thompson

Alex Thompson FCPFA, IRRV(Hons)

Director of Finance and Customer Services

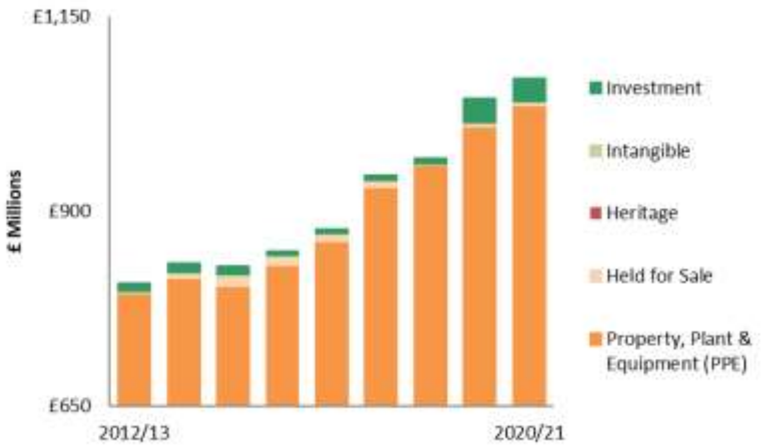
(Section 151 Officer)

1. Introduction

10.12 As a public sector organisation, with assets valued in excess of £1 billion, Cheshire East Council maintains a robust capital strategy that is clearly related to the corporate priorities; linked with infrastructure and asset planning; and includes a consistent approach to funding capital investment.

Chart 1: Total Asset Values held by the Council

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



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

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

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

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

A more detailed definition of capital expenditure, as it applies to UK local authorities, is contained in *Practitioners' Guide to Capital Finance in Local Government* (CIPFA, 2019).

10.16 The accounting treatment of capital will be in accordance with International Accounting Standard 16 Property, Plant and Equipment.

10.17 Capital investment will be subject to due process, and assurance will be provided that ensures plans are prudent, affordable and sustainable in accordance with the Prudential Framework (the Prudential Framework being an umbrella term for a number of statutory provisions and professional requirements that allow authorities largely to determine their own plans).

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

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

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

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

Capital Strategy Principles

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

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

The Five Principles of the Capital Strategy

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

2. Prioritisation of Capital Expenditure

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

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

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

10.27 The Council agrees a rolling four year programme each year consistent with the Capital Strategy and the resources available. The proposed capital programme includes investment plans of £633.7m. 62.2% of the funding is planned to come from Government grants or contributions from other external partners. In addition, 5.8% will come from the Council's work to maximise the value of asset sales to support development in the local area.

10.28 The starting point for the Capital Strategy is the Corporate Plan and identification of the aims for capital investment that will help to achieve the Council's key vision of being open, fair and green leading to the following strategic priorities:

- An open and enabling organisation;
- A Council which empowers and cares about people;
- A thriving and sustainable place.

10.29 The capital programme includes investment in private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services; all of which contribute to achieving these priorities.

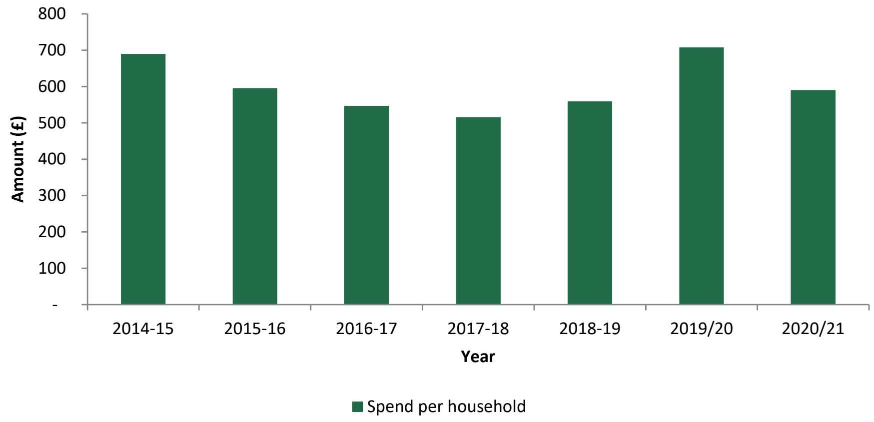
Carbon Action Plan

10.30 Cabinet approved its Environment Strategy and Carbon Action Plan in May 2020 which committed the Council to be Carbon Neutral by 2025.

10.31 The Carbon Action Plan sets out not only how the Council will reach its carbon neutral target, but also how it will encourage all businesses, residents and organisations to reduce emissions. Various actions include:

- Introduce carbon pricing or more rigorous carbon consideration into capital investment decisions;
- embed carbon reduction into the Asset Management strategy;
- ensure all new buildings are built to a much higher sustainable buildings standard;
- assess the suitability of retrofit options for each category of Council influenced buildings, including leisure centres and schools for efficiency and ventilation measures;
- continue to progress district heating at Crewe Town Centre, Handforth Garden village – and Alderley park;
- plan and develop natural climate solutions such as tree planting and peatland management to sequester carbon on at least 100 ha of Council owned land by 2025.

Chart 2: Capital Spend per Household



10.32 The key vision of the Council is outlined in the Corporate Plan and therefore capital investment must be prioritised and targeted to the projects that are key to achieving the strategic priorities of Open, Fair and Green.

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

10.34 The Five Case Business Model includes:

1. Strategic Case (Contribution to the Corporate Plan)
2. Economic Case
3. Commercial Case
4. Financial Case
5. Management Case

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

10.36 The 'full' model is appropriate for major infrastructure projects but not for all proposals; equally, the 'light touch' version is insufficiently detailed for many of our key major change projects. We have therefore taken the 'best of both' to construct an iterative, scalable version that is not a 'one size fits all' but sufficiently flexible for our need. The Section 151 Officer will determine the level of training required by business case authors.

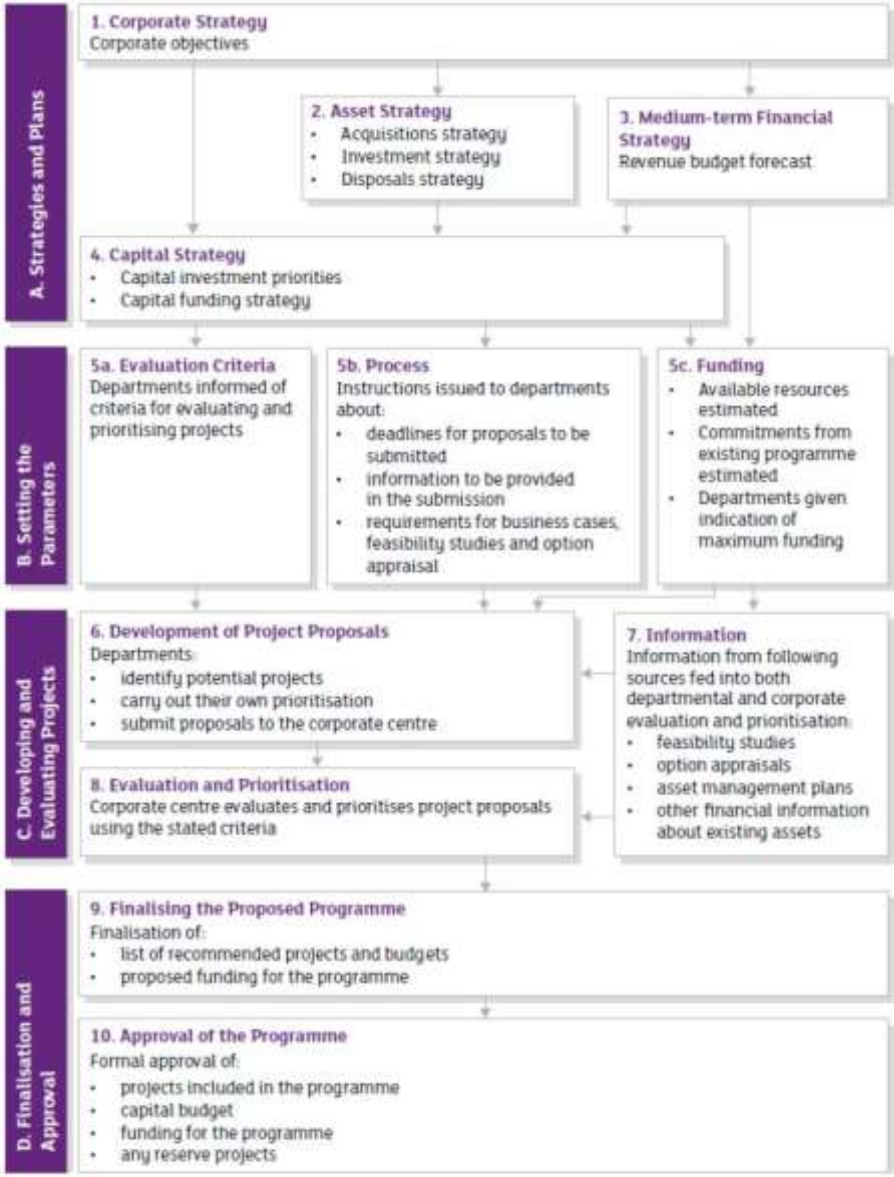
10.37 The Annexes to the Business Case will provide supporting information, including benefits realisation, risks, constraints and dependencies, contractual arrangements, costs and funding, governance arrangements and key milestones.

10.38 High Level Business Cases are submitted as part of the Business Planning process and the Section 151 Officer will analyse these in accordance with the 5 Principles of the Capital Strategy and then grade each project as High, Medium or Low Priority in accordance with the following table.

Priority	Description
High	Essential replacement and enhancement of existing assets Investment in infrastructure that meets the strategic priorities of the Local Plan and attracts Government infrastructure investment An agreed service provision that is defined within the MTFS Projects required to meet compliance and legislative needs Fully funded by external sources Self-funding projects with high level financial returns
Medium	Cost effective replacement and enhancement of existing assets Projects with positive financial returns Part funded projects of strategic importance to Council priorities
Low	Unfunded projects without financial returns

10.39 High Priority projects are most likely to be recommended for approval within the capital programme. Medium Priority projects will only be recommended if funding is available within the financial parameters of the MTFS. Low priority projects are unlikely to be recommended for approval, unless specific strategic importance is associated with the project, or public demand is significant.

10.40 **Annex A** provides the current Capital Programme for the Council.



3. Financial Controls

Setting Financial Parameters

10.41 The Medium-Term Financial Strategy (MTFS) provides the overall basis for budget forecasts and annual budget planning both in terms of revenue and capital expenditure. This describes the activities to be carried out over the next four years to achieve the corporate priorities and objectives and the revenue and capital resources which will be needed to deliver those improvements.

10.42 As part of the revenue budget setting process, the estimated financing costs for the capital programme and for existing debt are calculated to update the Capital Financing budget (CFB).

10.43 The Section 151 Officer will invite bids for Capital Expenditure on an annual basis and present a full capital programme to Council at each Budget Council meeting prior to the start of each financial year. Bids will be presented as High-Level Business Cases by Executive Directors following consultation with elected members. The Section 151 Officer will determine the prioritisation of bids (see Section 2) and the financial implications on the MTFS to assess whether bids are affordable within the Financial Parameters of the Capital Strategy and will then report their findings to members for appropriate information and/or approval in line with the Financial Procedure Rules.

10.44 The Council's strategic management of the capital programme will allow new schemes to be added to the programme throughout the financial year. These will be reported to Committees on a regular basis through the Finance Update reports.

10.45 If the value of the CFB is likely to vary from the strategy in any year the Section 151 Officer will consider options to top-up or draw down temporarily from the Financing Earmarked Reserve and will report this approach to members.

10.46 Underspends on the CFB due to programme slippage will automatically be transferred to the Financing Reserve.

10.47 Current forecasts are that the CFB will continue at 4.5% to 5.99% of the Net Revenue budget in the medium-term.

10.48 **Table 1,** provides the Financial Parameters for the period 2022/23 to 2025/26, followed by the strategy behind each element of the calculation.

Table 1: Financial Parameters for 2022/23 to 2025/26

Parameter	Value (£m) 2022/23	2023/24	2024/25	2025/26
Repayment of Borrowing				
Minimum Revenue Provision*	15.9	19.0	21.0	22.6
External Loan Interest	4.8	4.7	4.7	4.6
Investment Income	(0.9)	(0.9)	(0.9)	(0.9)
Contributions from Services Revenue Budgets	(1.5)	(1.8)	(2.2)	(2.4)
Total Capital Financing Costs	**18.3**	**21.0**	**22.6**	**23.9**
Use of Financing EMR	**0.7**	**(2.0)**	**(2.6)**	**(2.9)**
Actual CFB in MTFS	**19.0**	**19.0**	**20.0**	**21.0**
***Capital Receipts targets**	**1.0**	**1.0**	**1.0**	**1.0**

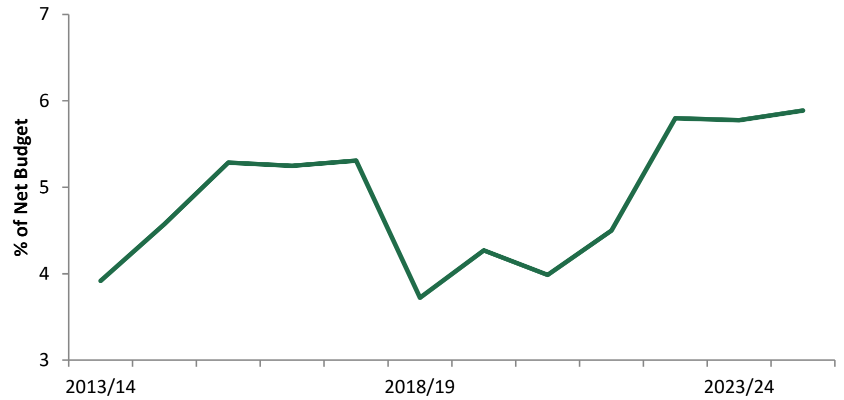
* Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

10.49 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.

