Public Document Pack

Finance Sub-Committee

Agenda

Date:	**Thursday, 2nd November, 2023**
Time:	**10.00 am**
Venue:	**Committee Suite 1, 2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ**

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the top of each report.

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings will be uploaded to the Council's website.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

   To note any apologies for absence from Members.

2. **Declarations of Interest**

   To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Minutes of Previous Meeting** (Pages 5 - 12)

   To approve as a correct record the minutes of the meeting held on 7th September 2023.

4. **Public Speaking/Open Session**

   In accordance with paragraph 2.24 of the Committee Procedure Rules and Appendix on Public Speaking, set out in the Constitution, a total period of 15 minutes is allocated for members of the public to put questions to the Sub-Committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes to speak; the Chair will have discretion to vary this where they consider it appropriate.

   Members of the public wishing to speak are required to provide notice of this at least three clear working days in advance of the meeting.

Contact: Paul Mountford, Democratic Services
Tel: 01270 686472
E-Mail: paul.mountford@cheshireeast.gov.uk

5. **Second Financial Review 2023/24** (Pages 13 - 174)

To consider a report on the second review of the Cheshire East Council forecast outturn for the financial year 2023/24.

6. **Medium Term Financial Strategy Consultation 2024/25 - 2027/28** (Pages 175 - 200)

To consider a report which seeks approval of indicative financial targets to support consultation on the development of the Cheshire East Medium-Term Financial Strategy 2024/25 to 2027/28.

7. **CIPFA Financial Management Code (FM Code) Progress Update** (Pages 201 - 264)

To receive an update report on the Council's progress in implementing the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management (FM) Code.

8. **Business Rates Discretionary Relief Review - Recommendations** (Pages 265 - 336)

To consider a report which provides feedback from the Business Rates Working Group and which seeks a decision in relation to the Discretionary Relief Policy.

9. **Cheshire Pension Fund Briefing** (Pages 337 - 342)

To receive a briefing report on matters considered at the Cheshire Pension Fund Committee.

10. **Section 106 Key Findings - Internal Audit Report** (Pages 343 - 368)

To consider the key findings from Internal Audit's review of arrangements for the management and monitoring of Section 106 funds.

The report to the Audit and Governance Committee on 28th September 2023 is attached.

11. **Work Programme** (Pages 369 - 372)

To consider the work programme and determine any required amendments.

12. **Exclusion of the Press and Public**

The report relating to the remaining item on the agenda has been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matter may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

13. **Wholly-owned Companies - Strategic Options Review** (Pages 373 - 386)

To consider a report on a strategic options review of the Council's wholly-owned companies.

Membership: Councillors D Brown, J Clowes, B Drake, M Gorman (Vice-Chair), R Kain, C O'Leary, N Mannion (Chair) and F Wilson

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Finance Sub-Committee**
held on Thursday, 7th September, 2023 in Committee Suite 1, 2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor N Mannion (Chair)
Councillor M Gorman (Vice-Chair)

Councillors D Brown, J Clowes, B Drake, R Kain, C O'Leary and F Wilson

OFFICERS
Alex Thompson, Director of Finance and Customer Services
David Brown, Director of Governance and Compliance
Julie Gregory, Legal Team Manager - Place/Corporate
Paul Mountford, Democratic Services
Lianne Halliday, Senior Manager – Procurement
Tom Shuttleworth, Interim Director of Environment and Neighbourhoods

ALSO PRESENT
Councillor A Moran, Chair of the Ansa Board
Kevin Melling, Managing Director of Ansa

15 DECLARATIONS OF INTEREST

Councillor A Moran declared for the record that he was the Chair of the Ansa Board.

16 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 7th June 2023 be approved as a correct record.

17 PUBLIC SPEAKING/OPEN SESSION

There were no public speakers.

18 MEDIUM TERM FINANCIAL PLANNING ASSUMPTIONS - FEEDBACK FROM TASK GROUP

The Sub-Committee considered a report back on the work of the Medium Term Financial Planning Assumptions Task Group.

The Director of Finance and Customer Services and other officers had met informally with the Task Group on 6th September. Councillors J Clowes, B Drake, C O'Leary and F Wilson were in attendance.

The Task Group had reviewed the planning assumptions underpinning the MTFS and in doing so had raised comments and queries across a range of issues to which officers had responded as follows:

MTFS: Beyond the next year’s Budget, the MTFS presented a balanced “forecast” rather than a set “budget”. It was only the one-year position that was formally approved at full Council.

Pay inflation: The Leisure Trust was a separate legal entity which managed its own pay inflation and renumeration levels. For wholly-owned companies, pay negotiations followed the same arrangements as for the Council, which avoided the risk of equal pay claims within the Cheshire East Group.

Pensions: It was noted that an update report on the Cheshire Pension Fund was due to go to the Finance Sub-Committee in November 2023.

Fees and Charges: Income should only be charged to cover the cost of the service; the Council was not legally allowed to make a profit (although its wholly-owned companies were).

ASDV dividends: Any dividends received from wholly-owned companies were allocated to the Council’s bottom line and not earmarked for a specific purpose.

Capital Financing: Whole life costs of invest-to-save schemes could be considered. If the benefit outweighed the costs, business cases could be brought forward for decision.

Reserves: A breakdown of what had been included in the 2023/24 £5m budgeted reserves drawdown was provided. This would form part of a future report to the Sub-Committee.

Council tax: High banded houses increased the taxbase more than low banded houses. Cheshire East had an above average banding in terms Band D equivalents.

Council tax: Officers would review the operation of the landlord discount scheme.

Business rates: It was noted that a working group had been set up to review the current discretionary relief policy and would be meeting soon.

The Working Group had concluded that the planning assumptions were appropriate, and no changes were recommended at this time.

The Director of Finance and Customer Services advised that the planning assumptions would be fed into next year’s MTFS strategy, subject to any announcements by Government.

The Chair thanked members of the working group and officers for their work.

RESOLVED

That the report of the Task Group be received and noted.

19 **WHOLLY-OWNED COMPANIES GOVERNANCE REVIEW - BOARD COMPOSITION AND SHAREHOLDER AGREEMENT**

The Sub-Committee considered a report which set out the key findings and recommendations of the Shareholder Working Group in relation to the governance of the Council's wholly-owned companies, having regard to its review of compliance with the published CIPFA guidance and other good practice.

The Working Group had been chaired by the late Councillor S Carter during this first phase of the review. The review was ongoing and would continue into next year.

The Working Group's conclusions regarding the most effective approach to designing the Council's longer term company governance, reporting and board arrangements were as follows:

1. There should be a revised Board structure to support good governance.
2. There should be an observer appointed to attend meetings of each company board to report direct to the Finance Sub-Committee as the shareholder committee.
3. Immediate attention should be given to rectifying some areas, including the removal of Cheshire East Residents First (the group structure) from the governance structure and relevant documentation.
4. A further in-depth review of Shareholder documentation should be undertaken.
5. The risk appetite of the Council in respect of company risk was overall rated as 'Low' and risks should be appropriately mitigated to this position.
6. Risk mitigation and controls should be improved.
7. The Working Group should continue to report on future proposals for improving governance.

Further details were set out in the report.

The Director of Governance and Compliance presented the recommendations set out in the report. In doing so, he advised that the remuneration of observer members on company boards would be a matter for consideration by the Independent Remuneration Panel as part of its next full review of members' allowances. He also advised that the full

Council date in recommendation 3.1(a) would need to be changed to a later date to be determined by the Sub-Committee.

To assist members in considering the proposals, diagrams showing the current and proposed governance arrangements were circulated at the meeting. The proposed governance arrangements included the removal of Cheshire East Residents First (CERF) as a holding company, with companies reporting direct to the Finance Sub-Committee in future as the shareholder committee.

Members commented that a low-risk approach as advocated in the report could mean that the companies would miss out on opportunities by being too risk averse. Officers responded that business opportunities could still be reported to the Sub-Committee for consideration.

The recommendations in the report were moved and seconded subject to the determination of a suitable Council date from which the new arrangements would take effect.

An amendment to the substantive motion was then moved and seconded that the following changes be made to the recommendations in the report:

3.1(a) Two elected members to be appointed to each company board.

3.3 the amended shareholder agreements set out in Appendices 1 and 2 be further amended as follows:

Para 4.1.1 to provide for two elected members to be appointed to each company board.

Para 4.7 to provide that the quorum at any meeting of the directors shall include at least one elected member who is a member of the board.

Para 4.8, which provides that the chair of the board will be the managing director, be deleted.

It was noted that these arrangements may need to be adapted to the particular circumstances of Tatton Part Enterprises, given the small size of that company.

RESOLVED (unanimously)

That the Sub-Committee agrees that

1. From 18 October 2023 (date of Full Council), the Board of Directors of each of the wholly-owned companies will be comprised as follows:

    - Two elected Members to support local knowledge and service user functions. The Members will be appointed by the Finance

Sub-Committee following an open expression of interest and a transparent process; and

- Two Council Officers, being 1x Finance Officer (on the recommendation of the Chief Finance Officer) and 1x Service specific officer (on the recommendation of the Chief Executive);

- The Managing Director of the wholly-owned company; and

- At least one Director who may be appointed through external advert, being an independent sector specialist appointed for their expertise by the Finance Sub-Committee, supported by the Council's HR service.

2. An Observer will continue to be appointed to attend meetings of the Board of each company as the Shareholder representative by the Finance Sub-Committee from amongst its membership. The Observer will have the right to access all information and documents, to attend all meetings and to ask questions of the Board.

3. All current and future Director appointments will be subject to a Shareholder approved service contract, and all Directors will be required to enter into this contract as part of their new or continuing appointment.

4. The amended shareholder agreements set out in appendices 1 and 2 be adopted from 18 October 2023 subject to the following further amendments:

   Para 4.1.1 to provide for two elected members to be appointed to each company board.

   Para 4.7 to provide that the quorum at any meeting of the directors shall include at least one elected member who is a member of the board.

   Para 4.8, which provides that the chair of the board will be the managing director, be deleted, and the remaining paragraphs of that section of the shareholder agreement be renumbered accordingly.

5. That Cheshire East Resident First (CERF) no longer form part of the governance structure of any Council wholly-owned companies and any shares it holds be transferred to Cheshire East Council.

6. That the Shareholder Working Group be asked to continue to:

   (a) undertake a full detailed review of the Shareholder Agreements against the CIPFA guidance and other good practice;

(b) ensure that the wholly-owned companies support the Council's strategic objectives and decision-making;

(c) ensure that an appropriate and proportionate mechanism for control and review of risk is developed;

(d) consider the purpose of Orbitas Bereavement Services and Tatton Park Enterprises;

(e) consider the creation of a timely mechanism for seeking shareholder permissions between scheduled committee meetings; and

(f) develop a business planning template to be implemented across the wholly-owned companies.

7. Company risk registers and strategic decisions made by the companies form part of the reporting and monitoring mechanisms.

8. It be recommended to the Corporate Policy Committee that companies' risks should be a separate category on the strategic risk register.

9. That the Council's risk appetite in respect of the companies is 'Low' and that the companies should maintain a low-risk approach to business activity.

20 **WORK PROGRAMME**

The Sub-Committee considered its work programme for 2023-24.

Following a question from members, the Director of Governance and Compliance confirmed that a report on the review of the committee system was due to be considered by the Corporate Policy Committee at its meeting in November.

RESOLVED

That the work programme be noted.

21 **PROCUREMENT PIPELINE**

The Sub-Committee considered a report which provided an update of the pipeline of procurement activity, an update on the contracts awarded this financial year, and an update on the number of cases where, and reasons why, procurement activity had required the use of waivers.

The detailed waivers referred to in the report would be considered in Part 2 of the meeting.

It was proposed that a member working group be re-established for the current year to review procurement activity and report back to the Sub-Committee. The Procurement Working Group terms of reference had been approved on 6th of July 2022 and were set out at Appendix 3 to the report.

RESOLVED (unanimously)

That the Sub-Committee

1. approves the 1 pipeline project in Appendix 1, column H of the report as business as usual;

2. notes the reason for 4 waivers approved between 1st April 2023 and 31st August 2023 (4 in total in 2023/24);

3. notes the contracts awarded since April 2023 as set out in Appendix 2; and

4. appoints a Procurement Working Group for the current year to review 2022/2023 procurement activity, the members to be:

   Councillor J Clowes
   Councillor B Drake
   Councillor M Gorman
   Councillor R Kain

22 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2, 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

23 **PROCUREMENT PIPELINE**

The Sub-Committee considered details of the waivers referred to in the Procurement Pipeline report.

In addition, the Sub-Committee was briefed on a matter relating to a contract let by Ansa for the processing of mixed recycling. A briefing paper setting out the background to the matter, and the options for further action, had been circulated to members prior to the meeting.

Councillor A Moran and Mr Kevin Melling were permitted to attend for this matter.

RESOLVED

That

1. the details of the waivers referred to in the Procurement Pipeline report be noted; and

2. with regard to the contract for the processing of mixed recycling, Ansa proceed on the basis of Option 2 as set out in the briefing paper.

Mr Melling left the meeting at this point.

Councillor Moran was permitted to remain for the next item as Vice-Chair of the Adults and Health Committee.

24 EXTRA CARE HOUSING PFI SCHEMES

The Sub-Committee received an update on the Cheshire Extra Care PFI contract. A briefing paper setting out in detail the background to the matter, including recent developments, was shared with members.

Members asked if officers could work in a consistent way with those residents affected. The Director of Finance and Customer Services undertook to feed that back to the team involved.

RESOLVED

That the update be noted.

The meeting commenced at 2.00 pm and concluded at 3.44 pm

Councillor N Mannion (Chair)

Finance Sub-Committee

2 November 2023

Second Financial Review 2023/24

Report of: Alex Thompson, Director of Finance and Customer Services

Report Reference No: FSC/18/23-24

Ward(s) Affected: Not applicable

Purpose of Report

1 This report provides Members with the second review of the Cheshire East Council forecast outturn for the financial year 2023/24. Members are being asked to consider the serious financial challenges being experienced by the Council (and other councils) and to recognise the important activities aimed at minimising the impact on services.

2 The report highlights the ongoing negative impact of high inflation, rising interest rates and increasing demand for services since the Council set its budget in February 2023. Annex 1 of the report highlights in detail what the Council is forecasting to achieve as part of the 2023/24 budget. Tables include updates to items identified in the MTFS plus further items identified in-year.

3 Reporting the financial forecast outturn supports the Council's vision to be an open Council as set out in the Corporate Plan 2021 to 2025. In particular, the priorities for an open and enabling organisation, ensure that there is transparency in all aspects of Council decision making.

4 The report also requests Member approval for amendments to the Council's budget in line with authorisation levels within the Constitution.

Executive Summary

5 The Council operates a financial cycle of planning, monitoring and reporting. This review is part of the monitoring cycle and provides a forecast outturn position for the 2023/24 financial year. The information

in this report also supports planning for next year's budget. This report supports the Council priority of being an open and enabling organisation, ensuring that there is transparency in all aspects of Council decision making.

6 The Council set its 2023/24 annual budget in February 2023. The budget was balanced, as required by statute, and included important assumptions about spending in the year. The budget is part of the Medium-Term Financial Strategy (MTFS) 2023 to 2027.

7 The MTFS for 2023/24 included £70m of service growth and £42m of service savings. The equivalent figures for 2022/23 were £21m of growth and £7m of savings. This highlights the challenge of delivering the 2023/24 budget even before the impact of increased demand, prevailing high inflation and rising interest rates.

8 The first financial review of 2023/24, reported to Corporate Policy Committee in October 2023, reported a pressure of £12.8m, reduced from £26.6m through potential mitigations. The report highlighted further activities that would be instigated to address current spending forecasts and income levels.

9 Prices, and demand, for services to support children and adults that require Council services continue to rise, reflecting complexity of care needs and market conditions.

10 Despite further savings of £4.3m being identified the overall spending forecasts have increased. The second financial review of 2023/24 is forecasting a pressure of £18.7m by 31 March 2024, an increase of £5.9m compared to first financial review.

11 The financial pressures being experienced by Cheshire East Council are not unique. Headlines published about local government finance including the BBC highlight that:

(a) councils will be £5.2bn short by April 2026 (after making £2.5bn of planned reductions),

(b) the average council facing a £33m deficit,

(c) £1.1bn of reserves will be required to balance in 2023/24.

12 Local authorities that have committed, or are likely to commit to, financial activities beyond their legal means must issue a s.114 notice. This has already happened for various reasons at eight local authorities to date (Birmingham, Northamptonshire, Nottingham, Northumberland, Croydon, Woking, Thurrock, and Slough). The pressures quoted in these councils are between £35m and £1.5bn.

13 Please see Financial Implications section for risks and consequences relating to a s.114 notice.

14 Press articles continue to report that more councils are concerned about further s.114 notices being issued. A search of such reports identifies Coventry, Derby, Havering, Medway, Leeds, Cheshire West and Chester, Warrington, Middlesborough, Kirklees, Hastings, Kent, Stoke, Somerset, Guildford, Southampton as well as Bournemouth, Christchurch and Poole, as all being linked to financial stress and potential s.114 notices. The pressures quoted in these councils range from £8.5m to £47m. This list has got longer since the First Financial Review and continues to grow.

15 Local authorities, including Cheshire East Council, therefore continue to liaise with Government departments over the severity of so many emerging financial issues. The Council achieves this liaison either directly or through professional or political networks. The focus of this lobbying for Cheshire East Council is on the following important local issues:

(a) **High needs / special educational needs deficit**. The Council reported a cumulative deficit of £47m from 2022/23, which is set to rise to £85.8m by March 2024 and to £243.5m by 2027. The cost of maintaining this deficit in interest payments is forecast to exceed £3m in 2023/24. The Council is also funding transport costs of over £1m in excess of the 2023/24 budget to manage demand. The Council has now begun conversations on entry to the DfE's Safety Valve Scheme.

(b) **Capital Funding and HS2**. Major infrastructure schemes are at risk due to construction costs inflation of 15% to 20%. Associated Government grants have not been revised to keep pace and do not reflect up to date costs forecasts. The Council is therefore having to manage all additional costs. The announcement of the cancellation of phase 2 of the HS2 project referred to escalating costs, and this also impacts on the Council's finances. Letters have been sent to Government ministers and officials to highlight the £11.2m spent by the Council on this project. The Government is looking at this issue as well as developing wider plans to provide additional funding for infrastructure projects in the North of England following the announcements about HS2.

(c) **Children's Services**. Although Government has previously provided additional funding for Adult Social Care, the costs of Children's Services are not being addressed. New burdens funding is not being provided, nor are capital grants that could potentially create new provision of services reducing the reliance on private sector placements.

(d) **Local Government Settlement**. Longer term settlements that address business rate retention, rurality and growth in demand are essential to providing longer term stability. Late and short-term settlements do not support the development of sustainable financial strategies.

16 The First Financial Review highlighted local mitigations that would be implemented to reduce expenditure. In October 2023, the Cheshire East Budget Response Team (CEBERT) was set up to lead on coordinating this work across the organisation. Weekly meetings are chaired by the Chief Executive with updates relating to the workstreams identified in the review.

17 The workstreams include:

(a) Establishment Management: a full review of the Council's establishment is near completion. Recruitment controls have reduced the number of vacancies approved for recruitment from an average of over 20 per week to around 3 per week, with approved posts relating to essential safeguarding posts. All agency placements are also under review.
(b) Spending Control Panel: all Procurement Engagements are subject to additional review. Procurement has been rejected, with several others on hold requiring enhanced information as to the essential nature of the spending.
(c) Pricing Strategies: in many cases the cost of providing charged-for services has increased. This workstream is looking at price increases that may be required to reduce subsidising services that are unaffordable via local taxation.
(d) Capital Spending: a further £2.1m of transformation activity previously funded from revenue budgets is now being legitimately funded from Capital Receipts. Re-profiling Capital Expenditure has already reduced interest payments by £0.6m.

18 The impact of this work, as well as focused activity on services within each committee is reflected in Annex 1. Now that CEBERT has been established the Chief Executive will develop opportunities for frequent Member updates on progress. The results of further mitigations will also be factored into the third financial review.

19 The MTFS highlights that the Council has relatively low levels of reserves as annual funding is required to manage ongoing service demand. This means financial pressure requires changes to ongoing spending and income rather than relying on management via reserves.

Notwithstanding this issue all reserves held for specific purposes are under review through CEBERT.

20 **Annex 1: Second Financial Review 2023/24**

21 **Financial Stability:** Provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2023/24 is being funded, including the positions on overall service budgets, centrally held budgets, council tax and business rates. Further details are contained in the appendices.

22 **Appendices:**

Appendix 1 Adults and Health Committee.

Appendix 2 Children and Families Committee.

Appendix 3 Corporate Policy Committee.

Appendix 4 Economy and Growth Committee.

Appendix 5 Environment and Communities Committee.

Appendix 6 Highways and Transport Committee.

Appendix 7 Finance Sub-Committee.

Appendix 7a Update to the Treasury Management Strategy.

Appendix 7b Update to the Investment Strategy.

RECOMMENDATIONS

The Finance Sub-Committee:

1. Consider the factors leading to a forecast adverse Net Revenue financial pressure of £18.7m against a revised budget of £353.1m (5.3%).

2. Consider the forecast and further mitigations needing to be identified, aimed at bringing spending back in line with budget.

3. Consider the in-year forecast Capital Spending of £181.4m against an approved MTFS budget of £214.7m, due to slippage that has been re-profiled into future years.

4. Scrutinise the contents of Annex 1 and each of the appendices and note that any financial mitigation decisions requiring approval will be made in line with relevant delegations.

5. Approve capital virements up to and including £5,000,000 in accordance with Financial Procedure Rules as detailed in **Appendix 7 Finance Sub-Committee, Section 5 Capital Strategy, Table 5**.

6. Note that Council will be asked to:

7. Approve fully funded supplementary revenue estimates over £1,000,000 in accordance with Financial Procedure Rules as detailed in **Appendix 1 Adults and Health Committee, Section 3 Corporate Grants Register, Table 2** and **Appendix 4 Economy and Growth Committee, Section 3 Corporate Grants Register, Table 2.**

Background

23 Managing performance is essential to the achievement of outcomes. This is especially important in evidencing the achievement of value for money across an organisation the size of Cheshire East Council. The Council is the third largest local authority in the Northwest of England, responsible for approximately 500 services, supporting over 398,000 local people. Gross annual spending is over £750m, with a revised net revenue budget for 2023/24 of £353.1m.

24 The management structure of the Council is organised into four directorates: Adults, Health and Integration; Children's Services; Place; and Corporate Services. The Council's reporting structure provides forecasts of a potential year-end outturn within each directorate during the year, as well as highlighting activity carried out in support of each outcome contained within the Corporate Plan.

25 The political structure of the Council is organised into six committees, with a single sub-committee, all with financial responsibilities acutely aligned to the management structure. Performance against the 2023/24 Budget within each Committee, and the sub-committee, is outlined in Table 1 below.

Table 1 – Revenue Outturn Forecast split by the Six Service Committees and the Finance Sub-Committee

2023/24	Revised Budget (NET) £m	Forecast Outturn £m	Forecast Variance FR2 £m	Forecast Variance FR1 £m	Movement from FR1 to FR2 £m
Service Committee					
Adults and Health	136.5	141.2	4.7	0.3	4.4
Children and Families	80.3	91.0	10.8	7.0	3.8
Corporate Policy	41.2	40.7	(0.5)	0.9	(1.4)
Economy and Growth	24.8	22.9	(1.9)	(1.8)	(0.1)
Environment and Communities	48.7	52.3	3.5	4.2	(0.7)
Highways and Transport	11.2	12.4	1.2	1.2	(0.0)
Sub-Committee					
Finance Sub	(342.7)	(341.8)	0.9	1.1	(0.2)
TOTAL	**-**	**18.7**	**18.7**	**12.8**	**5.9**

National Key issues causing the pressures

26 The national economic position of the UK has seen prevailing high inflation. The Office for Budget Responsibility (OBR) forecast that inflation should reduce to 2.9% by quarter 4 of 2023. However, quarter 2 inflation was still at 7.7%, which is higher than the OBR forecast of 6.9% at this stage in the year. The Council is affected by inflation in wages (for Council staff and staff of contracted services), utilities and fuel. But the Council cannot inflate in-year income from Council Tax, Business Rates or Government Grants. The forecast impact of additional pay inflation above the estimates in February is £2.8m.

27 The national economic position of the UK is seeing increasing interest rates. In January 2023, when the current MTFS was drafted, interest rates were at 3.5%. Current interest rates are 5.25%. The Council has loans of £242m, mainly acquired to support important Highway and Regeneration schemes, and is therefore exposed to financial pressure from increasing borrowing costs. The Council is receiving more money from investments, but this does not offer adequate compensation. Interest rates are forecast to reduce once inflation is controlled which means a shift to long-term borrowing at this point is not a favourable option.

28 Demand for public services, particularly those that are required to support the health and wellbeing of local residents, has increased since the pandemic. Temporary grants associated with the pandemic have ended though. The Council is experiencing demand for care for more

individuals, which is driving up costs, as well as experiencing more complex demand that requires more hours of support in each case.

Consultation and Engagement

29 As part of the budget setting process the Pre-Budget Consultation provided an opportunity for interested parties to review and comment on the Council's Budget proposals. The budget proposals described in the consultation document were Council-wide proposals and that consultation was invited on the broad budget proposals. Where the implications of individual proposals were much wider for individuals affected by each proposal, further full and proper consultation was undertaken with people who would potentially be affected by individual budget proposals.

Reasons for Recommendations

30 The overall process for managing the Council's resources focuses on value for money, good governance and stewardship. The approach to these responsibilities is captured in the Medium-Term Financial Strategy.

31 The budget and policy framework sets out rules for managing the Council's financial affairs and contains the financial limits that apply in various parts of the Constitution. As part of sound financial management and to comply with the Constitution any changes to the budgets agreed by Council in the MTFS require approval in line with the financial limits within the Finance Procedure Rules.

32 This report provides strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.

33 In approving the Cheshire East Council Medium-Term Financial Strategy Members of the Council had regard to the robustness of estimates and adequacy of reserves as reported by the s.151 Officer. The s.151 Officer's report highlighted the importance of each element of the MTFS and the requirement to achieve all the proposals within it. The recommendations of this report highlight the need for ongoing activity to manage the financial pressure being experienced by the Council.

Other Options Considered

34 None. This report is important to ensure Members of the Committee are sighted on the financial pressure the Council is facing and the activity to date to try and mitigate this issue. Activity is required to ensure the Council balances its expenditure and income without serious impact on essential Council services.

35 Do nothing. Impact – Members are not updated on the financial position of the Council. Risks – Not abiding by the Constitution to provide regular reports.

Implications and Comments

Monitoring Officer/Legal

36 The legal implications surrounding the process of setting the 2023 to 2027 Medium-Term Financial Strategy were dealt with in the reports relating to that process. The purpose of this paper is to provide a progress report for 2023/24. Implications arising from individual proposals regarding service growth and savings have and will continue to be the subject of ongoing advice and support.

37 Implications arising directly from this report relating to the internal processes of approving supplementary estimates and virements referred to are governed by the Constitution and in particular the Finance Procedure Rules.

38 In relation the proposed review to ensure that all available resources are directed towards the delivery of statutory functions, savings and efficiency plans, it should be noted that local authorities are creatures of statute. They are created by statute and are regulated through the legislative regime and whilst they have in more recent times been given a general power of competence, this must operate within that regime. Within the statutory framework there are specific obligations placed upon a local authority to support communities. These duties encompass general and specific duties and there is often significant local discretion in respect of how those services or duties are discharged. These will need to be assessed and advised on as each circumstance is considered.

Section 151 Officer/Finance

39 The Council's financial resources are agreed by Council and aligned to the achievement of stated outcomes for local residents and communities. Monitoring and managing performance helps to ensure that resources are used effectively, and that business planning and financial decision making are made in the right context.

40 Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council. If spending associated with in-year delivery of services is not contained within original forecasts for such activity it may be necessary to vire funds from reserves.

41 The unplanned use of financial reserves could require the Council to deliver a greater level of future savings to replenish reserve balances and/ or revise the level of risks associated with the development of the Reserves Strategy in future.

42 As part of the process to produce this report, senior officers review expenditure and income across all services to support the development of mitigation plans that will return the outturn to a balanced position at year-end.

43 Forecasts contained within this review provide important information in the process of developing the Medium-Term Financial Strategy. Analysis of variances during the year will identify whether such performance is likely to continue, and this enables more robust estimates to be established.

44 The risk associated with the scale of these challenges is that the Council could act illegally, triggering the requirement for a s.114 report from the Chief Financial Officer. Illegal behaviour in this context could materialise from two distinct sources:

i) Spending decisions could be made that exceed the available resources of the Council. This would unbalance the budget, which is unlawful.
ii) Spending decisions to restrict or hide pressures could be made that avoid an immediate deficit, but in fact are based on unlawful activity.

45 The consequences of the Council undermining a budget with illegal activity, or planned illegal activity, is the requirement to issue a s.114 report. Under these circumstances statutory services will continue and existing contracts and commitments must be honoured. But any spending that is not essential or which can be postponed must not take place.

46 Further consequences would be highly likely and could include the appointment of Commissioners from the DLUHC, and potential restrictions on the decision-making powers of local leaders.

Policy

47 This report is a backward look at Council activities and predicts the year-end position. It supports the Corporate Plan aim Open and priority to be an open and enabling organisation.

48 The forecast outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2024 to 2028 Medium-Term Financial Strategy.

49 The approval of supplementary estimates and virements are governed by the Finance Procedure Rules section of the Constitution.

Equality, Diversity and Inclusion

50 Any equality implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

Human Resources

51 This report is a backward look at Council activities at outturn and states the year end position. Any HR implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

Risk Management

52 Financial risks are assessed and reported on a regular basis, and remedial action taken if required. Risks associated with the achievement of the 2022/23 budget and the level of general reserves were factored into the 2023/24 financial scenario, budget, and reserves strategy.

Rural Communities

53 The report provides details of service provision across the borough.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

54 The report provides details of service provision across the borough and notes the pressure on Children in Care.

Public Health

55 This report is a backward look at Council activities at the first review and provides the forecast year end position. Any public health implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

Climate Change

56 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) alex.thompson@cheshireeast.gov.uk 01270 685876
Appendices:	**Annex 1 including:** **Section 1** provides information on the overall financial stability and resilience of the Council. Further details are contained in the appendices. **Appendix 1** Adults and Health Committee. **Appendix 2** Children and Families Committee. **Appendix 3** Corporate Policy Committee. **Appendix 4** Economy and Growth Committee. **Appendix 5** Environment and Communities Committee. **Appendix 6** Highways and Transport Committee. **Appendix 7** Finance Sub-Committee. **Appendix 7a** Update to the Treasury Management Strategy. **Appendix 7b** Update to the Investment Strategy.
Background Papers:	The following are links to key background documents: Medium Term Financial Strategy 2023-2027

Cheshire East Council

Second Financial Review 2023/24

November 2023

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

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

RandC@cheshireeast.gov.uk

Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 398,000 local people with annual spending of over £750m.

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

Demand for Council services is increasing, with more individuals and families needing support and services than ever before. This reflects an increase in population but also reflects changes in demographics and the national cost of living increases. This demand is resulting in a forecast outturn of £18.7m against a net revenue budget of £353.1m. The most significant impact is within the rising costs of Children's Social Care. Further activity is required to identify other mitigating measures.

When the 2023/24 budget was set, in February 2023, it was highlighted that the use of reserves was not sustainable in the medium term. Net spending therefore needs to be contained within the estimates of expenditure that form the budget. The forecasts at first review highlight pressures due to demand, inflation, interest rates and pay negotiations. These will almost certainly affect the medium term finances of the Council. This situation must be addressed now and as part of the MTFS process for 2024 to 2028.

To support openness and transparency, and provide evidence of strong governance, the report has a main section, to provide background and context, and then nine supporting appendices with detailed information about allocation and management of public money during 2023/24.

The **Financial Stability** section provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2023/24 is being funded, including the positions on overall service budgets, centrally held budgets, Council Tax and Business Rates. Further details are contained in the appendices.

- **Appendix 1** Adults and Health Committee.
- **Appendix 2** Children and Families Committee.
- **Appendix 3** Corporate Policy Committee.
- **Appendix 4** Economy and Growth Committee.
- **Appendix 5** Environment and Communities Committee.
- **Appendix 6** Highways and Transport Committee.
- **Appendix 7** Finance Sub-Committee.
- **Appendix 7a** Update to the Treasury Management Strategy.
- **Appendix 7b** Update to the Investment Strategy.

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

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2023/24 Outturn Forecast - Financial Position

2023/24	Revised Budget (NET) £m	Forecast Outturn £m	Forecast Variance £m	For further information please see the following sections
SERVICE DIRECTORATES				
Adults, Health and Integration	136.5	141.2	4.7	Appendix 1
Children's Services	80.3	91.0	10.8	Appendix 2
Place - Directorate/Growth & Enterprise	24.8	22.9	(1.9)	Appendix 4
Place - Environment & Neighbourhood Services	48.7	52.3	3.5	Appendix 5
Place - Highways & Infrastructure	11.2	12.4	1.2	Appendix 6
Corporate Services	41.2	40.7	(0.5)	Appendix 3
Total Services Net Expenditure	342.7	360.5	17.8	
CENTRAL BUDGETS				
Capital Financing	19.0	19.4	0.4	Appendix 7 Section 5
Transfer to/(from) Earmarked Reserves	(7.4)	(7.4)	-	Appendix 7 Section 6
Transfer from MTFS Earmarked Reserve	-	-	-	Appendix 7 Section 6
Corporate Contributions / Central Budgets	(1.2)	(0.7)	0.5	Appendix 7
TOTAL NET EXPENDITURE	**353.1**	**371.9**	**18.7**	
Business Rates Retention Scheme	(55.3)	(55.3)	-	Appendix 7 Section 2
Specific Grants	(26.8)	(26.8)	-	Appendix 7 Section 3
Council Tax	(271.1)	(271.1)	-	Appendix 7 Section 2
Net Funding	(353.1)	(353.1)	-	
NET (SURPLUS) / DEFICIT	**-**	**18.7**	**18.7**	

Financial Stability

Introduction

1. The Council has a track record of sound financial management. Nevertheless, in common with all UK local authorities the Council finds itself in a position where pressures on the revenue budget are intensifying as a result of inflation, the legacy impact of the Coronavirus pandemic on people and on the economy and increasing cost of living pressure on households. These issues have the effect of increasing the demand for services and increasing costs of services.

2. Complexity and market sustainability in Adults' and Children's Social Care remains the most significant financial pressure for the Council in the medium term. The affects of inflation on contracts, utilities and wage levels are affecting costs across all services.

3. **Table 1** provides a service summary of financial performance. The current forecast is that services will be £18.7m over budget in the current year which includes mitigating actions identified to date. The 2023/24 Approved Budget Policy Changes and Forecast Variances provide further details and changes to service net budgets since the Medium-Term Financial Strategy (Section 2 in the **Appendices 1-6)**.

4. It also shows that central budgets are forecast to be £0.9m over budget resulting in an overall forecast outturn of £18.7m against a net revenue budget of £353.1m.

5. Further items impacting on the level of the Council's balances are detailed in **Appendix 7**.

Table 1 - Service Revenue Outturn Forecasts

2023/24	Revised Budget (NET) £m	Forecast Outturn £m	Forecast Variance £m	Forecast Variance FR1 £000	Movement from FR1 to FR2 £000
SERVICE DIRECTORATES					
Adult Social Care - Operations	137.9	142.6	4.7	0.2	4.4
Commissioning	(1.4)	(1.4)	0.1	0.1	-
Public Health	-	-	-	-	-
Adults and Health Committee	136.5	141.2	4.7	0.3	4.4
Directorate	0.2	0.4	0.1	0.7	(0.6)
Children's Social Care	49.4	58.8	9.4	4.8	4.6
Strong Start, Family Help and Integration	7.4	6.8	(0.6)	(0.6)	0.0
Education & 14-19 Skills	23.2	25.0	1.8	2.1	(0.3)
Children and Families Committee	80.3	91.0	10.8	7.0	3.8
Directorate	0.2	(0.0)	(0.2)	(0.2)	-
Growth & Enterprise	24.6	22.9	(1.7)	(1.7)	0.0
Economy and Growth Committee	24.8	22.9	(1.9)	(1.9)	0.0
Environment & Neighbourhood Services	48.7	52.3	3.5	4.2	(0.7)
Environment and Communities Committee	48.7	52.3	3.5	4.2	(0.7)
Highways & Infrastructure	11.2	12.4	1.2	1.2	0.1
Highways and Transport Committee	11.2	12.4	1.2	1.2	0.1
Directorate	0.6	0.5	(0.1)	0.2	(0.3)
Finance & Customer Services	12.8	12.9	0.2	0.5	(0.3)
Governance & Compliance Services	10.8	10.3	(0.4)	0.1	(0.5)
Communications	0.7	0.7	0.0	(0.0)	0.0
HR	2.6	2.4	(0.2)	-	(0.2)
ICT	11.8	12.0	0.2	0.3	(0.2)
Policy & Change	2.0	1.9	(0.1)	(0.1)	0.0
Corporate Policy Committee	41.2	40.7	(0.5)	0.9	(1.4)
TOTAL SERVICES NET EXPENDITURE	**342.7**	**360.5**	**17.8**	**11.7**	**6.2**
CENTRAL BUDGETS					-
Capital Financing	19.0	19.4	0.4	0.4	0.0
Transfer to/(from) Earmarked Reserves	(7.4)	(7.4)	-	-	-
Corporate Contributions / Central Budgets	(1.2)	(0.7)	0.5	0.7	(0.2)
Finance Sub-Committee - Central Budgets	10.4	11.3	0.9	1.1	(0.2)
TOTAL NET EXPENDITURE	**353.1**	**371.9**	**18.7**	**12.8**	**5.9**
Business Rates Retention Scheme	(55.3)	(55.3)	-	-	-
Specific Grants	(26.8)	(26.8)	-	-	-
Council Tax	(271.1)	(271.1)	-	-	-
Finance Sub-Committee - Net Funding	(353.1)	(353.1)	-	-	-
NET (SURPLUS) / DEFICIT	**-**	**18.7**	**18.7**	**12.8**	**5.9**

General Reserves Balance	2023/24 Budget £m	
Opening Balance April 2023	14.1	Actual
2023/24 Impact on Reserves (see above)	(18.7)	Forecast
Closing Balance March 2024	(4.6)	Forecast

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Appendices to Second Financial Review 2023/24

November 2023

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Appendix 1: Adults and Health Committee

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Appendix 1

Adults and Health Committee

1. Changes to Revenue Budget 2023/24 since First Financial Review

	First Review Revised Net Budget £000	Adjustments to FR1 Budget £000	Second Review Revised Net Budget £000	Unringfenced Grants to be Actioned £000
Adults				
Adult Social Care Operations	137,923	-	137,923	-
Commissioning	(1,433)	-	(1,433)	-
Public Health	-	-	-	-
Adults and Health Committee	136,490	-	136,490	-

Note the unringfenced grants to be actioned column includes the expenditure part of centrally held unringfenced grants. These budget adjustments will take place once all second financial review approvals have been given. No adjustments are required as part of this review.

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Adults and Health Committee

2. 2023/24 Approved Budget Policy Changes and Forecast Variances

Forecast Outturn Commentary:

The cost and demand pressures that drove the deficit in adult social care and health services in 2022/23 continue, locally and nationally, and this is reflected in the forecast outturn at the end of quarter 2 for 2023/24, with the forecast pressure of £4.7m split between commissioning costs and staffing costs.

The budget strategy set out several critical actions to bring down the underlying budget pressures. These included:

- A reduction in the use of short-term residential and nursing placements – all of the additional beds that were in use during 2022/23 have now been closed. Several people have converted to long-term residential or nursing placements and this is reflected in the above average number of placements. This was not unexpected.
- Investment in domiciliary care – this has generated an increase in the number of available domiciliary care hours, and we have seen an increase in the number of people supported to live at home. We are monitoring activity closely to ensure that our plan to increase domiciliary care so that we can reduce our reliance on residential and nursing care is being achieved.
- Capping price increases – we continue to see demands for price increases on residential, nursing, and complex care beyond that which we set out in our plan. We are investing in a pricing tool that allows us to scrutinise provider costs to ensure that they are in-line with expectations and the level of service commissioned and it is our expectation that this will assist in ensuring prices stay in line with expectations.

Unusually this year internal staffing costs internally are forecast to rise above budgeted levels for two reasons, the pay award for Council staff is above that which was budgeted and will have a disproportionately higher impact in adult social care because we employ more staff on lower grades. We have also seen an increase in agency costs for social care staff because of the shortage nationally of qualified staff. Our internal programme to support the qualification of social workers and occupational therapists is successful but cannot close this gap quickly. We are reviewing our current usage of agency staff to identify how we can bring this expenditure down in-year.

The budget variance for Adult Social Care has worsened since FR1. The main reason is persistent supply-side pressure within the external care market. The impact of inflation on the unit cost of residential and nursing care has exceeded previous expectations. Since FR1 the variance against externally commissioned care has worsened by £4.4m.