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

Chart 3: Capital Financing as a percentage of Net Budget



10.51 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 B**. 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.

10.52 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.

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

Investment Income

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

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

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

Contributions from Services

10.57 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.

10.58 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.

10.59 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.

10.60 The Council's strategy is to use revenue contributions to the Capital Programme to reduce the overall Capital Financing Budget.

Use of Financing Earmarked Reserve

10.61 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.

10.62 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any under or overspending of the CFB within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. As part of the 2022-26 MTFS there is a proposal to add a further £1.7m in 2022/23 to the reserve to cover future capital financing commitments.

10.63 The Council's current strategy is to draw-down £6.8m from the Financing Earmarked Reserve for the period 2022/23 to 2025/26.

Capital Receipts from Asset Disposals

10.64 The Council has a substantial land and property estate, mainly for operational service requirements and administrative buildings.

10.65 Council Plans, such as the Local Plan, Local Transport Plan, Farms Strategy and Asset Management Plans, set the strategic framework for significant land and property asset disposals and acquisitions associated with these key areas. In each financial year the net impact of these plans will allow the Section 151 Officer, in consultation with the Executive Director for Place, to determine the net impact of disposals and acquisitions on the CFB.

10.66 Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment or offset future debt or transitional costs, included within the new flexibilities provisions, as and when received.

10.67 The Council will continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas unless a suitable business case is made available, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities. Capital receipts have been an important source of finance in previous financial years.

10.68 In considering the 2022/23 capital programme, a prudent approach has been taken and there has been no assumption of any significant additional capital receipts. A minimum amount of £1.0m additional capital receipts has been anticipated in 2022/23.

10.69 The Council's current strategy is to realise net receipts of £4.0m for the period 2022/23 to 2025/26 and that these receipts will reduce the overall Capital Financing Budget.

Flexible use of Capital Receipts

10.70 Following the 2015 Spending Review, in March 2016 DLUHC (formerly MHCLG) published statutory guidance on the flexible use of capital receipts for a three-year period covering 2016/17 to 2018/19. This guidance allows Local Authorities to use capital receipts to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners. As part of the 2018/19 Provisional Local Government Finance Settlement, the Secretary of State announced an extension of this flexibility for a further three years to 2022 and updated the previous direction accordingly.

10.71 There are no plans to make use of capital receipts to offset the cost of transformational projects in the 2022/23 financial year.

Government Grants

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

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

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

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

Developer Contributions

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

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

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

Community Infrastructure Levy (CIL)

10.78 The Community Infrastructure Levy (CIL) is a planning charge on new development which became operational in Cheshire East on 1st March 2019. The Levy allows the Council to raise financial contributions from certain chargeable development in the borough such as housing (except affordable housing, self-build housing and apartments) and retail development at the Crewe Grand Junction and Handforth Dean retail parks. The CIL regulations require Councils to spend the monies raised on the infrastructure needed to support the development of their area. The definition of infrastructure allows a broad range of facilities to be funded such as play areas, open spaces, parks and green spaces, cultural and sports facilities, as well as those relating to transport, health and education. CIL monies can be used in conjunction with S106 contributions and other monies to deliver infrastructure.

10.79 The Council passes on either 15% or 25% of its CIL receipts to the town or parish council where the CIL chargeable development has taken place, with the higher amount being paid to those Councils with a Neighbourhood Plan. The Council will use the MTFS process to allocate the remaining CIL receipts and this will be done within the general framework detailed below:

- Up to 5% of the receipts will go towards the costs of administering CIL and the rest will be used to deliver the Council's planned infrastructure priorities;

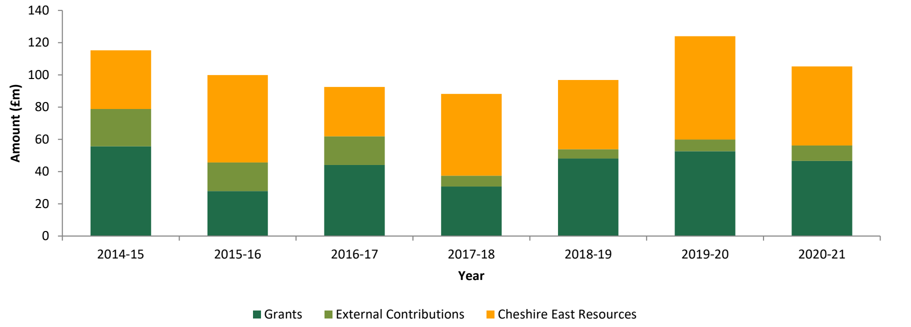
- The Council's infrastructure priorities will be identified in its annual Infrastructure Funding Statement (IFS) which will be published on the Councils website by the end of December each year. This will also contain details on the amount of CIL receipts received, spent and remaining unspent in the previous financial year;
- CIL monies will only be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of Cheshire East;
- The MTFS process requires a business case to be made for the funding of projects. Where CIL monies are being sought, the business case for the proposed infrastructure must identify how it will support the planned development of the area. This should include reference to how it relates to and meets the priorities identified in the current IFS, the Council's Local Plan and the Infrastructure Delivery Plan;
- CIL spending decisions will be primarily based on achieving the delivery of published infrastructure priorities and the growth identified in the Local Plan. Other considerations will include the extent to which non CIL funding sources can be leveraged into the infrastructure project and assurance that the ongoing operational and maintenance costs of the project will be met over the life of the infrastructure; and
- The reasons and decisions made on all CIL funding bids considered through the MTFS process will be published to ensure transparency.

Funding Capital Expenditure

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

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

Chart 4: Capital Expenditure split by funding type



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

10.83 Main forecasted income sources are:

- Government Grants (£289m / 46%)
- Other external contributions (£104m / 16%)
- Receipts from Council Assets (£37m / 6%)

- Borrowing or Revenue Contributions (£203m / 32 %)

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

10.85 Capital budgeting differs from revenue budgeting because:

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

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

10.87 The Council will ensure every effort is made to provide value for money from capital expenditure, and to maximise the local benefits from capital projects the Council will always target alternative funding sources before committing to contributions from the funding parameters set within the MTFS. All high-level business cases will therefore contain reference to benefits realisation.

10.88 All high-level business cases will include information on how alternative funding sources have been considered. All capital scheme budget managers will also provide regular updates on the status of all funding sources, as required by the Section 151 Officer. Funding sources will be categorised as either 'received', 'contractually committed' or 'in negotiation'.

Contingencies in the Capital Programme

10.89 In the initial stages of development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views / interest of stakeholders who must be consulted, ground conditions, or the costs of rectifying or demolishing existing buildings (for example the cost of asbestos removal).

10.90 For this reason, the Council will develop a structured process of identifying and managing risk. In the initial stages of a project these are necessarily broad estimates due to the number of unknown factors. As projects progress the unknown factors will become clearer and project managers will focus on managing these in the most effective way possible, utilising contingencies to do so as needed.

10.91 The process of identifying risk will be two stage, firstly at the project development stage with further refinement at the contract award stage.

4. Investment and Risk Strategy

10.92 The Council is faced with diminishing capital finance and reduced access to grants and external funding. Spend will need to be monitored effectively against available funds. However, less dependence and more self-reliance will tend to reduce the exposure to risk.

10.93 A risk management framework in place and the core of this framework is set out in the Corporate Risk Management Strategy. Each directorate has its own operational risk register which integrates the relevant directorate Performance Strategy, improvement plans and budgets. In accordance with the HM Treasury Five Case model, a detailed Risk Assessment must be completed for each capital scheme.

10.94 Supporting the Council's budget with adequate reserves is a key element to creating financial resilience and a flexible approach to transferring money from general and earmarked reserves provides protection for council taxpayers against year on year fluctuations in expenditure.

10.95 The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of this strategy. Effective procurement is therefore essential, and the Council seeks to apply rigorous procurement standards in the selection of suppliers and contractors throughout the life of a project.

10.96 The Capital Programme should be kept under review having regard to the prevailing economic climate, property market and Government policy. Capital receipts estimates should therefore be kept under review with any significant changes reflected in reporting.

10.97 Cheshire East's strong taxbase and independence provides financial stability and offers some "local protection" from the impact of national economic fluctuations and total spending per head of population is below average when compared to neighbouring authorities. Given this national and local context, overall financial risk profile should continue to reduce.

5. Governance

10.98 It is important given the risks surrounding Capital Projects that the appropriate governance arrangements are in place:

- The Capital Strategy, including the overall Capital Programme to be approved annually as part of the Medium-Term Financial Strategy at full Council.
- Updates to the capital programme will be reported to the relevant Committee on a regular basis.
- Committees will review progress against the capital programme and monitor levels of slippage against reported profiled spend.
- Management of Committee work programmes provides the opportunity for members to consider how scrutiny and amendment of the capital programme ensures alignment to the Council's ambitions.
- Proposals for inclusion in the Capital programme can be made throughout the year. All schemes are subject to approval in accordance with the Finance Procedure Rules before inclusion in the programme.
- An officer group, the Assets Board, meets monthly and is chaired by the Director of Growth & Enterprise. The Board has a key role in the development and implementation of the strategy and reviews performance of the programme.
- The board has strategic oversight of land and property assets and reports on acquisition, disposal, development and management strategies.
- The Assets Board delegates responsibility for the detailed tasks to a sub-group ~ Capital Programme Board.

Capital Programme Board – Terms of Reference

10.99 The detailed appraisal of projects, taking into consideration the Councils priorities and annual aims and objectives.

- To provide a forum for establishing and providing robust challenge of the business cases and debate around the capital programme.
- Undertake gateway reviews and risk management reviews of major capital projects.
- Undertake a detailed annual review of the capital programme.
- Review the capital programme on an ongoing basis and to ensure it is achieving the agreed outcomes.
- Receive post project completion reports to assess benefit realisation and lessons learnt.

10.100 The Capital Programme Board will assess submissions for capital expenditure with the exception of schemes fully funded by external resources (such as specific grants or developer contributions); these will be approved in accordance with Finance Procedure Rules (paragraph 19, Supplementary Estimates and paragraph 2.20, Capital Block Provisions).

10.101 The Capital Programme Board provides monthly updates and makes recommendations to the Assets Board who will refer decisions to the appropriate decision maker, whether this is an Officer under delegated responsibility, Finance Sub-Committee, Service Committee or Council.

Knowledge and Skills

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

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

10.104 The Senior Responsible Officers and Project Managers who manage a capital project receive training which provides up to date information on the CIPFA Code of Practice, the Prudential Code, principles of capital accounting including eligible capital expenditure, capital funding and the capital financing budget.

Background Papers

Cheshire East Reports –

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

Arlingclose Ltd, Independent Treasury Management Advisors –

- Capital Strategy Template

Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (CIPFA)

Local Authority Capital Accounting: A Reference Manual for Practitioners (CIPFA, 2019)

The Prudential Code for Capital Finance in Local Authorities (CIPFA, 2019 and 2021)

Annex A: Capital Programme

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2022/23 - 2025/26

	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000
Committed Schemes - In Progress						
Children and Families	4,765	26,043	15,495	1,990	1,985	**50,278**
Place	238,574	113,645	116,564	117,681	24,306	**610,770**
Corporate		8,873	8,559	8,514	2,555	**28,501**
Total Committed Schemes - In Progress	**243,339**	**148,561**	**140,618**	**128,185**	**28,846**	**689,549**

CAPITAL PROGRAMME 2022/23 - 2025/26

	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000
New Schemes						
Children and Families	0	7,750	17,850	20,200	5,200	**51,000**
Place	0	26,763	51,039	28,896	20,079	**126,777**
Corporate	0	2,170	3,550	2,474	1,600	**9,794**
Total New Schemes	**0**	**36,683**	**72,439**	**51,570**	**26,879**	**187,571**
Total Capital Schemes	**243,339**	**185,245**	**213,057**	**179,755**	**55,725**	**877,120**

CAPITAL PROGRAMME 2022/23 - 2025/26

Funding Requirement

	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000
Indicative Funding Analysis: (See note 1)						
Government Grants	128,311	88,413	105,468	76,749	18,881	**417,822**
External Contributions	24,574	27,070	26,918	38,696	11,803	**129,061**
Revenue Contributions	172	236	0	0	0	**408**
Capital Receipts	64	3,729	13,167	19,693	420	**37,073**
Prudential Borrowing (See note 2)	90,218	65,796	67,505	44,617	24,621	**292,757**
Total	**243,339**	**185,245**	**213,057**	**179,755**	**55,725**	**877,120**

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 four years 2022-26 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.

CAPITAL PROGRAMME 2022/23 - 2025/26											
	Forecast Expenditure						Forecast Funding				
Scheme Description	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Children's Social Care											
Foster Carer Capacity Scheme	0	0	286	0	0	**286**	0	0	0	0	286
Education and 14-19 Skills											
Adelaide Academy	31	300	300	0	0	**631**	430	0	0	0	170
Basic Need Grant Allocation	0	4,844	0	0	0	**4,844**	4,844	0	0	0	0
Congleton Planning Area	227	1,000	2,800	0	0	**4,028**	1,203	2,597	0	0	0
Devolved Formula Grant	0	305	300	290	285	**1,180**	1,180	0	0	0	0
Holmes Chapel Planning Area	758	1,400	455	0	0	**2,613**	1,480	375	0	0	0
Macclesfield Planning Area - Secondary	1,428	1,543	500	0	0	**3,470**	654	1,389	0	0	0
Middlewich Planning Area	1	1,500	0	0	0	**1,501**	1,500	0	0	0	0
Monks Coppenhall SEN Expansion	0	100	0	0	0	**100**	0	0	0	0	100
Nantwich Planning Area - Primary	200	1,500	2,500	0	0	**4,200**	1,728	2,272	0	0	0
Nantwich Planning Area - Secondary	0	500	0	0	0	**500**	500	0	0	0	0
Schools Condition Capital Grant	0	1,898	1,700	1,700	1,700	**6,998**	6,998	0	0	0	0
SEN/High Needs Capital Allocation	0	139	0	0	0	**139**	139	0	0	0	0
Shavington Planning Area - Secondary	157	1,562	781	0	0	**2,500**	2,343	0	0	0	0
Special Provision Fund Capital Grant	0	487	0	0	0	**487**	487	0	0	0	0
Springfield Satellite Site	100	2,150	750	0	0	**3,000**	2,100	0	0	0	800
Wilmslow High School	1,863	6,316	5,000	0	0	**13,178**	11,316	0	0	0	0
Wilmslow Primary Planning Area	0	500	0	0	0	**500**	0	500	0	0	0
Children's Prevention and Support											
Early Years Sufficiency Capital Fund	0	0	123	0	0	**123**	123	0	0	0	0
Total Committed Schemes - In Progress	**4,765**	**26,043**	**15,495**	**1,990**	**1,985**	**50,278**	**37,025**	**7,133**	**0**	**0**	**1,356**

CAPITAL PROGRAMME 2022/23 - 2025/26												
	Forecast Expenditure						Forecast Funding					Estimated
Scheme Description	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Net Carbon Impact
New Schemes												
Childrens Social Care												
Childrens Home Sufficiency Scheme	0	1,000	1,100	0	0	**2,100**	0	0	0	0	2,100	18.8
Crewe Youth Zone	0	650	2,450	1,700	0	**4,800**	2,600	0	0	0	2,200	0.0
Education and 14-19 Skills												
Congleton Plannng Area - Primary	0	800	900	0	0	**1,700**	400	1,300	0	0	0	0.0
Congleton Planning Area - Primary	0	250	250	0	0	**500**	500	0	0	0	0	0.0
Congleton Planning Area - New School	0	0	0	0	3,200	**3,200**	0	3,200	0	0	0	0.0
Sandbach Planning Area - Primary	0	1,000	1,000	0	0	**2,000**	1,490	510	0	0	0	0.0
Handforth Planning Area - New school	0	0	7,500	7,500	0	**15,000**	2,136	12,864	0	0	0	0.0
Haslington Planning Area - Primary	0	800	200	0	0	**1,000**	1,000	0	0	0	0	0.0
Macclesfield Planning Area - New School	0	0	0	2,000	2,000	**4,000**	0	4,000	0	0	0	0.0
Macclesfield Planning Area - Secondary	0	0	0	4,000	0	**4,000**	4,000	0	0	0	0	0.0
Mobberley Primary School	0	300	300	0	0	**600**	300	0	0	300	0	0.0
Provision of Sufficient School Places - SEND	0	1,350	1,650	3,000	0	**6,000**	0	0	0	0	6,000	0.0
Resource Provision - Wistaston	0	1,100	0	0	0	**1,100**	800	0	0	0	300	0.0
Shavington Planning Area - New Primary School	0	500	2,500	2,000	0	**5,000**	2,640	2,360	0	0	0	0.0
Total New Schemes	**0**	**7,750**	**17,850**	**20,200**	**5,200**	**51,000**	**15,866**	**24,234**	**0**	**300**	**10,600**	**18.8**
Total Capital Schemes	**4,765**	**33,793**	**33,345**	**22,190**	**7,185**	**101,278**	**52,890**	**31,367**	**0**	**300**	**11,956**	

CAPITAL PROGRAMME 2022/23 - 2025/26

Scheme Description	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
	Forecast Expenditure						Forecast Funding				
Committed Schemes - In Progress											
Highways and Transport											
A500 Dualling Scheme	9,968	1,174	22,428	32,523	2,608	**68,701**	49,943	4,300	0	0	4,490
A50/A54 Holmes Chapel	76	200	327	0	0	**603**	0	527	0	0	0
A532 Safer Road Scheme	652	471	0	0	0	**1,123**	471	0	0	0	0
A536 Safer Road Scheme	1,770	540	0	0	0	**2,310**	540	0	0	0	0
A537 Safer Road Scheme	513	1,977	0	0	0	**2,490**	1,977	0	0	0	0
A54/A533 Leadsmithy St, M'wich	145	418	0	0	0	**563**	0	418	0	0	0
A556 Knutsford to Bowdon	366	88	50	0	0	**504**	0	138	0	0	0
A6 MARR CMM - Disley	1,625	30	467	0	0	**2,122**	0	43	0	0	454
A6 MARR CMM Handforth	506	294	0	0	0	**800**	182	48	0	0	64
Car Parking Improvements (including Residents Parking	0	28	30	0	0	**58**	0	0	0	0	58
Congleton Link Road	70,444	7,395	3,703	8,901	0	**90,443**	0	15,850	0	0	4,149
Crewe HS2 Hub Project Development	8,171	2,000	1,500	1,029	0	**12,701**	0	0	0	0	4,529
Crewe Green Link Road	25,055	692	0	0	0	**25,747**	0	503	0	0	189
Crewe Green Roundabout	7,055	185	180	80	0	**7,500**	0	445	0	0	0
Digital Car Parking Solutions	0	21	0	0	0	**21**	0	0	0	0	21
Flowerpot Phs 1 & Pinch Point	1,433	4,198	2,889	1,131	387	**10,037**	2,073	726	0	0	5,805
Future High Streets Fund - Highways	276	887	3,229	1,574	0	**5,966**	5,690	0	0	0	0
Highway Pothole/Challenge Fund	0	3,242	0	0	0	**3,242**	0	0	0	0	3,242
Highway S106 Schemes	0	261	0	0	0	**261**	0	261	0	0	0
Infrastructure Scheme Development	0	50	75	0	0	**125**	125	0	0	0	0
Local Access Transport Studies	90	210	0	0	0	**300**	210	0	0	0	0
Local Area Programme	0	301	0	0	0	**301**	301	0	0	0	0
Macclesfield Movement Strategy	0	69	0	0	0	**69**	69	0	0	0	0
Middlewich Eastern Bypass	21,308	9,011	9,039	21,910	12,791	**74,058**	39,841	6,014	0	0	6,896
North-West Crewe Package	8,038	13,938	13,357	3,048	1,928	**40,309**	9,117	12,249	0	1,730	9,174
Old Mill Rd/ The Hill Junction	161	150	1,014	0	0	**1,325**	0	1,164	0	0	0
Part 1 Claims	0	38	0	0	0	**38**	38	0	0	0	0
Pay and Display Parking Meters	0	40	49	0	0	**89**	0	0	0	0	89
Poynton Relief Road	29,333	13,269	356	7,700	0	**50,658**	0	6,200	0	1,000	14,125
Road Safety Schemes - Minor Works	0	31	0	0	0	**31**	31	0	0	0	0
Route Planning System	172	23	0	0	0	**195**	0	0	23	0	0

CAPITAL PROGRAMME 2022/23 - 2025/26

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Sydney Road Bridge	10,151	50	300	0	0	**10,501**	0	300	0	0	50
Sustainable Travel Access Prog	0	1,377	0	0	0	**1,377**	977	162	0	0	238
Town Studies	0	52	0	0	0	**52**	52	0	0	0	0
Traffic Signal Maintenance	0	250	0	0	0	**250**	250	0	0	0	0
Traffic Signs and Bollards - LED Replacement	0	625	0	0	0	**625**	0	0	0	0	625
Winter Service Facility	563	436	0	0	0	**999**	0	0	0	0	436
Economy and Growth											
Connecting Cheshire 2020	0	4,271	1,420	1,000	0	**6,691**	6,588	0	0	0	103
Connecting Cheshire Phase 2	0	332	0	0	0	**332**	0	53	0	0	279
Connecting Cheshire	0	295	0	0	0	**295**	0	48	0	0	247
Countryside Vehicles	0	554	148	167	130	**999**	0	0	47	0	952
Crewe Town Centre Regeneration	12,133	797	15,206	3,883	0	**32,019**	101	0	0	0	19,785
Demolition of Crewe Library Site	100	2,665	0	0	0	**2,765**	1,142	0	0	0	1,523
Disabled Facilities Grant	0	3,418	2,342	2,342	2,342	**10,445**	9,517	0	0	0	928
Farms Strategy	0	421	420	420	420	**1,682**	0	0	0	1,682	0
Future High Street - Funding Economy & Growth	1,737	2,557	4,223	0	0	**8,517**	6,780	0	0	0	0
Green Homes Grants	0	1,000	0	0	0	**1,000**	1,000	0	0	0	0
Gypsy and Traveller Sites	1,230	2,320	0	0	0	**3,551**	550	0	0	284	1,486
Home Repairs for Vulnerable People	0	309	200	200	200	**909**	0	0	0	0	909
Leighton Green	1,499	399	198	0	0	**2,096**	0	0	0	0	597
North Cheshire Garden Village	5,957	13,187	15,673	14,073	0	**48,891**	21,700	0	0	21,233	0
Premises Capital (FM)	0	3,200	2,500	3,500	3,500	**12,700**	0	0	0	0	12,700
Public Rights of Way - CMM A6 MARR	2	98	0	0	0	**100**	98	0	0	0	0
Rural & Green S106 Schemes	0	31	0	0	0	**31**	0	31	0	0	0
Schools Capital Maintenance	0	846	0	0	0	**846**	846	0	0	0	0
South Macclesfield Development Area	3,850	2,150	14,430	14,200	0	**34,630**	10,000	10,000	0	10,780	0
Tatton Park Investment Phase 2	0	1,000	710	0	0	**1,710**	0	0	0	0	1,710
Temporary Accommodation	0	166	0	0	0	**166**	0	0	166	0	0

CAPITAL PROGRAMME 2022/23 - 2025/26											
	Forecast Expenditure						Forecast Funding				
Scheme Description	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Environment and Neighbourhood											
Congleton Leisure Centre	7,050	4,700	0	0	0	**11,750**	0	0	0	0	4,700
Green Investment Scheme	93	3,857	0	0	0	**3,950**	0	0	0	0	3,857
Kerbside Wheeled Bins	0	50	50	0	0	**100**	0	0	0	0	100
Litter and Recycling Bins	0	50	50	0	0	**100**	0	0	0	0	100
Planning & Building Control Replacement System	0	265	0	0	0	**265**	0	0	0	0	265
Poynton Leisure Centre	7,050	687	0	0	0	**7,737**	0	0	0	0	687
Total Committed Schemes - In Progress	**238,574**	**113,645**	**116,564**	**117,681**	**24,306**	**610,770**	**170,209**	**59,479**	**236**	**36,709**	**105,563**

CAPITAL PROGRAMME 2022/23 - 2025/26

Scheme Description	Forecast Expenditure: Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Forecast Funding: Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Estimated Net Carbon Impact
New Schemes												
Highways and Transport												
Peacock Roundabout Junction	0	163	587	0	0	**750**	0	750	0	0	0	0.0
Integrated Block - LTP	0	2,003	2,003	2,003	2,003	**8,012**	8,012	0	0	0	0	0.0
Maintenance Block - LTP	0	5,799	5,799	5,799	5,799	**23,196**	23,196	0	0	0	0	0.0
Incentive Fund - LTP	0	1,450	1,450	1,450	1,450	**5,800**	5,800	0	0	0	0	0.0
Managing and Maintaining Highways	0	4,000	4,000	4,000	4,000	**16,000**	0	0	0	0	16,000	34.0
Economy and Growth												
New Archive Premises	0	0	4,100	5,699	451	**10,250**	0	0	0	0	10,250	36.3
Connecting Cheshire Phase 3	0	1,500	1,500	2,000	3,000	**8,000**	0	8,000	0	0	0	0.0
Handforth Heat Network	0	0	9,910	2,000	1,800	**13,710**	5,420	4,890	0	0	3,400	-1,153.0
Public Sector Decarbonisation Scheme - Council Buildings	0	3,714	0	0	0	**3,714**	3,714	0	0	0	0	-408.1
Crewe Towns Fund	0	6,770	6,886	5,404	1,210	**20,270**	20,270	0	0	0	0	0.0
Environment and Neighbourhood												
Carbon Offset Investment	0	250	250	250	250	**1,000**	0	0	0	0	1,000	-2,226.0
Fleet Electric Vehicle Charging	0	164	164	141	116	**585**	0	0	0	0	585	0.0
Household Waste Recycling Centres	0	500	360	0	0	**860**	0	0	0	0	860	0.0
Park Development Fund		150	150	150	0	**450**	0	0	0	0	450	6.0
Solar Energy Generation	0	300	13,880	0	0	**14,180**	0	0	0	0	14,180	-3,584.0
Total New Schemes	**0**	**26,763**	**51,039**	**28,896**	**20,079**	**126,777**	**66,412**	**13,640**	**0**	**0**	**46,725**	**-7,294.8**
Total Capital Schemes	**238,574**	**140,408**	**167,602**	**146,577**	**44,385**	**737,547**	**236,621**	**73,119**	**236**	**36,709**	**152,288**	