Client contributions remain buoyant alleviating some of the un-forecasted growth; however, the value of client contributions remain in line with existing proportions of gross expenditure and so do not reduce the net overall movement.

The Market Sustainability Funding announced in July is assumed to be fully utilised in-year. It has helped to mitigate the growth in external care by £2.2m.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Adults and Health Committee	**15.274**		
1	Demand in Adult Social Care - unit cost inflation	12.652	0.000	Care budget growth in line with forecasts at year end 2022/23. This has taken affect with an uplift to the external care budget in 2023/24.
2	Demand in Adult Social Care - complexity	10.351	0.000	Care budget growth in line with forecasts at year end 2022/23. This has taken affect with an uplift to the external care budget in 2023/24.
3	Investment in Adult Social Care	5.400	4.515	Emerging pressure on care costs. Demand remains strong, providers continue to seek price increases. The impact on both the council and the Integrated Care Board of closing short term beds (item 8) is currently being worked through.
4	Pay inflation	3.155	0.778	The total cost of pay inflation may exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies.
5	Care Fee Uplifts in Adult Social Care	2.000	0.500	Volatility in relation to complex care packages (supported living) is creating risk above the funds provided through the Market Sustainability Plan.
6	Direct Payment (Personal Assistants) Uplift	0.691	0.000	On track. Growth in budget has been applied to the personal assistant budget for direct payments.
7	Revenue grants for Adult Social Care	-3.600	0.000	On track. Technical financial adjustment to the budget. Grants are being received as planned.

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MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
8	Home First Strategy - increased care at home capacity	-4.000	1.056	The phased plan of reductions on short term bed is on track. The weekly commitment has reduced from £0.219m to £0.120m by the end June. This delivers the £4m targeted reduction, but the phasing of delivery means the benefit in 2023/24 will be approximately £3m (assuming current commitment remains consistent until year end).
9	Pension Costs Adjustment	-2.082	0.000	On track, subject to ongoing monitoring, dependent on in-year staffing costs.
10	Learning Disabilities Future Service Development and Review	-1.750	0.000	On track. Savings are being independently monitored by senior managers in adults in collaboration with finance.
11	Client contribution yield offsetting growth	-1.200	0.000	On track. The existing fees and charges policy ensures income is appropriately received; this has been verified through a review of income received during first financial review for 2023/24.
12	Home First Strategy - alternative care provisions	-1.000	0.240	Challenges with delivery due to managing increasing general demand alongside the additional reviews required to achieve this saving. Alternative mitigations are being investigated, including working with Impower to review the use of technology enabled care (TEC). £720,000 of the saving is linked to alternative provision from reviews such as TEC which is anticipated to be the two thirds delivered.
13	Market Sustainability and Fair Cost of Care - Grant Income	-0.979	0.000	On track. Technical financial adjustment to the budget. Grants are being received as planned.
14	Resettlement Revenue Grants	-0.850	0.000	On track. Technical financial adjustment to the budget. Grants are being received as planned.
15	Communities Team	-0.750	0.000	On track. Grant funding relating to this has been received and future grants allocations have been confirmed.
16	Direct Payment - Audit Recoveries	-0.750	0.000	On track. Whilst further work is underway to verify, analysis of previous recovery exercise and amounts recovered to date gives reassurance that this will be achieved.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
17	ASC Transformation Earmarked Reserve Release	-0.500	0.000	On track. Technical financial adjustment to the budget. The reserve will be drawdown in 2023/24 as planned.
18	Maximisation of Supported Living	-0.369	0.000	On track. Savings are being independently monitored by senior managers in adults in collaboration with finance.
19	Productivity and Efficiency in Adult Social Care	-0.271	0.271	Establishment work underway to quantify any remaining staffing budget pressures. This will involve a review of all existing agency appointments.
20	Building Based Short Breaks	-0.250	0.250	Pending outcome of consultation process. Whilst not expected to be fully achieved in 2023/24, the saving has been fully mitigated elsewhere in the Care4CE service, this has been reflected in the first financial review position.
21	Adults and Health Non-Essential Commissioning/Contracts	-0.245	0.000	On track. Permanent recurrent funding has been identified within the directorate to ensure full delivery.
22	Building Based Day Services	-0.229	0.114	Pending outcome of consultation process. Whilst not expected to be fully achieved in 2023/24, the saving has been fully mitigated elsewhere in the Care4CE service, this has been reflected in the first financial review position.
23	Day Care Review	-0.150	0.000	On track. Savings are being independently monitored by senior managers in adults in collaboration with finance.
New	In-year pressures	0.000	0.509	Balancing variance to capture net pressure on other budget lines. Includes social work operations staffing budget variance (the variance on external care is covered within item 3 & 5).
New	Market Sustainability Grant	0.000	-2.206	Announced in July 2023 - will be applied against growth in care fees during the year.
	TOTAL FORECAST VARIANCE		**6.027**	

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
Further Mitigations / Adjustments to FR2	In-year growth to Care Fees		1.000	Estimated impact of price inflation on unit cost of care. Assumes current volume of care & average rate of turnover is maintained. And that new packages of care bought at prices seen since April 2023
	Staffing Efficiencies		-0.332	Staffing review underway. Estimate assumes a reduction of agency contracts in the service
	Revenue Grant Maximisation		-0.400	Allocation of revenue grants within ASC re-aligned to stablise external commissioned care budget.
	Supported Living Risk Share Project		-0.300	Forecasted to yield 100% of targeted saving for the risk-share project with SL provider
	Impower Transformation		-0.842	Part year forecast savings linked to transformation work
	Further use of Earmarked Reserves		-0.450	Remaining reserves utilised
	REVISED FORECAST VARIANCE		**4.703**	

Adults and Health Committee

3. Corporate Grants Register

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

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

3.3 The increase in specific purpose grants relates to the Market Sustainability and Fair Cost of Care Fund – Workforce Element grant.

3.4 **Table 1** provides a detailed listing of all Adults & Health related grants, their movements between the reporting period and the treatment of the grant.

3.5 **Table 2** shows additional specific purpose grant allocations that have been received over £1m that Council will be asked to approve.

Table 1 – Corporate Grants Register

Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
ADULTS & HEALTH					
Specific Purpose (Held within Services)					
Additional Better Care (for Adult Social Care)	8,706	8,706	8,706	0	
Market Sustainability and Fair Cost of Care Fund	979	979	979	0	
Market Sustainability and Fair Cost of Care Fund - top-up	2,400	2,418	2,418	0	
Market Sustainability and Fair Cost of Care Fund - Workforce Element	0	0	2,206	2,206	SRE
Trailblazer support funding - brought-forward	0	300	300	0	
Discharge Fund	1,200	1,221	1,221	0	
Multiply - Supported Employment	0	536	536	0	
Supported Internship Grant	29	29	29	0	
Asylum Dispersal Scheme	0	482	482	0	
Afghan - Wrap Around support - brought-forward	910	910	910	0	
Afghan - Resettlement support - brought-forward	288	288	288	0	
Afghan - Flexible Housing Funding	0	426	426	0	
Afghan - Integration Support	0	1,231	1,231	0	
Afghan - Homelessness Funding	0	128	128	0	
Afghan - Homeless Wrap Around Funding	0	306	306	0	
Afghan - Caseworker Tariff	0	36	36	0	
Homes for Ukraine Scheme - brought-forward	0	2,214	2,214	0	
Homes for Ukraine Scheme	0	236	236	0	
Private Finance Initiative (PFI) credits	4,125	4,125	4,125	0	
Journey First and Parents First (originally provided by the European Social Fund but now DWP)	0	350	350	0	
Total Adults & Health - Adult, Health & Integration - Specific Purpose	**18,637**	**24,920**	**27,126**	**2,206**	

Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
ADULTS & HEALTH					
Specific Purpose (Held within Services)					
Public Health Grant	17,405	17,972	17,972	0	
CHAMPS TTCE contact tracer staff - ICT Workforce: Contract Extension Funding	0	0	0	0	
COVID-19 COMF & T&T - brought-forward	0	527	527	0	
CHAMPS Health Protection / COVID-19 Recovery Funding	0	27	27	0	
OHID SSMTR Supplementary Substance Misuse Treatment & Recovery Grant	353	354	354	0	
North West Probation Service funding for SMS rehabilitative and resettlement interventions	114	114	114	0	
CHAMPS Marmot Place Funding - encourage pregnant women to stop smoking - brought-forward	0	22	22	0	
CHAMPS SMS - inpatient detox	46	46	46	0	
CHAMPS Mouth Care Matters programme - to be confirmed	0	0	0	0	
PHE grant for HIV pre-exposure prophylaxis (PrEP) drug	0	0	0	0	
Total Adults & Health - Public Health - Specific Purpose	**17,918**	**19,060**	**19,060**	**0**	
General Use (Held Corporately)					
Social Care Support Grant	12,426	12,426	12,426	0	
Local Reform & Community Voices	207	207	207	0	
Social Care in Prisons	73	73	73	0	
War Pension Scheme Disregard	60	60	60	0	
Total Adults & Health - Public Health - General Use	**12,766**	**12,766**	**12,766**	**0**	
TOTAL ADULTS & HEALTH	**49,321**	**56,746**	**58,952**	**2,206**	

Table 2 – COUNCIL DECISION

Note that Council will be asked to Approve Supplementary Revenue Estimates of Additional Grant Funding (Specific Purpose) over £1m

Committee	Year	Type of Grant	£000	Details
Adults and Health	2023/24	Market Sustainability and Fair Cost of Care Fund - Workforce Element (Specific Purpose)	2,206	This grant is from the Department of Health and Social Care (DHSC). The government is providing a further £570 million of ringfenced funding across financial years 2023 to 2024 and 2024 to 2025 to local authorities to improve and increase adult social care provision, with a particular focus on workforce pay. We expect this additional funding to support more workforce and capacity within the adult social care sector. This will help to ensure that appropriate short-term and intermediate care is available to reduce avoidable admissions and support discharge of patients from hospital when they are medically fit to leave.
Total Specific Purpose Allocation for Council Approval			**2,206**	

Adults and Health Committee

4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Jun-23	Sep-23	Increase / (Decrease)	Jun-23	Sep-23	Increase / (Decrease)
Adults and Health Committee						
Adults, Public Health and Communities	12,123	11,999	(124)	7,051	7,516	465

Note: The decrease in outanding debt is mainly due to two local authority invoices which totalled £463,000 now being paid, these invoices were 1-3 months overdue at the end of June. The increase in debt over 6 months old is due to a large quantity of low value invoices now falling into 6-9 months overdue.

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Adults and Health Committee

5. Capital Strategy

Adults & Health **CAPITAL**

CAPITAL PROGRAMME 2023/24 - 2026/27													
	Forecast Expenditure							Forecast Funding					
Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes in progress													
Adults Services													
Electronic Call Monitoring System	389	0	0	389	0	0	**389**	0	0	389	0	0	**389**
People Planner System	94	41	13	40	0	0	**53**	53	0	0	0	0	**53**
Replacement Care4CE Devices	93	65	8	20	0	0	**28**	28	0	0	0	0	**28**
Total Committed Schemes	**576**	**106**	**21**	**449**	**0**	**0**	**470**	**81**	**0**	**389**	**0**	**0**	**470**
Total Adults and Health Schemes	**576**	**106**	**21**	**449**	**0**	**0**	**470**	**81**	**0**	**389**	**0**	**0**	**470**

Adults and Health Committee

6. Reserves Strategy

Adults and Health Committee

Name of Reserve	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000	Notes
Adult Social Care Operations				
Adults Directorate	**1,020**	(1,020)	**0**	To support a number of widespread projects within the Adults and Health Directorate.
DOL's Assessments	**125**	(125)	**0**	Reserve will be exhausted by September 2023, creating an underlying staff budget pressure within the revenue budget.
Adults Social Care Commissioning				
PFI Equalisation - Extra Care Housing	**2,795**	0	**2,795**	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009, and the anticipated gap at the end of the agreement.
NHB Community Grants Staffing	**132**	(132)	**0**	Initially to support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects. NHB grant scheme has since ended and the reserve no longer required for this use – potential to return to support Council's overall position.
Public Health				
Public Health Reserve	**3,010**	(827)	**2,183**	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 to 2025/26.
ADULTS AND HEALTH TOTAL	**7,082**	**(2,104)**	**4,978**	

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Appendix 2 : Children and Families Committee

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Appendix 2

Children and Families Committee

1. Changes to Revenue Budget 2023/24 since First Financial Review

	First Review Revised Net Budget £000	Adjustments to FR1 Budget £000	Second Review Revised Net Budget £000	Unringfenced Grants to be Actioned £000
Children's Services				
Directorate	(824)	1,065	241	-
Children's Social Care	49,708	(300)	49,408	187
Education & 14-19 Skills	7,017	408	7,425	256
Strong Start, Family Help and Integration (Previously Prevention & Early Help)	23,201	-	23,201	-
Children and Families Committee	79,102	1,173	80,275	443

Note the unringfenced grants to be actioned column includes the expenditure part of centrally held unringfenced grants. These budget adjustments will take place once all second financial review ter approvals have been given.

Adjustments of budget since First Financial Review of £1,173,000 include £1,065,000 MTFS planned drawdown from Children and Families Directorate Reserve.

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Children and Families Committee

2. 2023/24 Approved Budget Policy Changes and Forecast Variances

Forecast Outturn Commentary:

The Children and Families Second Financial Review for 2023/24 reflects a £10.8m in-year pressure.

The key pressure areas for the directorate include:

- Children's social care agency placements – where the number and complexity of children in care has continued to increase from 521 at April 2022 to 576 at Aug 2023 (compared with 522 at April 2021 to 529 at August 2022) and placement costs are increasing by significantly more than inflation and more than was projected for growth in-year. This has in part been affected by the disproportionate number of asylum seeking children in Cheshire East.
- The increased use and cost of agency staff in children's social care to cover vacant posts.
- Higher legal costs within children's social care with longer processes and more legal challenge.
- Home to school transport costs – where a mix of increasing numbers of pupils with an education, health and care plan (EHCP), driver shortages and increasing fuel costs have seen overall costs rise.
- Schools Catering – where the costs of the service are above the current charged income level and base budget.

Work is underway in the services with the implementation of mitigating actions which can be taken to reduce this forecast position in-year, and these pressures will be considered as part of the MTFS process for 2024/25.

Mitigating actions include:

- Reduce spend following an in-depth review of Legal Costs and Educational Psychologists.
- Holding none-qualified role vacancies, recruitment drive to reduce the requirement for agency workers including working with regional partners.
- Review subsidy and funding related to school catering services.
- Review of use of grant funding and reserves.

Further mitigations are being explored including benefit from early receipt of safety valve funding through lobbying government.

Dedicated School Grant (DSG)

- The key pressure on DSG relates to the high needs block where the SEND service continues to see a significant increase in the number of pupils with an EHCPs, and the associated school placement costs.

This has placed pressure on the grant used to provide funding for children with SEND in various settings and led to a £21.2m deficit in 2022/23. This adds on to the brought forward deficit of £25.7m to take the DSG Reserve to a £46.9m deficit position.

This is in line with the budget gap as determined by the Council's DSG Management Plan that was reported to Children and Families Committee in September 2022 and set out the planned expenditure and income on high needs over the medium term. An updated DSG Management Plan was presented to Committee in September 2023. This plan forecasts a deficit position at the end of 2023/24 of £85.9m

The deficit is currently being managed by an accounting override until 2026 which allows it to be treated as an un-usable reserve. At this stage the position is not recoverable unless there are significant changes to funding or demand or both. The deficit position is adding to the pressures of the Council as borrowing is required to cover the £46.9m deficit that has not been funded (forecast to increase to £85.9m by the end of 2023/24). This results in annual interest costs of £3.1m.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Children and Families Committee	**5.623**		
24	School transport pressures	4.000	1.260	This item includes the growth in special educational needs transport and the planned savings from the review of transport. There are additional pressures in year due to a mix of increasing numbers of pupils with an education, health and care plan (EHCP), driver shortages and increasing fuel costs have seen overall costs rise. A major work programme is underway (including input from the consultants) to deliver the savings to mitigate those pressures and effectively meet needs. Further updates will be taken to Children and Families Committee.
25	Pay inflation	3.059	0.573	The total cost of pay inflation may exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies.
26	Growth in Children's Social Care	1.900	5.082	The revised position for placements is under review. The service is facing a challenging position given the 2022/23 outturn results.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
				Children's social care agency placements – where the number and complexity of children in care has continued to increase from 521 at April 2022 to 576 at August 2023 (compared with 522 at April 2021 to 529 at August 2022) and placement costs are significantly more than inflation and more than was projected for growth in year.
27	Recognise pressures in the Children's Social Care direct payments budget	0.743	-0.070	On track, subject to ongoing monitoring.
28	Statutory Education Psychology Service	0.600	-	On track following indepth review, subject to ongoing monitoring.
29	Reverse travel savings	0.430	-	Achieved.
30	Increase capacity to support statutory SEND service	0.300	-	Achieved although further pressures may emerge.
31	Household Support Fund Grant	-4.400	-	Achieved.
32	Household Support Fund into the Council's base budget (funded from grant)	4.400	-	Achieved.
33	Pension Costs Adjustment	-1.964	-	On track, subject to ongoing monitoring, dependent on in-year staffing costs.
NEW1	Delivering Better Value in SEND grant	-1.200	0.607	Achieved, change in profile.
NEW2	Delivering Better Value in SEND (funded from grant)	1.200	-0.607	Achieved, change in profile.
34	Use of Children & Families Transformation Reserve - estimated balance	-1.065	-	Achieved as a one-off mitigation.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
35	Integrated Children's Service Strategy	-0.950	0.116	Project underway. One-off alternative mitigations are closing the gap where identified savings are for part of the year.
36	Holiday Activity Fund Grant	-0.900	-	Achieved.
37	Holiday Activity Fund into the Council's base budget (funded from grant)	0.900	-	Achieved.
38	Review of commissioned services across the Children and Families Directorate	-0.450	-	Shortfall of £0.220m so further work to do to find the whole saving. This is being off-set in-year by alternative mitigations relating to vacant posts.
39	Children’s Development and Partnerships Service	-0.300	-	Achieved.
40	Early Help Redesign	-0.200	-	Achieved.
41	Deliver the Family Hub model	-0.150	-	Achieved.
42	Review of funding streams and income opportunities within Education and Skills	-0.230	-	Achieved.
43	Reduce Legacy Pension commitments	-0.100	-	Achieved.
44	Revenue costs for the Crewe Youth Zone (as above) aligned to Supporting Families Funding	-	-	Achieved.
45	Early Help budget to support funding towards the Crewe Youth Zone	-	-	Achieved.
	In-year Pressure Unaccompanied Asylum Seeking Children		0.776	Shortfall in Home Office grant compared to forecast cost.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	In-year Pressure Legal Care Proceedings		0.606	Higher legal costs within children's social care with longer processes and more legal challenge. Mitigation indepth review of Legal Costs.
	In-year Pressure Staffing		2.775	Increased use and cost of agency staff in children's social care to cover vacant posts.
	In-year Pressure School Catering		0.224	The costs of the service are above the current charged income level and base budget. This has been reduced by mitigation action to review charges and implement a price uplift.
	In-year Pressure		-0.579	Increased demand/costs offset by savings due to vacant posts.
	TOTAL FORECAST VARIANCE		**10.762**	
	Further Mitigating Actions			Recruitment drive to reduce the requirement for agency workers including working with regional partners. Liaise with Government on opportunities associated with the 'Safety Valve' programme to mitigate impact on the Council's revenue budget from transport and borrowing costs. Also lobby on potential additional funding for new burdens. Increase senior management oversight of care costs to support holistic appraisal of financial impacts and opportunities.
	REVISED FORECAST VARIANCE		**10.762**	

Children and Families Committee

3. Corporate Grants Register

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

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

3.3 The decrease in specific purpose grants relates to a reduction in the Dedicated Schools Grant forecast. There have also been additional, smaller grants and increases to existing grants. Requests for the allocation of the additional specific purpose and general use grants received are detailed in **Table 2** and **Table 3**.

3.4 **Table 1** provides a detailed listing of all Children & Families related grants, their movements between the reporting period and the treatment of the grant.

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

3.6 **Table 3** shows delegated decisions for additional specific purpose grants previously named within the MTFS.

Table 1 – Corporate Grants Register

Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
CHILDREN & FAMILIES					
Specific Purpose (Held within Services)[1]					
Dedicated Schools Grant	165,459	156,147	152,962	(3,185)	
Pupil Premium Grant	4,500	4,958	4,958	0	
Pupil Premium Plus - Post 16 Funding	0	56	56	0	
Sixth Forms Grant	2,729	2,815	2,833	18	SRE
Universal Infant Free School Meals	1,732	1,926	1,926	0	
Primary Physical Education Sports Grant	981	981	981	0	
Teachers Pension Grant	0	47	47	0	
COVID-19 Recovery Premium	0	150	225	75	SRE
School Led Tutoring Grant	0	221	295	73	SRE
Milk Subsidy	10	20	21	1	SRE
Schools' Supplementary Grant	2,548	2,543	2,543	0	
Senior Mental Health Lead Training Grant	0	2	2	0	
Newly Qualified Teachers (Education Recovery 5% Time off Timetable)	0	0	48	48	SRE
S14 Experts and Mentors Programme Grant	0	0	7	7	SRE
Delivering Better Value in SEND	1,200	593	593	0	
Apprentice Incentive Scheme	0	2	2	0	
Digital Education Platform	0	3	3	0	
National Professional Qualification Grant	0	10	10	0	
Early Years Supplementary Grant	0	1,262	1,262	0	
Total Children & Families - Schools - Specific Purpose	**179,159**	**171,737**	**168,775**	**(2,962)**	

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Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
CHILDREN & FAMILIES					
Specific Purpose (Held within Services)[1]					
Asylum Seekers	788	2,893	3,906	1,013	SRE
Supporting Families (previously Tackling Troubled Families)	0	280	384	104	SRE
Supporting Families (Payments by Results) Upfront Grant	719	720	720	0	
Reducing Parental Conflict Grant	0	35	33	(2)	
Adoption Support Fund	28	28	67	39	SRE
KS2 Moderation & Phonics	11	11	11	(0)	
NHS Cheshire CCG Grant to fund CEIAS Services	10	0	0	0	
Skills & Lifelong Learning	903	897	897	0	
Remand Grant	20	107	107	0	
Domestic Abuse Safe Accommodation Housing Grant	650	663	663	0	
Holiday Activities & Food Programme Grant	900	1,069	896	(172)	
Extension of the Role of Virtual School Heads to children with a social worker Implementation	118	118	118	0	
Homes for Ukraine, education and childcare elements	0	31	31	0	
Household Support Fund	4,400	4,400	4,400	0	
Hong Kong UK Welcome Programme (British Nationals)	0	53	53	0	
Early Years - Professional Development programme	0	8	8	0	
Early Years - Experts and Mentors Programme	0	4	4	0	
Early Years - Childminder Programme	0	12	12	0	
Family Hubs Transformation Funding	0	248	248	0	
Leaving Care Allowance Uplift Implementation Grant (New Burdens)	0	72	72	0	
Staying Close Award	0	602	602	0	
Supported Accommodation New Burdens Grant	0	0	87	87	SRE
Total Children & Families - Children's Services - Specific Purpose	**8,547**	**12,249**	**13,320**	**1,070**	

OFFICIAL

Table 2 – DECISION DELEGATED TO OFFICERS

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) £500,000 or less

Committee	Year	Type of Grant	£000	Details
Children and Families - Schools	2023/24	Newly Qualified Teachers (Education Recovery 5% Time off Timetable) (Specific Purpose)	48	This grant is from the Department for Education (DfE). The Department for Education has provided support to schools with additional funding for ECF-based training. This is paid directly to schools and covers 5% off timetable for early career teachers (ECTs) in year 2 of induction, for induction activities including ECF-based training and mentor sessions. It also includes a dedicated mentor for each ECT, based on 20 hours of mentoring in year 2 of induction.
Children and Families - Schools	2023/24	S14 Experts and Mentors Programme Grant (Specific Purpose)	7	This grant is from the Department for Education (DfE) with the view of offering early years support, delivered either face to face or virtually, by trained experts and mentors. The experts and mentors programme were rolled out nationally across England from September 2022, covering academic years 2022 to 2023 and 2023 to 2024. The experts and mentors programme supports private, voluntary or independent (PVI) nursery settings, maintained nursery schools and school-based nurseries.
Children and Families - Schools	2023/24	COVID-19 Recovery Premium (Specific Purpose)	75	This grant is from the Education & Skills Funding Agency (ESFA). Recovery premium received on behalf of schools and allocated out as per funding schedule (breakdown by school).

Committee	Year	Type of Grant	£000	Details
Children and Families - Schools	2023/24	School Led Tutoring Grant (Specific Purpose)	73	This grant is from the Department for Education (DfE). This grant will give schools and academy trusts the flexibility in determining how best to provide tutoring intervention to support catch-up for lost education due to the coronavirus (COVID-19) pandemic.
Children and Families – Children's Services	2023/24	Supported Accommodation New Burdens Grant (Specific Purpose)	87	This is grant from the Department for Education (DfE). The Government is introducing new requirements for providers of supported accommodation for looked after children and care leavers aged 16 and 17. Providers will be required to register and be inspected by Ofsted against new national quality standards and associated administrative requirements. Ofsted will begin registering providers from 28 April 2023, and registration will become mandatory from 28 October 2023. The purpose of this grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them in respect of these changes. Local authorities can use this grant funding to offset the increased costs associated with the impact of these changes.
Children and Families – Children's Services	2023/24	Supporting Families (previously Tackling Troubled Families) (Specific Purpose)	104	This is an increase on the Financial Review 1 forecast. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Supporting Families (previously Troubled Families) this programme focuses on providing targeted interventions for families with complex interconnected problems including unemployment, poor school attendance, mental and physical

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Committee	Year	Type of Grant	£000	Details
				health problems, involvement in crime and antisocial behaviour, domestic abuse, and children in need of help and protection. A results-based payment of £800 will be offered for each family for whom the local authority claims a successful family outcome.
Total Specific Purpose Allocations less than £500,000			**394**	

Table 3 – DECISION DELEGATED TO OFFICERS

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) previously named in the MTFS.

Committee	Year	Type of Grant	£000	Details
				On 22nd February 2023 Council delegated authority to the Chief Finance Officer, to approve supplementary estimates if the value of any named grant changes from the figures contained within Appendix C, Annex 7 of the MTFS.
Children and Families - Schools	2023/24	Sixth Forms Grant (Specific Purpose)	18	This grant is from the Education & Skills Funding Agency (ESFA). Funding is based on Pupil Numbers which makes up the main funding profile, the MTFS estimate will have been based on pupils in 2022/23 being forecast for the remainder of financial year. This will now have been updated for 2023/24 pupil numbers. Sixth Form providers also receive a High Value Course Premium based on the number of pupils taking high value courses.

Committee	Year	Type of Grant	£000	Details
Children and Families - Schools	2023/24	Milk Subsidy (Specific Purpose)	1	Increase on MTFS 2023-27 estimate. This grant is from the Rural Payments Agency. The scheme subsidises the cost of milk, certain milk products and yoghurts for schoolchildren in England, Scotland and Wales. This means that the products can be sold to schoolchildren at a lower price. Schools must offer drinking milk before they can supply other eligible milk products or yoghurts. Schools, local authorities, suppliers or other organisations can claim for the subsidy.
Children and Families – Children's Services	2023/24	Asylum Seekers (Specific Purpose)	1,013	Increase on MTFS 2023-27 estimate. This grant is from the Home Office (HO). Based on clients' claims so therefore will fluctuate based on age / numbers of claims – we are also receiving some additional funding from those that move through the National Transfer Scheme. Looking at claims in the current year there have been additions to the UASC population, therefore this has likely seen an increase in the amount receiving the higher rate. In addition, possibly an element of being cautious with MTFS items as this can vary significantly purely based on the numbers as said above.
Children and Families – Children's Services	2023/24	Adoption Support Fund (Specific Purpose)	39	Increase on MTFS 2023-27 estimate. This grant is from the Department for Education (DfE). The adoption support fund (ASF) provides funds to local authorities and regional adoption agencies (RAAs) to pay for essential therapeutic services for eligible adoptive and special guardianship order (SGO) families.
Total Delegated Decision Specific Purpose Allocations previously named in the MTFS			**1,071**	

Children and Families Committee

4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Jun-23	Sep-23	Increase / (Decrease)	Jun-23	Sep-23	Increase / (Decrease)
Children and Families Committee						
Children's Social Care (Incl. Directorate)	7	4	(3)	-	-	-
Prevention and Early Help	84	65	(19)	18	11	(7)
Schools	71	9	(62)	-	-	-
	162	**78**	**(84)**	**18**	**11**	**(7)**

Note: Schools outstanding debt has decreased partly due to invoice for £42,000 now being paid.

Children and Families Committee

5. Capital Strategy

Children & Families **CAPITAL**

CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
	Forecast Expenditure							Forecast Funding					
Committed Schemes in progress													
Childrens Social Care													
Foster Carers Capacity Scheme	634	404	231	0	0	0	**231**	0	0	0	0	231	**231**
Crewe Youth Zone	4,200	395	3,047	758	0	0	**3,805**	1,607	0	0	0	2,198	**3,805**
Family Hubs Transformation	95	6	89	0	0	0	**89**	89	0	0	0	0	**89**
Children's Home Sufficiency Scheme	2,100	0	50	2,050	0	0	**2,100**	0	0	0	0	2,100	**2,100**
Strong Start, Family Help & Integration													
Beechwood Nursery Expansion	868	856	12	0	0	0	**12**	0	0	12	0	0	**12**
Early Years Sufficiency Capital Fund	1,036	913	123	0	0	0	**123**	123	0	0	0	0	**123**
Education and 14-19 Skills													
Adelaide Academy	854	39	59	756	0	0	**815**	645	0	0	0	170	**815**
Basic Need Grant Allocation	8,485	0	1,235	4,808	2,442	0	**8,485**	8,485	0	0	0	0	**8,485**
Brine Leas High School	700	0	250	450	0	0	**700**	700	0	0	0	0	**700**
Congleton Planning Area	5,045	639	4,000	406	0	0	**4,406**	2,212	2,194	0	0	0	**4,406**
Congleton Planning Area - Primary (1)	2,209	9	170	500	1,530	0	**2,200**	900	1,300	0	0	0	**2,200**
Congleton Planning Area - Primary (2)	628	66	562	0	0	0	**562**	562	0	0	0	0	**562**
Congleton Planning Area - Primary (3)	7,504	4	0	250	0	7,250	**7,500**	4,300	3,200	0	0	0	**7,500**
Devolved Formula Capital	1,910	0	955	315	330	310	**1,910**	1,910	0	0	0	0	**1,910**
Energy Efficiency Capital	713	48	666	0	0	0	**666**	666	0	0	0	0	**666**
Handforth Planning Area - New School	13,003	3	0	500	8,500	4,000	**13,000**	136	12,864	0	0	0	**13,000**
Holmes Chapel Secondary School	3,631	1,778	1,853	0	0	0	**1,853**	1,610	243	0	0	0	**1,853**
Little Angels Satellite Sites	29	3	26	0	0	0	**26**	26	0	0	0	0	**26**
Macclesfield Academy Resource Provision	103	3	100	0	0	0	**100**	100	0	0	0	0	**100**
Macclesfield Planning Area - secondary	1,591	1,113	100	378	0	0	**478**	478	0	0	0	0	**478**
Macclesfield Planning Area - secondary new	603	3	100	500	0	0	**600**	600	0	0	0	0	**600**
Macclesfield Planning Area - New school	4,001	1	0	0	0	4,000	**4,000**	0	4,000	0	0	0	**4,000**
Malbank High School	1,922	1,861	61	0	0	0	**61**	61	0	0	0	0	**61**
Mobberley Primary School	958	23	100	835	0	0	**935**	635	0	0	300	0	**935**

CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Forecast Expenditure: Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Forecast Funding: Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes in progress													
Nantwich Planning Area (Primary)	7,861	515	1,000	5,346	1,000	0	**7,346**	4,326	3,020	0	0	0	**7,346**
Provision of Sufficient School Places - SEND	7,182	293	3,890	3,000	0	0	**6,890**	1,361	0	0	0	5,528	**6,890**
Provision of SEN Unit - Wistaston Primary School	1,506	6	400	1,100	0	0	**1,500**	1,200	0	0	0	300	**1,500**
Puss Bank SEN Expansion	532	509	23	0	0	0	**23**	0	0	0	0	23	**23**
Sandbach High School - Basic Need	1,776	1,773	3	0	0	0	**3**	3	0	0	0	0	**3**
Sandbach Boys School - Basic Need	1,742	1,703	39	0	0	0	**39**	39	0	0	0	0	**39**
Sandbach Primary Academy	1,583	0	500	1,083	0	0	**1,583**	1,583	0	0	0	0	**1,583**
School Condition Capital Grant	9,305	779	2,526	2,000	2,000	2,000	**8,526**	8,529	0	54	0	0	**8,583**
Shavington Planning Area - Primary	8,040	131	150	500	5,000	2,259	**7,909**	5,549	2,360	0	0	0	**7,909**
Shavington Planning Area - secondary	3,506	168	1,782	1,557	0	0	**3,339**	3,339	0	0	0	0	**3,339**
Special Provision Fund Capital Grant	725	603	123	0	0	0	**123**	116	0	6	0	0	**123**
Springfield Satellite Site (Dean Row)	6,112	807	4,805	500	0	0	**5,305**	4,505	0	0	0	800	**5,305**
The Dingle Primary School Expansion	1,395	67	850	478	0	0	**1,328**	1,328	0	0	0	0	**1,328**
Wheelock Primary School	2,400	0	500	1,900	0	0	**2,400**	1,890	510	0	0	0	**2,400**
Wilmslow High School BN	14,179	4,923	5,745	3,511	0	0	**9,256**	7,237	1,971	0	0	48	**9,256**
Wilmslow Primary Planning Area	626	1	0	625	0	0	**625**	125	500	0	0	0	**625**
Total Committed Schemes	**131,293**	**20,443**	**36,123**	**34,106**	**20,802**	**19,819**	**110,850**	**66,975**	**32,162**	**73**	**300**	**11,398**	**110,907**
New Schemes													
Education and 14-19 Skills													
Adelaide Heath Academy	120	0	120	0	0	0	**120**	120	0	0	0	0	**120**
Cledford House	100	0	100	0	0	0	**100**	100	0	0	0	0	**100**
Edleston Primary School - Condition Project	30	0	30	0	0	0	**30**	30	0	0	0	0	**30**
Future Schemes - Feasibility Studies	250	0	0	250	0	0	**250**	250	0	0	0	0	**250**
Oakfield Lodge & Stables	50	0	50	0	0	0	**50**	50	0	0	0	0	**50**
Poynton Planning Area	1,500	0	20	480	1,000	0	**1,500**	697	803	0	0	0	**1,500**
Sandbach Boys School	20	0	20	0	0	0	**20**	20	0	0	0	0	**20**
SEN Free School 1	500	0	0	500	0	0	**500**	500	0	0	0	0	**500**
SEN Free School 2	500	0	0	500	0	0	**500**	500	0	0	0	0	**500**
Styal Primary School - Condition Project	27	0	27	0	0	0	**27**	27	0	0	0	0	**27**
Tytherington High School	2,500	0	0	2,500	0	0	**2,500**	2,500	0	0	0	0	**2,500**
Various SEN Sites - Small Works/Adaptations	150	0	0	150	0	0	**150**	150	0	0	0	0	**150**
Total New Schemes	**5,825**	**78**	**367**	**4,380**	**1,000**	**0**	**5,747**	**4,944**	**803**	**0**	**0**	**0**	**5,747**
Total Children and Families	**137,118**	**20,521**	**36,490**	**38,486**	**21,803**	**19,819**	**116,597**	**71,919**	**32,965**	**73**	**300**	**11,398**	**116,655**

Children and Families Committee

6. Reserves Strategy

Children and Families Committee

Name of Reserve	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000	Notes
Directorate				
Childrens Directorate - Transformation Funding	**779**	(779)	**0**	Budgeted drawdowns as per MTFS 2023-27.
Childrens Directorate - C&F ED	**422**	(422)	**0**	Budgeted drawdowns as per MTFS 2023-27.
Childrens Social Care				
Domestic Abuse Partnership	**146**	(146)	**0**	To sustain preventative services to vulnerable people as a result of partnership funding in previous years. Further analysis to be completed by Second Financial Review to assess drawdown requirements.
Strong Start, Family Help and Integration				
Troubled Fams Initiative	**1,949**	(1,949)	**0**	Crewe Youth Zone and ACT have been assigned funding from shared outcomes of the Supporting Families Programme.
Public Sector Transformation – contribution to Early Youth Inclusion Fund	**57**	(57)	**0**	Revenue grant carried forward, to be fully utilised in year.
Complex Dependencies	**21**	(21)	**0**	Revenue grant carried forward, to be fully utilised in year.
CHILDREN AND FAMILIES TOTAL	**3,374**	**(3,374)**	**0**	

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Dedicated Schools Grant Deficit

Dedicated Schools Grant Deficit	£m
Deficit Balance B/F	**46.9**
Additional In-year Pressures	**38.9**
Deficit Balance at 31st March 2024	**85.8**

6.1 The Dedicated Schools Grant (DSG) is ring-fenced funding received for: schools; high needs / special educational needs; and early years provision. In recent years there has been a pressure on the DSG high needs block where funding has not kept pace with the increasing numbers and cost of children with an education, health and care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The on-going pressure is regularly reviewed; at the end of 2022/23 the deficit was £46.9m; the deficit is forecast to increase to £85.8m by the end of 2023/24. The Council's DSG Management Plan sets out the planned expenditure and income on high needs over the medium term, these figures are based on the updated plan which will be going to Committee in Sep 2023 for approval.

Appendix 3 : Corporate Policy Committee

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OFFICIAL

Appendix 3

Corporate Policy Committee

1. Changes to Revenue Budget 2023/24 since First Financial Review

	First Review Revised Net Budget £000	Adjustments to FR1 Budget £000	Second Review Revised Net Budget £000
CORPORATE			
Directorate	580	(10)	570
Finance & Customer Services	13,351	(587)	12,764
Governance and Compliance Services	10,768	(2)	10,766
HR	2,588	-	2,588
ICT	11,588	216	11,804
Communications	696	-	696
Policy and Change	2,004	10	2,014
Corporate Policy Committee	41,575	(373)	41,202

Note the unringfenced grants to be actioned column includes the expenditure part of centrally held unringfenced grants. These budget adjustments will take place once all second financial review approvals have been given.

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Corporate Policy Committee

2. 2023/24 Approved Budget Policy Changes and Forecast Variances

Forecast Outturn Commentary:

The Corporate Policy Committee has responsibilities across the Corporate Directorate. Services cover support functions such as Finance, Legal, HR and ICT as well as front line services such as Customer Services, Revenues and Benefits, Registrations and Consultation Services. Services across the directorate are important in enabling activities, for example providing ICT Systems, project management, legal advice and HR support.