CAPITAL PROGRAMME 2022/23 - 2025/26

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Transformation											
Care Act Phase 2	0	638	638	638	0	**1,914**	0	0	0	0	1,914
Core Financials	0	897	741	720	741	**3,099**	0	0	0	0	3,099
IADM (Information Assurance and Data Management)	0	1,805	1,500	1,500	0	**4,805**	0	0	0	0	4,805
Infrastructure Investment Programme (IIP)	0	2,371	1,680	1,656	1,814	**7,521**	0	0	0	0	7,521
Unified Communications Project	0	162	0	0	0	**162**	0	0	0	0	162
Finance and Customer Services											
Strategic Capital Projects	0	3,000	4,000	4,000	0	**11,000**	0	0	0	0	11,000
Total Committed Schemes - In Progress	**0**	**8,873**	**8,559**	**8,514**	**2,555**	**28,501**	**0**	**0**	**0**	**0**	**28,501**

CAPITAL PROGRAMME 2022/23 - 2025/26

Scheme Description	Forecast Expenditure: Prior Years £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Total Budget £000	Forecast Funding: Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Estimated Net Carbon Impact
New Schemes												
Transformation												
Digital Strategy - Digital Customer Enablement	0	1,000	1,400	474	0	**2,874**	0	0	0	0	2,874	0.0
Vendor Management - Phase 2	0	170	150	0	0	**320**	0	0	0	0	320	0.0
Finance and Customer Services												
Exceptional Construction Inflation	0	1,000	2,000	2,000	1,600	**6,600**	0	0	0	0	6,600	0.0
Total New Schemes	**0**	**2,170**	**3,550**	**2,474**	**1,600**	**9,794**	**0**	**0**	**0**	**0**	**9,794**	**0.0**
Total Capital Schemes	**0**	**11,043**	**12,109**	**10,988**	**4,155**	**38,295**	**0**	**0**	**0**	**0**	**38,295**	

Annex B: Prudential Indicators revisions to: 2021/22 and 2022/23 – 2025/26

Background

10.105 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

10.106 In 2022/23, the Council is planning capital expenditure of £185.3 as summarised below:

Capital Expenditure	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
	144.9	185.3	213.0	179.8	55.7

Source: Cheshire East Finance

Capital Financing

10.107 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	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Receipts	1.0	3.7	13.2	19.7	0.4
Government Grants	75.4	88.4	105.5	76.7	18.9
External Contributions	17.1	27.1	26.9	38.7	11.8
Revenue Contributions	0.8	0.2	0.0	0.0	0.0
Total Financing	**94.2**	**119.4**	**145.6**	**135.1**	**31.1**
Prudential Borrowing	50.7	65.9	67.4	44.6	24.6
Total Funding	**50.7**	**65.9**	**67.4**	**44.6**	**24.6**
Total Funding and Financing	**144.9**	**185.3**	**213.0**	**179.8**	**55.7**

Source: Cheshire East Finance

Replacement of debt finance

10.108 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	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Total	**13.5**	**18.3**	**21.1**	**22.7**	**23.9**

Source: Cheshire East Finance

10.109 The Council's full MRP Statement is available in **Annex C**.

Estimates of Capital Financing Requirement

10.110 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 £39m during 2022/23. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Capital Financing Requirement	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Total	**432**	**471**	**507**	**553**	**566**

Source: Cheshire East Finance

Asset disposals

10.111 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 for example. 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 £4.8m of capital receipts in the coming financial years as follows.

Capital Receipts	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Asset Sales	1.0	1.0	1.0	1.0	1.0
Loans Repaid	0.2	0.2	0.2	0.2	0.2
Total	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

10.112 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 0.25%) and long-term fixed rate loans where the future cost is known but higher (currently 2.3 – 2.5%).

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

Gross Debt and the Capital Financing Requirement	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Borrowing	190	113	77	77	77
Finance Leases	1	1	1	0	0
PFI Liabilities	21	21	20	19	18
Total Debt	**212**	**134**	**97**	**96**	**95**
Capital Financing Requirement	**432**	**471**	**507**	**553**	**566**

Source: Cheshire East Finance

10.114 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

10.115 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 £220m and is forecast to rise to £386m over the next four years.

Borrowing and the Liability Benchmark	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Outstanding Debt	190	113	77	77	77
Liability Benchmark	220	267	310	366	386

Source: Cheshire East Finance

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

Affordable borrowing limit

10.117 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.

	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m
Authorised Limit for Borrowing	445	485	525	565	580
Authorised Limit for Other Long-Term Liabilities	22	21	20	18	17
Authorised Limit for External Debt	**467**	**506**	**545**	**583**	**597**
Operational Boundary for Borrowing	435	475	515	555	570
Operational Boundary for Other Long-Term Liabilities	22	21	20	18	17
Operational Boundary for External Debt	**457**	**496**	**535**	**573**	**587**

Source: Cheshire East Finance

Investment Strategy

10.118 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.

10.119 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	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Short-term	20	0	0	0	0
Long-term	20	20	20	20	20
Total Investments	**40**	**20**	**20**	**20**	**20**

Source: Cheshire East Finance

10.120 Further details on treasury investments are in pages of the Treasury Management Strategy, **Annex 11**.

10.121 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 Finance Sub-Committee as part of the Finance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.

10.122 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Annex 12**.

Revenue budget implications

10.123 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, or in other words, the amount funded from council tax, business rates and general Government grants.

Ratio of Financing Costs to Net Revenue Stream	2021/22 Forecast	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Financing Costs (£m)	14.0	19.0	19.0	20.0	21.0
Proportion of net revenue stream (%)	4.50	5.78	5.77	5.89	5.99

Source: Cheshire East Finance

10.124 Further details on the revenue implications of capital expenditure are on paragraphs 108-124 of the 2022-2026 Medium-Term Financial Strategy (**Appendix C**).

10.125 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable. The longer term revenue implications have been considered and built into the revenue budget forecasts post the period of the current Medium-Term Financial Strategy.

Annex C: Minimum Revenue Provision

10.126 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Levelling Up, Housing and Communities' *Guidance on Minimum Revenue Provision* (the DLUHC Guidance) most recently issued in 2018.

10.127 The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

10.128 The DLUHC Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the guidance.

- For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be charged at 2% annuity rate over a 50-year period.
- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, as the principal repayment on an annuity rate of 2%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

  (Option 3 in England and Wales)
- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

10.129 Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24.

11. Treasury Management Strategy

1. Background

11.1 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.

11.2 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.

11.3 In preparing this strategy the Council has had regard to the advice received from its appointed Treasury Management advisors, Arlingclose Ltd who have helped shape the content of this strategy. At the time of preparing this strategy, the current contract for advice expires 31st December 2021 and an invitation to tender has been issued for a replacement contract for 4 years commencing on 1st January 2022.

11.4 Investments held for service purposes or for commercial profit are considered in the Investment Strategy (see **Annex 12**).

2. External Context

11.5 **Economic background:** The ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

11.6 The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 and maintained its Quantitative Easing programme at £895 billion. The Monetary Policy Committee voted 8-1 to increase the bank rate and unanimously to maintain the asset purchase programme.

11.7 Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with expectations, however the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously, but notes that Omicron could weaken the demand for labour.

11.8 UK CPI for November 2021 registered 5.1% year on year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% year on year from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%.

11.9 In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in the composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.

11.10 Gross Domestic Product (GDP) grew by 1.3% in the third quarter of 2021 according to the initial estimate, compared to a gain of 5.5% q/q in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. The Q3 gain was modestly below the consensus forecast of a 1.5% q/q rise. During the quarter activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, while monthly GDP readings suggest there had been some increase in momentum in the latter part of Q3, Q4 growth is expected to be soft.

11.11 GDP growth in the euro zone increased by 2.2% in Q3 2021 following a gain of 2.1% in Q2 2021 and a decline of -0.3% in Q1 2022. Headline inflation has been strong, with CPI registering 4.9% year-on-year in November, the fifth successive month of inflation. Core inflation CPI inflation was 2.6% y/y in November, the fourth month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's (ECB) target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

11.12 The US economy expanded at an annualised rate of 2.1% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

11.13 **Credit outlook:** Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and have steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. However, the general improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

11.14 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.

11.15 Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

11.16 **Interest rate forecast:** The Authority's treasury management adviser, Arlingclose Ltd, is forecasting that Bank Base Rate will continue to rise in Q1 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

11.17 Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks become more balanced.

11.18 Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside. However, as ever, there will almost certainly be short-term volatility due to economic and political uncertainty and events.

11.19 A more detailed economic and interest rate forecast provided by Arlingclose Ltd is attached at **Annex A**.

11.20 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 2.20%, which takes into account strategic fund investments, and that new borrowing in the form of short-term loans will be borrowed at an average of 0.10%.

3. Local Context

11.21 As at 26th November 2021 the Authority currently has borrowings of £166m and treasury investments of £38m. 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**.

Table 1: Balance Sheet Summary and Forecast

	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
General Fund CFR	432	471	507	553	566
Less: Other long-term liabilities *	(21)	(21)	(20)	(19)	(18)
Loans CFR	**411**	**450**	**487**	**534**	**548**
Less: External borrowing **	(113)	(77)	(77)	(77)	(77)
Internal (over) borrowing	**298**	**373**	**410**	**457**	**471**
Less: Usable reserves	(131)	(128)	(124)	(119)	(114)
Less: Working capital	(80)	(75)	(73)	(71)	(69)
Treasury Investments (or New borrowing)	**87**	**170**	**213**	**267**	**288**

* 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

11.22 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.

11.23 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £137m over the forecast period.

11.24 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 2022/23.

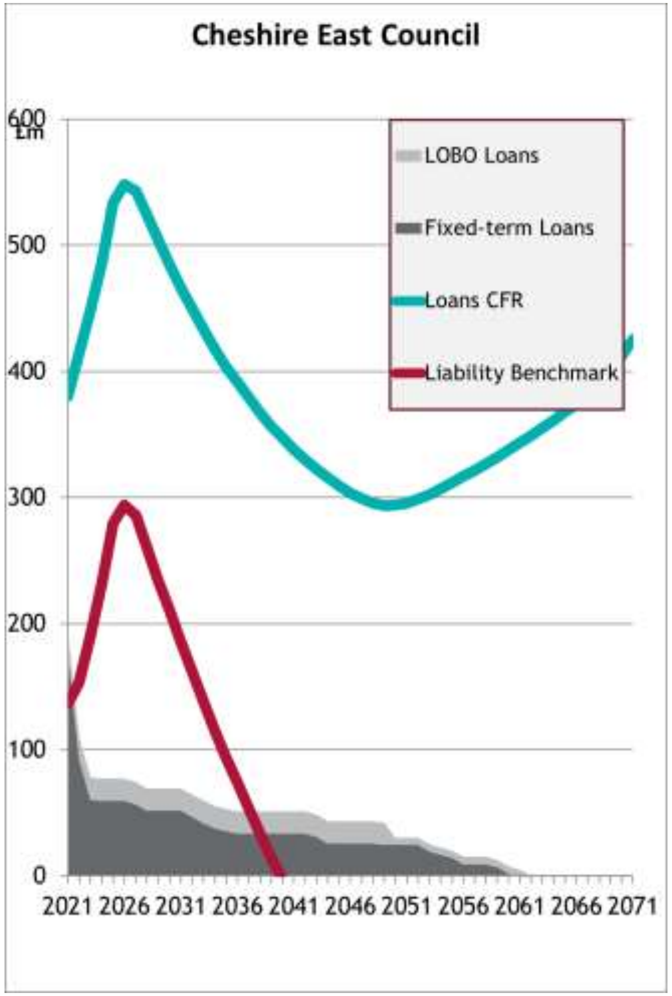
11.25 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain a core strategic investment.

Table 2: Liability Benchmark

	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
Loans CFR	411	450	487	535	548
Less: Usable reserves	(131)	(128)	(124)	(119)	(114)
Less: Working capital	(80)	(75)	(73)	(71)	(69)
Plus: Minimum investments	20	20	20	20	20
Liability Benchmark	**220**	**267**	**310**	**365**	**385**

11.26 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** below.

Chart 1: Liability Benchmark Chart



4. Borrowing Strategy

11.27 The Authority currently holds loans of £166m. Over the last 10 years PWLB debt has been reducing but no significant repayments are now due for several years. Cash flow shortfalls arising from past debt repayments and capital spending are currently being funded through cheaper short-term borrowing. Throughout the COVID-19 pandemic, Government grants received in advance of payment has limited the amount of borrowing required to cover cash shortfalls. The Authority may also borrow additional sums to pre-fund future years' requirements providing this does not exceed the authorised limit for borrowing.

11.28 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

11.29 Given the significant cuts to public expenditure and in particular to Local Government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use both internal resources and to borrow short-term loans instead.

11.30 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Our treasury advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

11.31 The Authority will consider sources other than PWLB when raising long-term loans including banks, pension funds and Local Authorities and will investigate the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

11.32 Alternatively, the Authority may arrange forward starting loans during 2022/23, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

11.33 In addition, the Authority may borrow further short-term loans to cover unexpected or planned temporary cash flow shortages.

11.34 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB Lending facility (formerly the Public Works Loan Board)

- HM Treasury's UK Infrastructure Bank
- Any UK public sector body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Cheshire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Salix Finance Ltd energy efficiency loans

11.35 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

11.36 **Municipal Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

11.37 **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 LOBO's have options during 2022/23, and although the Authority understands that the lender is 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.

11.38 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

11.39 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or reduction in risk.

5. Treasury Investment Strategy

11.40 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £20m and £82m with peaks in cash associated with receipt of COVID-19 related grants prior to expenditure. Levels of around £40m are expected to be maintained in the forthcoming year.

11.41 The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

11.42 **Negative interest rates:** the COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

11.43 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority will maintain a £20m diversified core investment in higher yielding asset classes. The remaining surplus cash will be invested for liquidity purposes in short-term unsecured bank deposits, money market funds and with other Local Authorities and pension funds.

11.44 Under the new IFRS9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

11.45 The Authority may invest its surplus funds with any of the counterparties in **Table 3** below, subject to the cash limits (per counterparty) and time limits shown.

Table 3: Treasury Investment Counterparties and Limits

This table must be read in conjunction with the notes below.

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	Unlimited	n/a
Local Authorities and other Government Entities	55 years	£12m	Unlimited
Secured Investments*	25 years	£12m	Unlimited
Banks (unsecured)*	13 months	£6m	Unlimited
Building Societies (unsecured)*	13 months	£6m	£12m
Registered Providers (unsecured)*	5 years	£6m	£25m
Money Market Funds*	n/a	£12m	Unlimited
Strategic Pooled Funds	n/a	£12m	£50m
Real Estate Investment Trusts	n/a	£12m	£25m
Other investments*	5 years	£6m	£12m

11.46 *** Minimum Credit Rating:** Treasury Investments in sectors marked with an Asterix will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

11.47 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

11.48 **Secured Investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

11.49 **Banks and Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

11.50 **Registered Providers (unsecured):** Loans to, and bonds issued or guaranteed by registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving Government support if needed.

11.51 **Money Market Funds:** Pooled funds that offer same day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risk, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

11.52 **Strategic Pooled Funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short-term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

11.53 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

11.54 **Other Investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

11.55 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept to the lowest practical levels per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

11.56 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,

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

11.57 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

11.58 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential Government support, reports in the quality financial press and analysis and advice from the Authority's treasury management advisor. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

11.59 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

11.60 **Investment Limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £131m on 31st March 2022. In order that no more than 5% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £6m. Secured investments will have a higher limit of £12m per organisation. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional Investment Limits

Type of Counterparty	Cash Limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£12m per country

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

6. Treasury Management Indicators

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% **rise** in interest rates	£462,500
Upper limit on one-year revenue impact of a 1% **fall** in interest rates	£0

11.64 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. The Council is expected to remain a net borrower in 2022/23 so a fall in rates would lead to savings rather than incurring additional cost.

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

Refinancing rate risk indicator	Upper	Lower
Under 12 months	70%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

11.66 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 there is no shortage of liquidity in the market and short-term funding is currently considerably cheaper than alternatives. This will enable the Council to finance temporary cashflow shortfalls at year-end more economically. This will be kept under review as it does increase the risk of higher financing costs in the future.

11.67 **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	2022/23	2023/24	2024/25
Limit on principal invested beyond year-end	£25m	£15m	£10m

11.68 The Authority has not adopted the voluntary measures disclosures on security of investments or liquidity.

11.69 Security of investments can be measured by the credit rating assigned to the counterparty but for many of our investments (principally other Local Authorities and strategic high yielding funds) there are no assigned credit ratings. Also, the credit rating assigned to Money Market Funds is typically AAA, but the underlying investments are considerably lower. Any measure adopted would therefore add little value.

11.70 Liquidity is a self-imposed measure generally on the minimum value of funds which the Council must keep as being immediately available in order to meet unexpected payments. Alternatively, a measure linked to borrowing may be considered. In practice the Councils cash varies throughout the year meaning that at certain times the focus of liquidity is on investments and at other times on borrowing. Setting a minimum amount to hold for liquidity purposes may mean that the Council has to borrow unnecessarily to cover short periods. For example, if a liquidity limit of £10m is set and cash is predicted to fall to say £4m for a few days we would have to borrow the additional £6m usually at a slightly higher cost than we receive for investment due to commissions payable. In the unlikely event that an unexpected payment would result in a need to borrow then availability of funds from inter LA markets is high, and borrowing would be limited to need. Cash flow forecasting is carried out daily thereby allowing any borrowing to be planned and limited to need.

7. Other Items

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

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

11.73 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.74 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

11.75 In line with the CIPFA code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

11.76 **External Funds:** The Authority acts as the accountable body for Cheshire & Warrington Local Enterprise Partnership (CW LEP) and for the Evergreen Fund. The Council holds significant cash balances on their behalf prior to expenditure which is either invested short-term or has reduced the need for external borrowing. For CW LEP, the Authority shares the interest benefit based on an agreed method for each fund which is either the average rate achieved on the Councils in-house (non-strategic) investments or an agreed market indicator rate. Surplus Evergreen Fund balances are required to be invested by the fund so the Council acts as a borrower with an agreed variable interest rate based on the average rate achieved on the Councils in-house (non-strategic) investments.

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

Annex A: Economic and Interest Rate Forecast

Underlying assumptions:

- The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.

- Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.

- The CPI Inflation rate rose to 5.1% in November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium-term price inflation.

- These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short-term interest rate expectations remain elevated.

- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 2021 and Q1 2022 activity could be weak at best.

- Longer term Government bond yields remain relatively low despite the more hawkish signals from the BoE and Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving the safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.

- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

- The MPC will want to build on the strong message it delivered this month by tightening policy despite the Omicron uncertainty.

- Arlingclose Ltd therefore, expects Bank Rate to rise to 0.50% in Q1 2022 but then remain there. Risks to the forecast are initially weighted to the upside but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.

- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short-term gilt yields at higher levels.

- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.

- The risk around the gilt yield forecasts vary. The risk for short and medium-term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

Treasury Advisor, Arlingclose Ltd, 3 Year Interest Rate Forecast

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market ra													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

PWLB certainty rate = relevant gilt yield + 0.80%

Annex B: Existing Investment and Debt Portfolio Position

	26/11/2021 Actual Portfolio £m	26/11/2021 Average Rate £m
External Borrowing:		
PWLB - Fixed Rate	60	4.50%
Local Authorities	64	0.10%
LOBO Loans	17	4.63%
Other	3	0.02%
Total External Borrowing	**144**	**2.42%**
Other Long-Term Liabilities:		
PFI	21	-
Finance Leases	1	-
Total Gross External Debt	**166**	**-**
Treasury Investments:		
Managed in-house		
Short-term investments		
Instant Access	13	0.02%
Fixed Term Deposits	5	0.03%
Managed externally		
Multi Asset Fund	5	5.26%
Property Fund	8	3.91%
Equity Fund	2	6.20%
Global Income Fund	4	4.98%
Corporate Bond Fund	1	3.49%
Total Investments	**38**	**2.44%**
Net Debt	**128**	**-**

12. Investment Strategy

1. Purpose

12.1 The purpose of the Investment Strategy is to:

- set out the approach to managing investments
- establish financial limits for classifications of investment
- recognise the role and responsibilities of the Finance Sub-Committee and its position as the main conduit through which investment opportunities should be considered

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

12.3 The Council has a Capital Strategy (prepared in line with the requirements of the Prudential Code); and a Treasury Management Strategy (prepared in line with the requirements of the Treasury Management Code) – relevant disclosures are made within each document.

12.4 Consequently, this Investment Strategy is part of a suite of related documents and focuses predominantly on matters not covered by the Capital Strategy and Treasury Management Strategy.

Statutory Background

12.5 On 2nd February 2018 the DLUHC (formerly MHCLG) published updated statutory guidance on capital finance, in respect of Local Government investments and the minimum revenue provision. The guidance may be found at: https://assets.publishing.service.gov.uk/

12.6 The guidance was issued to reflect concerns raised by DLUHC and Treasury Select Committees over patterns of local authority behaviour particularly with respect to the exponential increase in the investment in commercial properties. There was concern from DLUHC that local authorities being exposed to high levels of financial risk through borrowing and investment decisions could have a detrimental impact on services if investments do not perform as expected. The requirement to produce this annual Investment Strategy, to be approved by Full Council, is an attempt to recognise this and ensure that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

12.7 In the November 2020 Autumn Statement the Chancellor of the Exchequer went further and effectively prohibited the future purchase of commercial assets primarily for generating yield. Where there are any plans to acquire assets primarily for yield, irrespective of the source of financing for that particular asset, then the Public Works Loan Board (PWLB) would not advance any lending to the Authority. It is clear therefore that yield should be an incidental, rather than the principal factor, in any future decision to acquire an investment asset.

12.8 2021 has seen regulators continue this direction of travel to strengthen and codify the rules around commercial assets and borrowing for yield. In December 2021 CIPFA issued a revised Prudential Code which seeks to place further limitations on the ability of Local Authorities to borrow and invest.

12.9 The new Code includes updated and revised content in respect of Authorities not borrowing more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. It strengthens previous guidance and states that authorities “must not borrow to invest primarily for financial return”. This includes any form of borrowing whether it be public or private sector. In addition it includes proportionality as an objective in the Prudential Code; and further provisions are included so that an Authority incorporates an assessment of risk to levels of resources.

12.10 The code is clear to make the distinction between the normal activities that a Council should undertake and those which will expose it to greater risk and uncertainty. Three investment categories have been recognised and they are already broadly reflected in this Authority’s definition and presentation of investment information (see 12.12 opposite).

12.11 The amendments to the Prudential Code are a reinforcement of previous government guidance in respect of the purpose of borrowing – that the purchase of commercial property purely for profit cannot lead to an increase in capital financing requirement. Generally, the Authority is not greatly exposed having not been a significant investor in commercial property, in relative terms. It will however further limit what the Authority may seek to do in the future.

Introduction

12.12 The Authority invests its money for three broad purposes and these are reflected in the revised Prudential Code:

1. 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**),
2. to support local public services by lending to or buying shares in other organisations (**service investments**), and
3. to earn investment income (known as **commercial investments** where this is the main purpose).

12.13 Often there may be a crossover of purposes for investments within the Authority. Whilst a return may be a by-product of an investment this is rarely the overriding reason for making or retaining an investment. It will normally be linked to other long-term strategic or regeneration factors.

12.14 This Investment Strategy meets the requirements of the statutory guidance issued by DLUHC in February 2018 and focuses on the second and third of the above categories.

12.15 In summary, as shown in **Table 5** in Section 11 of this Strategy, the Council has total investments exposure estimated at £87.4m by March 2022. Excluding treasury management investments, exposure totals £47.4m, of which £27.7m relates to property investment; prudent estimates of rent income, along with provisions for repayment of financing costs are included in the MTFS. In the main, other investments are loans for economic development purposes; and due to their nature they are not a material element of our budgeting for interest income within the MTFS.

2. Treasury Management Investments

12.16 The Authority typically receives its income, such as taxes and grants, before it pays for expenditure such as 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, can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

12.17 The Constitution of the Authority delegates the power to manage and make Treasury Management Investments to the Section 151 Officer via the Treasury Management Strategy.

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

12.19 **Further details:** Full details of the Authority's policies and plans for 2022/23 for treasury management investments are covered in the separate Treasury Management Strategy.

3. Service Investments: Loans

12.20 **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth. These are shown below in **Table 1**. No new loans were issued in the year though there were movements on existing loans.

12.21 Interest bearing 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 facilities and improving the health of residents. These are included within the Local Charities category.

12.22 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 interest free loan. The loan was an integral component of the 10% equity stake and therefore needs to be viewed in conjunction with the equity investment.

12.23 In addition, the Council has committed to investing £5m (and has lent £4.5m as at December 2021) 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 Holdings 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 & Warrington areas, which includes Alderley Park where the Fund is based.

12.24 The nature of the loans is that they do not attract an interest rate and returns are dependent upon the success of individual investments made by the Fund. It should be noted that whilst the investment in the Life Science Fund is high risk it is also long-term in nature, so year-by-year fluctuations are to be expected but gains or losses will only crystallize when funds are extracted.

12.25 The Council may consider making further Service Investment Loans in 2022/23, subject to business cases and where the balance of security, liquidity and yield have been considered as part of robust risk assessment.

12.26 The GM Life Science Fund is “revalued” annually based upon the net asset valuation of the Fund and this largely accounts for the notional negative return of the loan category in 2021/22 (see **Table 7**). The position is expected to recover in 2022/23.

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

Table 1: Loans for service purposes in £'000

Category of borrower	31/03/21 Actual £000	31/03/22 Forecast £000	31/03/22 Forecast £000	31/03/22 Forecast £000	2022/23 £000
		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	5,738	5,982	70	5,912	30,000
Local charities	598	426	75	351	2,500
TOTAL	**6,360**	**6,432**	**146**	**6,286**	**35,000**

12.28 Accounting standards require the Authority to set aside loss allowances 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. The loss allowance figure does not necessarily reflect our anticipation or expectation that loans will need to be written down. Rather, the allowance represents a prudent accounting treatment required by CIPFA guidance. The Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

12.29 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans. Each application for a loan requires completion of a business case. This is followed by a process of due diligence taking into account creditworthiness and financial standing and the Council's corporate objectives. External advisors are used where appropriate, dependent on materiality and scope of the loan arrangement. Each application is considered on a case by case basis.

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

4. Service Investments: Shares

12.31 **Contribution:** The Council invests in the shares of its subsidiaries and local businesses to support local public services and stimulate local economic growth.

12.32 As noted above, the Authority has invested in Alderley Park Holdings Limited in order to maintain and stimulate this key strategic industry of life sciences within the borough. Cheshire East is a 10% shareholder in Alderley Park, and has invested in the development of the site along with Bruntwood (51% shareholder) and Manchester Science Partnerships (MSP; 39% shareholder).

12.33 This should be seen as a long-term strategic investment. There have been no dividend returns and any changes in % returns have been based upon the change in value of our share of the underlying assets (see **Table 7**). In line with the commercial property sector, the internal valuation of our stake has fallen (meaning a reduction in net asset value) in the last three years, due in large part to the general fall in value of property-based companies. However, the following observations should be noted:

12.34 The valuation (see **Table 2**) is still greater than the purchase price and the underlying assets at Alderley Park remain strong, with a pipeline of future investments in place. We expect valuations to improve in the future.