Taking the recruitment freeze into consideration, a review of vacancies has reduced forecast spend on staffing meaning that budget pressure relating to higher than forecast pay inflation can be met from in-year vacancies underspending. The main pressure is from a large reduction in commissioned shared ICT services that reduces the ability to charge costs to capital. Most of the financial changes identified within the 2023/24 budget are on track, although further work is required to achieve the cost of democracy savings. Mitigation for high spending will be achieved through reviewing non-staffing spend, and further vacancy and contract management.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Corporate Policy Committee	**2.551**		
46	Pay inflation	2.587	0	The total cost of pay inflation may exceed 5% based on national pay negotiations. Figures produced at FR2 suggest that this will be mitigated in-year through management of vacancies. A budget pressure remains though.
47	Shared Services Review – move to hybrid model	0.39	-	Project has mobilised and identified appropriate resources. Financial profile is being analysed. NOTE: these costs are being funded from Capital Receipts which are shown outside of Corporate Services.
48	Revenue implications of capital: IT Procurements and Application Lifecycle Management	0.511	-	On track, subject to ongoing monitoring.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
49	Infrastructure Investment Programme	0.239	-	On track, subject to ongoing monitoring.
50	Accelerate digital transformation / robotics and related Digital Savings	0.15	-	Structure of digital transformation is being reviewed. No growth incurred to date whilst plans are being developed.
51	Mitigation of reduction in the Dedicated Schools Grant	0.122	-	On track, subject to ongoing monitoring.
52	Remove Commercial Workstream Income Target	0.1	-	Action complete – budget adjusted.
53	Coroners Restructure Costs	0.06	-	Action complete – budget adjusted.
54	Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	0.013	-	On track, subject to ongoing monitoring.
55	Pension Costs Adjustment	-0.996	-	On track, subject to ongoing monitoring, dependent on in-year staffing costs.
56	ICT Operational Efficiencies	-0.31	-	Reduction in end user licence costs achieved. Further review of resources and third party contracts. Subject to ongoing monitoring.
57	Reduce cost of Democracy	-0.135	0.085	Report to Corporate Policy Committee on 15 June 2023 provided latest position.
58	Elections Act 2022 additional costs (funded by New Burdens grant funding)	-0.132	-	Action complete – budget adjusted.
59	Elections Act 2022 additional costs (funded by New Burdens grant funding)	0.132	-	Action complete – budget adjusted.
60	Revenue implications of capital: Vendor Management Phase 3 to drive improvements in procurement	-0.089	-	On track, subject to ongoing monitoring.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
61	Brighter Futures Together Programme Customer Experience	-0.081	0.081	Savings relate to staffing reductions. These may not be appropriate in 2023/24 due to significant change projects requiring support to customers.
62	Across the board efficiencies, including procurement and income generation etc	-0.01	-	On track, subject to ongoing monitoring.
63	Review of leadership and management, including MARS and redefine 'core offer'	-	-	On track, subject to ongoing monitoring.
	In-year Directorate		-0.081	Underspend mainly due to vacant Executive Director post.
	In-year pressure Finance & Customer Services		0.07	TSC forecast to overspend by £190,000, Finance overspending by £73,000 mainly as a result of staffing costs. Customer Services reporting £130,000 overspend on staffing including the customer experience savings above. R&B - Pressure in Systems Development & small pressure in BIDs offset by underspends in HB Admin and Revenues Service = £79,000 underspend. Pressure in Systems Development & small pressure in BIDs offset by underspends in HB Admin and Revenues Service and £17,000 underspend in Procurement.
	Rent Allowances Under-recovery (Included in F&CS Team Plan)		-	Rent allowances under-recovery of £1.018m to be funded by Collection Fund Reserve

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	In-year Governance & Compliance		-0.514	Registration Services forecast to over-recover the income budget by £235K due to increased number of ceremonies at approved premises. Elections overspent the budget/reserve available by £22K due primarily to increased costs of printing and postage. Members budget underspent on transport, communications and SRAs. £85K overspend due to inability of service to achieve MTFS savings on costs of democracy. Legal overspent by £137k due to counsel fees £72k, income shortfall of approx £88k, partially offset by staffing which is now forecast to underspend by approx £22k. A&R underspent by £263k Impact of majority of vacant posts remaining unfilled.
	In-year Policy & Change		-0.294	PMO improvement due to use of capital receipts, and use of reserves, Business Intelligence People balanced, Business Intel Research & Consultation underspent by £72,000, Subscriptions overspent by £50,000 partially offset by equality and diversity underspend £21,000. Further underspend of £88,000 due to vacant management post, restructure planned to go out to Consultation in 2023/24.
	In-year pressure Communications		0.001	Overspending on salaries - potentially increased due to return of fostering budget to Children's Services
	In-year HR		-0.23	Underspending on central training and organisational development budgets is predicted at £103K with the remainder primarily due to part and full year vacancies.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	In-year Pressure ICT		0.372	CEC 50% share of ICT Shared Service overspend position £572k. Forecast currently assumes 70,000 commissioned hours which is felt to be the worst expected position. Work packages for the hybrid model are being finalised and once this has been completed a firmer view will available for the planned commissioned hours in the current year. Partially offset by ICT Strategy anticipating fully utilising the funding given for ALM due to dependencies on the hybrid programme and cyber security risk. Further mitigations: £30k transformational work being undertaken within ICT at management level which could potentially be supported by Capital Flexible Receipts, £200k forecast underspend on ICT Strategy due to Gemini project.
	REVISED FORECAST VARIANCE		**-0.51**	

Corporate Policy Committee

3. Corporate Grants Register

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

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

3.3 The increase in specific purpose grants relates mainly to a forecast increase in Housing Benefit which is being offset by a reduction in the Energy Bills Support Scheme Alternative Funding grant. Other additional specific purpose grants have also been received, reflecting the latest allocations, and are detailed in **Table 2** and Table 3.

3.4 **Table 1** provides a detailed listing of all Corporate Policy related grants, their movements between the reporting period and the treatment of the grant.

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

3.6 **Table 3** shows delegated decisions for additional specific purpose grants previously named within the MTFS.

Table 1 – Corporate Grants Register

Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
CORPORATE POLICY					
Specific Purpose (Held within Services)					
Revenues and Housing Benefits:					
Housing Benefit Subsidy	46,652	49,599	52,633	3,035	SRE
Discretionary Housing Payments Grant	314	349	349	0	
Housing Benefit (HB) Award Accuracy Initiative	29	21	30	1	SRE
LADS - VEP (RTI) funding	24	2	22	(2)	
New Burdens: Universal Credit, maintenance & natural migration	8	8	8	0	
LADS - New Burdens - Discretionary Housing Payments (DHP)	0	60	60	0	
LADS - New Burdens - Benefit Cap	0	1	1	0	
LADS - New Burdens - Welfare Reform Changes (S4/2022)	62	1	1	0	
LADS - New Burdens - Supported & Temporary Accommodation Change Request	2	0	0	0	
LADS - New Burdens - Supported & Temporary Accommodation	5	0	0	0	
LADS - New Burdens - Single Housing Benefit Extract Automation	5	0	10	5	SRE
Specified Accommodation (S3/2022)	0	0	0	0	
Incapacity Benefit Reassessment (S5/2022)	2	0	0	0	
Council Tax Rebate Scheme - New Burdens on Account Payment	0	0	94	94	SRE
Energy Bills Support Scheme Alternative Funding	0	2,089	325	(1,764)	
Democratic Services:					
Police and Crime Commissioner's Panel grant	65	65	65	0	
Electoral Integrity Programme - New Burdens (Voter ID)	132	132	132	0	
Electoral Integrity Programme - New Burdens (Postal Votes)	0	0	8	8	SRE
Total Corporate Policy - Specific Purposes	**47,300**	**52,326**	**53,739**	**1,414**	

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Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
CORPORATE POLICY					
General Use (Held Corporately)					
Revenue Support Grant	388	388	388	0	
Housing Benefit Administration Subsidy	626	626	626	0	
NNDR Administration Allowance	587	578	578	0	
Council Tax Family Annex Discount	0	0	0	0	
New Homes Bonus	3,794	3,794	3,794	0	
Lower Tier Services Grant	0	0	0	0	
Services Grant	1,720	1,720	1,720	0	
Council Tax Support Fund	0	521	521	0	
Council Tax Support New Burdens	0	25	25	0	
Business Rates Reliefs Grant 2023/24	0	21,039	21,039	0	
Total Corporate Policy - General Use	**7,115**	**28,692**	**28,692**	**0**	
TOTAL CORPORATE POLICY	**54,415**	**81,018**	**82,431**	**1,414**	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

4 Reserves - transfer to reserves at year end.

5 Balances - amount will be included as a variance to budget.

Table 2 – DECISION DELEGATED TO OFFICERS

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) £500,000 or less

Committee	Year	Type of Grant	£000	Details
Corporate Policy	2023/24	Council Tax Rebate Scheme - New Burdens on Account Payment (Specific Purpose)	94	This grant is from the Department for Levelling-Up, Housing and Communities (DLUHC). The funding covers the costs of a range of tasks associated with the delivery of the council tax rebate core and discretionary scheme, including: staff time in processing and making payments, training, software costs, printing, reporting, assurance, and clawing back ineligible payments.
Corporate Policy	2023/24	Electoral Integrity Programme - New Burdens (Postal Votes) (Specific Purpose)	8	This grant is from the Department for Levelling-Up, Housing and Communities (DLUHC). The funding has been made available by Central Government and is intended to assist the Electoral Registration Officer for the purpose of introducing the next new measures resulting from the implementation of the Elections Act 2022. Specifically, this grant covers the Postal and Proxy, Overseas Electors portions of the act.
Total Specific Purpose Allocations less than £500,000			**102**	

Table 3 – DECISION DELEGATED TO OFFICERS

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) previously named in the MTFS.

Committee	Year	Type of Grant	£000	Details
				On 22nd February 2023 Council delegated authority to the Chief Finance Officer, to approve supplementary estimates if the value of any named grant changes from the figures contained within Appendix C, Annex 7 of the MTFS.
Corporate Policy	2023/24	Housing Benefit Subsidy (Specific Purpose)	3,035	Increase on MTFS 2023-27 estimate. This grant is from the Department for Work and Pensions. Payment of claims administration within Housing Benefits.
Corporate Policy	2023/24	Housing Benefit (HB) Award Accuracy Initiative (Specific Purpose)	1	Increase on MTFS 2023-27 estimate. This grant is from the Department for Work and Pensions. Housing Benefit Award Accuracy Initiative (HBAAI) allows local authorities to receive an allocation of funding from the Department of Work and Pensions (DWP) to undertake specific activities to identify unreported changes and to ensure the correct amount of Housing Benefit is being paid.
Corporate Policy	2023/24	LADS - New Burdens - Single Housing Benefit Extract Automation (Specific Purpose)	5	Increase on MTFS 2023-27 estimate. This grant is from the Department for Work and Pensions. Additional New Burdens funding to meet the costs of implementing the Improvements to supported accommodation and temporary accommodation Single Housing Benefit Extract management information.
Total Delegated Decision Specific Purpose Allocations previously named in the MTFS			**3,041**	

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Corporate Policy Committee

4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Jun-23	Sep-23	Increase / (Decrease)	Jun-23	Sep-23	Increase / (Decrease)
Corporate Policy Committee						
Finance and Customer Services	187	95	(92)	56	53	(3)
Governance and Compliance	3	13	10	2	-	(2)
Human Resources	18	9	(9)	-	-	-
ICT	350	8	(342)	1	1	-
	558	**125**	**(433)**	**59**	**54**	**(5)**

Note: Finance and Customer Services invoices tend to be paid in installments, 45 invoices out of 70 are currently part paid.

Governance and Compliance outstanding debt has increased, 1 invoice is overdue from last quarter, and 14 invoices from July & August are now 1-3 months overdue.

Human Resources - 6 invoices are now overdue, 2 invoices from last quarter are now 3-6 months overdue (£16,000 invoice partially paid, only £2,000 remaining)

ICT - Reduction in outstanding debt mainly due to 3 local authority (£349,000 total) being paid. 2 invoices now 9-12 months overdue.

Corporate Policy Committee

5. Capital Strategy

Corporate Policy													CAPITAL
CAPITAL PROGRAMME 2023/24 - 2026/27													
	Forecast Expenditure							Forecast Funding					
Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes in progress													
ICT Services													
Care Act Phase 2	6,314	4,130	826	1,358	0	0	**2,184**	0	0	0	0	2,184	**2,184**
Digital Customer - Delivery Programme Phase 1	250	129	121	0	0	0	**121**	0	0	0	0	121	**121**
Digital Customer Enablement	2,874	1,010	1,390	474	0	0	**1,864**	0	0	0	0	1,864	**1,864**
ICT Device Replacement	912	453	459	0	0	0	**459**	0	0	459	0	0	**459**
IADM (Information Assurance and Data Management)	19,465	15,183	1,600	1,200	1,100	382	**4,282**	0	0	0	0	4,282	**4,282**
Infrastructure Investment Programme (IIP)	36,371	30,068	2,396	2,094	1,814	0	**6,303**	0	0	0	0	6,303	**6,303**
Unified Communications Project	1,206	1,008	198	0	0	0	**198**	0	0	0	0	198	**198**
Vendor Management	1,006	743	263	0	0	0	**263**	0	0	0	0	263	**263**
Finance & Customer Services													
Core Financials	11,318	8,813	700	808	698	299	**2,505**	0	0	0	0	2,505	**2,505**
Strategic Capital Projects	18,858	8,578	3,193	4,000	3,087	0	**10,280**	0	0	0	0	10,280	**10,280**
Vendor Management - Phase 2	320	19	0	0	301	0	**301**	0	0	0	0	301	**301**
Total Committed Schemes	**98,893**	**70,134**	**11,145**	**9,934**	**7,000**	**681**	**28,759**	**0**	**0**	**459**	**0**	**28,300**	**28,759**
New Schemes													
ICT Services													
ICT Hybrid Model	1,556	0	510	1,046	0	0	**1,556**	0	0	0	0	1,553	**1,553**
Total New Schemes	**0**	**0**	**510**	**1,046**	**0**	**0**	**1,556**	**0**	**0**	**0**	**0**	**1,553**	**1,553**
Total Corporate Policy	**98,893**	**70,134**	**11,655**	**10,979**	**7,000**	**681**	**30,315**	**0**	**0**	**459**	**0**	**29,852**	**30,312**

Corporate Policy Committee

6. Reserves Strategy

Corporate Policy Committee

Name of Reserve	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000	Notes
Directorate				
Corporate Directorate	**1,356**	(365)	**991**	To support a number of widespread projects within the Corporate Directorate.
Finance and Customer Services				
Collection Fund Management	**17,819**	(7,216)	**10,603**	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Capital Financing Reserve	**12,886**	(6,241)	**6,645**	To provide for financing of capital schemes, other projects and initiatives.
MTFS Reserve	**5,147**	(4,761)	**386**	To support the financial strategy and risk management.
Section 151 Revenue Grants	**558**	(558)	**0**	Unspent specific use grant carried forward into 2023/24.
Governance and Compliance				
Insurance Reserve - Cheshire County Fund	**(647)**	0	**(647)**	To settle insurance claims and manage excess costs - to be reviewed.
Insurance Reserve - Cheshire East Fund	**5,623**	0	**5,623**	To settle insurance claims and manage excess costs - to be reviewed.
Elections General	**640**	(640)	**0**	To provide funds for Election costs every 4 years.
Brexit Funding	**13**	0	**13**	
Human Resources				
HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System)	**59**	(59)	**0**	To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System.
Pay Structure (M Grade Review)	**306**	(306)	**0**	This scheme has now come to an end and the balance can be returned to General Fund.
Policy and Change				
Brighter Future Transformation Programme	**1,789**	(1,271)	**518**	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. £1.271m drawn down to date as per MTFS budget. However, there is some uncertainty regarding who controls this reserve and cannot get details of committed spend. To be reviewed.
CORPORATE POLICY TOTAL	**45,549**	**(21,417)**	**24,132**	

Appendix 4 : Economy and Growth Committee

Contents

Appendix 4

Economy and Growth Committee

1. Changes to Revenue Budget 2023/24 since First Financial Review

	First Review Revised Net Budget £000	Adjustments to FR1 Budget £000	Second Review Revised Net Budget £000	Unringfenced Grants to be Actioned £000
PLACE				
Directorate	139	43	182	-
Growth & Enterprise	24,881	(265)	24,616	-
Economy and Growth Committee	25,020	(222)	24,798	-

Note the unringfenced grants to be actioned column includes the expenditure part of centrally held unringfenced grants. These budget adjustments will take place once all second financial review approvals have been given. No adjustments are required as part of this review.

Economy and Growth Committee

2. 2023/24 Approved Budget Policy Changes and Forecast Variances

Forecast Outturn Commentary:

Economy & Growth Committee has an underspend of £1.9m against a net budget of £24.8m. Staff vacancies are being held across all services and non-staffing budgets are being controlled to help with the overall Council financial position. Grant funding is being utilised wherever possible to relieve the pressure on base budgets. A one-off rates rebate dating back to 2017 has also improved the outturn forecast for Estates and has helped to mitigate the increased reactive maintenance pressures in-year. A £0.2m pressure is forecast because of the pay award being higher than the original budget.

Some deliverable in-year mitigations are forecast within the forecast outturn position reflecting a reduction in Place Directorate spending, releasing earmarked reserves and actions to reduce Economic Development expenditure. Further mitigations to be determined include stopping non-essential spending, continued vacancy management and energy costs reductions in Council buildings.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Economy and Growth Committee	**1.045****		**Totals will not match to MTFS as Place Restructuring items all moved under E&G
64	Assets - Buildings and Operational	2.480	-	Growth identified for increases in costs for the operation of our building continues to be monitored.
65	Pay inflation	1.437	0.246	The total cost of pay inflation may exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies.
66	Rates increase for Cheshire East properties	0.343	-	Budgets in place for increase in rateable values for Cheshire East Council properties.
67	Rates increase from Collection Fund EMR	-0.343	-	Funding for increase in rateable values for Cheshire East properties is in place for 2023/24.
68	Office Estate Rationalisation	0.210	0.050	Consultation ongoing with proposals being developed for consideration by Committee.
69	Rural and Visitor Economy	0.165	-	Provision of additional funding to manage increased costs of materials and staffing. This is expected to be on budget.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
70	Cultural	0.072	-	Growth to support cultural framework required for regeneration projects across the borough and safeguarding museum collections. This is on track.
71	Housing	-	-	Growth identified for First Homes initiative in 2024/25.
72	Assets - Transactions	0.023	-	Removal of prior year savings target offset by increased property disposals and proactive management lease renewals and rent reviews. On track for the end of the year.
73	Inflation in Utility costs and enhanced Carbon Management	-1.500	-	Removal of one-off budget for 2022/23.
74	Pension Costs Adjustment	-0.675	-	On track, subject to ongoing monitoring, dependent on in-year staffing costs.
75	Restructuring Potential	-1.009	-	The total saving for the Directorate and the three Place committees is placed under Economy & Growth. Partial savings captured through vacancy management and capitalisation, with further saving opportunities being explored.
76	Investment in Public Rights of Way	*-0.100**	-	Removal of one-off budget for 2022/23.
77	Tatton Park	-0.028	-	Savings resulting from income and efficiencies generated through the investment programme in the facilities at Tatton Park.
78	Asset / Service Transfer	-0.020	-	Savings should be met by the end of the year.
79	Transfer of Congleton Visitor Information Centre	-0.010	-	Savings on target, transfer is complete.
	Estates mitigations		-0.849	Mainly due to rates rebate for prior years.
	Economic Development & Housing savings		-0.681	Staffing savings, utilisation of grants and increased capitalisation.
	In year variances across Economy & Growth		-0.070	
	Mitigating Actions Reduced Place directorate spend and release of earmarked reserve		-0.200	

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MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Mitigating Actions Reduce Economic Development expenditure and release of earmarked reserves		-0.400	
	TOTAL FORECAST VARIANCE		**-1.904**	
	Further Mitigating Actions		TBD	Stop non-essential spend and continued vacancy management, reduce energy costs in Council buildings through partition of under-utilised areas.
	REVISED FORECAST VARIANCE		**-1.904**	

** Item represented a 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*

Economy and Growth Committee

3. Corporate Grants Register

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

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

3.3 The increase in specific purpose grants relates to a £2.4m Shared Prosperity Fund grant. This grant and a smaller one in relation to the Rough Sleeper Initiative are detailed in **Table 2** and **Table 3**.

3.4 **Table 1** provides a detailed listing of all Economy & Growth related grants, their movements between the reporting period and the treatment of the grant.

3.5 **Table 2** shows additional specific purpose grant allocations that have been received over £1m that Council will be asked to approve.

3.6 **Table 3** shows additional specific purpose grant allocations that have been received which are £500,000 or less and are for noting only.

Table 1 – Corporate Grants Register

Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
ECONOMY & GROWTH					
Specific Purpose (Held within Services)					
Rough Sleeping Initiative	0	319	319	0	
Rough Sleeper Initiative: Target Group Priority Funding	0	0	15	15	SRE
Homelessness Prevention Grant	0	608	608	0	
Homelessness Prevention Grant: Homes for Ukraine top-up 2023/24	0	422	422	0	
Shared Prosperity Fund - brought-forward	0	1,166	1,119	(47)	
Shared Prosperity Fund	0	0	2,412	2,412	SRE
Local Enterprise Partnership (LEP): Core Funding	375	250	250	0	
Local Enterprise Partnership (LEP): Growth Hub Funding	231	261	261	0	
Local Enterprise Partnership (LEP): NP (Northern Powerhouse) 11	500	500	500	0	
Local Enterprise Partnership (LEP): Skills Bootcamp	1,500	1,355	1,355	0	
Impossible Perspectives – Digital Arts Project	0	49	49	0	
Towns Fund - Ice Cream Van	0	15	15	0	
Total Economy & Growth - Specific Purpose	**2,606**	**4,946**	**7,324**	**2,379**	
General Use (Held Corporately)					
TOTAL ECONOMY & GROWTH	**2,606**	**4,946**	**7,324**	**2,379**	

Notes
1 The Dedicated Schools Grant, Pupil Premium Grant, Sixth Form Grant and Other School Specific Grant from the Education Funding Agency (EFA) figures are based on actual anticipated allocations. Changes are for in-year increases/decreases to allocations by the DfE and conversions to academy status.
2 SRE - Supplementary Revenue Estimate requested by relevant service.
3 ODR - Officer Decision Record to approve immediate budget change to relevant service.
4 Reserves - transfer to reserves at year end.
5 Balances - amount will be included as a variance to budget.

Table 2 – COUNCIL DECISION

Note that Council will be asked to Approve Supplementary Revenue Estimates of Additional Grant Funding (Specific Purpose) over £1m

Committee	Year	Type of Grant	£000	Details
Economy and Growth	2023/24	Shared Prosperity Fund (Specific Purpose)	2,412	The UK Shared Prosperity Fund (UKSPF or the Fund) is a component of the UK government's Levelling Up agenda and its support for places across the UK. It provides the Authority with up to £9.48 million of new revenue funding for local investment by March 2025. It seeks to empower local communities to identify their own priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances. The Authority has the flexibility to invest across a range of activities to deliver agreed outcomes. Consequently some of the funding may be awarded to external third parties to deliver on the Authority's behalf.
Total Specific Purpose Allocation for Council Approval			**2,412**	

Table 3 – DECISION DELEGATED TO OFFICERS
Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) £500,000 or less

Committee	Year	Type of Grant	£000	Details
Economy and Growth	2023/24	Rough Sleeper Initiative: Target Group Priority Funding (Specific Purpose)	15	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). From the data, we know that many areas will be working with a distinct group of people who have been sleeping rough for an extended period, or repeatedly return to rough sleeping – your Target Priority Group. Therefore, this additional funding ought to be used to provide bespoke interventions for these individuals.
Total Specific Purpose Allocations less than £500,000			**15**	

Economy and Growth Committee

4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Jun-23	Sep-23	Increase / (Decrease)	Jun-23	Sep-23	Increase / (Decrease)
Economy and Growth Committee						
Growth and Enterprise	607	905	298	265	224	(41)

Note: Increase in outstanding debt mainly due to invoices for £138,000 and £42,000. Decrease in over 6 months debt due to invoice for £50,000 being written off as company in administration.

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Economy and Growth Committee

5. Capital Strategy

Economy & Growth **CAPITAL**

CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Forecast Expenditure							Forecast Funding					
Scheme Description	**Total Approved Budget £000**	**Prior Years £000**	**Forecast Budget 2023/24 £000**	**Forecast Budget 2024/25 £000**	**Forecast Budget 2025/26 £000**	**Forecast Budget 2026/27 £000**	**Total Forecast Budget 2023-27 £000**	**Grants £000**	**External Contributions £000**	**Revenue Contributions £000**	**Capital Receipts £000**	**Prudential Borrowing £000**	**Total Funding £000**
Committed Schemes in progress													
Facilities Management													
Public Sector Decarbonisation Fund - FM 1	1,855	1,759	96	0	0	0	**96**	96	0	0	0	0	**96**
Public Sector Decarbonisation Fund - FM 2	604	452	153	0	0	0	**153**	153	0	0	0	0	**153**
Public Sector Decarbonisation Fund - FM 3	5,214	3,931	1,283	0	0	0	**1,283**	285	0	0	0	998	**1,283**
PSDS - 3B - Lot 1	3,278	0	200	2,078	1,000	0	**3,278**	2,015	0	0	0	1,263	**3,278**
PSDS - 3B - Lot 3 (schools)	4,946	0	4,572	375	0	0	**4,946**	4,572	0	375	0	0	**4,946**
Septic Tanks	636	280	5	351	0	0	**356**	0	0	0	0	356	**356**
Schools Capital Maintenance	7,435	4,639	2,317	479	0	0	**2,796**	2,515	0	281	0	0	**2,796**
Corporate Landlord - Operational	1,027	962	35	30	0	0	**65**	0	0	0	0	65	**65**
Premises Capital (FM)	39,009	30,705	2,335	3,500	2,469	0	**8,304**	0	0	0	0	8,304	**8,304**
Poynton Pool Spillway	1,380	296	154	930	0	0	**1,084**	0	0	200	0	884	**1,084**
Housing													
Home Upgrade Grant Phase 2	6,210	0	1,553	4,658	0	0	**6,210**	6,210	0	0	0	0	**6,210**
Crewe Towns Fund - Warm and Healthy Homes	100	10	0	90	0	0	**90**	90	0	0	0	0	**90**
Social Housing Decarbonisation Fund	1,565	86	1,479	0	0	0	**1,479**	1,479	0	0	0	0	**1,479**
Future High Street Funding - Chester Street	408	3	5	400	0	0	**405**	405	0	0	0	0	**405**
Future High Street Funding - Delamere Street	432	5	7	420	0	0	**427**	427	0	0	0	0	**427**
Green Homes Grant	3,103	2,249	370	483	0	0	**854**	854	0	0	0	0	**854**
Sustainable Warmth - Home Upgrade Grant	806	631	175	0	0	0	**175**	175	0	0	0	0	**175**
Home Repairs Vulnerable People	1,285	659	109	258	258	0	**626**	0	0	0	0	626	**626**
Disabled Facilities	15,818	6,989	3,200	3,287	2,342	0	**8,829**	7,902	0	0	0	928	**8,829**
Warm Homes Fund	239	198	41	0	0	0	**41**	41	0	0	0	0	**41**
Temporary Accommodation	958	878	80	0	0	0	**80**	0	54	26	0	0	**80**
Gypsy and Traveller Sites	4,136	1,289	2,069	778	0	0	**2,847**	700	436	0	0	1,712	**2,847**
Estates													
Corporate Landlord - Non-Operational	1,336	0	1,336	0	0	0	**1,336**	0	0	0	0	1,336	**1,336**
Malkins Bank Landfill Site	1,360	565	250	545	0	0	**795**	0	0	0	7	788	**795**
Farms Strategy	2,910	1,671	30	180	310	720	**1,240**	0	0	0	1,240	0	**1,240**

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CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Total Approved Budget £000	Forecast Expenditure						Forecast Funding					
		Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Economic Development													
Crewe Towns Fund - Repurposing Our High Streets	1,450	38	300	639	474	0	**1,412**	1,412	0	0	0	0	**1,412**
Crewe Towns Fund - Flag Lane Baths	2,800	306	1,000	1,494	0	0	**2,494**	2,494	0	0	0	0	**2,494**
Crewe Towns Fund - Mill Street Corridor	1,190	190	1,000	0	0	0	**1,000**	1,000	0	0	0	0	**1,000**
Crewe Towns Fund - Mirion St	732	30	100	603	0	0	**703**	703	0	0	0	0	**703**
Crewe Towns Fund - Crewe Youth Zone non-grant costs	978	49	100	829	0	0	**929**	929	0	0	0	0	**929**
Crewe Towns Fund - History Centre Public Realm	283	14	269	0	0	0	**269**	269	0	0	0	0	**269**
Crewe Towns Fund	12,805	0	383	8,520	3,901	0	**12,805**	12,805	0	0	0	0	**12,805**
Handforth Heat Network	13,219	0	680	1,924	6,692	3,923	**13,219**	2,604	7,428	0	0	3,187	**13,219**
Demolition of Crewe Library & Concourse (Future High Street Funding - History Centre Preparatory)	3,040	181	1,336	1,523	0	0	**2,859**	1,336	0	0	0	1,523	**2,859**
Future High Street Funding - CEC Innovation Centre	3,023	59	2,965	0	0	0	**2,965**	2,965	0	0	0	0	**2,965**
Future High Street Funding - Christ Church Innovation Centre	780	80	700	0	0	0	**700**	700	0	0	0	0	**700**
Crewe Town Centre Regeneration	32,303	15,058	16,016	1,229	0	0	**17,245**	351	64	0	0	16,829	**17,245**
Macclesfield Indoor Market Toilet Refurbishment	160	12	148	0	0	0	**148**	40	98	10	0	0	**148**
Macclesfield Town Centre	2,219	1,861	0	358	0	0	**358**	0	0	0	0	358	**358**
South Macclesfield Development Area	34,630	3,237	145	11,248	20,000	0	**31,393**	10,000	10,000	0	11,393	0	**31,393**
North Cheshire Garden Village	64,707	6,002	2,400	18,989	37,317	0	**58,706**	21,189	0	0	21,700	15,817	**58,706**
Leighton Green	2,096	1,464	100	532	0	0	**632**	0	0	0	0	632	**632**
Connecting Cheshire Phase 3	8,000	0	600	1,500	2,000	3,900	**8,000**	0	8,000	0	0	0	**8,000**
Connecting Cheshire 2020	9,250	3,709	2,303	2,238	1,000	0	**5,542**	5,542	0	0	0	0	**5,542**
Culture & Tourism													
Countryside Vehicles	1,579	580	153	193	219	434	**999**	0	0	965	33	0	**999**
Culture & Tourism S106 Schemes	371	65	74	232	0	0	**306**	0	306	0	0	0	**306**
New Archives Premises	10,256	0	761	8,827	667	0	**10,256**	0	0	0	0	10,256	**10,256**
PROW Capital Works	1,055	957	98	0	0	0	**98**	98	0	0	0	0	**98**
PROW CMM A6 MARR	100	9	56	35	0	0	**91**	91	0	0	0	0	**91**
PROW Flood Damage Investment	72	63	8	0	0	0	**8**	0	0	0	0	8	**8**
Tatton Park Investment Phase 2	3,280	1,407	350	350	350	823	**1,873**	0	0	0	0	1,873	**1,873**
Total Committed Schemes	**316,430**	**93,627**	**53,899**	**80,106**	**78,998**	**9,800**	**222,803**	**92,444**	**26,385**	**1,857**	**34,373**	**67,744**	**222,803**
New Schemes													
Housing													
Local Authority Housing Fund	978	0	978	0	0	0	**978**	978	0	0	0	0	**978**
Culture & Tourism													
Cattle Handling Facility - Oakwood Farm	190	0	190	0	0	0	**190**	0	0	190	0	0	**190**
Total New Schemes	**190**	**0**	**1,168**	**0**	**0**	**0**	**1,168**	**978**	**0**	**190**	**0**	**0**	**1,168**
Total Growth & Enterprise	**316,620**	**93,627**	**55,067**	**80,106**	**78,998**	**9,800**	**223,970**	**93,422**	**26,385**	**2,047**	**34,373**	**67,744**	**223,970**

Economy and Growth Committee

6. Reserves Strategy

Economy and Growth Committee

Name of Reserve	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000	Notes
Directorate				
Place Directorate	**1,722**	(1,249)	**473**	To support a number of widespread projects within the Place Directorate.
Investment (Sustainability)	**648**	(221)	**427**	To support investment that can increase longer term financial independence and stability of the Council.
Growth and Enterprise				
Legal Proceedings	**228**	(124)	**104**	To enable legal proceedings on land and property matters.
Investment Portfolio	**361**	174	**535**	Reserve being built up to be used in the future if the site is vacated. Current lease extends beyond 2026.
Homelessness & Housing Options - Revenue Grants	**130**	(130)	**0**	To cover costs of purchase and refurbishment of properties to be used as temporary accommodation to house vulnerable families. Remaining portion of historic grants - not been used due to high levels of ringfenced Homeless Prevention & Rough Sleepers Grants being utilised.
Tatton Park Trading Reserve	**0**	0	**0**	Ringfenced Trading Reserve used to support projects and overall position at Tatton.
Royal Arcade Crewe	**20**	(20)	**0**	Original purpose was to fund vacant possession related costs for the Royal Arcade until demolition. The balance will now be used to pay for ongoing rates and maintenance costs for Crewe Bus station.
ECONOMY AND GROWTH TOTAL	**3,109**	**(1,570)**	**1,539**	

Appendix 5 : Environment and Communities Committee

Contents

Appendix 5

Environment and Communities Committee

1. Changes to Revenue Budget 2023/24 since First Financial Review

	First Review Revised Net Budget £000	Adjustments to FR1 Budget £000	Second Review Revised Net Budget £000	Unringfenced Grants to be Actioned £000
PLACE				
Environment & Neighbourhood Service	48,789	(40)	48,749	-
Environment and Communities Committee	48,789	(40)	48,749	-

Note the unringfenced grants to be actioned column includes the expenditure part of centrally held unringfenced grants. These budget adjustments will take place once all second financial review approvals have been given. No adjustments are required as part of this review.

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Environment and Communities Committee

2. 2023/24 Approved Budget Policy Changes and Forecast Variances

Forecast Outturn Commentary:

Environment & Neighbourhood Services are reporting a pressure of £3.5m against a net budget of £48.7m. This is an improvement of £0.7m from the last review, mainly from the wholly owned companies. £1.4m of the pressure relates to ongoing income pressures in Planning and Building Control. There are pressures of £1.5m comprising continued increased contract inflation for the waste disposal contracts (+£0.7m) plus impact of recycling income shortfall due to a decline in the market (+£1.1m) offset by a reduction in fuel inflation (-£0.3m) . The anticipated pay rise above budget rates is expected to result in a £0.3m pressure for Cheshire East services and £0.5m for the wholly owned companies. Implications related to one off changes to staff contracts have been included in the forecast for Libraries as a result of the recently approved reduction in opening hours.

Further mitigations include stopping non-essential spend and continued vacancy management.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Environment and Communities Committee	**4.543****		** Totals will not match to MTFS as Place Restructuring items all moved under E&G. No.98 moved to H&T.
80	Waste Disposal - Contract Inflation and Tonnage Growth	4.976	1.515	Regular monitoring of actual vs forecast tonnages continues to be undertaken across all waste streams collected. This monitoring also covers the unit rate disposal costs where these vary due to market forces, such as recyclates collected at the kerbside.
81	Pay Inflation – Wholly Owned Companies	1.378	0.496	The total cost of pay inflation may exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies.
82	Pay inflation - CEC	1.239	0.259	The total cost of pay inflation may exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
83	Planning and Building Control income	0.800	1.381	Budget adjusted for 2023/24. Delays in implementing the national planning application fee regulations, along with a national drop in planning application submissions has resulted in a first quarter pressure. This will need to be monitored through the year to see if income improves – this is subject to national economic trends. Current government announcements advise national planning application fee increases will be implemented from April 2024 – this should mitigate this pressure in the following financial year.
84	Environmental Hub maintenance	0.447	-	Maintenance works to this key Council owned operational facility are ongoing and continue to be delivered within forecast budget.
85	Review of governance of Council Wholly Owned Companies and seeking increased opportunities for savings / commercial opportunities	0.240	-	Budget adjustment only to balance previous under recovery of savings target – now actioned.
86	Orbitas management fee uplift	0.175	-	Now included in agreed Orbitas management fee for 2023/24.
87	Bereavement income	-0.175	-	Now included in agreed Environment Commissioning budget for 2023/24 and latest income forecasts are ahead of original projection (shown as part of in-year savings line below).
88	Closed Cemeteries	0.093	-0.041	A single closed cemetery has now transferred to Cheshire East Council and regular works have been incorporated within commissioned maintenance schedules.
89	Local Plan Review	0.036	-	On track, subject to ongoing monitoring. Anticipated new legislation may change the spend profile for the review however this is not known at this time as further details are not available from Government.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
90	Strategic Leisure Review	-1.291	-	The Strategic Leisure Review is now well established in terms of governance and collating the relevant public health data sets which will inform the outcomes. Target is to seek approval to consult on the draft review outcomes at a November Committee. 2023/24 savings have been secured, where appropriate under the operating contract with Everybody Health & Leisure and via a forecast grant receipt from Sport England relating to maintaining public swimming pools.
91	Maintenance of green spaces	-0.398	0.198	Works to develop a new draft maintenance schedule policy are now well progressed with a September Committee date targeted to seek approval to consult publicly. Environmental Services as the commissioner continue to work with ANSA Environmental Services as the appointed provider to mitigate any in year effects.
92	Review Waste Collection Service - Green Waste	-0.900	-	Environment and Communities Committee approved the implementation of the green waste subscription charge on 27 July 2023. Final stages of implementation works are proceeding in advance of opening for subscription payments in October and commencement of paid for collections in January 2024.
93	Libraries - Service Review	-0.519	0.300	Environment and Communities Committee approved the implementation of the revised opening hours informed by public consultation on 27 July 2023. Allowance has now been made within the forecast for any changes to staff contracts as a one off which will be influenced by the level of take up from Town and Parish Councils to the top up scheme.
94	Pension Costs Adjustment	-0.676	-	On track, subject to ongoing monitoring, dependent on in-year staffing costs.
95	Investment in improving the customer experience in Planning Services	*-0.500**	-	Action complete – budget adjusted.
97	Review Closed Landfill Sites	-0.300	-	Budget line adjustment only – now actioned.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
99	Environment Strategy and Carbon Neutrality	-0.061	-	Budget line adjustment only – now actioned.
100	CCTV	-	-	Income opportunities are currently being explored both new and by expansion of existing external customer base offer.
101	Household Waste and Recycling Centres - introduce residency checks	-0.021	-	Implementation of the physical site checks has been delayed but the budget saving has been secured through the operating contract.
	In-year savings across wholly owned companies		-0.194	
	In-year savings across Environment & Communities (excluding wholly owned companies)		-0.404	
	TOTAL FORECAST VARIANCE		**3.510**	
	Further Mitigating Actions		TBD	Stop non-essential spend and continued vacancy management
	REVISED FORECAST VARIANCE		**3.510**	

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Environment and Communities Committee

3. Corporate Grants Register

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

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

3.3 There has been no change in the grants forecast position for Environment & Communities.

3.4 **Table 1** provides a detailed listing of all Environment & Communities related grants, their movements between the reporting period and the treatment of the grant.

Table 1 – Corporate Grants Register

Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
ENVIRONMENT & COMMUNITIES					
Specific Purpose (Held within Services)					
Bikeability Grant	240	240	240	0	
Enforcement Grant (Planning) - brought forward	0	30	30	0	
High Speed 2 (HS2) Ltd	0	850	850	0	
Air Quality Grant (Awareness) - brought-forward	0	25	25	0	
Air Quality Grant (Cycling) - brought-forward	0	10	10	0	
Offensive weapons - brought-forward	0	4	4	0	
Cosmetic fillers - brought-forward	0	7	7	0	
Food Information Grant - Natasha's Law - brought forward	0	11	11	0	
Food Standards Agency - 22-23	0	1	1	0	
Food Standards Agency 23-24	0	1	0	(1)	
Section 31 grant - Biodiversity net gain	0	20	20	0	
Natural England - Stewardship scheme	0	2	2	0	
Natural England - Stewardship scheme	0	7	7	0	
Apprentice Incentive Scheme	0	2	2	0	
Total Environment & Communities - Specific Purpose	**240**	**1,209**	**1,209**	**(1)**	
General Use (Held Corporately)					
TOTAL ENVIRONMENT & COMMUNITIES	**240**	**1,209**	**1,209**	**(1)**	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

4 Reserves - transfer to reserves at year end.

5 Balances - amount will be included as a variance to budget.

Environment and Communities Committee

4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Jun-23	Sep-23	Increase / (Decrease)	Jun-23	Sep-23	Increase / (Decrease)
Environment and Communities Committee						
Environment and Neighbourhood Services	266	331	65	219	206	(13)

Note: Increase in outstanding debt mainly due to £55,000 of Market Rental invoices now being overdue by 1-3 months.