12.35 The reduction in value largely arises from accounting transactions/ re-valuations. A gain or loss to the Council's Revenue and Capital Receipts accounts would only crystallise in the event of divesting our equity stake. This is not currently under consideration. As it is a long-term strategic asset there is ample time for the sector to recover.

12.36 The Council also has shares in its subsidiary, wholly owned companies. However, they are of nominal value, and the share values are not considered material in the context of this Investment Strategy.

12.37 As reflected in this strategy a key objective of future investments will be to generate a return to benefit the Council's Revenue Account. However, the Council may consider acquiring shares in companies if there is a compelling business case demonstrating strong potential for growth in capital value.

12.38 **Security:** One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set.

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

Category of company	31/03/21 actual £000	31/03/22 forecast £000	31/03/22 forecast £000	31/03/22 forecast £000	2022/23 £000
	Value in accounts	Amounts invested	Total Gains/ (Losses)	Value in accounts	Approved Limit (at cost)
Local businesses	3,410	1,070	1,580	2,650	10,000
TOTAL	**3,410**	**1,070**	**1,580**	**2,650**	**10,000**

12.39 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and being part of the entities' governance arrangements, having a seat on the Board, and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

12.40 **Liquidity:** With regard to the existing equity stake in Alderley Park, it was deemed to be a long-term investment, supporting a business and site development plan through to at least 2025. As described above, regular monitoring and receipt of updated business plans will help to inform considerations with regards to the selling of shares; and it is important to note, as a minority shareholder in Alderley Park, that shares must first be offered to other shareholders in those private enterprises (and consequently the prospects for disposing of shares should be seen as good, as evidenced by the sale of shares in Manchester Science Partnerships in 2019).

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

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

5. Commercial Investments: Property

12.43 For the purpose of this paper, it should be noted that DLUHC defines property to be an investment if it is held primarily <u>or partially</u> to generate a profit. In order to comply with accounting classifications, the Authority includes several assets in **Table 3** that might otherwise be excluded as they are not being held to primarily generate a yield or return.

12.44 Central government continues to express concern over the level of commercial investments held by local authorities and the risk that this presents to residents in the event that an authority becomes over exposed. Changes to the Prudential Code have reinforced opposition to investment in commercial property. Consequently, there have been no new commercial properties acquired in the year and it is likely that any future investments will be aligned to normal Council service provision.

12.45 **Contribution:** The Council invests in local commercial and residential property and land, for a number of reasons. The intention of making a profit that will be spent on local public services is largely a by-product and is not the primary reason.

12.46 Historically, the most significant commercial investment acquired by the Authority is land and buildings on the North and East side of Weston Road in Crewe, purchased in April 2019. This accounts for 90% of the value in the accounts in this particular asset classification.

12.47 We have revisited the historic purchase costs of the assets included in the categories below. For those that were inherited by Cheshire East Council we have used the valuation at 2009/10. This is to allow for a simple calculation of yield.

12.48 The value of properties is updated annually, and COVID-19 has impacted some valuations, but for this year we will not have an assessment of this until after the end of the financial year. The most recent valuation is from March 2021 and reflects the first year of COVID-19. What we can see is that the value of retail property held up whilst that of industrial units and enterprise centres was valued downwards. Both categories are still valued at more than purchase cost. There has been a reclassification in the year and the single residential property has been removed from this listing as it was not deemed appropriate to classify it as an investment asset. This resulted in £240,000 being removed from the valuation.

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

Property	Actual	31/03/21 actual		31/03/22 expected	
	Purchase cost	Gains or (losses) in-year	Value in accounts (includes gains/ (losses) to date	Gains or (losses)	Value in accounts
Industrial Units	1,492	(236)	1,729	0	1.729
Enterprise Centres	245	(30)	320	0	320
Retail	23,300	734	25,604	0	25,604
Total	**25,037**	**468**	**27,653**	**0**	**27,653**

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

12.50 **Where value in accounts is at or above purchase cost:** A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2021/22 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated Investment Strategy will be presented to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

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

12.52 **Risk assessment:** The Authority assesses the risk of loss before acquiring and whilst holding property investments by:

- Before entering into any commercial property investment, the Authority assesses the local market conditions, by establishing the supply and demand of the need for a certain type of commercial property investment, what competition currently exists locally, nationally and globally dependent on the type of activity that will take place in the asset (for example retail units, industrial units or residential properties). These decisions are made alongside the expertise, knowledge and market evidence collected from our Economic Development Service.
- The Authority also ensures that when setting rental income on the assets a cost of use and sensitivity analysis is completed, to future proof the running and maintenance costs of the assets so that rents are set at a level where they are competitive in the local market but

will also ensure that the income will provide that additional financial security.

- Whilst holding the commercial properties we continually review market prices, look out for changes in the market, and assess the competition.
- The Authority constantly monitors any changes in the political environments, locally, nationally and globally to assess any potential impact on the local rental markets.

12.53 Future investments would be considered in the first instance by the Section 151 Officer supported by other officers. Any final decision would be made by the Finance Sub-Committee. Should any investments be identified then the Section 151 Officer can initiate steps to move funds into the main Capital Programme.

12.54 This Investment Strategy acknowledges that with the introduction of the committee system the role of the Finance Sub-Committee is the body that has the role to consider future investments and make recommendations to Council for ultimate approval of individual investments.

12.55 No new investments are currently anticipated. However, given that significant commercial retail property has been purchased more emphasis will need to be given towards the category of any future investment to ensure that the portfolio is diversified and not overly reliant upon a single sector.

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

6. Commercial Investments: Loans

12.57 **Contribution:** The Authority has worked alongside Cheshire West and Chester Council and Warrington Borough Council to each provide the Cheshire & Warrington Local Enterprise Partnership (LEP) with a £10m loan facility to be used to invest in economic development schemes across the Enterprise Zones in the sub-region. The existing Strategic Capital Projects budget has been utilised for this purpose.

12.58 The first loans totalling £8m in respect of Alderley Park Glasshouse and Blocks 22-24 were made in December 2020. The purpose is to stimulate economic development, and payback of the loans will be achieved from business rates retained by the LEP under Enterprise Zone regulations.

Table 4: Loans for Commercial Purposes in £'000

Category of borrower	31/03/21 Actual	As at 31/03/22 Forecast			2022/23
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Partner Organisations	8,000	8,271	368	7,903	20,000
TOTAL	**8,000**	**8,271**	**368**	**7,903**	**20,000**

12.59 When considering making commercial investment loans, there will always be a Council policy-related objective (such as regeneration or economic development) in addition to the objective of financial benefit (yield) to the Council's Revenue Account (such as interest received) being greater than the costs to the Revenue Account (debt financing).

12.60 In considering commercial loan 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

12.61 **Risk assessment:** The Authority assesses the risk of loss before entering into commercial loans with a thorough due diligence process by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

12.62 Each application for a loan will require completion of a business case. Each loan application is considered on a case-by-case basis. For commercial loans, the intent is that they will be approved in line with those rules being developed in accordance with Section 10 below. Currently, the approval route will be based upon the source of the funding identified for the Loan.

7. Loan Commitments and Financial Guarantees

12.63 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is acting as Entrusted Entity to a £20m European Regional Development Fund (ERDF)-supported ‘Evergreen’ Development Fund, which has commenced and is in the process of making distributions from its first £5m drawdown of funding. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

12.64 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 are 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

12.65 A major concern for external governing bodies is the extent to which Authorities are dependent upon investment income to fund services. Proportionality will form a key component of the proposed new Prudential Code.

12.66 The Authority is not materially dependent on return-generating investment activity to achieve a balanced revenue budget, in respect of Place Services. Within the Authority the proportion is consistently below 2.5% and is deemed immaterial. Such is the low proportion that it represents, should it fail to achieve the expected net return, the Authority’s contingency plans for continuing to provide these services include effective budget management and tight cost control.

9. Borrowing in Advance of Need

12.67 Government guidance is that local authorities must not borrow more than, or in advance of their needs purely to profit from the investment of the extra sums borrowed. This has been strengthened in recent Government announcements effectively prohibiting investing for yield, and in the revised Prudential Code. The Council is not exposed to this as it currently follows this guidance and ensures that investments are made to meet the strategic needs of the Authority, its residents and local businesses.

10. Capacity, Skills and Culture

12.68 **Elected members and statutory officers:** Adequate steps are taken to ensure that those elected Members and statutory officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to: 1. take informed decisions as to whether to enter into a specific investment; 2. to consider individual assessments in the context of the strategic objectives and risk profile of the local authority; and 3. to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

12.69 The Finance Sub-Committee comprised of Members, supported by officers and where necessary, external advisors, provides oversight of the Investment Strategy and acts on recommendations from officers that consider opportunities to enhance the Revenue and Capital Budgets of the Council through strategic investments, whether that involves using capital/cash resources or borrowing and lending powers.

12.70 The Authority continues to identify best practice from across the sector and will incorporate this into the evolving Investment Strategy.

12.71 It is recognised that in order to support decision making there will be a need to engage external advisors from time to time. The Authority has appointed Arlingclose Ltd as treasury management advisors and receives specific advice on investment, debt and capital finance issues. Other consultants, such as property consultants, are engaged as required.

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

12.73 **Corporate governance:** Corporate governance arrangements have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council’s corporate values and Constitution.

12.74 The Finance Sub Committee will receive reports during each annual financial cycle on the latest position and performance of investments.

12.75 The DLUHC requirement to produce an Investment Strategy, approved annually by Full Council is a key component of the corporate governance framework.

11. Investment Indicators

12.76 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.

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

Table 5: Total investment exposure in £'000

Total investment exposure	31/03/21 Actual	31/03/22 Forecast	31/03/23 Forecast
Treasury management investments	44,150	40,000	40,000
Service investments: Loans	6,360	6,432	6,295
Service investments: Shares	3,410	2,650	2,650
Commercial investments: Property	27,653	27,653	27,653
Commercial Investments: Loans	8,000	8,271	8,038
TOTAL INVESTMENTS	**89,573**	**85,006**	**84,636**
Commitments to lend	2,439	2,439	2,439
TOTAL EXPOSURE	**92,012**	**87,445**	**87,075**

12.78 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Currently the Authority's investments are largely funded by usable reserves and income received in advance of expenditure. Prudential borrowing is being used in limited circumstances and performance is closely monitored.

Table 6: Investments funded by borrowing in £'000

Investments funded by borrowing	31/03/21 Actual	31/03/22 Forecast	31/03/23 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	22,211	21,517	20,810
Commercial Investments: Loans	8,000	8,000	8,000
TOTAL FUNDED BY BORROWING	**30,211**	**29,517**	**28,810**

12.79 **Rate of return received:** In part this indicator shows, for Treasury Management and Commercial Property investments, the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the nature of the local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

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

Investments net rate of return	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Treasury management investments	1.62%	2.44%	2.20%
Service investments: Loans (see1.25 above)	8.46%	-1.43%	0.25%
Service investments: Shares (see 1.32 above)	9.64%	-22.29%	0.00%
Commercial investments: Property	2.81%	3.22%	3.24%
Commercial Investments: Loans	3.20%	3.22%	3.20%

12.80 The return for Service Investments: Loans and Service Investments: Shares are not true, realised returns but are instead the % fluctuation in the underlying value of the new assets within the Life Science Fund and Alderley Park Holdings Limited. As such they do not reflect actual cashflows. That said the negative return on the Alderley Park shares is noteworthy. It is based upon a best estimate of the unaudited accounts which has seen a substantial downward revaluation of property assets and increased vacant properties. This is expected to reverse in 2022 and 2023 but it does distort the % rate of return for this year.

12.81 The major assets included within Commercial Investments: Properties, representing over 90% of the value in that classification, are two commercial retail properties in Crewe. Whilst we will see fluctuations year-on-year given the pressures on ‘bricks and mortar retail’, the Council will only experience an impact on its Revenue Account if a tenant goes into liquidation or is subject to a (lower) rent review.

12.82 From the perspective of the Council one of the tenants affected is a home improvements retailer and the second is a national supermarket retailer. Both of these have thus far weathered the local economic effects of the COVID-19 pandemic though we might expect further reductions in asset value in this financial year.

12.83 Much of the investment returns for Commercial Investments relates to rent on these two assets. Rental income on both has held up during the year. The change in reported return from 2019/20 is due in part to fully accounting for revenue financing costs on the primary asset. This has reduced the net income figure used for the returns calculation, when compared to that previously reported. Across other properties occupancy and rents received are holding up.

12. Glossary of Terms

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

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

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

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

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

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

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

The **Prudential Code** means the statutory code of practice, issued by CIPFA: *"The Prudential Code for Capital Finance in Local Authorities, 2021 Edition".*

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

13. Reserves Strategy

Executive Summary

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

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

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

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

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

13.5 Cheshire East Council's Reserve Strategy was last approved at Council on 17th February 2021.

13.6 The financial review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2022-26 is being reported to Council in February 2022.

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

13.8 Additional detailed analysis of trends within the Council's finances is provided in the Council's Value for Money publication demonstrating the sound financial position of the Council.

Alex Thompson

Alex Thompson FCPFA, IRRV(Hons)

Director of Finance and Customer Services

(Section 151 Officer)

1. Introduction

Types of Reserves

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

General Reserves (see Section 2)

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

13.11 Increasing General Reserves

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

13.12 Decreasing General Reserves

- Planned draw-down of reserves to create investment, and to counteract the possibility of over-taxing in any financial year.
- Allocation of an operating deficit at the close of the financial year, or movement to Earmarked Reserves based on priorities.