Environment and Communities Committee

5. Capital Strategy

Environment & Communities — CAPITAL

CAPITAL PROGRAMME 2023/24 - 2026/27	Forecast Expenditure							Forecast Funding					
Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes in progress													
Environment Services													
Arnold Rhodes Public Open Space Improvements Phase 2	94	89	5	0	0	0	**5**	0	5	0	0	0	**5**
Bereavement Service Data System	35	6	29	0	0	0	**29**	0	0	29	0	0	**29**
Carbon Offset Investment	1,000	78	172	250	500	0	**922**	0	0	0	0	922	**922**
Chelford Village Hall Open Space and Sport Improvements	164	115	50	0	0	0	**50**	0	50	0	0	0	**50**
Church Lane Community Park Development	95	93	2	0	0	0	**2**	0	2	0	0	0	**2**
Congleton Household Waste Recycling Centre Development	50	20	30	0	0	0	**30**	0	0	0	0	30	**30**
Energy Improvements at Cledford Lane	985	890	95	0	0	0	**95**	0	0	0	0	95	**95**
Future High Street Funding - Sustainable Energy Network	1,695	289	1,406	0	0	0	**1,406**	1,406	0	0	0	0	**1,406**
Green Investment Scheme (Solar Farm)	3,950	339	3,611	0	0	0	**3,611**	0	0	0	0	3,611	**3,611**
Household Waste Recycling Centres	860	39	821	0	0	0	**821**	0	0	0	0	821	**821**
Litter and Recycling Bins	208	111	46	52	0	0	**97**	0	0	0	0	97	**97**
Little Lindow Open Space Improvements	69	63	5	0	0	0	**5**	0	5	0	0	0	**5**
Nantwich Cemetery Roadway Extension	75	72	3	0	0	0	**3**	0	0	3	0	0	**3**
Newtown Sports Facilities Improvements	99	81	18	0	0	0	**18**	0	18	0	0	0	**18**
Park Development Fund	931	577	204	150	0	0	**354**	0	0	0	0	354	**354**
Pastures Wood De-carbonisation	51	31	20	0	0	0	**20**	0	0	20	0	0	**20**
Pitch Improvements - Alderley Edge Park and Chorley Hall Lane Playing Fields	25	13	12	0	0	0	**12**	0	12	0	0	0	**12**
Queens Park Lake Planting	18	17	1	0	0	0	**1**	0	1	0	0	0	**1**
Rotherhead Drive Open Space and Play Area	141	113	28	0	0	0	**28**	0	28	0	0	0	**28**
Solar Energy Generation	14,180	48	252	13,880	0	0	**14,132**	0	0	0	0	14,132	**14,132**
Victoria Park Pitch Improvements	29	5	24	0	0	0	**24**	0	24	0	0	0	**24**
Woodland South of Coppice Way, Handforth	89	66	22	0	0	0	**22**	0	22	0	0	0	**22**
Wynbunbury Parish Open Space	5	1	4	0	0	0	**4**	0	4	0	0	0	**4**

CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
	Forecast Expenditure							Forecast Funding					
Committed Schemes in progress													
Neighbourhood Services													
Congleton Leisure Centre	12,860	12,676	184	0	0	0	**184**	0	0	0	0	184	**184**
Crewe Towns Fund - Valley Brook Green Corridor	100	54	46	0	0	0	**46**	46	0	0	0	0	**46**
Macclesfield Leisure Centre Improvements	3,865	3,398	467	0	0	0	**467**	0	0	0	0	467	**467**
Middlewich Leisure Centre	60	51	9	0	0	0	**9**	0	0	0	0	9	**9**
Libraries - Next Generation - Self Service	374	329	44	0	0	0	**44**	0	0	0	0	44	**44**
Poynton Leisure Centre	4,606	417	0	1,974	2,215	0	**4,189**	0	0	0	0	4,189	**4,189**
Planning Services													
Regulatory Systems & Enviromental Health ICT System	313	267	46	0	0	0	**46**	0	0	21	0	25	**46**
Replacement CCTV Cameras	301	135	166	0	0	0	**166**	0	0	166	0	0	**166**
Total Committed Schemes	**47,326**	**20,483**	**7,823**	**16,306**	**2,715**	**0**	**26,844**	**1,452**	**172**	**239**	**0**	**24,981**	**26,844**
New Schemes													
Environment Services													
Barony Skate Park Refurbishment	100	0	100	0	0	0	**100**	100	0	0	0	0	**100**
Fleet EV Transition	6,897	0	1,605	1,991	3,301	0	**6,897**	0	0	0	0	6,897	**6,897**
Fleet Vehicle Electric Charging	585	0	290	179	116	0	**585**	0	0	0	0	585	**585**
Macclesfield Chapel Refurbishment	429	0	343	86	0	0	**429**	0	0	0	0	429	**429**
Unsafe Cemetery Memorials	35	0	35	0	0	0	**35**	0	0	0	0	35	**35**
Cremator Flue Gas Modifications	30	0	30	0	0	0	**30**	0	0	0	0	30	**30**
Total New Schemes	**0**	**0**	**2,403**	**2,256**	**3,417**	**0**	**8,076**	**100**	**0**	**0**	**0**	**7,976**	**8,076**
Total Environment & Communities	**47,326**	**20,483**	**10,226**	**18,562**	**6,132**	**0**	**34,919**	**1,552**	**172**	**239**	**0**	**32,956**	**34,919**

Environment and Communities Committee

6. Reserves Strategy

Environment and Communities Committee

Name of Reserve	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000	Notes
Environment and Neighbourhood Services				
Strategic Planning	**568**	0	**568**	To meet costs associated with the Local Plan - site allocations, minerals and waste DPD.
Trees / Structures Risk Management	**166**	(56)	**110**	New reserve to respond to increases in risks relating to the environment, in particular the management of trees, structures and dealing with adverse weather events.
Spatial Planning - revenue grant	**89**	(47)	**42**	Funding IT costs over 4 years.
Neighbourhood Planning	**82**	(0)	**82**	To match income and expenditure.
Air Quality	**36**	(19)	**17**	Air Quality Management - DEFRA Action Plan. Relocating electric vehicle chargepoint in Congleton.
Street Cleansing	**26**	(26)	**0**	Committed expenditure on voluntary litter picking equipment and electric blowers.
Community Protection	**17**	(17)	**0**	£4k illicit tobacco grant; £13k Natasha's Law grant.
Licensing Enforcement	**8**	(8)	**0**	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Flood Water Management (Emergency Planning)	**2**	0	**2**	Relating to Public Information Works.
ENVIRONMENT AND COMMUNITIES TOTAL	**994**	**(173)**	**821**	

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Appendix 6 : Highways and Transport Committee

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Appendix 6

Highways and Transport Committee

1. Changes to Revenue Budget 2023/24 since First Financial Review

	First Review Revised Net Budget £000	Adjustments to FR1 Budget £000	Second Review Revised Net Budget £000	Unringfenced Grants to be Actioned £000
PLACE				
Highways & Infrastructure	10,991	189	11,180	-
Highways and Transport Committee	10,991	189	11,180	-

Note the unringfenced grants to be actioned column includes the expenditure part of centrally held unringfenced grants. These budget adjustments will take place once all first quarter approvals have been given. No adjustments are required as part of this review.

Highways and Transport Committee

2. 2023/24 Approved Budget Policy Changes and Forecast Variances

Forecast Outturn Commentary:

Highways & Infrastructure are reporting a pressure of £1.2m against a net budget of £11.1m. £1.6m of this pressure is attributed to a reduction in income generation from parking services, which was part of the 2022/2023 MTFS. The programme of parking initiatives, subject to consultation, is intended to be implemented from April 2024. There are £0.3m of pressures within Strategic Transport relating to an unachievable historic saving from the ASDV review and pressures within Ansa Transport. The expected pay rise above budget rates is forecast to lead to an additional pressure in-year of £0.1m. There are staffing savings across the majority of services as vacancies are held to help with the overall financial position. Higher income in Highways is also helping to offset increased energy costs due the time required to implement the energy saving for Street Lighting MTFS proposal. In addition, significant capital investment will be required to implement the Street Lighting MTFS proposal details of which will be provided shorty. Due to wet weather conditions experienced over the past few months there has been a significant increase in road defects (potholes) applying pressure to highways budgets.

Some deliverable in-year mitigations are included in the forecast outturn position reflecting the partial release of the flooding and depot reserves. Further mitigations to be determined include stopping non-essential spending, continued vacancy management and lobbying government on recognition of inflation on highway schemes funded from grants.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Highways and Transport Committee	**-0.842****		** Totals will not match to MTFS as Place Restructuring items all moved under E&G. No.98 moved to H&T.
98	Move to a single contractor to maintain all Council owned green spaces	-0.075	-	Works are continuing to migrate the grounds maintenance functions from highways to with ANSA Environmental Services Ltd as the single provider of these services. There is a slippage on delivery to 2024/25. This is being mitigated within Highways.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
102	Pay inflation	0.265	0.094	The total cost of pay inflation may exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies.
103	Local Bus	0.080	0.353	Additional government funding to support local bus allocation to be determined with local Operators and H&T representatives.
104	Highways	-0.579	-	Budget adjustment on track as a result of a number of internal changes including greater capitalisation of highways maintenance works.
105	Energy saving measures from streetlights	-0.242	0.242	Market engagement underway to understand cost and complexity to acquiring a Central Management System (CMS) which will enable various policy changes to streetlights in the borough to realise energy savings. This will need to be added to the capital programme est. £7–£10m. September consultation. The £0.242m saving is expected to be made in 2024/25 if the capital investment is made.
106	Pension Costs Adjustment	-0.172	-	On track, subject to ongoing monitoring, dependent on in-year staffing costs.
108	Parking	-0.119	1.575	Town by town analysis on parking well underway to inform consultation exercise. Car park usage monitoring now complete. The majority of the £1.575m income is expected in 2024/25 subject to committee decision.
	Increased Highways income to mitigate the energy saving from streetlights savings pressure		-0.242	
	Salary savings across HS2 and Infrastructure		-0.100	
	In-year savings across Highways & Transport		-0.429	

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Mitigating Actions Partial release of flooding reserve and depot reserve		-0.253	
	TOTAL FORECAST VARIANCE		**1.240**	
	Further Mitigating Actions		TBD	Stop non-essential spend and continued vacancy management Lobby government on recognition of inflation on highway schemes funded from grants.
	REVISED FORECAST VARIANCE		**1.240**	

OFFICIAL

3. Corporate Grants Register

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

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

3.3 The increase in specific purpose grants relates to a Local Transport Fund grant. Details of this grant are provided in **Table 2**.

3.4 **Table 1** provides a detailed listing of all Highways & Transport related grants, their movements between the reporting period and the treatment of the grant.

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

Table 1 – Corporate Grants Register

Grants 2023/24	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast Mid-Year 2023/24 £000	Change from FR1 2023/24 £000	Treatment of Grant *Notes 2 - 5*
HIGHWAYS & TRANSPORT					
Specific Purpose (Held within Services)					
Bus Service Operators Grant	0	348	348	0	
Bus Capacity Grant - brought-forward	0	179	179	0	
Local Transport Fund - brought-forward	0	219	219	0	
Local Transport Fund	0	198	390	191	SRE
Better Deal for Buses - Supported Bus Services - brought-forward	0	320	320	0	
Better Deal for Buses - Rural Mobility Grant - brought-forward	0	5	5	0	
Bus Support Grant - brought-forward	0	147	147	0	
Local Authority Capability Fund - brought-forward	0	154	154	0	
LTA Enhanced Partnership Grant - brought-forward	0	171	171	0	
Local Electric Vehicle Infrastructure (LEVI)	0	70	70	0	
Bus Service Improvement Plan+ (BSIP+)	0	1,188	1,188	0	
Bus Fare Cap Grant	0	1	1	0	
Total Highways & Transport - Specific Purpose	**0**	**2,999**	**3,191**	**191**	
General Use (Held Corporately)					
TOTAL HIGHWAYS & TRANSPORT	**0**	**2,999**	**3,191**	**191**	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

4 Reserves - transfer to reserves at year end.

5 Balances - amount will be included as a variance to budget.

Table 2 – DECISION DELEGATED TO OFFICERS

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) £500,000 or less

Committee	Year	Type of Grant	£000	Details
Highways and Transport	2023/24	Local Transport Fund (Specific Purpose)	191	This grant is from the Department for Transport (DfT). The Local Transport Fund (LTF) has been extended from 1 April 2023 to 30 June 2023. The LTF is a successor grant scheme to the Bus Recovery Grant paid to local authorities (hereafter LTA BRG). This funding is provided to Local Transport Authorities (LTAs) for the provision of bus services which require local authority support, including tendered bus services.
Total Specific Purpose Allocations less than £500,000			**191**	

Highways and Transport Committee

4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Jun-23	Sep-23	Increase / (Decrease)	Jun-23	Sep-23	Increase / (Decrease)
Highways and Transport Committee						
Highways and Infrastructure	968	1,000	32	596	650	54

Note: Outstanding debt increase mainly due to two invoices of £10,000 each. Increase in over 6 months old debt mainly due to invoice of £47,000

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Highways and Transport Committee

5. Capital Strategy

Highways & Transport — **CAPITAL**

CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Forecast Expenditure: Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Forecast Funding: Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes in progress													
Highways													
A532 Safer Road Fund Scheme	1,223	346	877	0	0	0	**877**	778	0	0	0	99	**877**
A536 Safer Road Fund Scheme	2,404	1,817	587	0	0	0	**587**	493	0	0	0	94	**587**
A537 Safer Road Fund Scheme	2,733	2,001	732	0	0	0	**732**	489	0	0	0	243	**732**
Air Quality Action Plan	473	339	99	35	0	0	**134**	108	10	0	0	15	**134**
Alderley Edge Bypass Scheme Implementation	60,611	60,358	100	153	0	0	**253**	0	0	0	0	253	**253**
Bridge Maintenance Minor Wks	9,869	7,641	2,228	0	0	0	**2,228**	1,524	0	0	0	703	**2,228**
Client Contract and Asset Mgmt	1,243	393	792	59	0	0	**850**	680	0	0	0	170	**850**
Crewe Rail Exchange	6,702	6,693	9	0	0	0	**9**	9	0	0	0	0	**9**
Highway Maintenance Minor Wks	52,505	36,919	15,585	0	0	0	**15,585**	11,404	0	0	0	4,181	**15,585**
Highway Pothole/Challenge Fund	8,353	8,074	279	0	0	0	**279**	0	0	0	0	279	**279**
Jack Mills Way Part 1 Claims	300	285	15	0	0	0	**15**	0	15	0	0	0	**15**
Local Highway Measures	7,602	6,531	871	200	0	0	**1,071**	695	0	0	0	376	**1,071**
Programme Management	1,211	967	244	0	0	0	**244**	244	0	0	0	0	**244**
Road Network & Linked Key Inf	83	78	0	5	0	0	**5**	5	0	0	0	0	**5**
Road Safety Schemes Minor Wks	6,128	5,528	599	0	0	0	**599**	374	0	0	0	225	**599**
Traffic Signs and Bollards - LED Replacement	1,250	913	337	0	0	0	**337**	0	0	0	0	337	**337**
Winter Service Facility	999	577	163	130	130	0	**423**	0	0	0	0	423	**423**
Infrastructure													
A500 Dualling scheme	89,456	10,415	1,062	1,353	28,135	48,491	**79,041**	53,284	4,300	0	0	21,457	**79041**
A50 / A54 Holmes Chapel	603	92	10	501	0	0	**511**	0	511	0	0	0	**511**
A54 / A533 Leadsmithy Street, Middlewich	563	152	50	361	0	0	**411**	0	411	0	0	0	**411**
A6 MARR CMM Disley	1,722	1,657	65	0	0	0	**65**	0	11	0	0	54	**65**
A6 MARR CMM Handforth	1,200	505	385	310	0	0	**695**	213	48	0	0	434	**695**
A6 MARR Technical Design	473	277	196	0	0	0	**196**	70	127	0	0	0	**196**
A556 Knutsford to Bowdon	504	361	45	98	0	0	**143**	0	143	0	0	0	**143**
Peacock Roundabout Junction	750	0	0	750	0	0	**750**	0	750	0	0	0	**750**
Congleton Link Road	88,443	71,453	822	3,375	4,229	8,565	**16,991**	316	14,130	0	0	2,545	**16,991**
Crewe Green Link Road	26,624	26,607	18	0	0	0	**18**	0	18	0	0	0	**18**
Crewe Green Roundabout	7,500	7,056	57	190	197	0	**444**	0	444	0	0	0	**444**
Flowerpot Phs 1 & Pinchpoint	10,037	1,437	500	5,835	2,265	0	**8,601**	2,139	726	0	0	5,736	**8,601**

Highways & Transport — CAPITAL

CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Total Forecast Budget 2023-27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
		Forecast Expenditure						Forecast Funding					
Committed Schemes in progress													
Future High Street Funding - Adaptive Signals	509	276	233	0	0	0	**233**	29	203	0	0	0	**233**
Future High Street Funding - Flag Lane Link	1,558	358	825	345	30	0	**1,200**	1,200	0	0	0	0	**1,200**
Future High Street Funding - Southern Gateway	4,631	443	1,800	2,387	0	0	**4,187**	4,187	0	0	0	0	**4,187**
Highways & Infrastructure S106 Funded Schemes	2,677	1,236	1,167	274	0	0	**1,441**	283	1,157	0	0	0	**1,441**
Infrastructure Scheme Development	325	0	163	163	0	0	**325**	325	0	0	0	0	**325**
Middlewich Eastern Bypass	91,157	20,247	11,266	19,360	25,785	14,499	**70,910**	46,779	12,816	0	0	11,315	**70,910**
North-West Crewe Package	42,351	22,374	19,859	118	0	0	**19,977**	0	12,249	0	1,730	5,997	**19,977**
Old Mill Road / The Hill Junction	1,325	173	140	1,012	0	0	**1,152**	0	1,152	0	0	0	**1,152**
Poynton Relief Road	52,657	43,682	3,285	1,708	396	3,587	**8,976**	2,236	5,740	0	1,000	0	**8,976**
Sydney Road Bridge	10,501	10,105	59	140	198	0	**396**	0	396	0	0	0	**396**
Strategic Transport and Parking													
Active Travel Fund	2,187	575	963	649	0	0	**1,612**	1,612	0	0	0	0	**1,612**
Active Travel (Cycling / Walking Route) Investment	3,000	2,570	430	0	0	0	**430**	365	0	0	0	65	**430**
Available Walking Routes	1	0	1	0	0	0	**1**	1	0	0	0	0	**1**
On-street Residential Charging	451	41	410	0	0	0	**410**	310	0	0	0	100	**410**
Route 55 Middlewood Way on Black Lane	669	116	552	0	0	0	**552**	552	0	0	0	0	**552**
Sustainable Travel Access Prog	3,574	1,626	375	1,574	0	0	**1,948**	1,401	309	0	0	238	**1,948**
Sustainable Modes of Travel to Schools Strategy (SMOTSS)	746	625	121	0	0	0	**121**	121	0	0	0	0	**121**
Public Transport Infrastructure	1,269	1,006	263	0	0	0	**263**	263	0	0	0	0	**263**
Local Access - Crewe Transport Access Studies	400	88	312	0	0	0	**312**	312	0	0	0	0	**312**
Local Access - Macclesfield Transport Access Studies	300	61	239	0	0	0	**239**	239	0	0	0	0	**239**
Middlewich Rail Study	20	0	20	0	0	0	**20**	20	0	0	0	0	**20**
Local LTP Strategy Studies	750	430	320	0	0	0	**320**	320	0	0	0	0	**320**
Digital Car Parking Solutions	140	93	20	27	0	0	**47**	0	0	0	0	47	**47**
Pay and Display Parking Meters	620	607	13	0	0	0	**13**	0	0	0	0	13	**13**
Car Parking Improvements (including residents parking)	322	266	30	26	0	0	**56**	0	0	10	0	46	**56**
HS2													
Crewe HS2 Hub Project Development	12,700	8,598	100	1,500	1,150	1,352	**4,102**	0	0	0	0	4,102	**4,102**
Total Committed Schemes	**626,403**	**375,067**	**69,690**	**42,638**	**62,515**	**76,494**	**251,337**	**133,380**	**55,667**	**10**	**2,730**	**59,549**	**251,337**

Highways & Transport

CAPITAL

CAPITAL PROGRAMME 2023/24 - 2026/27

	Forecast Expenditure							Forecast Funding					
Scheme Description	**Total Approved Budget £000**	**Prior Years £000**	**Forecast Budget 2023/24 £000**	**Forecast Budget 2024/25 £000**	**Forecast Budget 2025/26 £000**	**Forecast Budget 2026/27 £000**	**Total Forecast Budget 2023-27 £000**	**Grants £000**	**External Contributions £000**	**Revenue Contributions £000**	**Capital Receipts £000**	**Prudential Borrowing £000**	**Total Funding £000**
New Schemes													
Highways													
Footpath Maintenance - Slurry Sealing & Reconstruction Works	1,319	0	650	669	0	0	**1,319**	1,319	0	0	0	0	**1,319**
Managing and Maintaining Highways	9,331	0	0	4,619	4,712	0	**9,331**	0	0	0	0	9,331	**9,331**
Pothole Funding	17,397	0	0	5,799	5,799	5,799	**17,397**	17,397	0	0	0	0	**17,397**
Integrated Block - LTP	6,009	0	0	2,003	2,003	2,003	**6,009**	6,009	0	0	0	0	**6,009**
Maintenance Block - LTP, plus CE funding for inflationary rise	21,287	0	0	7,609	7,878	5,799	**21,287**	17,397	0	0	0	3,890	**21,287**
Incentive Fund - LTP	4,350	0	0	1,450	1,450	1,450	**4,350**	4,350	0	0	0	0	**4,350**
Total New Schemes	**59,693**	**0**	**650**	**22,149**	**21,842**	**15,051**	**59,693**	**46,472**	**0**	**0**	**0**	**13,221**	**59,693**
Total Highways & Transport	**686,096**	**375,067**	**70,340**	**64,787**	**84,357**	**91,545**	**311,029**	**179,852**	**55,667**	**10**	**2,730**	**72,770**	**311,029**

Highways and Transport Committee

6. Reserves Strategy

Highways and Transport Committee

Name of Reserve	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000	Notes
Highways and Infrastructure				
HS2	**785**	0	**785**	To support the Council's ongoing programme in relation to Government's HS2 investment across the borough and Transport for the North's Northern Powerhouse Rail Business Case.
Flood Recovery Works	**400**	(200)	**200**	To support locations identified for repair works as a result of the 2019 flood events.
Parking Pay and Display Machines / Parking Studies	**178**	(178)	**0**	To cover contract inflation for P&D machines and for new regulation from DfT on role of parking in decarbonising transport.
Highways Procurement Proj	**104**	(69)	**35**	To finance the development of the next Highway Service Contract. Depot mobilisation costs, split over 7 years from start of contract in 2018.
LEP-Local Transport Body	**19**	(19)	**0**	To fund the business case work for re-opening the Middlewich rail line. The remaining reserve will be fully required in 2023/24.
HIGHWAYS AND TRANSPORT TOTAL	**1,486**	**(466)**	**1,020**	

Appendix 7 : Finance Sub-Committee

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Appendix 7

Finance Sub-Committee

1. Changes to Revenue Budget 2023/24 since First Financial Review

	First Review Revised Net Budget £000	Adjustments to FR1 Budget £000	Second Review Revised Net Budget £000	Unringfenced Grants to be Actioned £000
CENTRAL BUDGETS				
Capital Financing	19,000	-	19,000	-
Corporate Contributions / Central Budgets	(1,704)	498	(1,206)	-
Contribution to / from Reserves	(6,138)	(1,225)	(7,363)	-
Finance Sub-Committee - Central Budgets	11,158	(727)	10,431	-
TOTAL BUDGET	**353,125**	**-**	**353,125**	**468**
CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(55,277)	-	(55,277)	-
Specific Grants	(26,751)	-	(26,751)	(468)
Council Tax	(271,097)	-	(271,097)	-
Finance Sub-Committee - Net Funding	(353,125)	-	(353,125)	(468)

Note the unringfenced grants to be actioned column includes the expenditure part of centrally held unringfenced grants. These budget adjustments will take place once all second financial review approvals have been given.

Finance Sub-Committee

2. 2023/24 Approved Budget Policy Changes and Forecast Variances

Forecast Outturn Commentary:

Scope for additional mitigating items in 2023/24: Use £5m from Capital Financing Reserve to cover the pressure on the associated capital financing budget arising due to increasing interest rates.

The financial effects of other potential mitigations are to be determined, but include:

- Capital Programme Review to identify scope to delay, reduce or stop spending on capital projects, to improve cashflow and save on borrowing costs.
- Review earmarked reserves.
- Lobby government on potential mitigation of cashflow implications from High Needs spending.
- Review economic factors, such as forecast interest rates.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Finance Sub-Committee	-28.194		
109	Capital Financing – Minimum Revenue Provision	-	5.418	Interest rate rises, repayment of overpaid COVID grants and the High Needs deficit have impacted on the overall level and cost of borrowing.
110	Pension Costs Adjustment	5.35	-	Action complete – budget adjusted.
111	Bad Debt Provision adjustment	-0.8	-	Subject to ongoing monitoring.
112	Capital Receipts Income	-1	-	On track, subject to ongoing monitoring.
113	Use of Earmarked Reserves – MTFS reserve	-4.951	-	On track, subject to ongoing monitoring.
114	Use of Earmarked Reserves – Collection Fund reserve	1.674	-	On track, subject to ongoing monitoring.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
115	Use of Earmarked Reserves – Capital Financing reserve	-1.7	-	On track, subject to ongoing monitoring.
116	Use of Earmarked Reserves – Transformation reserve	-1.371	-	Overall forecast of potential overspend for Council creates pressure on reserves.
117	Council Tax - % increase	-12.709	-	On track, subject to ongoing monitoring.
118	Council Tax – Base increase	-3.707	-	On track, subject to ongoing monitoring.
119	Business Rates	-6.191	-	On track, subject to ongoing monitoring.
120	Unring-fenced Grants + Revenue Support Grant	-2.789	-	On track, subject to ongoing monitoring.
	In-year pressure credit losses		0.491	Increased risks around credit losses due to economic climate.
	TOTAL FORECAST VARIANCE		**5.909**	
	Further Mitigating Actions could be in the region of £5m from the use of the Capital Financing Reserve.		5.000	Capital Programme Review to identify scope to delay, reduce or stop spending on capital projects, to improve cashflow and save on borrowing costs. Review earmarked reserve including the option to utilise the Capital Financing Budget Reserve in relation to corresponding budget pressures. c.£5m. Lobby government on potential mitigation of cashflow implications from High Needs spending. Review economic factors, such as forecast interest rates.
	REVISED FORECAST VARIANCE		**0.909**	

CENTRAL BUDGETS AND FUNDING

Table 1 – Central Outturn Forecasts

2023/24	Revised Budget (NET) £000	Forecast Outturn FR2 £000	Forecast Variance FR2 £000	Forecast Variance FR1 £000	Movement from FR1 to FR2 £000
CENTRAL BUDGETS					
Capital Financing	19,000	19,418	418	418	-
Transfer to/(from) Earmarked Reserves	(7,363)	(7,363)	-	-	-
Other Income/Expenditure	444	444	-	-	-
Past Service Pensions	-	-	-	-	-
Credit Losses	(650)	(159)	491	641	(150)
Income from Use of Capital Receipts	(1,000)	(1,000)	-	-	-
Apprenticeship Levy	-	-	-	-	-
Central Budgets	10,431	11,340	909	1,059	(150)
Business Rates Retention Scheme	(55,277)	(55,277)	-	-	-
Specific Grants	(26,751)	(26,751)	-	-	-
Council Tax	(271,097)	(271,097)	-	-	-
Sourced from Collection Fund	-	-	-	-	-
Net Funding	(353,125)	(353,125)	-	-	-

2.1 It is currently forecast that there will be a £0.9m variance to budget on the central budget. This is due to the affects of increased interest rates on the cost of borrowing and risks around credit losses.

2.2 Details of grants received and reserves can be found within the individual Service Committee Appendices.

Outturn Impact

2.3 The financial impact of the outturn forecast could decrease balances by £18.7m. This is more than the Council's General Reserves balance, so mitigating actions must be taken to reduce the pressure during the year. Any deficit at the end of the year will be drawn down from Earmarked Reserves.

2.4 The Council will continue to manage and review the financial forecasts in response to emerging pressures and how this affects the Council's revenue budget.

Collecting Local Taxes for Local Expenditure

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

Council Tax

2.6 Council tax is set locally and retained for spending locally. Council tax was set for 2023/24 at £1,707.39 for a Band D property. This is applied to the taxbase.

2.7 The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect council tax from (after adjustments for relevant discounts, exemptions and an element of non-collection). The taxbase for 2023/24 was agreed at 158,778.54 which, when multiplied by the Band D charge, means that the expected income for the year is £271.1m.

2.8 In addition to this, Cheshire East Council collects council tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. Table 3 shows these amounts separately, giving a total budgeted collectable amount of £334.9m.

2.9 This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the amount billed will therefore exceed the budget.

2.10 This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of discounts and exemptions, and changes in numbers and value of properties. The net amount billed to end of September 2023 is £333.3m.

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

	£m
Cheshire East Council	271.1
Cheshire Police and Crime Commissioner	39.8
Cheshire Fire Authority	13.9
Town and Parish Councils	10.1
Total	**334.9**

2.11 Table 4 shows collection rates within three years and, following a slight drop below this rate during the Covid-19 pandemic, demonstrates that 99% collection rate is on target to be achieved within this period for 2023/24.

Table 4 – Over 98% of Council Tax is collected in three years

	CEC Cumulative			
Financial Year	2020/21 %	2021/22 %	2022/23 %	2023/24 %
After 1 year	97.4	97.8	98.2	**
After 2 years	98.6	98.5	**	**
After 3 years	98.9	**	**	**

**data not yet available

2.12 The council tax in-year collection rate for the period up to the end of September 2023 is 56.0%. This is a small decrease of 0.8% on the previous year, despite current cost of living pressures. Facilities are in place for residents to extend payments where needed and staff are engaging with residents who need additional support.

2.13 Council Tax Support payments were budgeted at £18.9m for 2023/24 and at the end of September 2023 the total Council Tax Support awarded was £20.2m. This includes £0.5m additional Council Tax Support Fund.

2.14 Council tax discounts awarded for the period up to the end of September 2023 are £30.8m, which is an increase of £2.2m in comparison to the same period in 2022/23. This increase is attributable to work related to raising awareness of the discounts available to residents.

2.15 Council tax exemptions awarded to date are £8.2m, which is an increase of £1m in comparison to the same period in 2022/23.

Non-Domestic Rates (NDR)

2.16 NDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes annually in line with inflation and takes account of the costs of small business rate relief.

2.17 The small business multiplier applied to businesses which qualify for the small business relief was frozen at 49.9p for 2023/24. The non-domestic multiplier was also frozen at 51.2p in the pound for 2023/24.

2.18 Table 5 demonstrates how collection continues to improve even after year end. The table shows how 99% of non-domestic rates are collected within three years.

2.19 The business rates in-year collection rate for the period up to the end of September 2023 is 57.4%. This is a 1.1% decrease on last year, contributed to the rise in inflation and energy costs.

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

Financial Year	CEC Cumulative 2020/21 %	2021/22 %	2022/23 %	2023/24 %
After 1 year	92.4	95.6	98.2	**
After 2 years	97.4	98.3	**	**
After 3 years	99.0	**	**	**

**data not yet available

Finance Sub-Committee

3. Corporate Grants Register

Government Grant Funding of Local Expenditure

3.1 Cheshire East Council receives two main types of Government grants; specific purpose grants and general use grants. The overall total of Government grant budgeted for in 2023/24 was £301.2m.

3.2 In 2023/24, Cheshire East Council's specific purpose grants held within the services was budgeted to be £274.4m, based on Government announcements to February 2023. Since the First Financial Review there has been increase in specific purpose grants of £4.3m to £342.6m.

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

3.4 General use grants were budgeted to be £48.8m at the first financial review. This forecast position remains unchanged at the second financial review.

3.5 **Table 1** provides a summary of the updated forecast position for grants in 2023/24 by type and service.

3.6 Further details of general use grants are shown in **Table 2**, the Corporate Grants Register. The forecasts at Second Financial Review remain unchanged.

3.7 **Table 3** shows additional grant allocations that have been received over £1m that Council will be asked to approve.

Table 1 – Corporate Grants Register

Grants 2023/24	Original Budget 2023/24 £m	Revised Forecast FR1 2023/24 £m	Revised Forecast FR2 2023/24 £m	Change from FR1 2023/24 £m
SPECIFIC PURPOSE				
Children and Families	187.7	184.0	182.1	(1.9)
Adults and Health	36.6	44.0	46.2	2.2
Economy and Growth	2.6	4.9	7.3	2.4
Environment and Communities	0.2	1.2	1.2	(0.0)
Highways and Transport	0.0	3.0	3.2	0.2
Corporate Policy	47.3	52.3	53.7	1.4
TOTAL SPECIFIC PURPOSE	**274.4**	**289.4**	**293.7**	**4.3**
GENERAL USE				
Children and Families	6.9	7.4	7.4	0.0
Adults and Health	12.8	12.8	12.8	0.0
Economy and Growth	0.0	0.0	0.0	0.0
Environment and Communities	0.0	0.0	0.0	0.0
Highways and Transport	0.0	0.0	0.0	0.0
Corporate Policy	7.1	28.7	28.7	0.0
TOTAL GENERAL USE	**26.8**	**48.8**	**48.8**	**0.0**
TOTAL GRANT FUNDING	**301.2**	**338.3**	**342.6**	**4.3**

Source: Cheshire East Finance

Table 2 – Corporate Grants Register – General Use Grants

General Use Grants 2022/23 (Held Corporately)	Original Budget 2023/24 £000	Revised Forecast FR1 2023/24 £000	Revised Forecast FR2 2023/24 £000	Change from Revised Forecast 2023/24 £000	Treatment of Grant
CHILDREN & FAMILIES					
Social Care Support Grant (Children)	6,939	6,939	6,939	0	
Staying Put Implementation Grant	0	130	130	0	
Extended Rights to Free Transport (Home to School Transport)	0	256	256	0	
Extended Personal Adviser Duty Implementation	0	57	57	0	
Total Children & Families Committee	**6,939**	**7,383**	**7,383**	**0**	
ADULTS & HEALTH					
Social Care Support Grant (Adults)	12,426	12,426	12,426	0	
Local Reform & Community Voices	207	207	207	0	
Social Care in Prisons	73	73	73	0	
War Pension Scheme Disregard	60	60	60	0	
Total Adults & Health Committee	**12,766**	**12,766**	**12,766**	**0**	
CORPORATE POLICY					
Revenue Support Grant	388	388	388	0	
Housing Benefit Administration Subsidy	626	626	626	0	
NNDR Administration Allowance	587	578	578	0	
New Homes Bonus	3,794	3,794	3,794	0	
Services Grant	1,720	1,720	1,720	0	
Council Tax Support Fund	0	521	521	0	
Council Tax Support New Burdens	0	25	25	0	
Business Rates Reliefs Compensation Grant 2023/24	0	21,039	21,039	0	
Total Corporate Policy Committee	**7,115**	**28,692**	**28,692**	**0**	
TOTAL	**26,820**	**48,840**	**48,840**	**0**	

Table 3 – COUNCIL DECISION
Note that Council will be asked to Approve Supplementary Revenue Estimates of Additional Grant Funding over £1m

Committee	Year	Type of Grant	£000	Details
Adults and Health	2023/24	Market Sustainability and Fair Cost of Care Fund - Workforce Element (Specific Purpose)	2,206	This grant is from the Department of Health and Social Care (DHSC). The government is providing a further £570 million of ringfenced funding across financial years 2023 to 2024 and 2024 to 2025 to local authorities to improve and increase adult social care provision, with a particular focus on workforce pay. We expect this additional funding to support more workforce and capacity within the adult social care sector. This will help to ensure that appropriate short-term and intermediate care is available to reduce avoidable admissions and support discharge of patients from hospital when they are medically fit to leave.
Economy and Growth	2023/24	Shared Prosperity Fund (Specific Purpose)	2,412	The UK Shared Prosperity Fund (UKSPF or the Fund) is a component of the UK government's Levelling Up agenda and its support for places across the UK. It provides the Authority with up to £9.48 million of new revenue funding for local investment by March 2025. It seeks to empower local communities to identify their own priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances. The Authority has the flexibility to invest across a range of activities to deliver agreed outcomes. Consequently some of the funding may be awarded to external third parties to deliver on the Authority's behalf.
Total Specific Purpose Allocation for Council Approval			**4,618**	

Finance Sub-Committee

4. Debt Management

4.1 Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has decreased by £0.2m since the end of June.

4.2 Annually, the Council raises invoices with a total value of over £80m. Around a quarter of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.

4.3 The Council's standard collection terms require payment within 28 days of the invoice date, however, services receive immediate credit in their accounts for income due. The Council uses a combination of methods to ensure prompt payment of invoices. Recovery action against unpaid invoices may result in the use of debt collectors, court action or the securing of debts against property.

4.4 The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection/enforcement agent services (currently provided by Bristow & Sutor).

4.5 After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of September 2023 was £14.4m.

4.6 The total amount of service debt over six months old is £8.7m; provision of £7.5m has been made to cover doubtful debt in the event that it needs to be written off.

DEBT SUMMARY

	Outstanding Debt £000	Over 6 months old £000
Adults and Health Committee		
Adults, Public Health and Communities	11,999	7,516
Children and Families Committee		
Children's Social Care (Incl. Directorate)	4	-
Prevention and Early Help	65	11
Schools	9	-
Highways and Transport Committee		
Highways and Infrastructure	1,000	650
Economy and Growth Committee		
Growth and Enterprise	905	224
Environment and Communities Committee		
Environment and Neighbourhood Services	331	206
Corporate Policy Committee		
Finance and Customer Services	95	53
Governance and Compliance	13	-
Human Resources	9	-
ICT	8	1
	14,438	**8,661**

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Finance Sub-Committee

5. Capital Strategy

Table 1: Financial Parameters for 2023/24

Parameter	2023/24
Repayment of Borrowing	
Minimum Revenue Provision*	17.4
External Loan Interest	13.9
Investment Income	(3.6)
Contributions from Services Revenue Budgets	(1.2)
Total Capital Financing Costs	**26.5**
Use of Financing EMR	**(7.5)**
Actual CFB in MTFS	**19.0**
Capital Receipts targets*	**1.0**
Flexible use of Capital Receipts	**1.0**

*Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

5.1 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the Council's capital financing requirement (CFR),and will create revenue costs through interest costs and minimum revenue provision.

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

5.3 The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is reported as part of the MTFS report and Outturn report. 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.

5.4 The nature and scale of the Council's capital programme means that it is a key factor in the Council's treasury management, including the need to borrow to fund capital works. The treasury management strategy for the Council is included in **Appendix 7a** of this report.

5.5 The Council's current strategy is to use available cash balances known as 'internal borrowing'. In addition, cash shortfalls are being be met by temporary borrowing from other Local Authorities which for a number of years has been considerably cheaper than other sources of borrowing and allowed the Council to keep financing costs low. The cost of these loans has now significantly increased in line with base rate increases. Consideration is therefore, being given to some longer-term fixed rate loans which may be cheaper in the short term and provide surety of future interest costs protecting against any further sudden unexpected future rate increases.

Contributions from Services

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

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

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

5.9 The Council's strategy is to use revenue contributions of £1.3m in 2023/24 to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £3.0m from the Investment Portfolio; £0.8m and a contribution from schools towards the school's transformation programme; £0.1m from Everybody Health and Leisure for the improvements to the Council's leisure facilities.

Use of Financing Earmarked Reserve

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

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

5.12 The Council's current strategy is to draw-down the remaining balance from the Financing Earmarked Reserve over the next four years 2023/24 to 2026/27. Currently there is not enough in the reserve to cover the shortfalls in available budget. This will need to be addressed in the next Medium-term Financial strategy for 2024/28.

Capital Programme – Review Position

5.13 Since the First Financial review was reported to the Corporate Policy Committee on the 5th of October, the capital programme has decreased by £4.1m. This is mainly due to a reduction in grant funded Housing schemes where the funds are to be returned to central government (£2.8m) and a reduction in the Connecting Schemes (£1.5m) where the schemes are now complete and so the budget is no longer required.

5.14 During October as part of the mitigations detailed in the First Financial Review report, the Council has commenced a wholescale review of the capital programme, as part of that review the Council has managed to slip £27.4m into future years, resulting in a revised in-year forecast for 2023/24 of £181.4m.

5.15 Further work is ongoing to see if schemes can be deferred even further into the future or even removed from the programme altogether, as the Capital Financing budget for 2023/24 is still showing a pressure of over £6.0m which includes the interest paid on borrowing cash to fund capital expenditure. Any reduction in capital expenditure would improve that overspend position and reduce the need to borrow when rates are still high at 5.5% (on average). **Table 2** shows the summary of changes.

Table 2: Summary Capital Programme

	MTFS Budget 2023/27 £m	SCEs/ Virements in Quarter 2023/27 £m	Budget Reductions 2023/27 £m	SCEs/ Virements 2023/27 £m	Revised Budget 2023/27 £m
Adults and Health	0.5	-	0	0	0.5
Children & Families	116.8		0	(0.4)	116.4
Highways & Transport	311.0		0	0	311.0
Economy & Growth	227.2	0.6	(4.8)	0.9	223.9
Environment & Communities	34.9		-0.4	0	34.5
Corporate Directorate	30.3	-	0	-	30.3
	720.7	**0.6**	**(5.2)**	**0.5**	**716.6**

5.16 The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve). A funding summary is shown in **Table 3**.

5.17 **Table 4** details requests of Supplementary Capital Estimates (SCE) up to and including £250,000 and Capital Virements up to and including £100,000 approved by delegated decision which are included for noting purposes only.

5.18 **Table 5** lists details of Capital Supplementary Estimates over £250,000 and up to £1,000,000 and Capital Virements over £100,000 and up to and including £5,000,000 that requires Committee to approve.

5.19 **Table 6** lists details of reductions in Approved Budgets where schemes are completed and surpluses can now be removed. These are for noting purposes only.

5.20 Prudential Indicators are shown at the end of this section.

5.21 Capital programme detail is shown in other service committee **Appendices 1-7, Section 5**.

Table 3: Capital Programme Update

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY					
CAPITAL PROGRAMME 2023/24 - 2026/27					
	Forecast 2023/24 £000	**Forecast 2024/25 £000**	**Forecast 2025/26 £000**	**Forecast 2026/27 £000**	**Total Forecast 2023-27 £000**
Committed Schemes - In					
Adults and Health	21	449	0	0	**470**
Children and Families	36,123	34,106	20,802	19,819	**110,850**
Highways & Transport	69,690	42,638	62,515	76,494	**251,337**
Economy & Growth	53,899	80,106	78,987	9,800	**222,792**
Environment & Communities	6,247	9,811	6,025	4,407	**26,490**
Corporate Policy	11,145	9,934	7,000	681	**28,760**
Total Committed Schemes - In Progress	**177,125**	**177,044**	**175,329**	**111,201**	**640,699**
CAPITAL PROGRAMME 2023/24 - 2026/27					
	Forecast 2023/24 £000	**Forecast 2024/25 £000**	**Forecast 2025/26 £000**	**Forecast 2026/27 £000**	**Total Forecast 2023-27 £000**
New Schemes					
Adults and Health	0	0	0	0	**0**
Children and Families	367	4,380	1,000	0	**5,747**
Highways & Transport	650	22,149	21,842	15,051	**59,692**
Economy & Growth	1,168	0	0	0	**1,168**
Environment & Communities	1,530	3,129	3,417	0	**8,076**
Corporate Policy	510	1,043	0	0	**1,553**
Total New Schemes	**4,225**	**30,701**	**26,259**	**15,051**	**76,236**
Total	**181,350**	**207,745**	**201,588**	**126,252**	**716,935**

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CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2023/24 - 2026/27

	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Total Forecast 2023-27 £000
Funding Requirement					
Indicative Funding Analysis: (See note 1)					
Government Grants	98,518	124,657	77,863	45,731	**346,769**
External Contributions	20,834	16,661	41,906	35,788	**115,189**
Revenue Contributions	1,103	1,003	219	434	**2,759**
Capital Receipts	1,000	1,000	31,810	1,000	**34,810**
Prudential Borrowing (See note 2)	59,895	64,424	49,790	43,299	**217,408**
Total	**181,350**	**207,745**	**201,588**	**126,252**	**716,935**

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 2023-2027 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.

Table 4: DECISION DELEGATED TO OFFICERS

Requests for Supplementary Capital Estimates (SCEs) and Virements

Committee / Capital Scheme	Amount Requested £	Reason and Funding Source
Supplementary Capital Estimates that have been made up to £250,000		
Economy & Growth		
Crewe Town Centre Regeneration	284,047	Additional funding for Crewe Lyceum Square - £220,047 UK Shared Prosperity Fund and £64,000 from Crewe Town Council.
Housing		
Disabled Facilities Grant	204,384	Additional Disabled Facilities Grant allocated.
Total Supplementary Capital Estimates Requested	**488,431**	
Total Supplementary Capital Estimates and Virements	**488,431**	

Table 5: Requests for Supplementary Capital Estimates (SCEs) and Virements

Committee / Capital Scheme	Amount Requested £	Reason and Funding Source
Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements		
Capital Budget Virements above £100,000 up to and including £5,000,000		
Economy & Growth		
PSDS - 3B - Lot 1	1,263,395	Virement of match Cheshire East funding from the Premises Capital Project to fund de-carbonisation work on the Councils property portfolio.
Future High Street Funding - Christ Church Innovation Centr	300,000	Future High Street Funding grant - re-allocation from the CEC Innovation Centre Project.
Crewe Towns Fund - Mill Street Corridor	1,000,000	Drawdown of funding from the Crewe Towns Fund Block Allocation to support the two named schemes.
Crewe Towns Fund - History Centre Public Realm	269,000	
Schools Capital Maintenance	478,800	Additional funding from the School Condition Maintenance Grant to fund condition works on a number of maintained schools. The projects are managed by the facilities Management Team.
Total Capital Virements requested	**3,311,195**	
Total Supplementary Capital Estimates and Virements	**3,311,195**	

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Table 6: TO NOTE - Capital Budget Reductions

Committee / Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
Finance Sub Committee are asked to note the reductions in Approved Budgets				
Economy & Growth				
Farms Strategy	3,380,431	2,910,192	470,239	Capital Review - budget can be reduced as no longer required.
Red Roofs Hole Farm Alderley Edge - Acquisition	15,000	12,404	2,596	
PSDS - 3B - Lot 3 (schools)	4,946,270	4,931,820	14,450	To match budget to the amount of the grant.
PSDS - 3B - Lot 1	2,100,000	2,014,929	85,071	
Sustainable Warmth - Home Upgrade Grant	2,809,812	805,621	2,004,191	Revised budget £805,621 - grant being returned to DESNZ (2 of 3 payments already made)
Green Homes Grant	3,898,049	3,102,958	795,091	budget reduction of £795,901 - revised budget £3,102,958
Connecting Cheshire Phase 2	6,234,802	5,351,757	883,045	Capital Review - now complete and can now be removed from Programme.
Connecting Cheshire	29,523,760	28,929,076	594,684	
Highways & Infrastructure				
Hawthorn Lane, Wilmslow Xing	8,500	29	8,471	The project is not to be progressed, the S106 funding has now been utilised elsewhere in the programme.
Environment & Communities				
Carbon Offset Investment	1,000,000	568,000	432,000	Capital Review - budget can be reduced as no longer required.
	53,916,624	**48,626,786**	**5,289,838**	

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Prudential Indicators revisions to: 2022/23 and 2023/24 – 2025/26 and future years

Background

5.23 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

5.24 In 2023/24, the Council estimates to spend £181.4m on capital expenditure as summarised below.

Capital Expenditure	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	Future years £m
Total	116.4	181.4	207.7	201.6	126.3

Source: Cheshire East Finance

Capital Financing

5.25 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	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	Future years £m
Capital receipts	1.0	1.0	1.0	31.8	1.0
Government Grants	47.1	98.5	124.7	77.9	45.7
External Contributions	6.7	20.8	16.7	41.9	35.8
Revenue Contributions	1.2	1.1	1.0	0.2	0.4
Total Financing	**56.0**	**121.5**	**143.3**	**151.8**	**82.9**
Prudential Borrowing	60.4	60.0	64.3	49.8	43.4
Total Funding	**60.4**	**60.0**	**64.3**	**49.8**	**43.4**
Total Financing and Funding	**116.4**	**181.4**	**207.7**	**201.6**	**126.3**

Source: Cheshire East Finance

Replacement of debt finance

5.26 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	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Total	**15.0**	**17.5**	**19.8**	**23.1**	**25.8**

Source: Cheshire East Finance

Estimates of Capital Financing Requirement

5.27 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 will increase by £43m during 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows.

Capital Financing Requirement	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Total	**467**	**510**	**545**	**570**	**569**

Source: Cheshire East Finance

Asset disposals

5.28 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. Repayments of capital grants, loans and investments also generate capital receipts. The Council received £4.9m of capital receipts from asset sales in 2022/23 and plans to receive a further £4.8m in future years.

Capital Receipts	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Asset Sales	4.3	1.0	1.0	1.0	1.0
Loans Repaid	0.6	0.2	0.2	0.2	0.2
Total	**4.9**	**1.2**	**1.2**	**1.2**	**1.2**

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

5.29 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 5.3%) and long term fixed rate loans where the future cost is known but higher (currently 5.4%– 5.6%).

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

Gross Debt and the Capital Financing Requirement	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Borrowing	261	321	354	411	386
PFI Liabilities	19	18	17	17	15
Total Debt	**280**	**339**	**371**	**428**	**401**
Capital Financing Req.	**467**	**510**	**545**	**570**	**569**

Source: Cheshire East Finance

5.31 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

5.32 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 £239m and is forecast to rise to £364m over the next four years.

Borrowing and the Liability Benchmark	2022/23 Estimate Actual £m	2023/24 Estimate Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Outstanding Debt	261	321	354	411	386
Liability Benchmark	239	275	322	354	364

Source: Cheshire East Finance

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

Affordable borrowing limit

5.34 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.

	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Authorised Limit for Borrowing	480	540	570	590	580
Authorised Limit for Other Long-Term Liabilities	19	18	17	17	15
Authorised Limit for External Debt	**499**	**558**	**587**	**607**	**595**
Operational Boundary for Borrowing	470	530	560	580	570
Operational Boundary for Other Long-Term Liabilities	19	18	17	17	15
Operational Boundary for External Debt	**489**	**548**	**577**	**597**	**585**

Source: Cheshire East Finance

Investment Strategy

5.35 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.

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

Treasury Management Investments	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m
Short term	32	20	20	20	20
Long term	20	20	20	20	20
Total Investments	**52**	**40**	**40**	**40**	**40**

Source: Cheshire East Finance

5.37 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 8**.

5.38 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury activity are reported to Cabinet as part of the Finance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.

5.39 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Appendix 9.**

5.40 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Ratio of Financing Costs to Net Revenue Stream	31/03/23 Actual	31/03/24 Estimate	31/03/25 Estimate	31/03/26 Estimate	31/03/27 Estimate
Financing Costs (£m)	19.0	19.0	20.0	21.0	22.0
Proportion of net revenue stream %	**5.80**	**5.38**	**5.37**	**5.50**	**5.59**

Source: Cheshire East Finance

5.41 Further details on the revenue implications of capital expenditure are on paragraphs 108-129 of the 2022-26 Medium Term Financial Strategy (**Appendix C**).

5.42 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.

Finance Sub-Committee

6. Reserves Strategy

Management of Council Reserves

6.2 The Council's Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.

6.3 The opening balance at 1 April 2023 in the Council's General Reserves was £14.1m, as published in the Council's Statement of Accounts for 2022/23.

6.4 The General Reserves provides some protection against emerging risks such as inflation and particularly the DSG deficit, which was highlighted in the MTFS as having no alternative funding.

6.5 The Council also maintains Earmarked Revenue Reserves for specific purposes. At 31 March 2023 balances on these reserves stood at £61.6m, excluding balances held by Schools.

6.6 Unspent schools budgets that have been delegated, as laid down in the Schools Standards Framework Act 1998, remain at the disposal of the school and are not available to the Council to use.

6.7 During 2023/24, an estimated £29.1m will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding. The closing balance at 31 March 2024 is forecast at £32.5m.

6.8 The second review position presents a pressure of £18.7m. Any variation to budget at year-end will be managed through the Council's Earmarked Reserves.

Table 1 – Forecast Reserves Position

	£m
General Reserve	14.1
Earmarked Reserves (excluding Schools)	32.5
Total Reserves Balance at 31 March 2024	**46.6**

6.9 Details of individual reserves are shown in the relevant Service Committee appendix and in summary in **Table 2**.

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Table 2 – Earmarked Reserves Summary

Earmarked Reserves Summary

Committee Reserves	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000
Adults and Health Committee	**7,082**	(2,104)	**4,978**
Children and Families Committee	**3,374**	(3,374)	**0**
Corporate Policy Committee	**45,549**	(21,417)	**24,132**
Economy and Growth Committee	**3,109**	(1,570)	**1,539**
Environment and Communities Committee	**994**	(173)	**821**
Highways and Transport Committee	**1,486**	(466)	**1,020**
TOTAL EARMARKED RESERVES MOVEMENT	**61,594**	**(29,104)**	**32,490**

**Excluding schools' balances*

Dedicated Schools Grant

6.10 The Dedicated Schools Grant (DSG) is ring-fenced funding received for: schools; high needs / special educational needs; and early years provision. In recent years there has been a pressure on the DSG high needs block where funding has not kept pace with the increasing numbers and cost of children with an education, health and care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The on-going pressure is regularly reviewed; at the end of 2022/23 the deficit was £46.9m; the deficit is forecast to increase to £85.8m by the end of 2023/24. The Council's DSG Management Plan sets out the planned expenditure and income on high needs over the medium term, these figures are based on the updated plan which will be going to Committee in Sep 2023 for approval.

Table 3 – DSG Deficit

Dedicated Schools Grant Deficit	£m
Deficit Balance B/F	**46.9**
Additional In-year Pressures	**38.9**
Deficit Balance at 31st March 2024	**85.8**

Appendix 7a

Treasury Management Strategy

Treasury Management Report

Annexes:

1. Background

1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.3 Investments held for service purposes or for commercial profit are considered in the Investment Report (see **Appendix 7b**).

2. External Context

1.4 **Economic background:** UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

1.5 Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

1.6 July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

1.7 Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

1.8 The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

1.9 Financial market Base Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

1.10 Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

1.11 The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

1.12 **Financial Markets:** Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

1.13 Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

1.14 **Credit Review:** Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank, the purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days.

1.15 Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

1.16 Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

1.17 An outlook for the remainder of 2023/24 and interest rate forecast provided by Arlingclose is attached at **Annex A**.

3. Local Context

1.18 As at 30 September 2023 the Authority has borrowings of £279m and investments of £43m. This is set out in further detail at **Annex B.** Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
General Fund CFR	467	509	545	570
Less: Other long term liabilities *	(19)	(18)	(17)	(17)
Loans CFR	**448**	**491**	**528**	**553**
Less: External borrowing **	(261)	(321)	(354)	(411)
Internal (over) borrowing	**187**	**170**	**174**	**142**
Less: Usable reserves	(165)	(156)	(151)	(146)
Less: Working capital	(64)	(80)	(75)	(73)
Investments (or New borrowing)	**42**	**66**	**52**	**77**

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

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

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

1.20 CIPFA's Prudential Code for Capital Finance 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 2023/24.

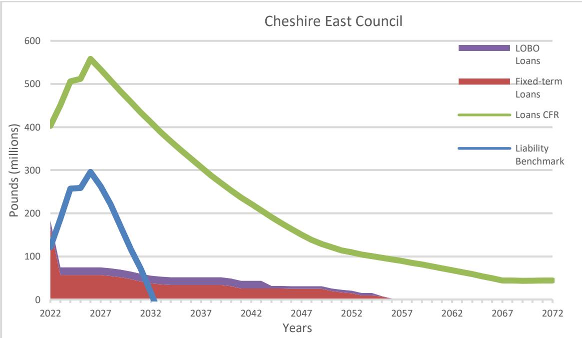
1.21 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain a core strategic Investment.

Table 2: Liability Benchmark

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
Loans CFR	448	491	528	553
Less: Usable reserves	(165)	(156)	(151)	(146)
Less: Working capital	(64)	(80)	(75)	(73)
Plus: Minimum investments	20	20	20	20
Liability Benchmark	**239**	**275**	**322**	**354**

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

Chart 1: Liability Benchmark Chart



4. Borrowing Strategy

1.23 The Authority currently holds loans of £260m, which is broadly the same as at 31 March 2023. However, this will increase to a higher level, currently forecast as £321m at 31 March 2024.

1.24 Between 2022/21 and 2022/23, receipt of Government funding for Covid relief measures, energy grants and other schemes in advance of expenditure had reduced the Councils borrowing requirement. These funds have now mostly been used or repaid which has significantly increased the amounts needed to be borrowed to more realistic levels.

1.25 At the moment, cash shortfalls are being met by temporary borrowing from other Local Authorities which, for a number of years, has been considerably cheaper than other sources of borrowing and allowed the Council to keep financing costs low. The cost of these loans has now significantly increased in line with base rate increases. Consideration is, therefore, being given to some longer term fixed rate loans which may be cheaper in the short term and provide surety of future interest costs protecting against any further sudden unexpected future rate increases. The cost of short term borrowing in the first half of 2023/24 is 4.13% and rising, compared to 1.66% for 2022/23.

1.26 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2023/24. Due to rising interest rates it is becoming more likely that the lender may exercise their options. If this happens, the Authority is likely to take the option to repay LOBO loans at no cost although this may lead to slightly higher refinancing costs in the short term.

5. Investment Strategy

1.27 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Due to the overriding need for short term borrowing, other than £20m invested strategically in managed funds, the investments are generally short term for liquidity purposes. The level at 30 September 2023 is £43m.

1.28 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

1.29 The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6m for unsecured investments and £12m for secured investments. Any limits also apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12m per fund. All potential counterparties are kept under continual review by our treasury advisors and advisory lower limits than those contained in the strategy are applied.

1.30 Treasury Management income to 30 September 2023 is £1,230,000 which is higher than the budgeted £430,000. However, borrowing costs are also higher than budgeted at £6m compared to budget of £2.34m. This is caused by a combination of increasing interest rates with an increased borrowing requirement. From the projected cash flows for the remainder of 2023/24 the net additional financing costs (borrowing less investment interest is expected to be £6m in excess of that budgeted.

- The average daily investment balance including managed funds up to 30 September 2023 is £51.5m

- The average annualized interest rate received on in-house investments up to 30 September 2023 is 4.65%

- The average annualized interest rate received on the externally managed funds up to 30 September 2023 is 6.57%

1.31 The Authority's total average interest rate on all investments in 2023/24 is 5.12%. This return is below our our own performance target of 5.30% (average

Base Rate + 0.50%) due to the time lag of re-investments as rates increase. Hower, we compare favourably to the Sterling Over Night Interest Average (SONIA) rate.

1.32

Table 3 – Interest Rate Comparison

Comparator	Average Rate to 30/09/2023
Cheshire East	5.12%
SONIA	4.73%
Base Rate	4.80%
Target Rate	5.30%

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

1.34 The investments are in five different funds which are all together are designed to give an annual income return higher than cash investments but which have different underlying levels of volatility. By spreading investments across different types of fund, the intention is to dampen any large fluctuations in the underlying value of the investments.

Table 4 –Strategic Investments

Fund Manager	Asset Class	Invested £m	Current Value £m
CCLA	Property	7.5	7.5
Aegon	Multi Asset	5.0	4.4
Fidelity	Equity - Global	4.0	4.1
Schroders	Equity - UK	2.5	2.2
M & G	Bonds	1.0	0.8
TOTAL		**20.0**	**19.0**

1.35 The value of these investments does vary. During 2022/23 the valuation of all funds had been affected by rising inflation, the effects of the war in Ukraine and low levels of GDP. As inflation reduces and the likelihood of interest increases subsides the valuation of these funds is expected to improve. All funds continue to deliver good levels of income return.

Chart 2 – Current Investments by Counterparty Type

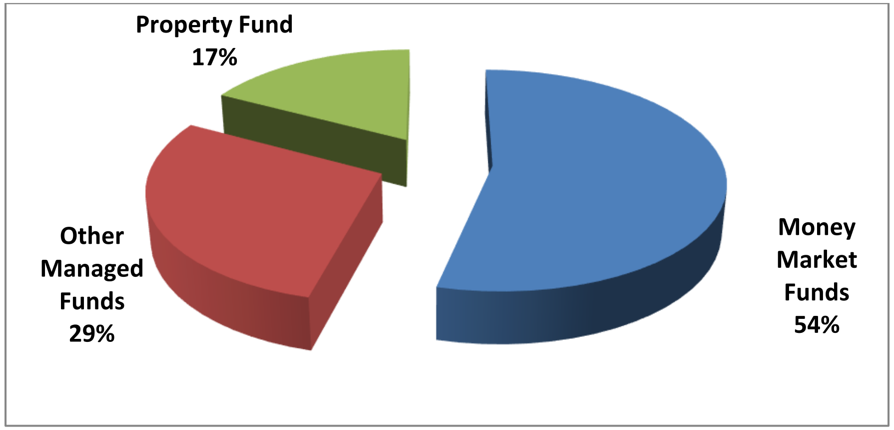


Chart 3 – Maturity Profile of Investments

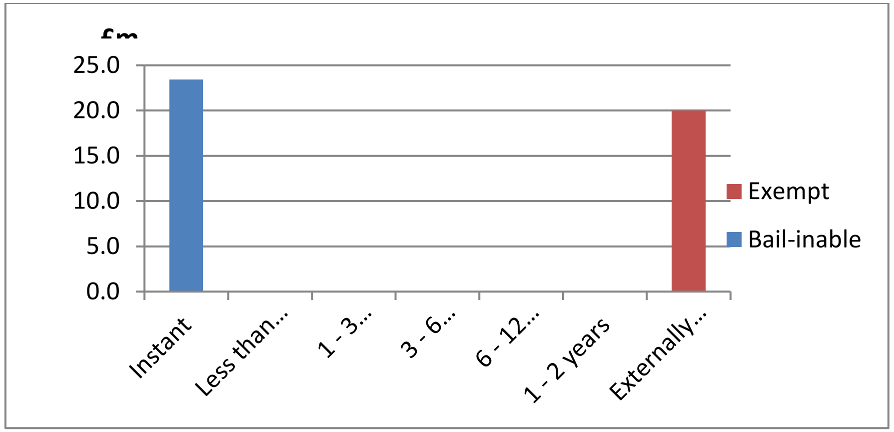


Table 6 – Types of Investments and Current Interest Rates

Instant Access Accounts	Average Rate %	£m
	5.28	23.4

Externally Managed Funds	£m
	20.0

Summary of Current Investments	£m
	43.4

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

6. Treasury Management Indicators

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% **rise** in interest rates	£740,000
Likely revenue impact in 2023/24 of a 1% **rise** in interest rates	£1,465,000

1.38 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2023/24 so a fall in rates would lead to savings rather than incurring additional cost so a limit of £0 was set. Rates have already changed by more than 1% although not forecast to change any further. Increased borrowing following repayment of Government funds has resulted in this indicator being exceeded.

1.39 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. Lower limits have been set at 0%. The upper limits on the maturity structure of borrowing and the actual maturity profiles as at 30 September 2023 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	75%	73%
12 months and within 24 months	75%	4%
24 months and within 5 years	75%	1%
5 years and within 10 years	75%	8%
10 years and within 20 years	100%	4%
20 years and above	100%	10%

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

1.41 **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	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£25m	£15m	£10m
Actual amounts committed beyond year end	£0m	£0m	£0m

Annex A: Economic & Interest Rate Outlook for Remainder of 2023

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

UK inflation and wage growth remain elevated, but the August CPI data suggested that inflation was falling more rapidly. In a narrow 5-4 vote, the MPC took the opportunity to hold rates at 5.25%, a level we see as the peak. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy inevitability slides into recession.

While the MPC vote was close, and the minutes contained the warning about the need for further tightening if inflationary pressures persist, both the decline in closely-watched inflation measures and confidence that wage growth had peaked, clearly allowed policymakers to focus on the weaker activity data.

The UK economy has so far been resilient. However, recent data indicates a further deceleration in business and household activity growth as higher interest rates start to bite. Global demand will be soft, so offer little assistance in offsetting weakening domestic demand. A recession remains a likely outcome.

Employment demand has weakened and unemployment has increased, although the tight labour market has resulted in higher nominal wage growth. Anecdotal evidence suggests slowing recruitment and wage growth, and we expect unemployment to rise.

Consumer confidence has improved due to signs of real wage growth amid strength in the labour market, but household spending will remain weak as mortgaged households suffer higher interest payments and unemployment rises. Business investment/spending will fall back due to higher borrowing costs and weaker demand.

Inflation will continue to fall over the next 12 months albeit with upside risk. The MPC's attention will remain on underlying inflation measures and wage data. Policy rates will remain at the peak for another 10-12 months, until the MPC is comfortable the risk of further second round effects have diminished.

Annex B: Existing Investment & Debt Portfolio Position

	30/09/23 Actual Portfolio £m	30/09/23 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	60	4.54%
Local Authorities	176	4.13%
LOBO Loans	17	4.63%
Other	7	4.78%
Total External Borrowing	**260**	**4.27%**
Other Long Term Liabilities:		
PFI	19	-
Total Gross External Debt	**279**	-
Investments:		
Managed in-house		
Short-term investments:		
Instant Access	23	5.28%
Managed externally		
Property Fund	7.5	4.75%
Multi Asset Fund	5	6.80%
Equity - Global	4	6.70%
Equity - UK	2.5	7.03%
Bonds	1	3.73%
Total Investments	**43**	**5.56%**
Net Debt	**236**	-

Appendix 7b

Investment Strategy

1. Purpose

1.1 The purpose of the Investment Strategy is to:

- set out the Council's approach to managing investments
- establish financial limits for various 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

1.2 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.

1.3 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.

1.4 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

1.5 On 2 February 2018 the Department for Levelling Up, Housing and Communities (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/

1.6 The guidance was issued to reflect concerns raised by government over patterns of local authority behaviour particularly with respect to the exponential increase in borrowing to invest in commercial properties and other investments where a return was a primary aim. There was concern that local authorities were being exposed to high levels of financial risk through borrowing and investment decisions and that could have a detrimental impact on services if investments did not perform as expected. The requirement to produce this annual Investment Strategy, to be approved by Full Council, was an attempt to recognise this and ensure that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

1.7 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.

1.8 2021 saw 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 placed further limitations on the ability of Local Authorities to borrow and invest.

1.9 The new Code incorporated updated and revised content in respect of Authorities not borrowing more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. It strengthened previous guidance that authorities "must not borrow to invest primarily for financial return". This included any form of borrowing whether it be public or private sector. In addition, it included proportionality as an objective in the Prudential Code; and further provisions were included so that an Authority considered an assessment of risk to levels of resources.

1.10 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 reflected in this Authority's definition and presentation of investment information.

1.11 It has been the need to diversify and grow revenue income sources to meet growing service pressures and the availability of cheap borrowings that have fuelled the growth in local authority investments. The last year has seen the investment decisions of several local authorities come under scrutiny along with some high-profile failures. These have vindicated the regulators cautionary approach and reinforced to stakeholders that investments come with risk and real consequences when they go wrong.

1.12 More than ever Members need to ensure that they are fully informed and capable of making decisions on investments particularly in areas that are far removed from normal Council activities and area of expertise.

Introduction

1.13 The Authority invests its money for three broad purposes and these are reflected in the revised Prudential Code:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

1.14 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.

1.15 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.

2. Investment Indicators

1.16 The Authority has set the following quantitative indicators to allow elected Members and the public to assess the Authority's total risk exposure arising from its investment decisions.

1.17 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 1: Total investment exposure in £'000

Total investment exposure	31/03/23 Actual	30/09/23 Actual	31/03/24 Forecast
Treasury management investments	52,300	52,300	40,000
Service investments: Loans	16,728	21,740	21,668
Service investments: Shares	4,460	4,460	4,460
Commercial investments: Property	24,537	24,537	24,537
Commercial Investments: Loans	3,776	3,776	3,776
TOTAL INVESTMENTS	**101,801**	**106,813**	**94,441**
Commitments to lend	6,097	6,013	6,013
TOTAL EXPOSURE	**107,898**	**112,826**	**100,454**

1.18 The Council has total investment exposure estimated at £112.8m at September 2023 (£60.5m excluding treasury management), of which £24.5m relates to property investment backed by physical assets with an income stream and alternative use. Other investments are loans for economic development purposes; consequently they are not a material element of our budgeting for MTFS income.

1.19 How investments are funded: As at 30 September 2023 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. Balances are stated as at March 2023.

Table 2: Investments funded by borrowing in £'000

Investments funded by borrowing	31/03/22 Actual	31/03/23 Actual	31/03/24 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	21,517	20,089	19,353
Commercial Investments: Loans	8,000	3,776	3,776

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Investments funded by borrowing	31/03/22 Actual	31/03/23 Actual	31/03/24 Forecast
TOTAL FUNDED BY BORROWING	**29,517**	**23,865**	**23,129**

1.20 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 3: Investment rate of return (net of all costs)

Investments net rate of return	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Treasury management investments	2.13%	2.96%	5.12%
Service investments: Loans (see1.21 below)	-3.00%	-6.52%	0.03%
Service investments: Shares (see 1.22 below)	NIL*	NIL*	NIL*
Commercial investments: Property	2.95%	3.16%	3.20%
Commercial Investments: Loans	3.20%	3.16%	3.13%

1.21 The return for Service Investments: Loans is not a true return but is instead heavily skewed towards non-interest bearing loans for CEC and the % fluctuation in the underlying value of the new assets within the Life Science Fund. As such they do not reflect actual cashflows. If these were excluded the 2023/234 forecast figure would be 7.78%.

1.22 Within the category Service Investments: Shares we have historically shown the % movement in the carrying value of our shareholding in Alderley Park Holdings Limited as a return. However, this is not a real return or cashflow. Typically, a return on a share would be based upon the dividend yield and there have been no dividends paid. Therefore, this is now being shown as Nil. There has been an upward revaluation of property assets at Alderley Park which has impacted the underlying asset value that we show in Table 5. We will continue to monitor, but the asset value remains more than the Authority paid for the shares.

1.23 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 site becomes vacant for a prolonged period or is subject to a (lower) rent review.

1.24 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 have thus far weathered the local economic effects of the past three years though we have experienced further reductions in asset value in the last financial year. As the lease term reduces this may continue until the lease is renewed or replaced.

1.25 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. Overall returns are affected by

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the fact that returns for one of the sites is reduced by the costs required to repay borrowing costs. Additionally, across other properties occupancy and rents received appear to be recovering from the falls seen during Covid-19 though associated costs have risen. These are under review.

1.26 The Commercial investments: Loans are at the expected level of return given the rates in place when they were established.

3. Treasury Management Investments

1.27 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.

1.28 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.

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

1.30 **Further details:** Full details of the Authority's policies and performance to date for 2023/24 for treasury management investments are covered in the separate Treasury Management Strategy (**Appendix 7a**).

4. Service Investments: Loans

1.31 **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth. These are shown below in **Table 4**.

1.32 The Council has participated in a European Regional Development Fund project and has received £10m (with a further £10m due) in grant funding which has been provided to Cheshire and Warrington Development Limited Partnership in the form of a loan to allow development lending across the sub region. This is non-interest bearing for the Council.

1.33 Interest bearing loans have been provided to Everybody Health & Leisure Trust (Everybody) 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.

1.34 In March 2013, Astra Zeneca announced it was relocating its R&D function from Alderley Park to Cambridge. 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.

1.35 In addition, the Council has committed to investing £5m (and has lent £4.9m as at March 2023) 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.

1.36 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. The GM Life Science Fund is “revalued” on an annual basis based upon the net asset valuation of the Fund and this can lead to short term fluctuations in the notional returns of this loan category. 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. The Authority has decided against committing new funds to a follow up fund for the time being.

1.37 Only the Everybody loans are interest bearing and are reflected in the “Local Charities” category. These are accrued at a rate of Bank of England base rate plus 4%.

1.38 The Council may consider making further Service Investment Loans in 2023/24, subject to business cases and where the balance of security, liquidity and yield have been considered as part of robust risk assessment.

1.39 **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 per Table 4.

Table 4: Loans for service purposes in £'000

Category of borrower	31/03/23 Actual £000	30/09/23 Actual £000	30/09/23 Actual £000	30/09/23 Actual £000	2023/24 £000
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	2,000
Suppliers	23	24	1	23	500
Local businesses	16,377	16,531	70	16,461	30,000
Local charities	221	240	36	204	2,500
TOTAL	**16,621**	**16,795**	**107**	**16,688**	**35,000**

1.40 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.

1.41 **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.

1.42 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.

5. Service Investments: Shares

1.43 **Contribution:** The Council invests in the shares of its subsidiaries and local businesses to support local public services and stimulate local economic growth.

1.44 As noted above, the Authority has invested in Alderley Park Holdings Limited 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 (39% shareholder).

1.45 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 which will fluctuate as the site continues its transition from a single user to a multiuser campus. In contrast with what we have seen of the commercial property sector elsewhere, the internal valuation of our stake has risen over the year (i.e. increase in our share of the net asset value). This highlights the fluctuating nature of this valuation. The following observations should be noted:

1.46 The valuation (see Table 5) remains greater than the purchase price and the underlying assets at Alderley Park have strengthened, with a pipeline of future investments in place. We expect valuations to improve in the future.

1.47 The movement 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 grow.

1.48 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.

1.49 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.

1.50 **Security:** One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. To limit this risk, upper limits on the sum invested in each category of shares have been set.

Table 5: Shares held for service purposes in £'000

Category of company	31/03/23 actual £000	30/09/23 actual £000	30/9/23 actual £000	30/09/23 actual £000	2023/24 £000
	Value in accounts	Amounts invested	Total Gains/ (Losses)	Value in account s	Approved Limit (at cost)
Local businesses	4,460	1,070	3,390	4,460	10,000
TOTAL	**4,460**	**1,070**	**3,390**	**4,460**	**10,000**

1.51 **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.

1.52 **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).

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

1.54 **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.

6. Commercial Investments: Property

1.55 For the purpose of this Strategy, it should be noted that DLUHC defines property to be an investment if it is held primarily or partially to generate a profit. To comply with accounting classifications, the Authority includes several assets in Table 6 that might otherwise be excluded as they are not being held to primarily generate a yield or return.

1.56 Central government continues to express concern over the level of commercial investments held by local authorities and the risk that this presents if an authority becomes over exposed. Real world examples are now emerging where this eventuality has come to pass. Changes to the Prudential Code have reinforced opposition to investment in commercial property.

1.57 The government has effectively regulated against the purchase of commercial assets primarily for generating yield. Consequently, there have been no new commercial properties acquired in the year and any future investments will be aligned to normal Council service provision. Whilst this limits the Authority's ability to invest in commercial property for investment purposes, it is recognised that regeneration is a necessary factor which could result in legitimate purchases of such property. Careful attention will need to ensure that yield is an incidental factor in any future decision to invest in a commercial property investment.

1.58 **Contribution:** The Council invests in local commercial 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.

1.59 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 77% of the net book value in the accounts in this particular asset classification.

1.60 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.

1.61 The value of properties is updated annually. The most recent valuation is from March 2023 and reflect the period post Covid-19 and the impact of government fiscal and macroeconomic policy along with the rises in inflation and interest rates. In the year to March 2021 we noted that the value of retail property held up whilst that of industrial units and enterprise centres was valued downwards. The year to March 2022 saw retail values continue to grow and the other categories made modest gains. 2023 has seen a significant reversal of these gains and every category saw falls in valuation. The most significant correction has come with retail property, and this category is now valued at less than purchase cost. Overall the valuation of Commercial Investments: Property fell by 15% year on year. The main driver for the fall in is the reduced number of years remaining on the existing lease. This increases the risk of non-renewal thereby lowering the valuation. The downward trend will continue until a new tenancy agreement is agreed.

Table 6: Property held for investment purposes in £'000

Property	Actual	31/03/22 actual		31/03/23 actual	
	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	11	1,740	(122)	1.618
Enterprise Centres	245	20	340	(15)	325
Retail	23,300	371	25,975	(3,887)	22,088
Office	240	*-	533	(27)	506
Total	**25,277**	**402**	**28,588**	**(4,051)**	**24,537**

1.62 **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. At the present time one class of property is valued at less than the historic cost. However, this is currently offset by historic gains on other property and therefore the view of the Authority is that the asset affected is being held for long term benefits and that there is no change in this outlook. This will continue to be monitored through the year.

1.63 **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 continue to provide overall security for capital investment. Further Investment Strategy documents will be prepared during the year. Should the 2022/23 year end accounts preparation and audit process identify further risks, 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.

1.64 **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 (e.g. 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. It is the Authority's view that the asset that has seen a significant reduction in value remains a strong, core asset in a prime location with scope to recover. The rental income received continues to fund borrowing costs and MRP provisions.

1.65 **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.

1.66 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.

1.67 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.

1.68 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.

1.69 **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.

7. Commercial Investments: Loans

1.70 **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.

1.71 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. The loan in respect of Blocks 22-24 was repaid in July 2022. Whilst the facility is still available there are no imminent plans to draw down further amounts.

Table 7: Loans for Commercial Purposes in £'000

Category of borrower	31/03/23 Actual	As at 30/09/23 Actual			2023/24
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Partner Organisations	3,776	3,776	183	3,593	20,000
TOTAL	**3,776**	**3,776**	**183**	**3,593**	**20,000**

1.72 When considering making commercial investment loans, there will always be a Council policy-related objective (e.g.

regeneration or economic development) in addition to the objective of financial benefit (yield) to the Council's Revenue Account (i.e. interest received) being greater than the costs to the Revenue Account (e.g. debt financing).

1.73 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

1.74 **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.

1.75 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.

8. Loan Commitments and Financial Guarantees

1.76 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 issued loans to third parties from its first £10m drawdown of funding. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

1.77 The Fund is designed to provide loan finance to specific projects across Cheshire and will not generate a return for the Authority. The balances are included this year within Service Investments: Loans (see Table 4 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.

9. Proportionality

1.78 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.

1.79 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.

10. Borrowing in Advance of Need

1.80 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. The Authority follows this guidance. Investments are made to meet the strategic needs of the Authority, its residents and local businesses.

11. Capacity, Skills and Culture

1.81 **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.

1.82 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.

1.83 The Authority continues to identify best practice from across the sector and will incorporate this into the evolving Investment Strategy.

1.84 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.

1.85 **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.

1.86 **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.

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

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.

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Finance Sub-Committee

2 November 2023

Medium Term Financial Strategy Consultation 2024/25 – 2027/28

Report of: Alex Thompson, Director of Finance and Customer Services (Section 151 Officer)

Report Reference No: FSC/19/23-24

Ward(s) Affected: All

Purpose of Report

1 The Finance Sub-Committee is being asked to approve indicative financial targets to support consultation on the development of the Cheshire East Medium-Term Financial Strategy 2024/25 to 2027/28.

2 The Medium-Term Financial Strategy (MTFS) sets out how the Council will resource the achievement of the Corporate Plan and is subject to consultation and approval on an annual basis. The Sub-Committee approved the financial assumptions for the future MTFS at its meeting in June 2023, and this report goes further in recognising the need for financial targets that enable further development of the MTFS.

3 Developing the MTFS requires a wide range of stakeholder engagement. Members are key stakeholders in their capacity as community leaders, but also in their capacity as decision makers in setting the Council's budget. During this financial planning cycle there has been a series of all-member events to look at the current and future financial position. The Finance-Sub Committee formed a working group to scrutinise the financial assumptions underpinning the current MTFS.

4 Individual Committees are being asked to review the in-year budget positions and consider how this performance, and achieving the MTFS financial targets, will impact on services they are responsible for.

5 Public engagement will follow when financial proposals have been identified that could balance the Council’s budget. The January cycle of Committee meeting will be the forum to scrutinise the draft balanced proposals put forward alongside other feedback from consultees. All feedback will be collated and provided as evidence to the Corporate Policy Committee on 8 February 2024.

6 Final approval of the 2024/25 budget will take place at full Council on 27 February 2024 following recommendation from the Corporate Policy Committee.

Executive Summary

7 Financial strategies underpin how Cheshire East Council will allocate resources, achieve the Corporate Plan and provide in the region of 500 local services every day. The strategies must be affordable, based on robust estimates and balanced against adequate reserves.

8 In February 2021 the Council approved the Corporate Plan 2021-2025 which articulates the vision of how these services will make Cheshire East an Open, Fair and Green borough:

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

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

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

12 A new Corporate Plan, referred to now as the Council Plan is being developed to meet new criteria. These are identified as being: challenging but achievable; reflecting manifesto commitments to ensure that they are delivered to the electorate; to be co-created by a diverse range of stakeholders including members, officers, residents, and partners; to be recognisable as uniquely Cheshire East, and; to have an outcomes framework that will allow measurement of results and review of success. The plan is expected to be approved alongside the budget in February 2024.

13 Committees are responsible for overseeing the achievement of the Council’s priorities. Resources, including Revenue, Capital and Reserves were allocated by the Finance Sub-Committee in March 2023, following the budget Council. All resources are allocated to a specific Service Committee or the Finance Sub-Committee. This report sets out

an early indication of the allocation of resources to support financial planning for the MTFS.

14 Each Committee is issued a separate report on the current forecast in-year financial position. As set out in this second Financial Review report, at this point the forecast adverse variance of £18.7m represents a combination of the several issues:

(i) National economic pressures facing all councils (such as pay inflation and interest rates).

(ii) Growing local demand for services which represents a permanent pressure also being experienced locally in other councils.

(iii) Revised forecasts related to budget changes agreed through the MTFS process in 2022/23. This is a mix of additional growth pressures, or savings taking longer to achieve than originally envisaged.

15 The Second Financial Review forecasts are shown in the table below:

2023/24	Revised Budget (NET) £m	Forecast Outturn £m	Forecast Variance FR2 £m	Forecast Variance FR1 £m	Movement from FR1 to FR2 £m
Service Committee					
Adults and Health	136.5	141.2	4.7	0.3	4.4
Children and Families	80.3	91.0	10.8	7.0	3.8
Corporate Policy	41.2	40.7	(0.5)	0.9	(1.4)
Economy and Growth	24.8	22.9	(1.9)	(1.8)	(0.1)
Environment and Communities	48.7	52.3	3.5	4.2	(0.7)
Highways and Transport	11.2	12.4	1.2	1.2	(0.0)
Sub-Committee					
Finance Sub	(342.7)	(341.8)	0.9	1.1	(0.2)
TOTAL	**-**	**18.7**	**18.7**	**12.8**	**5.9**

16 Analysis of the in-year forecasts and reflecting on the outturn performance against the 2022/23 budget indicates that the most significant prevailing financial pressure is within Services that are the responsibility of the Children and Families Committee. This position is in-line with top tier Local Authorities across England where similar issues are being experienced.

17 The Second Financial Review also highlights the potential for very low levels of reserves being retained by the Council at year-end, with a

potential £18.7m reduction being forecast. Any positive variations to the financial assumptions reviewed by the Sub-Committee should therefore be allocated to recover reserves in the first instance.

18 The adverse impacts in the financial review therefore need to be addressed through a re-allocation of resources from within the assumed budget for 2024/25 onwards. The immediate short-term risk to the Council's financial resilience must lead to a focus on budget setting for the 2024/25 budget only. Subsequent years of the medium term will present indicative values, with significant further work required to ensure a sustainable position can be achieved in the medium term. This is a position being widely experienced by councils across the country.