Earmarked Reserves (see Section 3)

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

Assessing the Adequacy of Reserves

13.14 To assess the adequacy of general reserves, the Section 151 Officer will take account of the strategic, operational and financial risks facing the Authority. The Council therefore adopts formal risk management processes. The Audit Commission Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks are assessed against the Authority's overall approach to risk management.

13.15 There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts. The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control, as required by professional standards.

13.16 Setting the level of general reserves is just one of several related decisions in the formulation of the Medium-Term Financial Strategy and the budget for a particular year. Account will also be taken of the key financial assumptions underpinning the budget alongside a consideration of the Authority's financial management arrangements.

13.17 **Table 1** sets out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow.

13.18 These factors can only be assessed properly at a local level. A considerable degree of professional judgment is required. The Section 151 Officer can express advice on the level of balances in cash and / or as a percentage of budget, so long as that advice is tailored to the circumstances of the Authority for that particular year.

13.19 Advice will be set in the context of the Authority's process to manage medium-term financial stability and not focus on short-term considerations, although balancing the annual budget by drawing on general reserves may be a legitimate short-term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit and will occur only to pump prime investment and not to regularly support such costs. Advice will be given on the adequacy of reserves over the lifetime of the Medium-Term Financial Strategy.

Table 1: Holding adequate reserves will depend on a number of key factors Budget Assumptions
• The treatment of inflation and interest rates • Estimates of the level and timing of capital receipts • The treatment of demand led pressures • The treatment of planned efficiency savings / productivity gains • The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments • The availability of other funds to deal with major contingencies and the adequacy of provisions
Financial Standing and management
• The overall financial standing of the Authority (including: level of borrowing, debt outstanding and council tax collection rates) • The Authority's track record in budget and financial management including the robustness of the medium-term plans • The Authority's capacity to manage in-year budget pressures • The strength of the financial information and reporting arrangements • The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level • The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

Source: CIPFA – LAAP Bulletin 55, 2003

13.20 The current guidance requires the purpose, usage and the basis of transactions of earmarked reserves to be identified clearly. A review of the levels of earmarked reserves will be undertaken as part of annual budget preparation.

2. General Fund Reserves (Revenue)

Purposes

13.21 The purpose of general reserves is to manage the possible financial impacts to the Authority from:

- Emergencies.
- In-year emerging financial issues.
- Reacting to investment opportunities.

13.22 The Finance Procedure Rules set the parameters for the use of general reserves.

13.23 The in-year use of general reserves requires approval in accordance with the Constitution parameters set by Council. Any use of General Reserves must consider the medium term impact of the decision and how this will align to the robustness of the MTFS, and to the Reserves Strategy.

13.24 In all cases the use of reserves should be approved by the Section 151 Officer.

Opening Balances

13.25 The Council currently holds general reserves as at 1st April 2021 of £11.5m.

13.26 Following a review of the risk assessed minimum level requirement general reserves will remain at £11.5m.

13.27 At 1st April 2022, it is anticipated that the Council will hold general reserves of £11.5m, as calculated in **Table 2**.

Table 2	Estimated Balance 1st April 2022 £m
Amount of General Fund Balance available for new expenditure	**11.5**
The impact of performance against the 2021/22 Revenue Budget	**0.0**
	11.5

Estimated Movement in Reserves (2020/21 onwards)

13.28 **Table 3** summarises the current estimated movements in general reserves from 2022 to 2026.

13.29 The level of reserves needed is assessed each year according to the risks facing the Authority (see Risk Assessment overleaf).

13.30 During 2019 CIPFA published a financial management code designed to support the Local Government sector as it faces continued financial challenge, the Code recognises ‘that using the financial reserves to finance a deficit or to avoid difficult decisions around spending cuts provides temporary relief, but is *not sustainable in the long-term*.’

13.31 This guidance from CIPFA follows the National Audit Office (NAO) report on financial sustainability in local authorities. This indicated that there is a heightened risk of more Council's over the coming years falling into special measures as a result of not reconciling the pressure on budgets.

13.32 The reserves position will continue to be monitored and reviewed during 2022/23 to ensure the risk assessed level of £11.5m remains adequate. General reserves of £11.5m as a proportion of net revenue expenditure is 3.5%.

Table 3: The level of reserves will be maintained in the medium-term	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Estimated Balance @ 1st April	11.5	11.5	11.5	11.5	11.5
Estimated Impact of Spending	0.0	0.0	0.0	0.0	0.0
Planned Contribution	0.0	0.0	0.0	0.0	0.0
Forecast General Reserves @ 31st March	**11.5**	**11.5**	**11.5**	**11.5**	**11.5**
Risk Assessed Minimum Level	11.5	11.5	11.5	11.5	11.5

Source: Cheshire East Finance

13.33 The level at which reserves are set for 2022/23, reflects the aim of Cheshire East Council to match the Risk Assessed Minimum Level, ensuring reserves are adequate, and provide sufficient flexibility to manage short-term cashflow.

General Fund Reserves – Risk Assessment

13.34 The risks facing each local area will vary. In the case of Cheshire East, the impact of rising demand for services, the economic climate, EU Exit, emerging Government policies (particularly in relation to business rates), and pressure on public services to reduce overall expenditure are relevant, and these present the potential for significant emerging risk.

13.35 The minimum target level of reserves is quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts.

13.36 Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume an appropriate level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year thereby smoothing the impact on citizens.

13.37 Risks are categorised, and potential values are applied to them. This presents the potential exposure to financial risk. **Table 4** shows the risk areas and the level of reserves Cheshire East Council should retain to mitigate that risk. In each case the value of the risk retained has been calculated as a percentage of the potential impact. The percentage is based on the likelihood of the risk actually achieving that total impact in any year.

13.38 The Risk Assessment for 2022/23 provides for the Minimum Level to be set at £11.5m. This is considered a relatively prudent overall target for reserves at 3.5% of the net budget. This reflects the following potential negative financial issues facing the Council in the medium-term:

- Further changes to the Local Government financial settlement may create funding deficits, and the medium-term strategy of the Council remains unbalanced in later years at present.
- Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.
- Maintained schools are predicting significant deficit budget positions in their three-year forecasts as a result of staffing costs and special educational needs costs increasing at a faster rate than funding.

13.39 It is also possible that a number of events could happen in a single year and the Council could be exposed to new unidentified risks. For this reason, the analysis also contains a Strategic Reserve calculated as a percentage of gross expenditure (in this case 0.8%).

13.40 Risks will be included and managed using the following basic principles:

a. The risk may impact within the medium-term.

b. Risks are potential one-off events.

c. The risk will have genuine financial consequences beyond insurance cover.

d. Mitigating actions will be in place to minimise the potential requirement for financial support.

e. If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate Revenue Budget estimates.

f. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

Table 4: A robust level of reserves is guided by an assessment of potential risks

Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	% Risk (a)	Value of Risk Area (b)	Value of risk retained (a x b)	Sub-Total	Risk Assessment
Health & Safety	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	7.0%	£1,000,000	£70,000	**£120,000**	**£100,000**
	Lost reputation / Effect on recruitment	Additional cost of new advertising to regain confidence and recruit staff / Effective Communication Plans and Employment option plans	25.0%	£200,000	£50,000		
Fire / Structural damage	Major loss of service	Premises not operational / Robust disaster recovery plan	10.0%	£1,000,000	£100,000	**£410,000**	**£400,000**
	Severe Weather	Additional staffing, transport and materials costs / robust emergency plans	28.0%	£1,000,000	£280,000		
	Insurance claims create rising premiums or cost to insurance reserves	Budget growth to cover premiums or self insurance costs / Good claims management	5.0%	£594,000	£30,000		
Budget Pressures	Opening Balances vary from current predictions	Impact on opening balances / apply prudent assumptions to opening balances	2.0%	£11,500,000	£230,000	**£2,852,000**	**£2,800,000**
	Savings proposals challenged by changing priorities.	Impact of 2021/22 outturn / robust remedial plans and monitoring of progress	0.2%	£311,000,000	£622,000		
	Forecast deficit budgets in maintained schools	In-Year emerging issues / Robust plans and monitoring of progress	10.0%	£7,200,000	£720,000		
	Higher than anticipated inflation arising in year	Increased inflation on contracts and services / contract management and robust remedial plans	2.0%	£50,000,000	£1,000,000		
	Potential decrease in Council Tax and Business Rates collection rate	Lower than forecast income or increased reliefs/ robust assessment criteria and debt recovery procedures	0.1%	£280,000,000	£280,000		
Legal & IT costs	Legal challenges to Council service delivery / charges for services	Court costs and claims for financial settlement / clear processes and good workforce management	50.0%	£750,000	£375,000	**£3,077,000**	**£3,100,000**
			30.0%	£1,000,000	£300,000		
	Data corruption and need to improve security	ICT service days to repair, loss of service / robust security policies and firewalls	10.0%	£500,000	£50,000		
Industrial relations / External organisations	Disruption to service and possible costs of arbitration / tribunal	Loss of income, costs of providing essential services or direct costs of resolution, reduced pay costs / emergency planning	1.6%	£147,000,000	£2,352,000		
Strategic Reserve		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes Impact of EUExit on national and local economy	0.8%	£641,000,000	£5,128,000	**£5,128,000**	**£5,100,000**
		OVERALL RISKS				**£11,587,000**	**£11,500,000**
		% of Net Revenue Budget					**3.5%**

13.41 The outcome of this analysis has been to place an estimated total value on the range of risks that may arise, and which are not covered by insurance. This is equivalent in total to £11.5m.

13.42 It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2022/23 Revenue Budget. The key factors are:

- The capacity of the organisation to deliver proposed growth or achieve the proposed level of savings entirely.
- Potential underachievement of cost reduction targets following consultation processes.
- Demand for services rising above estimated trends.
- Changes to Government settlements.

Adequacy of General Reserves

13.43 The Local Government Finance Act 1988 and 1992 and the Local Government Act 2003 emphasises the importance of sound and effective financial management in England and Wales by the statutory duty of the Section 151 Officer to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves.

13.44 CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their Section 151 Officer. There is no statutory or recommended minimum level of reserves as they are established by the Section 151 officer making judgements on such matters taking into account all the relevant known and expected local circumstances. Imposing a statutory minimum would therefore be against the promotion of local autonomy and would conflict with the financial freedoms offered to local authorities.

13.45 The Secretary of State in England has reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the Section 151 Officer. The Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently and disregards the advice of its Section 151 Officer.

3. Earmarked Reserves (Revenue)

Purpose

13.46 The purpose of an earmarked reserve is:

- To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
- To set aside amounts for projects which extend beyond one year.

13.47 Once Earmarked reserves have been established by Cheshire East Council it is the responsibility of Chief Officers, in consultation with the Section 151 Officer, to ensure balances are spent in line with their purpose.

13.48 **Table 5** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

13.49 For each earmarked reserve held by Cheshire East Council there will be a clear protocol setting out:

- the purpose of the reserve,
- how and when the reserve can be used,
- procedures for the reserve's management and control,
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy,
- clear indication of payback periods and approach (if applicable).

Table 5: All earmarked reserves should have a clear rationale

Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future accounting periods, it is prudent to build up resources in advance.
Insurance reserves	An Insurance Fund has been established to meet the potential costs of insurance excesses arising from claims in respect of fire and consequential loss, public and employer liability, and vehicles relating to both Cheshire East Council and the former Cheshire County Council.
Reserves of trading and business units	Surpluses arising from in-house trading may be retained or may have to be retained by statute to cover potential losses in future years, or to finance capital expenditure.
Reserves retained for service departmental use	Increasingly, authorities have internal protocols that permit year-end surpluses at departmental level to be carried forward.
School Balances	These are unspent balances of budgets delegated to individual schools.

Source: CIPFA – LAAP Bulletin 55, 2

13.50 When establishing reserves, Cheshire East Council will ensure that it complies with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions.

13.51 The protocol for Cheshire East Council earmarked reserves is set out below. The Section 151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.

13.52 Earmarked Reserves will be:

- Set up by Full Council, on recommendation by the Section 151 Officer,
- Supported by a business case,
- Normally held for a maximum of 3 years, except where the business case justifies a longer retention,
- Be reviewed at least annually.

13.53 Services may also carry forward balances in accordance with Financial Procedure Rules.

13.54 Earmarked reserves have the effect of transferring the tax burden across financial years as current taxpayers' funds are being used to support future years' spending. It is therefore recommended that Cheshire East Council's earmarked reserves are subject to annual review, at least as part of the budget setting process, to ensure that they are still appropriate, relevant and adequate for the intended purpose.

13.55 The 2021/22 position on earmarked reserves is reported in the 2021/22 Financial Review Report, as part of the 1st December, Finance Sub-Committee report.

13.56 All reserves will be subject to revised business cases to ensure that only the required levels are carried over into 2022/23.

13.57 At 1st April 2022, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £68.8m. It is estimated that balances will reduce by £25.6m by the end of 2022/23. **Table 6** (overleaf) shows the position on each earmarked reserve.

13.58 Certain reserves, such as the MTFS and Collection Fund Reserves, are used to assist with balancing the Council's overall net budget. These have been marked in bold with an asterisk in **Table 6**. Overall use of such reserves for this purpose is equal to a total contribution to reserves of £1.3m in the 2022/23 Financial Year, made up of various drawdowns and contributions to the revenue budget from these four reserves. All earmarked reserves are subject to annual review at year end to consider options to move balances to general reserves.

13.59 The opening balances also includes COVID-19 grants in the region of £5.5m, which are expected to be fully utilised in 2022/23.