19 The initial reallocation of resources responds to pressure in the Children and Families committee, increasing the revenue budget for the committee by £7m compared to the MTFS presented to Council in February 2023. This transfer of resources results in a savings requirement in other Committee budgets to maintain the balanced budget requirement.

20 The Financial Reviews presented to Members raise awareness of the current financial position. The reports highlight that the Council has set up a series of Cheshire East Budget Emergency Response Team (CEBERT) workstreams to focus on various elements of spending and pricing controls. The work of CEBERT is focused on both the in-year position and the development of the 2024/25 budget.

21 This report sets out the indicative budget envelope for All Committee budgets for 2024/25 and recommends that officers work with members to develop further proposals to enable budgets to be set within each envelope for 2024/25.

22 The budget envelope for 2024/25 for all committees has been set as follows:

	2023/24 Original Approved budget £m	**2024/25 Policy proposals*** (as included in MTFS Feb 23) £m	**2023/24 Pay inflation shortfall** £m	**2024/25 Target growth / savings** £m	**2024/25 Revised budget envelope** £m
Adults and Health	136.3	+6.1	+0.8	-5.5	137.7
Children and Families	79.1	+2.9	+0.6	+6.4	89.0
Corporate Policy	41.0	+1.0	+0.4	-1.2	41.2

Economy and Growth	25.0	+2.4	+0.2	-0.7	27.0
Environment and Communities	48.3	-0.3	+0.7	-1.6	47.2
Highways and Transport	11.0	+1.5	+0.1	-0.4	12.3
Finance Sub (Central)	12.4	+6.1	-	-	18.4
TOTAL	**353.1**	**+19.6**	**+2.8**	**-2.8**	**372.7**

*full list of budget proposals for 2024/25 is included at Appendix A

Note – there may be roundings present in the table due to the presentation to one decimal place

23 It is proposed that a report of service budgets be shared with Members, to support their further understanding of expenditure and income.

RECOMMENDATIONS

The Finance Sub-Committee is recommended to:

(a) Approve the indicative budget envelope for all committees as a way of setting financial targets in support of achieving a balanced budget for 2024/25.

(b) Note that officers will develop further proposals in consultation with members to enable wider stakeholder consultation prior to approval by Council.

(c) Note that Committees will be presented with the opportunity to further review financial proposals, designed to achieve a balanced budget, as part of their January cycle of meetings prior to recommendations being made to Council for approval.

Background

24 The Council's financial resources are provided from a combination of local taxes, government grants, investment returns on assets and other direct contributions from individuals or organisations. Financial plans are based on estimated spending and income over the next four years and the report of the Chief Finance Officer brings Members attention to the processes and risks associated with developing these estimates.

25 The Council aims to achieve value for money based on Economy (how much we pay for things), Efficiency (how well we use things) and Effectiveness (how we use things to achieve outcomes). Public feedback and internal and external scrutiny create the necessary framework to hold the Council to account for achieving these aims.

26 All councils are legally required to set a balanced budget each year and the immediate focus will be on balancing the 2024/25 financial year rather than on the whole medium term as has been the case previously. This reflects the extremely challenging circumstances all councils are facing currently.

27 Finance Sub-Committee received a report on 7 June setting out the MTFS 2024-28 planned timetable and budget assumptions underpinning the current MTFS. A working group then met on 6 September to discuss these assumptions and their suitability for the medium term. Feedback from this session was then provided verbally to the committee on 7 September.

28 The Budget Setting Process 2024-2028 has so far identified additional pressure on budgets across all committee areas, especially within the Children and Families area as reported in the First and Second Financial Reviews. We are not anticipating additional funding to be announced as part of the Provisional Local Government Finance settlement due to be announced, at the earliest, in December 2023.

29 Should any benefits emerge from the Local Government Settlement the Council should look to recover reserves that are likely to be depleted based on the current year forecasts. Service budgets must be therefore balance within the current funding envelope as reported in the MTFS in February 2023.

30 In response to local financial pressure, identified in the financial review, and reflected a national trend, the Children and Families committee will be allocated an additional £7m compared to the current MTFS to support a response to demand in this area. Allocations have also been made across all committees to address the shortfall in the pay inflation budgeted for 2023/24. It must be noted that the final pay offer has not been agreed yet for “Green Book” employees, but the calculation is based on the announced offer of an additional £1,925, or 3.88% (whichever is the greater) per employee.

31 To accommodate the changes related to the Children and Families Committee budget the remaining service committees have been reduced pro rata based on net spending to rebalance the Council’s budget.

32 This has resulted in revised budget envelopes for 2024/25 for each service committee when compared to the published MTFS in February 2023. The revised budget envelopes for Committees are set out in the table above and at Appendix A – 2024/25 Budget Proposals as per MTFS February 2023, plus revised budget envelope.

Consultation and Engagement

33 This report forms part of the consultation process for Members on the budget setting for 2024/25. Each committee with receive a similar report covering their own area of responsibilities.

34 Once a set of draft budget change proposals have been agreed upon there will be further opportunity during the January cycle of Committee meetings to give formal feedback from each Committee to the Corporate Policy Committee which will then lead on to the full Council meeting in February 2024.

35 There plans to be a series of engagement events with wider stakeholders to gather opinion and collate ideas on the final budget for 2024/25.

Reasons for Recommendations

36 In accordance with the Constitution, Committees play an important role in planning, monitoring and reporting on the Council's finances. Each Committee has specific financial responsibilities.

37 The Council's annual budget must be balanced. The proposals within it must be robust and the strategy should be supported by adequate reserves. The assessment of these criteria is supported by each Committee having the opportunity to help develop the financial proposals before they are approved by Full Council.

Other Options Considered

38 The Council has a legal duty to set a balanced annual budget taking regard of the report from the Chief Finance Officer. As such options cannot be considered that would breach this duty. Any feedback from the Committee must still recognise the requirement for Council to fulfil this duty.

39 There is no option to "do nothing". The Council has statutory obligations to provide certain services, which would be unaffordable if the Council failed to levy an appropriate Council Tax.

Implications and Comments

Monitoring Officer/Legal

40 The Council should have robust processes so that it can meet statutory requirements and fulfil its fiduciary duty.

Section 151 Officer/Finance

41 The Council's financial resources are agreed by Council on an annual basis and aligned to the achievement of stated outcomes for local residents and communities. Monitoring and managing performance helps to ensure that resources are used effectively, and that business planning and financial decision making are made in the right context.

42 Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council. If spending associated with in-year delivery of services is not contained within original forecasts for such activity it may be necessary to vire funds from reserves.

43 The unplanned use of financial reserves could require the Council to deliver a greater level of future savings to replenish reserve balances and / or revise the level of risks associated with the development of the Reserves Strategy in future.

44 The risk associated with the scale of the current financial challenges both in year and in the setting of the 2024/25 budget is that the Council could act illegally, triggering the requirement for a s.114 report from the Chief Financial Officer. Illegal behaviour in this context could materialise from two distinct sources:

(a) Spending decisions could be made that exceed the available resources of the Council. This would unbalance the budget, which is unlawful.

(b) Spending decisions to restrict or hide pressures could be made that avoid an immediate deficit, but in fact are based on unlawful activity.

45 The consequences of the Council undermining a budget with illegal activity, or planned illegal activity, is the requirement to issue a s.114 report. Under these circumstances statutory services will continue and existing contracts and commitments must be honoured. But any spending that is not essential or which can be postponed must not take place.

46 Further consequences would be highly likely and could include the appointment of Commissioners from the DLUHC, and potential restrictions on the decision-making powers of local leaders.

Policy

47 The existing Corporate Plan and the new Council Plan due to be approved in February 2024 will drive and inform Council policy and priorities for service delivery. The priorities and actions may have direct policy implications and will be considered on a case-by-case basis.

Equality, Diversity and Inclusion

48 Under the Equality Act 2010, decision makers must show “due regard” to the need to:

(a) Eliminate unlawful discrimination, harassment and victimisation;

(b) Advance equality of opportunity between those who share a protected characteristic and those who do not share it; and

(c) Foster good relations between those groups.

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

50 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.

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

52 The proposals within the MTFS include positive and negative impacts. A separate Equality Impact Assessment for the budget as a whole is routinely included in the full MTFS report each year.

53 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.

Human Resources

54 Consultation on the budget change proposals will include staff. Any changes involving staff will be managed in consultation with staff and Trade Unions.

Risk Management

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

56 The Council also establishes a level of reserves that are adequate to protect the Council against financial risks, such as emergencies, which are not specifically budgeted for in individual years.

57 The Council will continue to be flexible about investing revenue funding in maintaining sustainable services and reflecting changes to the risks facing the Council. The full Budget Report will include a revised Reserves Strategy for 2024/25 to provide further detail on estimated balances and the application of reserves in the medium term.

Rural Communities

58 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

59 Budget change proposals and further mitigations that need to be identified which will affect the Children's area of the budget have been set out in the report to the Children and Families Committee.

Public Health

60 There are no direct implications for Public Health due to the nature of this budget being ringfenced.

Climate Change

61 The current Corporate Plan has a very strong environmental thread throughout with a specific aim for the Council to be 'Greener'.

62 Budget change proposals which will support the Council's commitment of being carbon neutral by 2025 will be included in the relevant Committee report to which they relate.

Access to Information	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) Email: alex.thompson@cheshireeast.gov.uk
Appendices:	Appendix A –2024/25 proposals as per MTFS February 2023, plus revised budget envelope (separate Appendix A for each committee area)
Background Papers:	Outturn Report 2022/23 Medium Term Financial Strategy 2023-27 First Financial Review 2023/24 Second Financial Review 2023/24

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Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

Adult & Health Committee Budget Change Proposal	Existing Revised New	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Investment in Adult Social Care	Existing MTFS 3	+7.600	+4.000	+4.000	
Revenue grants for Adult Social Care	Existing MTFS 7	-2.480			
Pension Costs Adjustment	Existing MTFS 9	-0.493	-0.517		
Client contribution yield offsetting growth	Existing MTFS 11	-0.800	-0.800		
Market Sustainability and Fair Cost of Care - Grant Income	Existing MTFS 13		+0.979		
Resettlement Revenue Grants	Existing MTFS 14	+0.850			
ASC Transformation Earmarked Reserve Release	Existing MTFS 17	+0.500			
Maximisation of Supported Living	Existing MTFS 18	-0.369			
Pay inflation	Existing MTFS 4,25,46,65,81,82,102	+1.269	+1.089	+1.116	
TOTAL CHANGE PROPOSALS FOR ADULTS AND HEALTH COMMITTEE AS PER MTFS FEB 2023		**+6.077**	**+4.751**	**+5.116**	

SUMMARY					
2023/24 Approved Budget		**136.3**			
Proposals for 2024/25 @ Feb 2023	As above	+6.1			
Additional pay inflation required for 23-24 shortfall	Revised MTFS 4,25,46,65,81,82,102	+0.8			
Savings still to find		-4.4			
Expected additional grant income		-1.1			
2024/25 Revised Budget Envelope		**137.7**			

2023/24 FORECAST POSITION					
Adverse variance as per FR2		**4.7**			

Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

Children and Families Committee Budget Change Proposal	Existing Revised New	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
School Transport Pressures	Existing MTFS 24		+0.600	+0.800	
Growth in Children's Social Care	Existing MTFS 26	+1.800	+1.700	+1.600	
Pension Costs Adjustment	Existing MTFS 33	-0.465	-0.487		
Use of Children & Families Transformation Reserve - estimated balance	Existing MTFS 34	+1.065			
Integrated Children's Service Strategy	Existing MTFS 35	-0.500	-0.200	-0.200	
Review of commissioned services across the Children and Families Directorate	Existing MTFS 38	-0.100			
Deliver the Family Hub model	Existing MTFS 41	-0.100			
Reduce Legacy Pension commitments	Existing MTFS 43	-0.050	-0.050		
Revenue costs for the Crewe Youth Zone (as above) aligned to Supporting Families Funding	Existing MTFS 44		+0.400		
Early Help budget to support funding towards the Crewe Youth Zone	Existing MTFS 45		-0.400		
Pay inflation	Existing MTFS 4,25,46,65,81,82,102	+1.230	+1.056	+1.082	
TOTAL CHANGE PROPOSALS FOR CHILDREN AND FAMILIES COMMITTEE AS PER MTFS FEB 2023		**+2.880**	**+2.619**	**+3.282**	

SUMMARY					
2023/24 Approved Budget		**79.1**			
Proposals for 2024/25 @ Feb 2023	As above	+2.9			
Additional pay inflation required for 23-24 shortfall	Revised MTFS 4,25,46,65,81,82,102	+0.6			
Growth in demand		+6.4			
2024/25 Revised Budget Envelope		**89.0**			

2023/24 FORECAST POSITION					
Adverse variance as per FR2		**10.8**			

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Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

Corporate Policy Committee Budget Change Proposal	Existing Revised New	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Shared Services Review – move to hybrid model	Existing MTFS 47	+0.343	-2.205		
IT Procurements and Application Lifecycle Management (revenue implications of capital)	Existing MTFS 48	+0.084	+0.006		
Infrastructure Investment Programme	Existing MTFS 49	+0.023			
Accelerate digital transformation / robotics and related Digital Savings	Existing MTFS 50	-0.150			
Mitigation of reduction in the Dedicated Schools Grant	Existing MTFS 51	+0.136			
Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	Existing MTFS 54	-0.024			
Pension Costs Adjustment	Existing MTFS 55	-0.378	-0.396		
ICT Operational Efficiencies	Existing MTFS 56	-0.100			
Vendor Management Phase 3 to drive improvements in procurement (revenue implications of capital)	Existing MTFS 60	+0.071			
Across the board efficiencies, including procurement, income generation etc.	Existing MTFS 62	-0.010	-0.010		
Review of leadership and management, including MARS and redefine 'core offer'	Existing MTFS 63	-0.050	-0.050	-0.050	
Pay inflation	Existing MTFS 4,25,46,65,81,82,102	+1.040	+0.893	+0.915	
TOTAL CHANGE PROPOSALS FOR CORPORATE POLICY COMMITTEE AS PER MTFS FEB 2023		**+0.985**	**-1.762**	**+0.865**	

SUMMARY					
2023/24 Approved Budget		**41.0**			
Proposals for 2024/25 @ Feb 2023	As above	+1.0			
Additional pay inflation required for 23-24 shortfall	Revised MTFS 4,25,46,65,81,82,102	+0.4			
Savings still to find		-1.2			
2024/25 Revised Budget Envelope		**41.2**			

Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

2023/24 FORECAST POSITION					
Favourable variance as per FR2		(0.5)			

Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

Economy and Growth Committee Budget Change Proposal	See note below	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Assets - Buildings and Operational	Existing MTFS 64	+3.119	+0.423	+1.481	
Other payroll policy proposals	Existing MTFS 65	-0.150			
Office Estate Rationalisation	Existing MTFS 68	-0.550	-0.150		
Rural and Visitor Economy	Existing MTFS 69	+0.045	-0.021		
Cultural	Existing MTFS 70	+0.020	+0.089		
Housing	Existing MTFS 71	+0.035			
Transfer of Congleton Visitor Information Centre	Existing MTFS 79	-0.020			
Pension Costs Adjustment	Existing MTFS 74	-0.157	-0.164		
Restructuring Potential (*all Place committee proposals for this item to be managed within E&G committee)	Existing MTFS 75, 96, 107	-0.387			
Tatton Park	Existing MTFS 77	-0.046			
Pay inflation	Existing MTFS 4,25,46,65,81,82,102	+0.486	+0.418	+0.428	
TOTAL CHANGE PROPOSALS FOR ECONOMY AND GROWTH COMMITTEE		**+2.395**	**+0.595**	**+1.909**	

SUMMARY					
2023/24 Approved Budget		**25.0**			
Proposals for 2024/25 @ Feb 2023	As above	+2.4			
Additional pay inflation required for 23-24 shortfall	Revised MTFS 4,25,46,65,81,82,102	+0.2			
Savings still to find		-0.7			
2024/25 Revised Budget Envelope		**27.0**			

2023/24 FORECAST POSITION					
Favourable variance as per FR2		**(1.9)**			

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Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

Environment and Communities Committee Budget Change Proposal	See note below	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Waste Disposal - Contract Inflation and Tonnage Growth	Existing MTFS 80	+0.989	+0.402	+0.721	
Environmental Hub maintenance	Existing MTFS 84	+0.023	+0.018	+0.012	
Closed Cemeteries	Existing MTFS 88	+0.005	+0.005	+0.005	
Local Plan Review	Existing MTFS 89	+0.255	-0.160	+0.033	
Strategic Leisure Review - service changes	Existing MTFS 90	-0.194	-0.207	-0.037	
Strategic Leisure Review - use of reserves	Existing MTFS 90	+1.050			
Strategic Leisure Review - use of reserves - payback (three years only)	Existing MTFS 90	+0.200			
Maintenance of green spaces	Existing MTFS 91	-0.200			
Review Waste Collection Service - Green Waste	Existing MTFS 92	-3.150			
Libraries - Service Review	Existing MTFS 93	-0.200			
Pension Costs Adjustment	Existing MTFS 94	-0.151	-0.159		
Review Closed Landfill Sites	Existing MTFS 97	+0.300			
CCTV	Existing MTFS 100	-0.030			
Restructuring Potential (*all Place committee proposals for this item to be managed within E&G committee)	Existing MTFS 75, 96, 107	-0.268*			
Pay inflation - ASDVs	Existing MTFS 4,25,46,65,81,82,102	+0.440	+0.507	+0.519	
Pay inflation – CEC	Existing MTFS 4,25,46,65,81,82,102	+0.653	+0.431	+0.443	
TOTAL CHANGE PROPOSALS FOR ENVIRONMENT AND COMMUNITIES COMMITTEE		**-0.278**	**+0.837**	**+1.696**	

SUMMARY					
2023/24 Approved Budget		**48.3**			
Proposals for 2024/25 @ Feb 2023	As above	-0.3			
Additional pay inflation required for 23-24 shortfall	Revised MTFS 4,25,46,65,81,82,102	+0.7			
Savings still to find		-1.6			
2024/25 Revised Budget Envelope		**47.2**			

Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

2023/24 FORECAST POSITION					
Adverse variance as per FR2		3.5			

Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

Highways and Transport Committee Budget Change Proposal	See note below	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Local Bus	Existing MTFS 103	+2.500			
Highways	Existing MTFS 104	-0.031			
Energy saving measures from streetlights (revenue implications of capital)	Existing MTFS 105	-0.243			
Pension Costs Adjustment	Existing MTFS 106	-0.052	-0.055		
Parking (revenue implications of capital)	Existing MTFS 108	-0.725			
Restructuring Potential (*all Place committee proposals for this item to be managed within E&G committee)	Existing MTFS 75, 96, 107	-0.132*			
Pay inflation	Existing MTFS 4,25,46,65,81,82,102	+0.177	+0.152	+0.156	
TOTAL CHANGE PROPOSALS FOR HIGHWAYS AND TRANSPORT COMMITTEE		**+1.494**	**+0.097**	**+0.156**	

SUMMARY					
2023/24 Approved Budget		**11.0**			
Proposals for 2024/25 @ Feb 2023	As above	+1.5			
Additional pay inflation required for 23-24 shortfall	Revised MTFS 4,25,46,65,81,82,102	+0.1			
Savings still to find		-0.4			
2024/25 Revised Budget Envelope		**12.3**			

2023/24 FORECAST POSITION					
Adverse variance as per FR2		**1.2**			

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Appendix A – 2024/25 budget proposals as per MTFS February 2023, plus revised budget envelope

Finance Sub Committee Budget Change Proposal	Existing Revised New	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Capital Financing - Minimum Revenue Provision	Existing MTFS 109	+1.000	+1.000	+1.000	
Bad Debt Provision adjustment	Existing MTFS 111	+0.600			
Use of Earmarked Reserves	Existing MTFS 113 - 116	+4.462	+0.574	-2.190	
TOTAL CHANGE PROPOSALS FOR FINANCE SUB COMMITTEE (CENTRAL ITEMS) AS PER MTFS FEB 2023		**+6.062**	**+1.574**	**-1.190**	

SUMMARY					
2023/24 Approved Budget		**12.4**			
Proposals for 2024/25 @ Feb 2023	As above	+6.1			
Savings still to find		-			
2024/25 Revised Budget Envelope		**18.4**			

2023/24 FORECAST POSITION					
Adverse variance as per FR2		**0.9**			

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Cheshire East Council

Finance Sub-Committee

2nd November 2023

CIPFA Financial Management Code (FM Code) Progress Update

Report of: Alex Thompson, Director of Finance and Customer Services

Report Reference No: FSC/16/23-24

Ward(s) Affected: Not applicable

Purpose of Report

1 This report provides an update on the Council's progress in implementing the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management (FM) Code.

Executive Summary

2 This report provides an update on the FM Code, and explains what the Code is, and why Local Authorities must comply with the guidance provided by CIPFA.

RECOMMENDATIONS

The Finance Sub-Committee is recommended to:

1. consider the contents of the report and the requirement for a full self-assessment against the principles of the CIPFA FM Code;

2. note the plan to complete the current re-assessment by 31 March 2024 and that there will be annual updates thereafter;

3. note the existing initial officer self-assessment at Appendix 2; and

4. approve Appendix 3 – Interim review of Cheshire East Council's current level of compliance with the CIPFA Financial Management Code Framework – Principle 1 – Leadership.

Background

3 The Chartered Institute of Public Finance & Accountancy (CIPFA) launched a Financial Management Code (FM Code) in 2019 with an original implementation date scheduled for 2021/22. However, in recognition of the pressures that have been placed on Local Authorities in dealing with the coronavirus pandemic, CIPFA concluded that while the first year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach can be taken. In practice this means that adherence to some parts of the Code will demonstrate a direction of travel with reference made in the Annual Governance Statement in respect of the organisation's compliance with the principles of the FM Code.

4 The FM Code sets out seventeen standards of financial management for local authorities – these are referred to in Appendix 1. The FM Code is designed to support good practice in financial management and to assist local authorities to demonstrate their financial sustainability.

5 Local government finance in the UK is governed by legislation, regulation, and professional standards. The general financial management of a local authority, however, has not until now been supported by a professional code. The Code was introduced in recognition of the exceptional financial circumstances faced by local authorities and due to fundamental weaknesses in financial management revealed in some organisations in recent years and concerns about the financial sustainability of some Councils.

6 CIPFA's intention is that the FM Code will have the same standing as the Prudential Code for Capital Finance in Local Authorities (CIPFA, 2017), which promotes the financial sustainability of local authority capital expenditure and associated borrowing.

7 The FM Code itself does not have legislative backing, however it applies to all local authorities but recognises that some have different structures and legislative frameworks. Where compliance with the Code is not possible, adherence to the principles is still considered appropriate.

Responsibility

8 Application of the FM Code is a professional responsibility of all finance staff and establishes how the Chief Financial Officer (CFO) demonstrates that they are meeting their statutory responsibility for sound financial administration.

9 However, CIPFA considers application of the Code to be the collective responsibility of each authority's organisational leadership team, not just the responsibility of the CFO or the finance team. For the purposes of the Code the 'Leadership Team' is defined as the collective group of elected members and senior officers. Therefore, for CEC it includes committees of the authority as well as senior officers.

Compliance

10 It is for the individual authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.

11 It is important to note, also, that the financial management standards are minimum standards. Some authorities may feel that their own financial management arrangements exceed the standards set out in the FM Code.

CIPFA Principles of Good Financial Management

12 The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that an authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances and that they are proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

13 The underlying principles that inform the FM Code have been developed in consultation with senior practitioners across the sector and associated stakeholders. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.

14 The 6 Principles of Good Financial Management set out in the FM Code are:

• **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

• **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.

• **Financial management** is undertaken with transparency at its core using consistent, meaningful, and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

• Adherence to **professional standards** is promoted by the leadership team and is evidenced.

• Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

• The **long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

CIPFA Financial Management Standards

15 The FM Code sets out the seventeen CIPFA Financial Management Standards with detailed explanatory notes – a summary table is provided in Appendix 1.

FM Code Self-Assessment

16 Cheshire East Council undertook an initial officer high level review exercise of the Council's process, procedures and governance arrangements to understand the baseline compliance against the FM Code and Standards. This initial officer self-assessment is shown at Appendix 2.

17 This initial review indicates that the Council is generally complying with the overall principles of the CIPFA FM Code, with some improvements required within some specific areas.

18 This report recommends a further re-assessment exercise to bring the Council's current processes and practices and governance arrangements up to date. This assessment review will be led by the CFO in liaison with the Corporate Leadership Team and will be reported back to the Finance Sub Committee in early 2024.

19 The re-assessment exercise will develop Appendix 2 further to include a self-assessment RAG Rating for each standard and in addition provide a high-level action plan, to be adopted to identify and address how improvements to those standards that are not currently rated as green will be made.

20 Appendix 3 sets out the proposed RAG rating to be applied in the re-assessment exercise together with an updated status of the current level of compliance for Principle 1: Organisational Leadership. It is proposed to complete the remaining re-assessments against the other 5 FM Code Principle’s before 31 March 2024.

21 This self-assessment exercise will need to continue to be carried out annually in future to demonstrate ongoing compliance with the FM Code.

Implications and Comments

Monitoring Officer/Legal

22 The FM Code itself does not currently have legislative backing, although CIPFA have set out their intention to pursue this. CIPFA’s judgement is that compliance with the FM Code will assist local authorities to demonstrate that they are meeting existing important legislative requirements.

23 There are no legal implications arising directly from this report.

Section 151 Officer/Finance

24 The delivery of strong financial management is fundamental to the delivery of the Council’s strategic aims.

25 There are no direct financial implications arising from this report.

Policy

26 There are no Policy implications.

Equality, Diversity and Inclusion

27 There are no Equality, Diversity or Inclusion Implications.

Human Resources

28 There are no Human Resources Implications.

Risk Management

29 Failure to demonstrate compliance with the FM Code as described above could in future result in a qualification of the accounts which may lead to further audit costs in future as well as an adverse impact on the Councils reputation.

Rural Communities

30 There are no Rural Communities implications.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

31 There are no Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND) Implications.

Public Health

32 There are no Public Health implications.

Access to Information	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) alex.thompson@cheshireeast.gov.uk 01270 685876
Appendices:	Appendix 1 – CIPFA Financial Management Code Standards Appendix 2 – Initial Officer Self Assessment CIPFA FM Code compliance Appendix 3 – Interim review CEC Compliance CIPFA Financial Management Code – Principle1 Organisational Leadership Appendix 4 – Glossary

Background Papers:	The Chartered Institute of Public Finance & Accountancy (CIPFA) launched a Financial Management Code (FM Code) 2019. Draft Annual Governance Statement 2022/23

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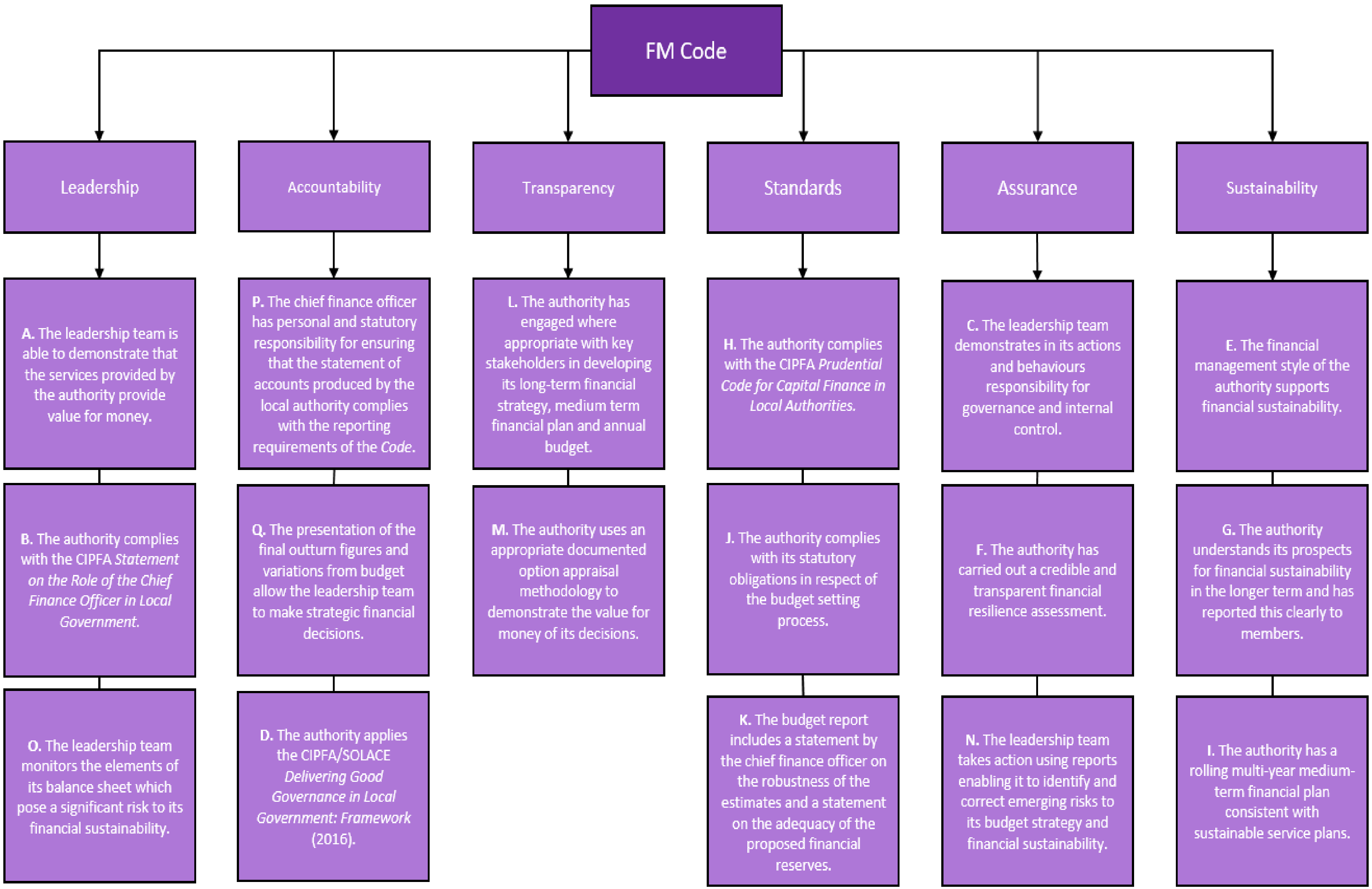
FM Code
Leadership
Accountability
Transparency
Standards
Assurance
Sustainability
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
O. The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.
P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code.
Q. The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.
D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
J. The authority complies with its statutory obligations in respect of the budget setting process.
K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
F. The authority has carried out a credible and transparent financial resilience assessment.
N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
E. The financial management style of the authority supports financial sustainability.
G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

OFFICIAL

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APPENDIX 2

CIPFA Financial Management Code (FM Code) – Initial Officer Self Assessment

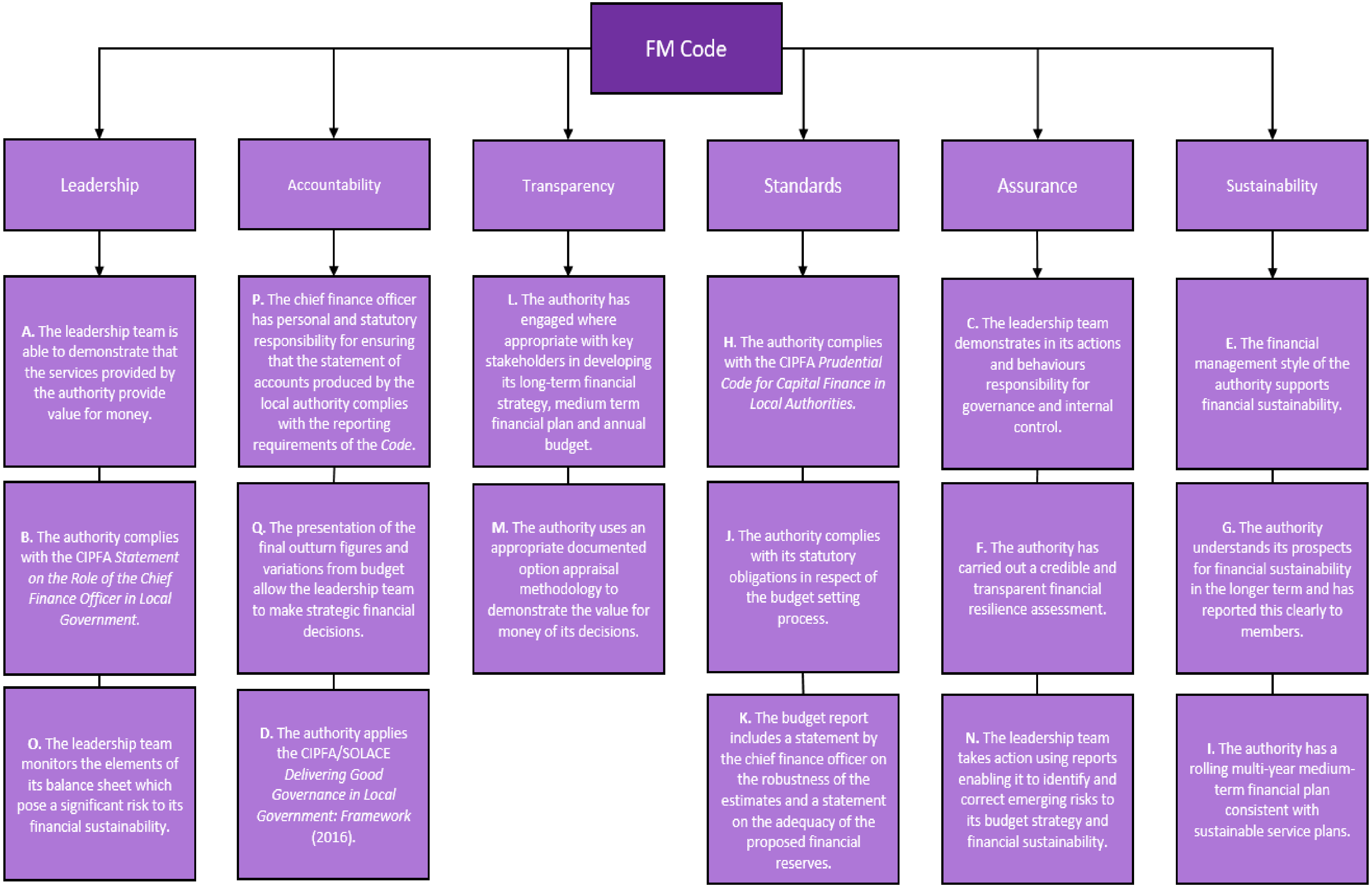
Overview:

- Sets out the **6 principles** by which Local Authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve.
- It is up to each Local Authority to determine the extent to which it complies with the FM code and identify what action it may wish to take to better meet the standards the FM Code sets out.
- **To enable authorities to test their conformity with the six principles, the FM Code translates these principles into financial management standards**. The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards to be met if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders.

Task is to develop the structure below so that each box is RAG colour coded. This will help with the management of the Committee system and management of the team.

In each of the 6 areas, need a separate page for each box which sets out;

- What we ***need*** to do – what sort of activities should we be undertaking?
- What we ***are*** doing – (We can include links to relevant documentation as ***evidence.)***
- Where the ***gaps*** are
- ***Action plan*** to address and enable compliance. This is the key part of the exercise.


FM Code
Leadership
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
O. The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.
Accountability
P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code.
Q. The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.
D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
Transparency
L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
Standards
H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
J. The authority complies with its statutory obligations in respect of the budget setting process.
K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
Assurance
C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
F. The authority has carried out a credible and transparent financial resilience assessment.
N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
Sustainability
E. The financial management style of the authority supports financial sustainability.
G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

Leadership

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard A (page 22): The leadership team can demonstrate that the services provided by the authority provide value for money.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
Compliance with FM Code requires an authority to **achieve** value for money and be able to **demonstrate** that its services represent value for money **Promote/achieve value for money - examples** • Clear Governance structure • Corporate Plan (clear objectives and strategy based on local need) • Effective Service and Financial planning • Financial Regulations • Procurement Regulations • Contract Management • Risk Management	- Governance arrangements have moved to the Committee System (Council Nov. 2019 - Link) o Structure of Committees approved o ToRs approved o Chairs / Members appointed (Link) o Meeting schedule and workplans approved - Revised Constitution (Link) o Aligns MTFS to Committees o Revised financial limits o Revised FPRs and CPRs - Corporate Plan (CP) 2021 to 2025 (Link) o Aligns with MTFS proposals o Aligns to Service Plans - Procurement System Implementation (Atamis) - Strategic Risk Register (Link) o Risks contained within Service Plans o Risks recorded in hierarchy aligned with Directorate to Team level plans	• Definition of Significant Decision **(Completed)** • Appointments to CLT **(Completed)** • Align Corporate Plan to Committees • Performance Framework for CP Actions / Measures needs to be in Service Plans • Atamis launch (inc dashboards and pipeline) **(Done)** • Risk reporting to CLT **(Done)** • Risk Reporting to Cttee	• Establish Governance Workstream within BFT (DB) – **Done but stood down** • Complete Performance Dashboard including Risk (SB) **(Done)** • Publish Atamis dashboards (LH) **(ongoing)** • *Procurement Progress Report to FSC + A&G (LH)* ***(Done)***

	○ Risk Management Framework and Risk Management Strategy adopted		• Regular Risk reporting to Committees (JG) **(Done for CPC)**
Demonstrate value for money - examples • Scrutiny/Audit Arrangements • Benchmarking • Peer Review, Engagement with Service Users • Monitoring of Performance Data • Service Reviews • User Surveys • External Assessments, Equality Impact Assessments	- Committee System introduces cross party decision making - Single Scrutiny Committee sets own work programme - External Auditors (Mazars) ○ Appointed via PSAA procurement ○ Attend A&G Committee ○ Regular catch-ups with CFO ○ Regular, private, catch ups with Chair/Vice Chair of A&G Committee ○ Unqualified opinion (Link) - Peer Review completed (Link) - Consultation Hub (Link) - Performance Scorecards to Scrutiny - OFSTED / CQC assessment - Revised Equality Strategy (EIAs support HLBCs and other change activity)	• Historical Qualified Audit opinions **(No GT opinions outstanding)** • Evidence of benchmarking for Committees • Corporate overview of external assessments	• ED / MO / CFO to action historical audit qualifications (AT) **- Ongoing** • Include Benchmarking data in Performance Reporting (SB) **(Done)** • Include external assessments as part of regular Performance Reporting (SB) **(Ongoing)**
Key Questions: • Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? • Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? • Is the authority able to demonstrate the action that it			

has taken to promote value for money and what it has achieved?			

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard B (page 26): The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
Compliance with FM Code requires each of the following to be reliably and consistently met: • CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest. • The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy. • The CFO must lead the promotion and delivery by the whole authority of good financial management so	- CFO is a member of CLT and leads on development of financial strategy - Report templates for decisions allow Financial Implications to be addressed and reports are submitted to CLT - Some ODRs are referred to CFO in advance to confirm financial implications are addressed - Improved clarity in FPRs over financial limits and decision making - Finance Team suitably resourced and qualified - CFO suitably qualified - Also CFO for LEP / CEC Group	- CEC website and senior structures are not clearly set out (website / PP Statement) - Changes to personnel and approach for CLT are not leading to strategic discussion - Follow-up analysis of decisions not sufficient - Risk that not all ODRs reviewed by all necessary parties	- CEC website to reflect up to date structures and statutory responsibilities **(Done)** - Pipeline of Strategic discussion to CLT via BMST **(Done)** - Performance Framework includes progress reporting of past recommendations / decisions (SB) - Training for members on committee system (DB / SB) **(Done)**

that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. • The CFO must lead and direct a finance function that is resourced to be fit for purpose. • The CFO must be professionally qualified and suitably experienced.		- Training required to ensure Committee system suitably supported by Finance - Limited direct liaison with LEP accounts sign-off - Limited direct liaison with WOC accounts sign-off	- LEP Outturn reporting via CFO before F&R Cttee (AT) **(Done)** - Quarterly 121 meetings for SS / LEP / WOC CEOs with CFO (AT) **(Done)** - WOC Outturn reporting via CFO before Boards (AT) **(Done)**
Key questions: • Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions? • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose?			

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard O (page 97). The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability • Engages with The CIPFA publication Balance Sheet Management in the Public Services: A Framework for Good Practice (2017).	- Capital Schemes are monitored and reported quarterly - Capital Funding is reviewed by project and at strategic level	• Balance sheet review is not part of the financial monitoring process • CIPFA Balance Sheet Management is not reported on • Limited oversight of LEP / WOC / SS / Investment Strategy impacts on balance sheet • Insufficient clarity on potential financial liability arising from risks recognised across registers being realised	• Report writing guidance to be developed to support improvement in articulating implications; keep asking the so what questions, are all impacts of a decision understood financially, risk management and legal. (DB / AT) **(Ongoing)** • Review reporting approach to impact of LEP / SS / WOC decisions on overall balance sheet – how does our existing contract management approach achieve this, what needs to change? (AT) **(Ongoing)**
To comply with the FM Code the authority might choose to: • determine which elements of its balance sheet pose a significant risk to its financial sustainability, through a comprehensive review of its assets and liabilities • put in place mechanisms to monitor these elements of its balance sheet	- Quarterly reporting includes reviews of debt and borrowing (Link examples)	• Monitoring of entire balance sheet risk is not systematic • Limited oversight of LEP / WOC balance sheets • Capital receipts strategy needs development to align with MTFS	• Enhance quarterly reporting to include balance sheet management. Specifically debt / borrowing / assets / pensions (AT) **(Ongoing)** • Annual review of LEP / WOC balance sheet to CFO via Finance Lead (AT) • Report disposals and acquisitions to Finance Sub-Committee and reference links to MTFS (PS) **(Done and Ongoing)**

• respond promptly and proactively to any issues that these mechanisms identify.			
Key questions: • Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? • Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? • Is the authority taking action to mitigate any risks identified? • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?			

Accountability

Principle 2 – Accountability – financial management is based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

Standard D (Page 36): The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
To ensure compliance with the FM Code, whatever form of governance arrangements are in place across the authority, the authority should assess its governance structures against the principles contained in the framework by: • reviewing its existing governance arrangements • developing and maintaining an up-to-date local code of governance, including arrangements for ensuring the ongoing effectiveness of this local code • reporting publicly on an annual basis its compliance with the	- Council has moved to a Committee System of Governance - As part of the transition, a review of the Constitution will be undertaken in the first 6 months of operation, with a report back to Council due in November 2021 - (JG) to provide items and links including A&G (by 30th June) - Council has a Code of Corporate Governance and adopted the model principles in the Delivering Good Governance Framework in full. An annual review is carried out against this to inform the production of the Annual Governance Statement (AGS). - Majority of the assessment against the Code for the AGS is carried out	- Work on this standard is too focused on Audit - No accountability statements within Service Place - Decisions are not systematically reviewed to ensure they have been complied with - Code of Corporate Governance needs to be updated to reflect Council governance in Committee System model. - Greater involvement by CLT in the production of the Annual Governance Statement via a Corporate Assurance Group (does this need to be a separate group – see next point) - Wrap under the Governance Workstream for BFT; next phase,	- Establish Governance Workstream within BFT, ensuring allocation of responsibilities is wider than IA (DB) **(Done but stood down)** - Amend Service Plans to include Accountability Statements and links (SB)**(Partially Done, but no links)** - Update COCG with appropriate consultation and approval (JG)

authority's local code of governance and how the authority has monitored the effectiveness of its governance arrangements, together with how it plans to improve these arrangements in the future. • This reporting on compliance, effectiveness and improvement can usually be undertaken within the authority's AGS, which must be published alongside its financial statements. • Principles of the Good Governance Framework set out on p. 36 (FM Code guidance notes). **Key questions** • Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? • Does the authority have in place a suitable local code of governance? • Does the authority have a robust assurance process to support its AGS?	by Internal Audit in addition to their annual opinion - AGS is also informed by various sources of assurance reported to the A&G Committee throughout the year; Information Governance Annual Report, MO annual report, regular reports on LGO complaints as well as annual summary, WARNs and risk management - AGS includes an action plan setting out improvements on significant governance issues. - A&G Committee have delegated authority from Council to approve the Statement of Accounts and AGS. Draft and final statements are presented to the Committee and Statement of Accounts/AGS are published on the Council's website together - An update is presented to the A&G Committee on progress against significant governance issues where these are recognised in the AGS.	maintaining, developing enhanced governance – Governance. Next phase to move on from the implementation of the Committee system. - Bring the AGS monitoring and reporting in line with quarterly risk review by CLT; draw out clearly where those AGS issues relate to the strategic risk registers.	- Include AGS monitoring as part of Performance Framework (SB)

Principle 2 – Accountability – financial management is based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

Standard P (Page 101): The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
In order to demonstrate compliance with the requirement of the FM Code that the authority's CFO has both personal and statutory responsibilities for ensuring that its financial statements comply with the local authority accounting Code, the authority could: • ensure that the preparation and submission of annual financial statements that comply with the local authority accounting Code is included within the CFO's job/role description and annual performance management objectives • consider the extent to which the CFO has prepared and submitted annual financial statements that comply with the local authority accounting Code as part of the CFO's performance management review (or equivalent) and used to inform any performance management ratings or judgements • challenge the CFO in the event that the annual financial statements are not prepared and submitted in line with the	- Finance Team structure recognises key responsibilities for account preparation and disclosure - Ongoing team development and training supports professional requirements for account closure - CFO role includes responsibility for accounts process and liaison with external audit - Audit & Governance Committee provide suitable challenge on timeliness and quality of accounts - Sufficient resources and access to systems is adequate to complete account closure	- account closure is not part of performance review.	- Include SOA in performance framework (dates and qualification) (AT) - Increase engagement of Finance Team with CFO (AT) **(Ongoing)** - Increase reporting on CPD / PDR to ensure development ongoing (AT) - IA to attend regular wider Finance Team meetings to

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required timescales or if the review of the financial statements by the authority or its auditors identifies any other issues in respect of their preparation. • The authority should, however, also ensure that the CFO is provided with sufficient resources – including a suitably-resourced finance team – to fulfil their personal and statutory responsibilities under this element of the FM Code. **Key questions:** • Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? • Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms? • Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?			support development of work plan / risk review (JG) **(Ongoing)** - Work closely with external auditors to understand the changes in opinion etc from 21/22 (AT) - Create secondment opportunities for Audit / Finance staff to enhance skills / experience (AT / JG)

Principle 2 – Accountability – financial management is based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

Standard Q (Page 105): The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The FM Code states that effective financial reporting is key to ensuring that the authority and its leadership team understand how effectively its resources have been utilised during the year, including how material variances from initial and revised budgets to outturn have arisen and been managed. • The success of these arrangements will be demonstrated by the ability of the leadership team to use them to make informed decisions about the authority's future financial strategy and plans. In some circumstances, such reporting might lead to a reappraisal of the achievability of the long-term financial strategy and of the financial resilience of the authority. **Key Questions:** • Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget? • Is the information in these reports presented effectively?	• Outturn reports are provided to CLT then onwards for appropriate member approval • Outturn reporting includes assessment of financial performance across all services and central budgets, including narrative to explain variances • Outturn reporting includes analysis of impacts on reserves and treasury management • Outturn and Mid-Year Review support MTFS development process • Third Quarter Review forecasts outturn, which aligns to MTFS opening balances	- There is limited reporting of variation to budget proposals - Capital performance is not strongly correlated with MTFS process	- Report outturn to CLT for review prior to draft accounts (AT)**(Done)** - BPs to provide insight reports to CFO, for discussion at DMTs with CFO present (AT) **(Ongoing)** - MTFS process must include Capital to same timescales (AT) **(Done)**

• Are these reports focused on information that is of interest and relevance to the leadership team? • Does the leadership team feel that the reports support it in making strategic financial decisions?			- Consultation must include Capital and associated headlines / charts (AT) - Establish MTFS Project Team with PMO support (AT)**(Done)** - Enhance HLBC to align with Performance Framework and to other Strategies and Policies (AT)

Transparency

Principle 3: Transparency – Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

Standard L(Page 81) - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The FM Code sets out clearly that stakeholder consultation can help to set the authority's priorities and to reduce the possibility of legal or political challenge. Furthermore, stakeholder consultation helps to encourage community involvement not just in the design of services but in their ongoing delivery. • The FM Code requires the authority to engage, where appropriate, with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget. In complying with this element of the FM Code, there are a number of things to consider, namely: ○ how to identify key stakeholders	- A comprehensive Stakeholder Analysis was completed - Budget Consultation is on-line and (when possible) available at public buildings to maximise engagement - Questions and material is co-designed with the Consultation Team - Publicity is co-designed with the Communications Team - All Stakeholders are communicated with and encouraged to respond through several forums, including Social Media - All feedback is reported to officers to develop responses / actions - All feedback is reported to members to support decision making	- Response numbers need to be improved, as they are limited despite the level of activity - Events to discuss the MTFS with partners need to be re-instated - Stakeholder analysis has not been updated recently	- Establish MTFS project Team with PMO and Comms support (AT)**(Done)** - Develop stakeholder plan for MTFS process (AT) **(Done)** - Track progress vs Stakeholder plan (AT) **(Done)**

○ how to engage effectively with these stakeholders ○ how to use the results of this engagement wisely. **Key questions:** • How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget? • How effective has this engagement been? • What action does the authority plan to take to improve its engagement with key stakeholders?	- Changes following consultation are reported clearly - EIAs accompany all HLBCs		

Principle 3: Transparency – Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

Standard M **(Page 85): The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.**

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• As a general rule, the approach taken by the authority to option appraisal should comply with the guidance set out in the IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (2013). • Consequently, rather than preparing its own documented appraisal methodology, the authority	- HLBCs follow the Better Business Cases (5 Cases) Model which encourages options appraisal. - The s.151 Officer frequently raises the quality of options	- The IFAC/PAIB publication has not been used as a guide so should be reviewed - Options appraisals are generally inadequate if even articulated	- Training / presentation needed on IFAC/PAIB at EFMT at least (AT). - Amend HLBC template to require at least 3 Options

might prefer to record simply that any option appraisals that it undertakes should comply with the guidance set out in this publication, or in CIPFA's own guide to undertaking an option appraisal: Option Appraisal: A Practical Guide for Public Service Organisations (2017 Edition). **Key questions**: • Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? • Does the authority offer guidance to officers as to when an option appraisal should be undertaken? • Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? • Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty? • Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?	development within Reports as part of CLT	- Future options appraisals should reflect priorities within the Corporate Plan - Reporting who considered options should be enhanced as frequently only one option is articulated in reports - Quality of risk management arrangement proposals could be better aligned to risk appetite and tolerance, and support options appraisal -	(do nothing / do this / do something else) (AT) **(Ongoing)** - HLBC to include additional material in options that reflect Council Priorities such as Carbon (AT) **(Done)** - Link HLBCs to Corporate Risk Register where applicable to enhance transparency (JG) - Risks need to be aligned (CP / MTFS / HLBC / Corporate Register) (JG) - Risks mitigation needs to be articulated as part of Finance / Performance Framework (JG) **(Ongoing)**

Standards

Principle 4: Standards – Adherence to professional standards is promoted by the leadership team and is evidenced.

Standard H (Page 62): The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The FM Code requires the authority to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), though there is an exception for chief constables in England and Wales as they only have very limited and specific borrowing powers. • In setting or revising its prudential indicators, the authority is required to have regard to the following matters: ○ service objectives, e.g. strategic planning for the authority ○ stewardship of assets, e.g. asset management planning	- The Council complies with the Prudential Code and monitors adherence through the Treasury Management Plan and as part of the MTFS approval process. - Borrowing is reviewed as part of the process to set the Capital Budget and is supported by frequent contract management and engagement meetings with Treasury Management Advisors - The Capital Programme Board reviews schemes and funding to assess impact on borrowing / financing. - Options to manage funds are completed across the programme, and not simply on a single item.	- The impact of the MTFS proposals should be more clearly articulated in the Treasury Management Strategy (TMS). - Reporting against funding targets should be enhanced and assessed against risk. - Reporting to CLT should be simplified to enhance engagement with TMS	- Quarterly reports on Capital to include impact on CFB and management of this through the Financing Reserve **(Done)** - Align MTFS to cashflow, remove assumptions on slippage moving to risk assumptions instead. - Focus TMS reporting on MTFS and high level borrowing / investment targets and actions to change them if necessary

○ value for money, e.g. option appraisal ○ prudence and sustainability, e.g. risk, implications for external debt and whole life costing ○ affordability, e.g. implications for council tax/district rates ○ practicality, e.g. achievability of the forward plan. • The Prudential Code also requires that, in making its capital investment decisions, the authority should have explicit regard to option appraisal and risk, asset management planning, strategic planning for the authority and achievability of the forward plan. **Key questions** • Has the authority prepared a suitable capital strategy? • Has the authority set prudential indicators in line with the Prudential Code? • Does the authority have in place suitable mechanisms for monitoring its performance			- Widen HLBCs to cover whole life costs (such as PMO dashboard)

against the prudential indicators that it has set?			

Principle 4: Standards – Adherence to professional standards is promoted by the leadership team and is evidenced.

Standard J (Page 73): The authority complies with its statutory obligations in respect of the budget setting process

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• One of the principal objectives of the FM Code is to end the practice by which the annual budget process has often become the focal point of, if not the limit to, authorities' financial planning. • The annual budget should be merely one element in a longer-term approach to ensuring financial sustainability. However, the annual budget preparation process must nevertheless be protected at a time when the need to make difficult decisions may threaten its integrity. • The FM Code requires the authority to be familiar with its statutory obligations in respect of the budget-setting process, to comply with these requirements, and to be able to demonstrate that it has complied with them. • While, in times of routine business, compliance is straightforward, it is in times of financial stress – when	- Financial Planning, Monitoring and Reporting are consistent with each other and remain compliant. - The requirement to produce a balanced budget is well publicised and has been enhanced to recognise the importance of each single year being part of the MTFS. - Decisions are supported by HLBCs, including EIAs and proposals are subject to Consultation - The S.25 Statement of the s.151 Officer is personal and not subject to influence (see below) - Setting of the Council Tax is compliant and engages precepting and	- Significant information within HLBCs and EIAs should be capable of publication (and be published)	- Publish HLBCs, embed EIAs within HLBC template **(Ongoing)** - Enhance MSBI output to analyse / scenario plan demand led spending requirements - Develop Service Plans to address a profile aligned to MTFS, to move away from central bidding process

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there may be pressures for delay or obfuscation in budget setting – that a comprehensive understanding of these statutory requirements is crucial. The same is true in placing reliance on information for budget-setting purposes from other authorities, such as independent precepting bodies. **Key questions** • Is the authority aware of its statutory obligations in respect of the budget-setting process? • Has the authority set a balanced budget for the current year? • Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?	levying bodies as required		

Principle 4: Standards – Adherence to professional standards is promoted by the leadership team and is evidenced.

Standard K (Page 77): The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• In line with Section 25 of the Local Government Act 2003, the FM Code requires the authority's section 151 officer (for authorities in England and Wales) to report alongside the annual budget, when it is submitted for approval, on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals • The aim of this report is to provide information and assurance in respect of the estimates included within the annual budget, so that those responsible for scrutinising and approving the budget can take these into account as part of the scrutiny and approval process. **Key questions** • Does the authority's most recent budget report include a statement by the CFO on	- The S.25 Report is written by the s.151 Officer and expresses their professional views. - The report is included within the MTFS and members are asked to take this report in to account as part of the recommendations of the Report to Cabinet / Council - Report reflects all elements of the financial cycle and the associated engagement - Report highlights risks and performance in a strategic context.	- Promotion of the s.25 Statement is limited so needs to be subject to a communication plan - Report is not subject to specific scrutiny so should be considered as a specific agenda item for Committee - S.25 Statement is personal to s.151 Officer, but should be co-designed with the Finance Team. - Insufficient focus on 'problem' areas that need to be resolved, such as AMP and Capital Profiling.	- Enhance CFO comms with planned conversations, BLOG, DMT attendance - Isolate S.25 statement within MTFS as a specific recommendation to note it. Also issue to Group Leaders **(Done)** - Widen engagement in drafting s.25 statement to allow more input. Add to timetable and request from EFMT **(Done)** - Use CIPFA FM Code review (via BFTP) to report problem areas

the robustness of the estimates and a statement of the adequacy of the proposed financial reserves? • Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? • Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? • Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?			

Assurance

Principle 5: Assurance – Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Standard C (Page 31): The leadership team demonstrates in its actions and behaviours, responsibility for governance and internal control.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• In setting out the requirement for the authority's leadership team to demonstrate in its actions and behaviours responsibility for governance and internal control, the FM Code emphasises the importance of the 'Nolan principles' (listed p. 32 FM Code Guidance Notes). **Key questions** • Does the leadership team espouse the Nolan principles? • Does the authority have in place a clear framework for	- The Audit & Governance Committee ToRs are reviewed frequently and reflect input of the s.151 Officer. - AGS is prepared within Audit Team and reviewed by CLT / A&G - S.151 Officer stresses requirement for appropriate ethics and behaviours from Team and Peers. - Code of Ethics specific for Internal Audit - Officer Code of Conduct - Member Code of Conduct	- Adherence to Nolan Principles is not frequently assessed by CLT / WLT / WLC - There is evidence of confusion over some decision making. - Examples of non-compliance are not systematically used to provide learning. - Publication of spend analysis is not reviewed or promoted.	- Use CFO comms to promote ethics and Nolan Principles. **(Done)** - Develop accountability statement for Service Plans and require positive acknowledgement of agreement. **(Ongoing)** - Allow areas of development to be flagged via AGS. - Add recognition of principles to AGS. - Use CFO comms to articulate issues and solutions. - Procurement pipeline to be reviewed at FSC,

governance and internal control? • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? • Does the leadership team espouse high standards of governance and internal control? • Does the leadership team nurture a culture of effective governance and robust internal control across the authority?			including backwards look. **(Done)** - Ensure IA manage spot-check reviews of spend.

Principle 5: Assurance – Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Standard F **(Page 49) - The authority has carried out a credible and transparent financial resilience assessment**

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The FM Code sets out that if the authority has not tested and demonstrated its long-term financial resilience, then its financial sustainability remains an open question. • The FM Code requires, therefore, that the authority assesses critically its finance	- Growth and Savings feature in equal prominence within the MTFS. - The MTFS process reflects impact of MYR / TQR at key stages.	- There is no specific format to the testing of resilience - A detailed resilience assessment is not publicised - CIPFA Resilience Index is not specifically shared with A&G Cttee	- Review CIPFA assessment tool **(Done)** - Produce timely resilience report for A&G. Include key indicators plus external assessment – EA, CQC, OFSTED, ICO, LGO

resilience. This is undertaken by means of an explicit financial resilience assessment. **Key questions** • Has the authority undertaken a financial resilience assessment? • Has the assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios? • Has the authority taken appropriate action to address any risks identified as part of the assessment?	- HLBCs supports inclusion of data analysed to support the proposal - Unachievable proposals within the MTFS are addressed and reversed / amended when necessary - The Reserves Strategy identified key risks and potential values - The CIPFA Resilience Index is reviewed when published and discussed by CEO / s.151 / MO	- HLBCs frequently do not link to data analysis or KPIs. - HLBCs tend to provide a single figure and not a range, often linked to limited options appraisal work	

Principle 5: Assurance – Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Standard N (Page 93) - The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The earlier the authority identifies that it is deviating from its plans, the easier it is to get things back on course. • Consequently, proactive review of focused financial and activity performance reports should be a regular task for the leadership team. • In order for the leadership team to have access to the information it needs to identify emerging risks, the authority needs to ensure that its leadership team: ○ receives reports about the right things ○ receives reports at the right time ○ receives reports in the right format ○ takes action in respect of any issues identified. **Key questions** • Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify	- MYR / TQR / Outturn Reports are supported by Finance Business Partners. - Financial Reports are reviewed by CLT - Budget Managers use forecasting tools to support process of budget monitoring. - All Directors meet 121 with CFO on a quarterly basis. - Reporting considers Revenue / Capital / Reserves / Change - Reporting focuses on Income and Expenditure - Reports to members include mitigating activity and indications of how this will be achieved	- There is no monthly reporting of financial activity - Forecasting is not consistent - Revenue / Capital reporting is not entirely inter-linked - Financial Implications in reports are not regularly reviewed to reflect if achieved or not.	- Develop Unit4 enquiries to provide up to date info - Develop Unit4 / MSBI to develop scenario / forecasting data for review as part of MTFS process - Governance Workstream to establish review of decisions (ensure clear, complete and monitored) **(Ongoing)**

and to correct emerging risks to its budget strategy and financial sustainability? • Do the reports cover both forward and backward-looking information in respect of financial and operational performance? • Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data? • Are the reports provided to the leadership team in a timely manner and in a suitable format? • Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?			

Sustainability

Principle 6: Sustainability – The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent us of public resources.

Standard E (Page 42) - The financial management style of the authority supports financial sustainability

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• Financial sustainability is about the ability of the authority to continue to fund its activities not just in the present, but also in an increasingly uncertain future. Developing a robust approach to ensuring the financial sustainability of the authority's activities is central to compliance with the FM Code. • Achieving financial sustainability requires the authority to have the capacity, the capability and the confidence to plan for the long term and to focus on the achievement of longer-term objectives, rather than to exist simply from year to year. • Challenges to the above include:	- The MTFS is supported by HLBCs that focus on 4yr estimates - MTFS is forecast over 4yrs with allocations between Revenue / Capital / Reserves - HLBCs include growth and savings with supporting evidence for forecasts - HLBCs are prepared and owned by Service Directors - MTFS does not include un-identified savings proposals - Strategy focuses on reducing reliance on government funding	- HLBCs tend to focus on proposals in year 1 with less planning for new proposals in yrs 2+ - Beneficial impacts of capital investment are rarely reflected in Revenue budget - Impact on KPIs are not reflected in HLBCs - Capital spend forecasting is overly optimistic - Pricing strategies are not consistent or published - Investment / Savings are not lead by Corporate Plan	- All HLBCs to reflect 4yr impact on Capital and Revenue. **(Done)** - All HLBCs to consider whole life impact to support decision - Monitor progress of HLBCs across all years **(Done)** - Income targets must be aligned to pricing strategies (and articulated in HLBCs if necessary) **(Ongoing)** - Align performance reporting to Corporate Plan to allow review of achievement against priorities **(Done)**

○ changes to the nature and level of public funding ○ an ageing population ○ ongoing pressures on adult and children's social care and other service areas ○ a drive for greater efficiency in response to resource constraints ○ increased demand for affordable housing ○ uncertainty regarding the UK's ongoing relationship with the EU ○ new risks associated with commercialisation. **Key questions:** • Does the authority have in place an effective framework of financial accountability? • Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? • Does the authority's finance team have appropriate input into the development of strategic and operational plans? • Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively	- Revenue impact of Capital expenditure is reflected in MTFS - Enablers are included in the MTFS development process	- HLBCs are not subject to individual risk assessment / provisions	

and to be held accountable for doing so? • Has the authority sought an external view on its financial style, for example through a process of peer review? • Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?			

Principle 6: Sustainability – The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent us of public resources.

Standard G **(Page 57) - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members**

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The FM Code sets out that, having carried out a finance resilience assessment, the authority should demonstrate how the risks identified have informed the development of its longer-term financial strategy. The authority should, furthermore, report the implications of these risks on its future financial sustainability to its leadership team, including its elected members.	- Strategic Risks are reported to A&G Committee - S.25 Statement includes reflection of risks and how they are being managed - Financial Reports include responses to mitigate adverse forecasts	- CIPFA Resilience Index is not specifically shared with members. - HML forecasts do not feature are part of financial implications of member reports.	- Options appraisals can include HML approach to allow more risk managed approach - Statutory officers to meet on

• This requires consideration of how financial resilience is integrated into the authority's strategic plan and into the financial strategy associated with the delivery of this strategic plan. • One way in which this can be achieved in an uncertain and dynamic operating environment is through the use of scenario planning, which is introduced here as a suggestion. • Other approaches to complying with this financial management standard are available. It is up to the authority to select an approach that is commensurate with its own requirements and with the resources that it has available. **Key questions:** • Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? • Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? • Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g using a technique such as scenario planning)? • Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making?	- MTFS reflects impact of quarterly reporting issues - Members receive quarterly reports, including key decisions - Reserves Strategy reflects analysis of risk - CEO / MO / CFO meet regularly and discuss key risks	- Scenario planning is not a specific exercise within financial planning - List of 'difficult events' needs further develop as part of approach to risk management. - Members rarely focus or take the opportunity to reflect on areas of overspending	regular basis to address difficult events **(Done)** - Financial monitoring to committees to include mitigation of overspending as opposed to single CEC response **(Ongoing)**

Principle 6: Sustainability – The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent us of public resources.

Standard I **(Page 66) - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.**

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
• The FM Code does not anticipate that a longer-term financial strategy will – or, indeed, should – provide sufficient detail to allow for it to be translated directly into an annual income and expenditure budget. • To bridge this gap, therefore, and to allow the authority to ensure that its annual budget is in alignment with its longer-term financial aims, the FM Code requires the authority to prepare a multi-year medium-term financial plan. • Furthermore, this plan should also be consistent with associated service plans for the authority's principal services. **Key questions** • Does the authority have in place an agreed medium-term financial plan? • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust	- The MTFS covers 4yrs of activity with HLBCs linked to appropriate years. - Annual budgets are approved, using the additional years of the MTFS as evidence of the robustness and whole life impact of yr1 proposals. - Income and expenditure forecasts are consistent and reflect up to date analysis to support longer term planning. - The MTFS is provided in full as part of the Council approval of the annual budget. - All strategies within the MTFS reflect the 4yr planning timeframe.	- There is potential ambiguity over the 'approval' of proposals beyond yr1. - The MTFS does not compare scenarios, such as HML, but is presented as a single plan. - The Asset Management Plan (AMP) is not suitably aligned to the MTFS. - Lifetime costs of assets does not systematically feature within the MTFS.	- Develop approach to vary MTFS as opposed just to vary current year - Publish HLBCs to demonstrate options - Align Capital Strategy to AMP

assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?			

APPENDIX 3

Interim Review of Cheshire East Council's compliance with the CIPFA Financial Management Code

Introduction

The CIPFA Financial Management (FM) code sets the standards of financial management for local authorities. It is designed to support effective practice in financial management and to assist local authorities in demonstrating their budgetary sustainability. The code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks. All local authorities are required to demonstrate full compliance with the Code by 31 March 2022 or provide a full explanation relating to areas of non-compliance, noting though that a Local Authority can do so within a more flexible framework where a proportionate approach can be taken. In practice this means that adherence to some parts of the Code will demonstrate a direction of travel with reference made in the Annual Governance Statement in respect of the organisation's compliance with the principles of the FM Code.

Demonstrating compliance with the CIPFA FM Code is a collective responsibility including the Leader of the Council, Members, the Chief Finance Officer, and their professional colleagues in the leadership team. This report is a self-assessment and review of the Council's compliance with the standards as set out in the FM Code. It documents the detail of what is expected within the standard. It also records evidence of areas of compliance, non-compliance and documents any further actions required to meet and/or improve current processes in place.

This report is to be considered alongside the Draft 2022/23 Annual Governance Statement (AGS), noting that the 2021/22 and 2022/23 (2 year) External Audit Value for Money (VfM) reports are being finalised and that following reflection of the findings some areas of this draft assessment may be subject to change.

Principles of good financial management

The code is a principle-based approach. There are six principles:

1. Leadership
2. Accountability
3. Transparency
4. Standards
5. Assurance
6. Sustainability

The six principles are translated into seventeen Financial Management standards (denoted from A-Q) as shown on page 3.

Assessment of compliance

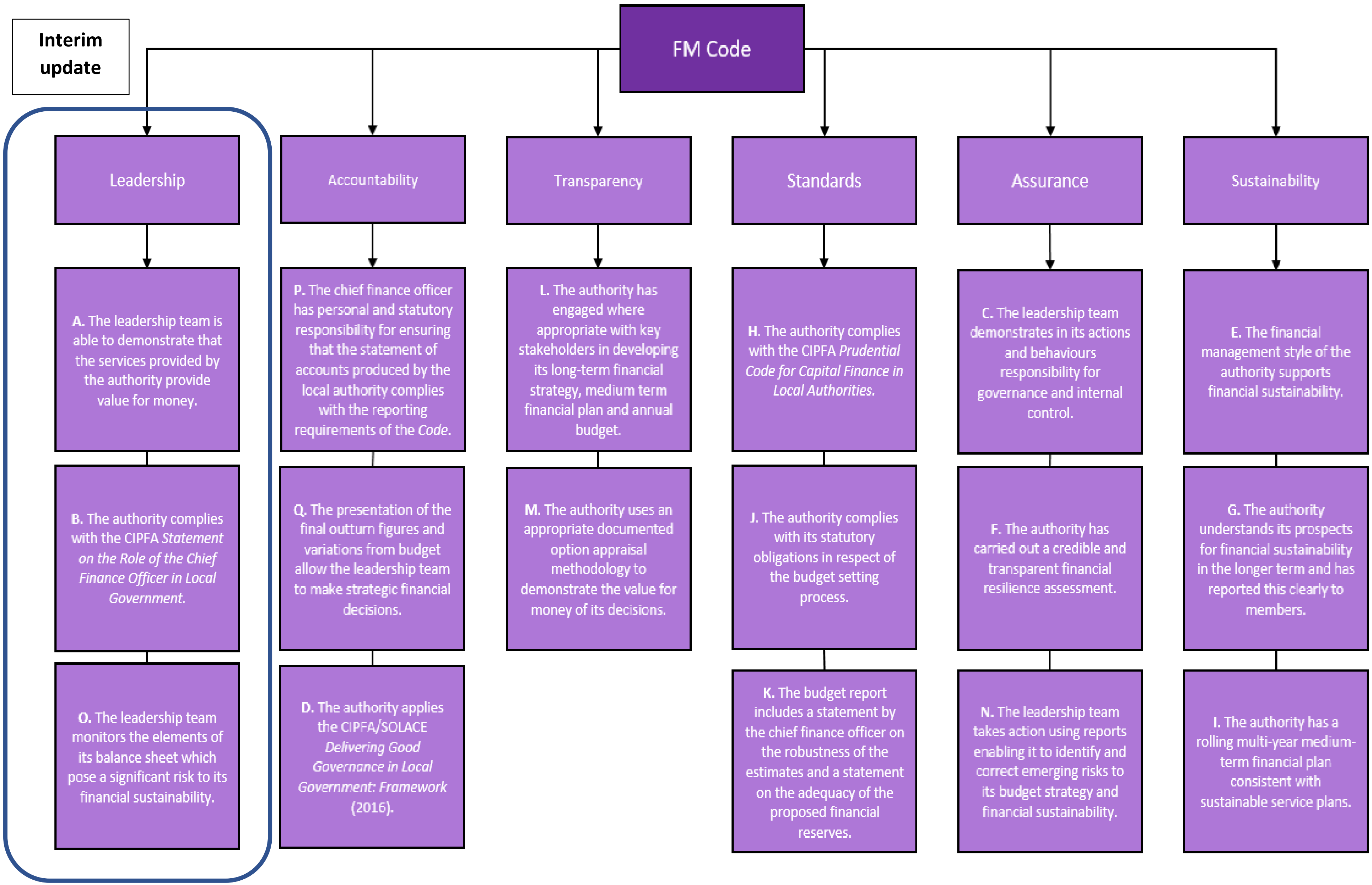
The following tables set out the latest self-assessment of the Council's ability to demonstrate that it meets the requirements of the FM Code for Principle 1 Leadership.

The plan is that by 31 March 2024, each of the seventeen standards will have been re-assessed against the following definitions:

RAG Assessment	Description
5	Achieves Best Practice
4	Substantial Compliance / Minor Areas of improvement
3	Reasonable Compliance / Some Areas of improvement
2	Minimum Compliance / Significant Areas of improvement
1	Does not meet requirements of the code

At this stage of the review – **Principle 1 Organisational Leadership** has been reviewed to demonstrate the level of compliance and any actions regarding areas of improvement.

A full re-assessment of all the FM Code Principles and Standards is ongoing and will be brought back to the Finance Sub Committee before the end of the financial year. The aim of the full re-assessment will be to demonstrate the overall level of compliance in line with the above RAG Rating and highlight any key themes that have been noted for improvements and associated action plans.


Interim update
FM Code
Leadership
Accountability
Transparency
Standards
Assurance
Sustainability
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
O. The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.
P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code.
Q. The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.
D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
J. The authority complies with its statutory obligations in respect of the budget setting process.
K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
F. The authority has carried out a credible and transparent financial resilience assessment.
N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
E. The financial management style of the authority supports financial sustainability.
G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

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Leadership

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard A (page 22): The leadership team can demonstrate that the services provided by the authority provide value for money.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
Compliance with FM Code requires an authority to **achieve** value for money and be able to **demonstrate** that its services represent value for money **Promote/achieve value for money - examples** • Clear Governance structure • Corporate Plan (clear objectives and strategy based on local need) • Effective Service and Financial planning • Financial Regulations • Procurement Regulations • Contract Management • Risk Management	- Governance arrangements have moved to the Committee System (Council Nov. 2019 - Link) ○ Structure of Committees approved ○ Committee Terms of Reference (ToR) approved ○ Chairs / Members appointed (Link) ○ Committee meeting schedule and workplans approved ○ Annual Review of Committee System Report (CPC June 2023) ○ Reports to all decision making committees produced in line with a	• Appointments to CLT – currently interim arrangements in place to cover the Executive Director – Corporate Services and Executive Director – Place. A new interim chief executive, David Parr OBE is set to be appointed by Full Council on 18.10.2023, recruitment is underway to find a new permanent Chief Executive. • Align New Corporate Plan (CP) to be aligned Committees • Performance Framework for Corporate Plan Actions / Measures needs to be in Service Plans	**3 Amber**	• Publish Atamis dashboards (LH) – **In progress** • CLT Appointments • Strategic Risk Register reports to progress onto the Service Committees (**Done for CPC**). • Potential further/ongoing work re Decisions, Decisions, Decisions

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	reporting protocol, DMT clearance, legal/finance review, identification of mitigation of risks re report content. ○ MTFS aligned to Committee Structure – annual report (FSC 08.03.23 and service committees) - Group Governance arrangements. ○ Cheshire East Residents First Ltd (CERF) and Cheshire East Council hold the controlling shares and provide oversight of the Council's subsidiary companies. ○ Finance Sub Committee / Shareholder Working Group have ToR (June 2023 FSC) - Revised Constitution (Link) ○ Aligns Medium Term Financial Strategy (MTFS) to Committees ○ Revised financial limits (Constitution) ○ Revised Finance Procedure Rules (FPRs) and Contract Procedure Rules (CPRs)	• Atamis launch (incl dashboards and procurement pipeline) **– In progress**		

	○ Definition of a Significant Decision (Completed 2022/23) ○ Governance Workstream established within Brighter Futures Commercial Board (BFCB) (completed, April 2022 agreed that BFCB had achieved its objectives) ○ Decisions, Decisions, Decisions – Wider Leadership Community (WLC) Training plus Directorate Led sessions. - Corporate Plan 2021 to 2025 (Link) ○ Aligns with MTFS proposals ○ Aligns to Service Plans ○ Performance Dashboard including Risk - Procurement System Implementation (Atamis) – Live Sept 2021 for ICT, Procurement, Childrens Services and Adults Health and Integration – ongoing through 2023 ○ Procurement Progress Report to FSC and A&G (Completed 2022/23)			

	○ Atamis Launch and Contract Manager training re Dashboards - Strategic Risk Register (Link) ○ Risks contained within Service Plans ○ Risks recorded in hierarchy aligned with Directorate to Team level plans ○ Risk Management Framework and Risk Management Strategy adopted ○ Risk Reporting to CLT (Completed 2022/23) ○ Council Strategic Risk Register Assurance Report – quarterly updates to Corporate Policy Committee (CPC July 2022) ○ Risk Management Report (A&G annually – 22/23 27.07.23) ○ Operational risk registers included in directorate and service business plans			
Demonstrate value for money - examples • Scrutiny/Audit Arrangements • Benchmarking	- Committee System introduces cross party decision making. - Committees receive quarterly performance scorecards, in year financial monitoring reports and	• Historical Qualified Audit opinions **(No Grant Thornton opinions outstanding)**	**3 Amber**	• Include external assessments as part of regular Performance Reporting (SB) -**Ongoing**

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• Peer Review, Engagement with Service Users
• Monitoring of Performance Data
• Service Reviews
• User Surveys
• External Assessments, Equality Impact Assessments
	MTFS budget planning/setting reports relevant to their area of remit.
	- Single Scrutiny Committee sets own work programme
	- Regular Statutory Officer meetings with CEO
	- External Auditors (Mazars)
	    o Appointed via PSAA procurement
	    o Attend A&G Committee
	    o Regular catch-ups with CFO
	    o Regular, private, catch ups with Chair/Vice Chair of A&G Committee
	    o Unqualified opinion (Link)
	    o VFM review external audit assessment covering financial sustainability, governance, improving economy, efficiency and effectiveness
	- Peer Review completed (Link)
	- Consultation Hub (Link)
	- Performance Scorecards to Scrutiny
	- OFSTED / CQC assessment
	- Revised Equality Strategy (EIAs support HLBCs and other change activity)
		• Evidence of benchmarking for Committees
		• Corporate overview of external assessments		

	- Benchmarking data in Performance Reporting. - External Audit (EA) – met all actions arising from Public Interest Report (AGS 22/23 – A&G 08.06.23 Satisfactory assurance opinion) - Draft Financial Statements 2022/23 published on time, commencement of 2022/23 Audit deferred to September 2023 due to national issues (A&G July2023).			
Key Questions: • Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? • Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? • Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?				

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard B (page 26): The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan / RAG
Compliance with FM Code requires each of the following to be reliably and consistently met: • CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest. • The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy. • The CFO must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used	- The Director of Finance & Customer Services (DF&CS) is the Authority's CFO / s151 Officer and is a professionally qualified accountant with significant experience. - Senior Officer Structure & Statutory responsibilities reported on CEC website (June 2023) - The DF&CS is a member of CLT and leads on development of financial strategy - Pipeline of Strategic discussion to CLT via BMST - Report templates for decisions allow Financial Implications to be addressed and reports are submitted to CLT - Some ODRs are referred to CFO in advance to confirm financial implications are addressed - Improved clarity in FPRs over financial limits and decision making	- Changes to personnel and approach for CLT are not leading to strategic discussion - Follow-up analysis of decisions not sufficient - Risk that not all ODRs reviewed by all necessary parties - Cascade consistent Budget Manager training of Unit4 and FP&A Forecasting tool across the Council	**4 Green**	- Performance Framework includes progress reporting of past recommendations / decisions (SB) - WOC Outturn reporting via CFO before Boards (AT) – **in progress**

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appropriately, economically, efficiently, and effectively. • The CFO must lead and direct a finance function that is resourced to be fit for purpose. • The CFO must be professionally qualified and suitably experienced.	- The DF&CS ensures the financial statements are appropriately prepared and that they give a true and fair view. - The Finance Team suitably resourced and qualified - CFO for LEP / CEC Group - Regular meetings of Statutory Officers being the Chief Executive Officer (CEO), CFO and Monitoring Officer (MO) - DF&CS – supports and advises Council, Corporate Policy Committee (CPC, Finance Sub-Committee (FSC), Policy Briefing. Forums provide sufficient opportunities for the Leader of the Council, CEO / CLT to have oversight of financial matters and the DF&CS to be involved in developing and implementing strategy. - DF&CS networks externally and works with other Local Authority S151 Officers - Effective financial management is promoted throughout the whole Council through business partnering approach, regular financial reporting to CLT, FSC, CPC, Committees, Full Council. - Finance Managers / Business Partners attend EDMT / DMT,			

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	Company SMT/Boards, Finance is represented on internal management teams and in wider Group - The Finance function underwent a restructure in 2022/23 and aims to meet business needs via a permanent staffing structure. Some advisory services are commissioned (treasury management, pensions, valuations, Tax). Professional qualification development is in place and appropriate members of the team are either qualified or actively studying for a qualification – monitored by KPI (Service Plan). - Finance Training provided to Committees in November 2022 and in 2023 following Elections, to support new and existing members. - Member Training programme on the Committee system for existing and new members. - CERF WOC Draft Out-turn reports reported to FSC and A&GC (June 2023) - LEP Outturn reporting via CFO before LEP before LEP Finance & Reporting Committee.			

	- Quarterly 121 meetings for Shared Services / LEP / WOC CEOs with CFO. - WOC Out-turn reporting via CFO before Boards. - Following the publication of the council's 2023/24 First Financial Review report, in which potential budget deficit of £12.8 million has been identified, a budget emergency response team has been set up, called 'CEBERT' (Cheshire East Budget Emergency Response Team). CEBERT brings together Corporate Leadership Team and a number of senior officers from the corporate services directorate to lead on coordinating our work across the organisation to address the financial challenge and rebalance the council's budget forecast. CEBERT meets on a weekly basis to provide strategic oversight for a range of activity and includes lead officers for each service committee to ensure that our response has appropriate political oversight and decision-making.			

Key questions: • Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions? • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose?				