Table 6 **Name of Reserve**	**Opening Balance 1st April 2022** **£000**	**Forecast Movement in Reserves 2022/23** **£000**	**Forecast Closing Balance 31st March 2023** **£000**	**Notes**
Corporate Policy Committee				
Corporate Directorate	**1,285**	(155)	**1,130**	To support a number of widespread projects within the Corporate Directorate
Collection Fund Management *	**27,452**	(16,414)	**11,038**	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
MTFS Reserve *	**5,561**	915	**6,476**	To support the financial strategy and risk management.
Financing Reserve *	**7,098**	786	**7,884**	To provide for financing of capital schemes, other projects and initiatives.
Brighter Future Transformation Programme *	**2,050**	100	**2,150**	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.
Pay Structure (M Grade Review)	**366**	(184)	**182**	To fund ongoing changes to pay structure.
Insurance Reserve - Cheshire East & Cheshire County Fund	**6,048**	158	**6,206**	To settle insurance claims and manage excess costs.
Other Useable reserves (<£500,000 in value)	**278**	(27)	**251**	Includes General Elections & HR programme
Revenue Grants	**2,175**	(905)	**1,270**	Unspent specific use grant carried forward into 2022/23.
Revenue Grants - Covid-19	**5,488**	(5,488)	**0**	Covid (Unringfenced) reserve carried forward into 2022/23
Adults and Health Committee				
Adults Directorate	**1,020**	0	**1,020**	To support a number of widespread projects within the Adults, Health and Integration Directorate.
DOL's Assessments	**300**	(300)	**0**	Reserve required due to delays in closure and will run across two years up to 2022/23.
PFI Equalisation - Extra Care Housing	**2,715**	80	**2,795**	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
NHB Community Grants Staffing	**132**	0	**132**	To support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects.
Public Health	**2,540**	(1,270)	**1,270**	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. Anticipated that the carry forward ringfenced grant will be spent across 2022/23 and 2023/24.

Table 6 Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Children and Families Committee				
Childrens Directorate	**422**	0	**422**	To support a number of widespread projects within the Children and Families Directorate
Transformation Funding	**750**	(750)	**0**	Service is planning to spend half of 1.5m in 2021/22 and half in 2022/23.
Other Useable reserves (<£500,000 in value)	**135**	(49)	**86**	Includes Domestic Abuse Partnership; Skills & Lifelong Learning; School Organisation & Capital Service.
Highways and Transport Committee				
Other Useable reserves (<£500,000 in value)	**973**	(922)	**51**	Includes: Flood Recovery Works; Well Managed Highway Infrastructure Delay; Highways Procurement Proj; HS2; Parking Pay and Display Machines / Parking Studies.
Economy and Growth Committee				
Place Directorate	**899**	(339)	**560**	To support a number of widespread projects within the Place Directorate.
Investment (Sustainability)	**490**	(490)	**0**	To support investment that can increase longer term financial independence and stability of the Council.
Legal Proceedings	**110**	(110)	**0**	To enable legal proceedings on land and property matters.
Environment and Communities Committee				
Strategic Planning	**443**	(215)	**228**	To meet costs associated with the Local Plan - site allocations and minerals and waste DPD.
Other Useable reserves (<£500,000 in value)	**54**	(54)	**0**	Includes: Air Quality; Licensing Enforcement.
TOTAL	**68,784**	**(25,633)**	**43,151**	

4. Capital Reserves

13.60 Capital receipts received in-year are fully applied to finance the capital programme. A small amount of capital receipts are held in reserve to cover future commitments where receipts are to be used flexibly to fund transformational projects.

13.61 Where revenue contributions are used to finance capital expenditure these will be held in reserve until such time as the expenditure is incurred.

5. Reserves Strategy Conclusion

13.62 Overall Cheshire East Council is establishing reserves that match the minimum risk levels while retaining flexibility to react to investment opportunities. This approach can be supported during the medium-term based on recent performance against budget.

13.63 This recognises local issues and allows the Section 151 Officer to report favourably on the adequacy of reserves. The full report of the S.151 Officer is provided on page 15 of the MTFS Full Report.

13.64 The maintenance of protocols around the use of balances improves control and increases openness in financial reporting and management. This approach assists with financial planning and increases understanding of Cheshire East Council's financial position. Reserves positions will continue to be reviewed throughout the financial year.

Background Papers

13.65 General Fund Reserves – Risk Assessment Working Papers 2021.

CIPFA Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves and Balances (2003).

CIPFA Financial Management Code 2019.

Cheshire East Draft Statement of Accounts 2020/21.

14. Financial Authorisation Limits

14.1 Financial control is achieved through the mechanism of the Financial Procedures Rules (Chapter 3, Part 4 of the Constitution) and the Financial Schemes of Delegation.

14.2 This Annex provides details of the financial authorisation limits for the year 2022/23 to be approved at Budget Council. The financial limits ensure decisions are made at the right level, are formally delegated and involve appropriate consultations with Senior Management, Statutory Officers and Members.

14.3 It is appropriate to review these limits on an annual basis to reflect the most up to date financial framework, following a review this Annex confirms the current levels are appropriate for 2022/23.

14.4 These limits are in line with the approved Constitution and for 2022/23 apply for the net revenue budget of £327.7m and the capital budget of £185.3m.

Scheme of Virement

14.5 Approval limits for virements are as follows:

Virements between budget heads (excluding Reserves / Contingencies)

Virement Amount	Approval Level
Up to and including £100,000	Relevant Heads of Service
In excess of £100,000 up to and including £500,000	Chief Finance Office in consultation with the Relevant Member(s) of CLT
In excess of £500,000 up to and Including: • £1,000,000 revenue; or • £5,000,000 capital	Relevant Member(s) of CLT in consultation with Chair of the relevant Committee and the Chair of Finance Sub-Committee
Over • £1,000,000 revenue; or • £5,000,000 capital (where virement is within budget and policy framework)	Finance Sub-Committee

Virements from Reserves or Contingencies

Virement Amount	Approval Level
Up to and including £250,000	Chief Finance Officer
In excess of £250,000 up to and including £500,000	Chief Finance Officer in consultation with the Relevant Member of CLT
In excess of £500,000 up to and including £1,000,000	Finance Sub-Committee
Over £1,000,000	Council with recommendation from Finance Sub-Committee

14.6 Council may approve that specific earmarked reserves for contingencies are allocated within the Budget Control Total of a Committee. The Committee may vire such funds only in consultation with the Chief Finance Officer.

Supplementary Estimates

14.7 Approval limits for fully funded revenue and capital supplementary estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £250,000	Relevant Member of CLT
In excess of £250,000 up to and including £500,000	Relevant Member of CLT in consultation with the Chair of the relevant Committee, Chair of Finance Sub-Committee and Chief Finance Officer
In excess of £500,000 up to and including £1,000,000	Committee
Over £1,000,000	Council

Asset Disposal / Write-off

14.8 The Chief Finance Officer may authorise the write-off of losses up to £25,000, or disposals, of obsolete or surplus equipment, materials, vehicles or stores up to a disposal value of £25,000. Where the value exceeds £25,000, but is less than or equal to £100,000 this should be done in consultation with the Finance Sub-Committee Chair. Write-offs over £100,000 will be the responsibility of the Finance Sub-Committee or Corporate Policy Committee

14.9 Any write-off which arises as a result of theft or fraud must be notified to the Head of Audit and Risk immediately.

Early Retirement / Severance

14.10 The Chief Executive or Executive Director (Corporate Services) in consultation with the Chair of the Corporate Policy Committee must approve all requests up to £95,000 (excluding pay in lieu of notice and accrued holiday pay). All such requests in excess of £95,000 must be approved by the Corporate Policy Committee or a waiver sought from full Council and Central Government.

Grants and Donations

14.11 Grants, donations and contributions will be paid by the Council in accordance with the policies determined under paragraph 6.26 of the Financial Procedure Rules, subject to there being adequate provision in service budgets and the appropriate approvals being sought.

Approval level	Amount
Officers	Up to and including £50,000 (where grant is within approved grant policy and fully funded)
Relevant Corporate Leadership Team member in consultation with the Chair of the relevant Committee and Chair of Finance Sub-Committee	Between £50,000 and £100,000 (where grant is within approved grant policy and fully funded)
Committee	All Grants of £100,000 or more. All grants which do not fall within existing approved grant policy require Corporate Policy Committee approval

Bad Debts

14.12 Bad Debts may be written off as follows:

Approval level	Amount
Chief Finance Officer	Up to and including £5,000
Chief Finance Officer in consultation with the Monitoring Officer	Over £5,000

14.13 The Corporate Leadership Team is responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year-end and that contributions to this provision are included in budgetary projections and outturn.

14.14 A record must be maintained for all debts written off. The appropriate accounting adjustments must be made following approval to write-off a debt. The Chief Finance Officer may provide written delegation to other officers to approve the write-off of debt up to and including £5,000.

15. Abbreviations

This Annex provides details of the abbreviations used in the Report in alphabetical order.

Term	Meaning
ASC	Adult Social Care
ASDV	Alternative Service Delivery Vehicles – part of the Council's commissioning approach to funding services
BCF	Better Care Fund
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1st April 2013
CAG	Corporate Assurance Group
CDRP	Crime and Disorder Reduction Partnership
CDS	Credit Default Swap
CEC	Cheshire East Council
CEFS	Cheshire East Family Support
CERF	Cheshire East Residents First
CFB	Capital Financing Budget
CFR	Capital Financing Requirement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CSC	Children's Social Care
CTS	Council Tax Support
DfE	Department for Education
DLUHC	Department for Levelling Up, Housing and Communities (formerly Ministry of Housing, Communities and Local Government – MHCLG)
DSG	Dedicated Schools Grant – grant received from Government to fund schools
EqIA	Equality Impact Assessment
EIP	Early Intervention and Prevention
ERP	Enterprise Resource Platform
ESG	Education Support Grant
FQR	First Quarter Review (not produced for 2020/21)

Term	Meaning
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GP	General Practitioner
GVA	Gross Value Added
HLBC	High Level Business Case
HM	Her Majesty's
HR	Human Resources – one of the Council’s corporate service areas
ICT	Information and Communication Technology – the service responsible for computers, networks, software, hardware and phones
IFS	Infrastructure Funding Statement
LA	Local Authority
LED	Light Emitting Diode
LGA	Local Government Association
LOBO	Lenders Option Borrows Option
LSCB	Local Safeguarding Children's Board
MARS	Mutually Agreed Resignation Scheme
MHCLG	Ministry of Housing, Communities and Local Government – now renamed to DLUHC (above)
MPC	Monetary Policy Committee
MRP	Minimum Revenue Provision
MTFS	Medium-Term Financial Strategy
NEETs	Not in Education, Employment or Training
NFF	National Funding Formula
NHB	New Homes Bonus Grant
NHS	National Health Service
NJC	National Joint Council
NNDR	National Non-Domestic Rates – the contribution to general local authority costs by businesses. The rate is set by central Government
PHE	Public Health England
PiP	Partners in Practice
PMI	Purchasing Managers Index

Term	Meaning
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works
RPI	Retail Price Index
RSG	Revenue Support Grant
S151	Section 151 (Officer)
SBRR	Small Business Rate Relief
SCIES	Safeguarding Children in Education Settings
SEN	Special Educational Needs
SEND	Special Educational Needs and Disabilities
SLA	Service Level Agreement
SLE	Separate Legal Entity – a delivery model for delivering services in a different way
SOS	Signs of Safety
SSB	Supporting Small Business
TC	Town Centre
TUPE	Transfer of Undertakings (Protection of Employment) regulations
VIC	Visitor Information Centres
VCFSE	Voluntary, Community, Faith and Social Enterprise
WOC	Wholly Owned Company

16. Forecasts (February 2021)

Forecasts presented to the Council in February 2021 reported a forecast balanced budget position in the medium-term.

Summary position for 2021/22 to 2024/25	Budget 2020/21 (Third Quarter Review) £m	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m	Estimated Net Budget 2024/25 £m
People	180.8	**187.7**	**187.1**	**188.0**	**192.7**
Place	73.9	**73.6**	**74.8**	**76.0**	**77.7**
Corporate	34.2	**36.2**	**36.6**	**37.8**	**39.1**
Total Service Budgets	288.9	**297.4**	**298.6**	**301.7**	**309.5**
CENTRAL BUDGETS:					
Capital Financing	12.0	**14.0**	**18.0**	**19.0**	**20.0**
Past Pensions Adjustment from Actuary results	1.7	**-2.8**	**-4.7**	**-3.2**	**-3.2**
Income from Capital Receipts	-1.0	**0.0**	**0.0**	**0.0**	**0.0**
Bad Debt Provision increase	0.0	**0.2**	**0.2**	**0.2**	**0.2**
Use of (-)/Contribution to (+) General Reserves	0.0	**0.0**	**0.6**	**0.6**	**0.0**
Use of (-)/Contribution to (+) Earmarked Reserve	-0.7	**2.3**	**1.5**	**1.2**	**-0.3**
Total Central Budgets	12.0	**13.7**	**15.5**	**17.8**	**16.7**
TOTAL: SERVICE + CENTRAL BUDGETS	**301.0**	**311.1**	**314.1**	**319.5**	**326.1**
FUNDED BY:					
Council Tax	-229.5	**-242.8**	**-250.1**	**-257.6**	**-265.2**
Business Rate Retention Scheme	-49.8	**-49.1**	**-49.1**	**-49.1**	**-49.1**
Revenue Support Grant	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Specific Grants	-21.5	**-19.2**	**-14.9**	**-12.8**	**-11.8**
Collection Fund Surplus(-)/Deficit(+)*	-0.1	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL: FUNDED BY	**-301.0**	**-311.1**	**-314.1**	**-319.5**	**-326.1**
Funding Deficit / (Surplus)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

* To be managed through the Collection Fund Earmarked Reserve from 2021/22

17. Feedback

We want you to be involved in decision making in Cheshire East.

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