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard O (page 97). The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
• The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	- Capital Schemes are monitored and reported on periodically in year. - Capital Funding is reviewed by project and at strategic level. - Report writing guidance has been developed to support	• Balance sheet review is not part of the financial monitoring process • CIPFA Balance Sheet Management is not reported on	**2 Red**	• Keep asking the so what questions, are all impacts of a decision understood financially, risk management and legal. (DB / AT) **(Ongoing)**

• Engages with The CIPFA publication Balance Sheet Management in the Public Services: A Framework for Good Practice (2017).	improvement in articulating financial implications.	• Limited oversight of LEP / WOC / SS / Investment Strategy impacts on balance sheet • Insufficient clarity on potential financial liability arising from risks recognised across registers being realised		• Review reporting approach to impact of LEP / SS / WOC decisions on overall balance sheet – how does our existing contract management approach achieve this, what needs to change? (AT) **(Ongoing)**
To comply with the FM Code the authority might choose to: • determine which elements of its balance sheet pose a significant risk to its financial sustainability, through a comprehensive review of its assets and liabilities • put in place mechanisms to monitor these elements of its balance sheet • respond promptly and proactively to any issues that these mechanisms identify.	- Quarterly reporting includes reviews of debt and borrowing (Link examples) - The deficit on the DSG has been identified as a key risk in the MTFS, monitoring reports to Committees - Reserves Strategy is approved as part of the MTFS and compliance with the minimum level of reserves and the impact of in year financial performance on the reserves and balances is monitored as part of the in year performance report. - Other potential key risk areas of the balance sheet – Pensions / Contingent Liabilities – captured as part of regular finance reporting. - Asset Management Report – covering property acquisitions and disposals undertaken by the Council and pending	• Monitoring of entire balance sheet risk is not systematic • Limited oversight of LEP / WOC balance sheets • Capital receipts strategy needs development to align with MTFS	**2 Red**	• Enhance quarterly reporting to include balance sheet management. Specifically debt / borrowing / assets / pension fund valuation (as appropriate) (AT) **(Ongoing)** • Annual review of LEP / WOC balance sheet to CFO via Finance Lead (AT). • Report disposals and acquisitions to Finance Sub-Committee and reference links to MTFS (PS) **(Done and Ongoing)**

	transactions (FSC 19.01.2023, next report scheduled FSC 17.01.2024) - Sundry Debt briefing report, sundry debt levels across all Council services (FSC 08.03.2023) - Sundry debt monitoring included as part of the in year finance performance report. - In year monitoring report (First Financial Review 2023/24 – Annex 1 CPC 05.10.23) includes Appendix 7 FSC and Appendix 7a Update to the Treasury Management Strategy as relating Capital Strategy borrowing - Local Government Pension Scheme (LGPS) and Cheshire Pension Fund (CPF) Report (FSC Jun 2023) – Introduction paper on the LGPS, planning and reporting for pensions and keeping members informed including CPF Committee and reporting of minutes to CPC in future (due FSC 2.11.2023)			
Key questions: • Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?				

• Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? • Is the authority taking action to mitigate any risks identified? • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?				

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FM Code – Glossary

Appendix 4

Acronym	Full Title
(initials)	Brackets around two letters are initials of individual people
A&G	Audit and Governance
AGS	Annual Governance Statement
AMP	Asset Management Plan
BFT	Brighter Future Together
BFTP	Brighter Future Together Programme
BLOG	BLOG – Web Log
BMST	Business Management Support Team
BP	Business Partner
C&F	Children and Families
CEBERT	Cheshire East Budget Emergency Response Team
CEC	Cheshire East Council
CEO	Chief Executive Officer
CERF	Cheshire East Residents First Ltd
CFB	Capital Financing Budget
CFO	Chief Finance Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CLT	Corporate Leadership Team
COCG	Code of Conduct Group
CP	Corporate Plan
CPC	Corporate Policy Committee
CPD	Continued Professional Development
CPF	Cheshire Pension Fund
CPR	Contract Procedure Rules
CQC	Care Quality Commission
DMT	Directorate Management Team
DSG	Dedicated Schools Grant
EA	External Audit
ED	Executive Director
EFMT	Extended Finance Management Team
EIA	Equality Impact Assessments
EU	European Union
FM	Financial Management
FPR	Finance Procedure Rules
FSC	Finance Sub-Committee
GT	Grant Thornton
HLBC	High Level Business Case
HML	High Medium Low
IA	Internal Audit
ICO	Information Commissioners Office
IFAC	International Federation of Accountants
KPI	Key Performance Indicator
LEP	Local Enterprise Partnership

FM Code – Glossary

LEP F&R	Local Enterprise Partnership Finance & Reporting Committee
LGO	Local Government Ombudsman
LGPS	Local Government Pension Scheme
MO	Monitoring Officer
MSBI	Microsoft Business Intelligence (Power BI)
MTFS	Medium Term Financial Strategy
MYR	Mid-Year Review
ODR	Officer Decision Record
OFSTED	Office for Standards in Education
PAIB	Professional Accountants in Business
PDR	Performance Development Review
PMO	Project Management Office
PP	Pay Policy
PSAA	Public Sector Audit Appointments
RAG	Red, Amber, Green
S151	Section 151 Officer
SOA	Statement of Accounts
SOLACE	Society of Local Authority Chief Executives
SS	Shared Service
TMS	Treasury Management Strategy
ToRs	Terms of reference
TQR	Third Quarter Review
UK	United Kingdom
WARN	Waiver Approval / Record of Non-Adherence
WLC	Wider Leadership Community
WLT	Wider Leadership Team
WOC	Wholly Owned Company

Cheshire East Council

Finance Sub-Committee

2 November 2023

Business Rates Discretionary Relief Review - Recommendations

Report of: Director of Finance and Customer Services (s151 Officer)

Report Reference No: FSC/20/23-24

Ward(s) Affected: All

Purpose of Report

1 To provide feedback from the Business Rates Working Group and seek a decision in relation to the Discretionary Relief Policy.

Executive Summary

2 Following a report to the Sub-Committee on 9 November 2022 relating to Business Rates Discretionary Relief, the Sub-Committee established a working group at its first post-election meeting on 7th June 2023. The working group met on 29th September to receive an overview of business rates and to review the Business Rates Discretionary Relief Policy. Its recommendations are set out in this report.

RECOMMENDATIONS
The Finance Sub-Committee is recommended to: 1. Amend the Business Rates Discretionary Relief Policy to include leisure centres at page 17 where sports and social clubs are referenced. 2. Delegate authority to the Head of Revenues and Benefits, to amend page 11 section 5.9, to allow backdating of relief in certain circumstances, once the Non-Domestic Rating Bill receives Royal Assent.

Background

3 The Finance Sub-Committee received the Business Rates Discretionary Relief report on 9 November 2022. The report provided an overview of the business rates system. It also confirmed the current position in relation to discretionary rate reliefs awarded to local businesses and organisations by Cheshire East Council.

4 At its meeting of 7th June, the Sub-Committee agreed to set up the Business Rates Working Group. The Group met on 29th September 2023 to further understand the business rates system and review the extent of Discretionary Relief available to local businesses. The group considered how those reliefs impact both business and the council and agreed to make recommendations for change where appropriate.

Consultation and Engagement

5 The impact on local businesses is low. Member involvement and decision making is sufficient.

Reasons for Recommendations

6 The Member Working Group reviewed the current policy and considered reasons for change. Policy relating to village halls and charity shops had been raised at the original meeting and these areas were specifically reviewed. The recommendation is for these areas to remain unchanged for the following reasons:

- Relatively low value awards.
- The scheme is currently considered to be equitable with no noticeable inconsistencies.
- Little/no feedback from impacted businesses
- Benchmarking shows very similar schemes at other authorities.
- A qualification process through a 'means tested' type application would be administratively expensive in the context of the overall awards value.

Policy around other areas was confirmed, particularly in relation to charitable organisations that exist to benefit the local community.

Two amendments were recommended:

A change to the wording of the policy to improve description and explicitly include leisure centres.

The Business Rate bill currently proceeding through Parliament will allow discretion over the backdating of discretionary relief. The current position is that relief may only be backdated up to 18 months. The Bill will allow Authorities to implement their own backdating policy. There has been little feedback from businesses in relation to the current arrangements other than where properties have been entered into the Valuation List late by the Valuation Office Agency and have caused the application period to 'time out'. The recommendation therefore is to keep the current arrangements in place and to add an additional line to allow backdating where the Valuation Office Agency has entered a new property or made an alteration to the Local Rating List and the Ratepayer could not reasonably have been expected to have made an application within the relevant time period. This amendment should be delegated to officers, for implementation once the Bill is passed.

Other Options Considered

7 The Working Group has made no material changes to the policy.

Implications and Comments

Monitoring Officer/Legal

8 There are no obvious legal implications outside the current policy.

Section 151 Officer/Finance

9 There are no financial implications.

Policy

10 The recommendations make changes to the Council's Policy for the Granting of Discretionary Non-Domestic Rate Relief.

An open and enabling organisation • Ensure that there is transparency in all aspects of council decision making		

Equality, Diversity and Inclusion

11 There are no direct implications for Equality.

Human Resources

There are no direct implications for Human Resources.

Risk Management

There are no direct implications for Risk Management.

Rural Communities

12 The implications for Rural Communities remain unchanged.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

13 There are no direct implications for Children & Young People

Public Health

14 There are no direct implications for Public Health

15 Climate Change

There are no direct implications for Climate Change.

Access to Information	
Contact Officer:	Paul Manning, Head of Revenues and Benefits
Appendices:	Amended Policy
Background Papers:	N/A

Cheshire East Council
Policy for the granting of
Discretionary Non-Domestic Rate Relief

Version Control

Version	*Version date*	*Revised by*	*Description*
1	January 2022	LM	Draft Policy
2	March 2022	LM	Revisions PM

Contents

1.0 Purpose of the Policy

1.1 The purpose of this policy is to determine the level of discretionary relief and related areas to be granted to certain defined ratepayers within the Council's area. The policy includes all changes effective from 1st April 2022 and includes all extended reliefs due to the COVID-19 crisis. The Council is keen to support businesses during the crisis, as far as possible.

1.2 The Local Government Finance Act 1988 and subsequent legislation requires the Council to grant mandatory relief for premises occupied by Charities and similar organisations that own or occupy them wholly or mainly for charitable purposes. Likewise, certain premises situated within a rural settlement area will be eligible for mandatory relief. Powers have also been granted under the Localism Act 2011, which allow for the granting of discretionary rate relief to any premises where the Council feels the granting of such relief would be of benefit to the local community.

1.3 In addition to the above, Central Government is keen that in certain cases, assistance should be provided to businesses who have had increases in their rate liability due to the revaluation of premises in April 2017. In these cases, and where the Council meets Central Government guidelines, grants are available under section 31 of the Local Government Act 2003.

1.4 Whilst the Council is obliged to grant relief to premises, which fall within the mandatory category, the Council also has powers to grant discretionary relief and reductions to ratepayers, subject to certain criteria being met. In the case of the new reliefs, some guidance has been issued by Central Government outlining actions expected to be taken by local authorities. This policy includes Government guidance where appropriate but also looks to target discretionary relief in line with the Council's priorities.

1.5 This document outlines the following areas:

- Details of the criteria for receiving Discretionary Reliefs for all relevant areas;
- The Council's policy for the granting of all types of Discretionary Reliefs;
- Guidance on granting and administering the reliefs and awards; and
- The Council's Scheme of Delegation.

1.6 Where organisations apply for relief they will be granted (or not granted) relief or reductions in line with the following policy.

2.0 Mandatory Relief - Legislative Background

Charity Relief

2.1 The powers relating to the granting of mandatory[1] and discretionary relief are given to the Council under the Local Government Finance Act 1988[2]. Charities and Trustees for Charities are only liable to pay one fifth of the Non-Domestic Rates that would otherwise be payable where property is occupied and used wholly or mainly for charitable purposes. This amounts to mandatory relief of 80%. For the purposes of the Act, a charity is an organisation or trust established for charitable purposes, whether or not it is registered with the Charity Commission. The provision has been extended under the Local Government Act 2003 (effective from 1st April 2004) to registered Community Amateur Sports Clubs (CASCs). Full details of the mandatory provisions are given later within this policy.

2.2 In the case of charity shops, the premises must meet the criteria laid down by section 64 (10) of the Local Government Finance Act 1988 which states that the premises are to be treated as used for charitable purposes at any time it is wholly or mainly used for the sale of goods donated to the charity and the proceeds of goods (after any deductions for expenses) are applied for the purpose of the charity.

2.3 The Council has discretion to grant relief of up to a further 20% for these mandatory cases under its discretionary provisions.

Rural Rate Relief

2.4 From 1st April 1998, under powers originally granted to the Council by the Local Government and Rating Act 1997[3], certain types of business in rural settlements, with a population below 3000 may qualify for mandatory rate relief of 50 per cent. Businesses that qualify for this relief are the sole general store and the sole post office in the settlement, provided it has a Rateable Value of up to £8,500; any food shop with a Rateable Value of up to £8,500; and the sole pub and the sole petrol station in the settlement provided it has a Rateable Value of up to £12,500.

2.5 From 1st April 2017, Central Government has indicated that it wants all authorities to give 100% relief to premises that receive mandatory rural rate relief. The legislation enabling this will not be forthcoming until 2018 and therefore it has indicated that where the additional 50% is granted, a section 31 grant will be made available to the Council. This is dealt with further within this policy and the Council will automatically grant the additional 50% discretionary relief where appropriate

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[1] S43 & S45 Local Government Finance Act 1988
[2] S47 & S48 Local Government Finance Act 1988
[3] LGFA 1988, s.47, as amended by Sch. 1 to the Local Government and Rating Act 1997

2.6 Where businesses in rural settlements have a Rateable Value of up to £16,500 **and** are not in receipt of mandatory relief, the Council may decide to give up to 100 per cent discretionary relief if it is satisfied that the business is of benefit to the community and having regard to the interests of its Council Taxpayers.

3.0 Discretionary Relief – Legislative Background

Introduction

3.1 The original purpose of discretionary relief was to provide assistance where the property does not qualify for mandatory relief, or to 'top' up cases where ratepayers already receive mandatory relief.

3.2 Over recent years and particularly since 2011, the discretionary relief provisions have been amended to allow authorities the flexibility to provide more assistance to businesses and organisations.

3.3 The range of bodies, which are eligible for discretionary rate relief, is wide and not all of the criteria laid down by the legislation will be applicable in each case.

3.4 Unlike mandatory relief, ratepayers are obliged to make a written application to the Council. The Council will expect all businesses to make applications in such a format as is required (which may vary from time to time) and for the business to provide such information and evidence as required in order to determine whether relief should be awarded.

3.5 The Council is obliged to carefully consider every application on its merits, taking into account the contribution that the organisation makes to the amenities within the authority's area. There is no statutory appeal process or Tribunal against any decision made by the Council although, as with any decision of a public authority, decisions can be reviewed by Judicial Review. The authority will however, upon request, review decisions made. Details of the internal review process are given within this policy.

3.6 Granting of the relief falls broadly into the following categories:

(a) Discretionary Relief – Charities who already receive mandatory relief.
(b) Discretionary Relief – Premises occupied by organisations not established or conducted for profit whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts **or** premises occupied by organisations not established or conducted for profit and wholly or mainly used for purposes recreation;
(c) Discretionary Relief – Rural Rate relief - premises that already receive mandatory relief;
(d) Discretionary Relief – Rural Rate relief - premises not receiving mandatory relief but of benefit to the local community and less that £16,500 RV;
(e) Discretionary Relief – Granted under the Localism Act 2011 provisions;

(f) Local Newspaper Relief (from 1st April 2017 until 2025);
(g) Supporting Small Businesses Relief (from 1st April 2017 for a period of up to five years);
(h) Expanded Business Rates Discount Relief (from 1st April 2021 for a period of one year);
(i) Nursery Discount (from 1st April 2021 for a period of one year);
(j) COVID Additional Relief Fund (from 1st April 2021 for a period of one year);
(k) Extension to Transitional Relief and Supporting Small Business Rates Relief (from 1st April 2022 for a period of one year);
(l) Retail, Hospitality and Leisure Business Rates Relief (from 1st April 2022 for a period of one year); and
(m) S49 Hardship Relief.

3.7 The decision to grant or not to grant discretionary relief is a matter purely for the Council.

The Council's general approach to granting Discretionary Relief

3.8 In deciding which organisations should receive discretionary rate relief, the Council has considered the following factors and priorities:
(a) The awarding of relief will be in line with the Council's vision and values;
(b) That any award should support business, charities, organisations, and groups that help to retain services in the Council's area and not compete directly with existing businesses in an unfair manner;
(c) It should help and encourage business, charities, organisations, groups, and communities to become self-reliant;
(d) Awarding discretionary relief should not distort competition or significantly change the provision of services within the Council's area;
(e) Local organisations will be given priority over national organisations. Where requested, the organisation will need to supply the Council with clear evidence of **all** financial affairs (normally two full years) including, and most importantly, the amounts of monies raised, used, and invested locally. This will be essential where the organisation is national in nature;
(f) To enable appropriate organisations to start, develop or continue their activities, which deliver outcomes to the community and that also relate to the priorities of the Council, which without granting discretionary relief they would be unable to do;
(g) To assist the Council in delivering services which could not be provided otherwise; and
(h) To ensure that the financial impact of awarding discretionary business rate relief is justified in terms of the local outcomes achieved by the organisation receiving it;

3.9 Where any reduction or remission is granted to a ratepayer under S49 Local Government Finance Act 1988 where hardship is proven to the Council, then there will be no requirement to grant Discretionary Rate Relief for that amount.

3.10 In certain cases, the order in which relief is granted is specified. Mandatory relief shall be granted in all cases where the criteria is met irrespective of whether discretionary relief can be granted or not.

The Council's approach to granting Government led Discretionary Relief schemes

3.11 Over the past few years, a number of schemes have been led by Central Government but without specific legislative changes. These are administered under S47 of the Local Government Finance Act 1988 and guidance is often provided. The Council is keen to support such initiatives especially where they are designed to help local businesses and will look to maximise both the reliefs given as well as maximise any grants receivable. However, the Council reserves the right to vary its approach where thought appropriate.

4.0 Effect on the Council's Finances

4.1 The granting of discretionary relief will, in the main, involve a cost to the Council. Since the change to the funding for Non-Domestic Rating in April 2013, the effect of the relief is complex.

4.2 Any amounts granted prior to 1st April 2013 and continuing since that date will be included in the Council's baseline within the Business Rates Retention Scheme. For any amounts granted for similar cases after 1st April 2013, the costs of the relief will be borne in accordance with the Business Rates Retention Scheme share namely 50% borne by Central Government and 50% by the Council. This also applies where mandatory relief is granted.

4.3 Where Central Government leads an initiative, grants are often available through section 31 of the Local Government Act 2003. This is not automatic and Central Government will look to the Council to adopt the recommended approach when granting in these areas

4.4 The financial effects of discretionary reliefs covered by this policy are as follows:

Appendix	Relief Type	Granted after 1st April 2013
	Charity Relief	
A	Discretionary relief granted to Mandatory Relief recipients	50% borne by the Council

Appendix	Relief Type	Granted after 1st April 2013
B	Non-profit Making Organisations including Sports Clubs and societies	50% borne by the Council
	Rural Rate Relief	
C	50% Discretionary relief granted to Mandatory Rural Relief recipients	Section 31 Grant
D	Other premises within a rural settlement under £16500 RV	50% borne by the Council
	Localism	
E	Discretionary Relief granted to ratepayers generally and not covered by any other section	50% borne by the Council
	Local Newspaper Relief	
F	Discretionary Relief granted to local newspapers meeting the criteria (From 1st April 2017 up until 2025)	Section 31 Grant
	Supporting Small Business Relief	
G	Supporting Small Businesses Relief (from 1st April 2017 for a period of up to five years if conditions are met	Section 31 Grant
	Expanded Business Rates Discount Relief	
H	Expanded Business Rates Discount Relief (from 1st April 2021 for a period of one year)	Section 31 Grant
	Nursery Discount	
I	Nursery Discount (from 1st April 2021 for a period of one year)	Section 31 Grant
J	**COVID Additional Relief Fund (CARF)**	
	The Council's COVID Additional Relief Fund (for 2021/22 only)	Section 31 Grant
K	**Extension to Transitional Relief and Supporting Small Business Rates Relief**	
	Extension to Transitional Relief and Supporting Small Business Rates Relief (from 1st April 2022 for a period of one year)	Section 31 Grant
L	**Retail, Hospitality and Leisure Business Rates Relief**	
	Retail, Hospitality and Leisure Business Rates Relief (from 1st April 2022 for a period of one year)	Section 31 Grant
	S49 Hardship Relief	
M	Partial or full relief for cases of hardship where it would be reasonable to do so	50% borne by the Council

Appendix	Relief Type	Granted after 1st April 2013
	having due regard to the interests of council taxpayers	

5.0 Administration of Discretionary Relief

5.1 The following section outlines the procedures followed by officers in granting, amending, or cancelling discretionary relief and reduction. This is essentially laid down by legislation[4]

Applications and Evidence

5.2 All reliefs must be applied for. Application forms are produced by the Council both in hard copy and electronic format. The relevant application forms available online at the Council's website https://www.cheshireeast.gov.uk/business/business_rates/business-rates-relief/business-rates-reliefs.aspx

5.3 Organisations are required to provide a completed application form plus any such evidence, documents, accounts, financial statements etc. necessary to allow the Council to make a decision. Where insufficient information is provided, then no relief will be granted. In some cases, it may be necessary for officers to visit premises and we would expect organisations claiming relief to facilitate this where necessary.

5.4 Applications should initially be made to the Revenues and Benefits Services and will be determined in accordance with Section 7 of this policy.

5.5 **The Council will provide this service and provide guidance free of charge. Ratepayers are encouraged to approach the Council direct and NOT pay for such services through third parties.**

Granting of relief

5.6 In all cases, the Council will notify the ratepayer of decisions made.

5.7 Where an application is successful, then the following will be notified to them in writing:

- The amount of relief granted and the date from which it has been granted;
- If relief has been granted for a specified period, the date on which it will end. (It should be noted that reliefs are granted for the period specified in the appropriate Appendix and may vary from a day to a full financial year);
- The new chargeable amount;

[4] The Non-Domestic Rating (Discretionary Relief) Regulations 1989

- The details of any planned review dates and the notice that will be given in advance of a change to the level of relief granted; and
- A requirement that the applicant should notify the Council of any change in circumstances that may affect entitlement to relief.

5.8 Where relief is not granted, then the following information is provided, again in writing:
- An explanation of the decision within the context of the Council's statutory duty; and
- An explanation of the appeal rights (see below).

5.9 Discretionary relief is to be granted from the beginning of the financial year in which the decision is made or when liability begins whichever is the later. Since 1997 decisions can be made up to 6 months after the end of the financial year for which the application was made. In such cases, the Council *may* backdate its decision.

5.10 A decision to award discretionary relief and how much relief is given is normally only applicable to the financial year for which the application is made. However, the Council reserves the right to grant relief for any other period as appropriate.

5.11 A fresh application for discretionary relief will be necessary for each financial year **or** at such time-period as the Council determines.

Variation of a decision

5.12 Variations in any decision will be notified to ratepayers as soon as practicable and will take effect as follows:
- Where the amount is to be increased due to a change in rate charge or a change in the Council's decision which increases the award – this will apply from a date determined by the Council as appropriate;
- Where the amount is to increase for any other reason, it will take effect at the expiry of a financial year and so that at least one year's notice is given;
- Where the amount is to be reduced due to a reduction in the rate charge or liability including any reduction in rateable value, awarding of another relief or exemption this will apply from the date of the decrease in rate charge; and
- Where the amount is to be reduced for any other reason, it will take effect from a date determined by the Council as appropriate;

5.13 A decision may be revoked at any time however; a one-year period of notice will be given, and the change will take effect at the expiry of a financial year.

6.0 Scheme of Delegation

Granting, Varying, Reviewing and Revocation of Relief

6.1 All powers in relation to reliefs are given under the Local Government Finance Act 1988, the Local Government and Rating Act 1997, the Local Government Act 2003, and the Localism Act 2011.However section 223 of the Local Government Act 1992 allows for delegation of decisions by the Council to Cabinet, Committees, Sub-Committees or Officers.

6.2 The Council's scheme of delegation allows for the Revenues Manager to award, revise or revoke any discretionary relief applications. However, any application which is considered to be of a significant nature will be subject to consultation with the relevant executive or committee prior to final determination.

6.3 Applications that are refused will, on request, be reconsidered if additional supporting information is provided or the refusal is subsequently considered to be based on a misinterpretation of the application.

Reviews

6.4 The policy for granting relief will be reviewed annually or where there is a substantial change to the legislation or funding rules. At such time, a revised policy will be brought before the relevant committee of the Council.

Appeals

6.5 Where the Council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of any discretionary relief, the case will be reviewed by the Revenues Manager. Where a decision is revised then the ratepayer shall be informed, likewise if the original decision is upheld.

6.6 Where the ratepayer wishes to appeal the decision of the Revenues Manager the case will be considered by the Section 151 officer, whose decision on behalf of the Council will be final

6.7 Ultimately the formal appeal process for the ratepayer is Judicial Review although the Council will endeavour to explain any decision fully and openly with the ratepayer.

7.0 Reporting changes in circumstances

7.1 Where any award is granted to a ratepayer, the Council will require any changes in circumstances which may affect the relief, to be reported as soon as possible. This will be important where the change would result in the amount of the award being reduced or cancelled e.g., where the premises comes unoccupied or is used for a purpose other than that determined by the Council as eligible for relief.

7.2 Where a change of circumstances is reported, the relief will, if appropriate, be revised or cancelled as appropriate. Where any award is to be reduced, the Council will look to recover the amount from the date the change of circumstances occurred.

8.0 Fraud

8.1 Where a ratepayer falsely applies for any relief, or where the ratepayer provides false information, makes false representation, or deliberately withholds information in order to gain relief, prosecutions will be considered under the Fraud Act 2006.

Appendix A

Discretionary Relief – Mandatory Relief recipients

Discretionary Relief – Mandatory Relief recipients

General Explanation

A.1 S43 of the Local Government Finance Act 1988 allows mandatory relief (80%) to be granted on premises if the ratepayer is a charity or trustees for a charity and the premises are wholly or mainly used for charitable purposes. No charge is made in respect of unoccupied premises where it appears that *when next in use* it will be used wholly or mainly for those purposes.

A.2 The legislation has been amended by the Local Government Act 2003 (effective from 1st April 2004) to include registered[5] Community Amateur Sports Clubs (CASC). These organisations can now receive the mandatory (80%) relief.

Charity registration

A.3 Charities are defined within the legislation as being an institution[6] or other organisation established for charitable purposes only or by persons administering a trust established for charitable purposes only.

A.4 The question as to whether an organisation is a charity may be resolved in the majority of cases by reference to the register of charities maintained by the Charity Commissioners under s.4 of the Charities Act 1960. Entry in the register is conclusive evidence. By definition, under the Non-Domestic Rating legislation, there is no actual need for an organisation to be a registered charity to receive the relief and this has been supported by litigation[7], however in all cases the organisation must fall within the following categories:

- trusts for the relief of poverty;
- trusts for the advancement of religion;
- trusts for the advancement of education; and
- trusts for other purposes beneficial to the community, but not falling under any of the preceding heads.

A.5 Certain organisations are exempted from registration generally and are not required to make formal application to the Charity Commissioners these are:

- the Church Commissioners and any institution administered by them;
- any registered society within the meaning of the Friendly Societies Acts of 1896 to 1974;
- units of the Boy Scouts Association or the Girl Guides Association; and
- voluntary schools within the meaning of the Education Acts of 1944 to 1980.

[5] Registered with HMRC as a CASC
[6] S67(10) Local Government Finance Act 1988
[7] Income Tax Special Commissioners v Pemsell (1891)

A.6 The Council will consider charitable organisations, registered or not, for mandatory relief.

Use of Premises – wholly or mainly used

A.7 Irrespective of whether an organisation is registered as a charity or not, the premises **must** be wholly or mainly used for charitable purposes. This is essential if any relief (either mandatory or discretionary) is to be granted. In most cases this can be readily seen by inspection, but on occasions the Council has had to question the actual use to which the premises are to be put. In some cases, it will be necessary for the Council to inspect any premises fully.

A.8 Guidance from the Department of Communities and Local Government (now MHCLG) has stated that in the case of 'mainly', at least 51% must be used for charitable purposes whether of that charity or of that and other charities

A.9 The following part of this section gives details on typical uses where relief may be given plus additional criteria that have to be satisfied. The list is not exhaustive but gives clear guidance on premises for which mandatory relief can be granted *and therefore* premises which may be equally considered for discretionary rate relief.

Offices, administration, and similar premises

A.10 Premises used for administration of the Charity include:
- Offices;
- Meeting Rooms; and
- Conference Rooms.

Charity shops

A.11 Charity shops are required to meet additional legislative criteria if they are to receive mandatory relief. Section 64 (10) of the Local Government Finance Act 1988 provides that a property is to be treated as being wholly or mainly used for charitable purposes at any time if, at the time, it is wholly or mainly used for the sale of goods donated to a charity and the proceeds of the sale of the goods (after any deduction of expenses) are applied for the purposes of the charity.

A.12 In order to ascertain whether an organisation meets these requirements, inspections may be made by an officer of the Council when an application is received

Granting of Mandatory Relief - the Council's Policy

A.13 Where the criteria for awarding mandatory relief are met, the rate charges shall be calculated in accordance with the legislation reducing the liability of ratepayers for each day that the criteria are met.

Charity Relief – Mandatory Relief recipients, the Council's Policy for granting discretionary relief.

A.14 The Council has decided that discretionary relief for charities who receive mandatory relief shall be awarded as follows:

Type of charity	Mandatory discount	Maximum discretionary discount	Rate relief category
Village halls, community centres, meeting rooms	80%	20%	1
Youth organisations	80%	20%	2
Voluntary schools - aided and Special Agreement	80%	-	3
Schools / colleges including foundation schools	80%	-	4
Nursery schools	80%	20%	5
Charity shops - local charity within Cheshire and with own accounts	80%	20%	6
Charity shops - national charity	80%	-	7
Drop in / advice centres with open access to public	80%	20%	8
Local charity admin office - within Cheshire and with own accounts	80%	20%	9
National charity admin offices	80%	-	10
Sports and social clubs with a bar and where the rateable value is above the Small Business Rate Relief threshold	80%	-	11
Sports and social clubs with a bar and where the rateable value is below the Small Business Rate Relief threshold	80%	5%	12
Sports and social clubs without a bar and where the rateable value is above the Small Business Rate Relief threshold	80%	-	13
Sports and social clubs without a bar and where the rateable value is below the Small Business Rate Relief threshold	80%	20%	14

Community Amateur Sports Clubs with a bar and a rateable value above the Small Business Rate Relief threshold	80%	-	15
Community Amateur Sports Clubs with a bar and a rateable value below the Small Business Rate Relief threshold	80%	5%	16
Community Amateur Sports Clubs without a bar	80%	20%	17
Museums / historical houses / heritage centres - free admission	80%	20%	18
Museums / historical houses / heritage centres - admission charged	80%	10%	19
Other local charities - within Cheshire and with own accounts	80%	20%	20
Other national charities	80%	-	21
Social housing organisation premises (Registered Friendly Societies)	80%	-	22

Appendix B

Discretionary Relief – Non-Profit Making Organisations including Recreation

Discretionary Relief – Non-Profit Making Organisations including Recreation

General explanation

Non-Profit

B.1 The legislation[8] allows the Council to grant discretionary relief where the property is not an *excepted* one and all or part of it is occupied for the purposes of one or more institutions or other organisations none of which is established or conducted for profit and each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature, or the fine arts.

B.2 Relief cannot be granted to any premises occupied by the Council, or any town, parish council or major Precepting Authority *(excepted premises).*

B.3 A number of issues arise from the term 'not established or conducted for profit'. This requires the Council to make enquiries as to the overall purpose of the organisation although if surpluses and such amounts are directed towards the furtherance or achievement of the objects of the organisation then it does not necessarily mean that the organisation was established or conducted for profit.[9]

Recreation Clubs

B.4 Ideally all recreation clubs should be encouraged to apply for Community Amateur sports Club (CASC) status, which would automatically entitle them to 80% relief. The relief granted to CASCs is covered earlier within this policy.

B.5 Recreation clubs can also apply to the Charity Commissioners for registration as a Charity (thereby falling under the mandatory provisions for 80% relief) where they meet the following conditions:
(a) The promotion of community participation in healthy recreation and by the provision of facilities for the playing of particular sports; and
(b) The advancement of the physical education of young people not undergoing formal education.

B.6 Where sports clubs do not meet the CASC requirement, and are not registered charities, discretionary relief can be granted (0-100%) where the property is not an *excepted* one, it is wholly or mainly used for purposes of recreation and all or part of it is occupied for the purpose of a club, society or other organisation not established or conducted for profit.

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[8] S47 Local Government Finance Act 1988

Definition of Recreation

B.7 Recreation is clearly defined by the Sports Council as any of the following[10]

Aikido
American Football
Angling
Archery
Arm Wrestling
Association Football
Athletics
Australian Rules Football
Badminton
Ballooning
Baseball
Basketball
Baton Twirling
Biathlon
Bicycle Polo
Billiards and Snooker
Bobsleigh
Boccia
Bowls
Boxing
Camogie
Canoeing
Caving
Chinese Martial Arts
Cricket
Croquet
Crossbow
Curling
Cycling
Disability Sport
Dragon Boat Racing
Equestrian
Fencing
Fives
Flying
Gaelic Football
Gliding
Golf
Gymnastics
Handball
Hang/Para Gliding
Highland Games
Hockey
Horse Racing
Hovering
Hurling
Ice Hockey
Ice Skating
Jet Skiing
Ju Jitsu
Judo
Kabaddi
Karate
Kendo
Korfball
Lacrosse
Lawn Tennis
Life Saving
Luge
Modern Pentathlon
Motor Cycling
Motor Sports
Mountaineering
Movement, Dance, Exercise & Fitness
Netball
Orienteering
Parachuting
Petanque
Polo
Pony Trekking
Pool
Quoits
Racketball
Rackets
Raquetball
Rambling
Real Tennis
Roller Hockey
Roller Skating
Rounders
Rowing
Rugby League
Rugby Union
Sailing
Sand/Land Yachting
Shinty
Shooting
Skateboarding
Skiing
Skipping
Snowboarding
Softball
Sombo Wrestling
Squash
Skater/Street Hockey
Sub-Aqua
Surf Life Saving
Surfing
Swimming & Diving
Table Tennis
Taekwondo
Tang Soo Do
Tenpin Bowling
Trampolining
Triathlon
Tug of War
Unihoc
Volleyball
Water Skiing
Weightlifting
Wrestling
Yoga

Access to clubs

B.8 Guidance issued by the DCLG (now DLUHC) also requires the Council to consider access to clubs within the community before granting discretionary relief.

B.9 Membership should be open to all sections of the community. There may be legitimate restrictions placed on membership which relate for example to ability in sport or to the achievement of a standard in the field covered by the

[10] Definition last reviewed by Sport England in 2002

organisation or where the capacity of the facility is limited, but in general membership should not be exclusive or restrictive.

B.10 Membership rates should not be set at such a high level as to exclude the general community. However, membership fees may be payable at different rates that distinguish the different classes of membership such as juniors, adults, students, pensioners, players, non-players, employed and unemployed. In general, the club or organisation must be prepared to show that the criteria by which it considers applications for membership are consistent with the principle of open access.

B.11 The Council also asks the following question to help establish the level of access 'Does the organisation actively encourage membership from particular groups in the community e.g., young people, women, older age groups, persons with disability, ethnic minorities' etc.?'

Provision of facilities

B.12 Clubs which provide training or education are encouraged, as are those who provide schemes for particular groups to develop their skills e.g., young people, the disabled, retired people.

B.13 A number of organisations run a bar. The mere existence of a bar will not in itself be a reason for not granting relief. However, the Council focuses on the main purpose of the organisation. The Council is encouraged to examine the balance between playing and non-playing members.

B.14 Within this area, the Council also considers whether the facilities provided relieve the Council of the need to do so or enhance and supplement those that it does provide.

Discretionary Relief - Non–Profit Organisations including Recreation – the Council's Policy

B.15 The Council will consider applications for discretionary rate relief from non-profit making organisations on their own merits on a case-by-case basis. In determining the application, the following matters will be taken into consideration (The list is not exhaustive):

- How the organisation supports and links into the Council's corporate vision and priorities;
- Whether the facilities provided include education and/or training for members as a whole or for special groups;
- The extent to which the facilities provided reduce the demand for Council services or produce savings;
- Any membership and fee structure and whether the facilities are accessible to all residents, including whether there are concessions for certain groups, for example people on a low income or young people under 18;

- If covered by a membership scheme, membership numbers and the number and percentage of these members that are local residents; and
- If the organisation has due regard to equality issues and if its facilities are used by all members of the community, for example black and minority ethnic residents, people over 50 and people with disabilities.

B.16 The Council will also require additional financial information including:

- If the organisation runs a bar or food provision, the level of income from this activity and how this money is used.; and
- Whether the organisation operates at a local or national level and where appropriate, the local and national funding streams and financial position of the organisation.

B.17 The Council's current policy for awarding relief is as follows:

Type of organisation	Mandatory discount	Maximum discretionary discount	Rates relief category
Other sports and social clubs with a bar and a rateable value above the Small Business Rate Relief threshold	Nil	25%	23
Other sports and social clubs with a bar and a rateable value under the Small Business Rate Relief threshold	Nil	Up to 50% of the bill less the amount of small business relief granted	24
Other sports and social clubs without a bar and with a rateable value above the Small Business Rate Relief threshold	Nil	25%	25
Other sports and social clubs without a bar and with a rateable value below the Small Business Rate Relief threshold	Nil	Up to 100% less the amount of small business relief granted	26
Other non-registered charities with a rateable value above the Small Business Rate Relief threshold	Nil	25%	27
Other non-registered charities with a rateable value below the Small Business Rate Relief threshold	Nil	Up to the 100% less the amount of small business relief granted	28

Appendix C

Discretionary Relief - Rural Rate Relief – Mandatory Relief recipients

Discretionary Relief - Rural Rate Relief – Mandatory Relief recipients

What are the qualifying criteria for Mandatory Relief?

C.1 For a Post Office or General Store to be entitled to 50% Mandatory Relief, all the following criteria must be met:
- The Rateable Value of the property must not exceed £8,500 (from 1 April 2010);
- The property must be used as a Post Office or a General Store (see below for definition), or both;
- The property must be the only Post Office or the only General Store within the Rural Settlement.

C.2 For a Public House or Petrol Filling Station to be entitled to 50% Mandatory Relief, all the following criteria must be met:
- The Rateable Value of the property must not exceed £12,500 from 1 April 2010);
- The property must be used as a Public House (see below for definition) or a Petrol Filling Station (see below for definition); and
- The property must be the only Public House or the only Petrol Filling Station within the Rural Settlement.

C.3 For a village food shop to be entitled to 50% Mandatory Relief, all the following criteria must be met:
- The Rateable Value of the property must not exceed £8,500 from 1 April 2010); and
- The property must be used as a shop selling mainly food (see below for definition).

What rural settlements exist within the Cheshire East Council's area?

C.4 The following are deemed to be rural settlements within the District Council's area:

Rural Settlements		
Acton	Adlington	Agden
Alpraham	Arclid	Ashley
Astbury (inc. Astbury marsh)	Aston by Budworth	Aston juxta Mondrum
Audlem	Austerson	Baddiley
Baddington	Barthomley	Basford
Batherton	Bickerton	Blakenhall
Bosley	Bradwall	Brereton (rest)
Brereton Green (Brereton)	Bridgemere	Brindley

Rural Settlements		
Broomhall	Buerton	Bulkeley
Bunbury	Burland	Calveley
Checkley cum Wrinehill	Chelford	Cholmondeley
Cholmondeston	Chorley (SK9)	Chorley (CW5)
Chorlton cum Wrinehill	Church Lawton (rest)	Church Lawton North (Church Lawton)
Church Lawton South (Church Lawton)	Church Minshull	Coole Pilate
Cranage	Crewe Green	Dodcott cum Wilkesley
Doddington	Eaton	Edleston
Egerton	Faddiley	Gawsworth
Goostrey (rest)	Goostrey Village	Great Warford
Hankelow	Hassall	Hassall Green
Hassall Green (Betchton)	Hatherton	Haughton
Henbury	Henhull	High Legh
Hough	Hulme Walfield	Hunsterson
Hurleston	Kerridge	Kettleshulme
Lea	Little Bollington	Little Warford
Lower Peover	Lyme Handley	Macclesfield Forest
Marbury cum Quoisley	Marton	Mere
Millington	Minshull Vernon	Mobberley
Moreton cum Alcumlow	Mottram St Andrew	Mount Pleasant (Odd Rode)
Mow Cop (Odd Rode)	Nether Alderley	Newbold (Betchton rest)
Newhall	Norbury	North Rode
Odd Rode	Ollerton and Marthall	Over Alderley
Peckforton	Peover Superior	Pickmere
Plumley with Toft and Bexton	Poole	Pott Shrigley
Rainow	Ravensmoor	Ridley
Rode Heath (Odd Rode)	Rostherne	Scholar Green (Odd Rode)
Siddington	Smallwood	Snelson
Somerford	Somerford Booths	Sound
Spurstow	Stapeley	Stoke
Styal	Sutton (except ward 4G01)	Sutton Langley (Ward 4G01)
Swettenham	Tabley	Tatton
Twemlow	Walgherton	Wardle

Rural Settlements		
Warmingham	Weston	Wettenhall
Wildboarclough	Wincle	Winterley (Haslington)
Wirswall	Woolstanwood	Worleston
Wrenbury cum Firth	Wybunbury	

What is the definition of a General Store?

C.5 For the purposes of Rural Rate Relief, 'General Store' means a business or trade, which wholly or mainly sells by retail both food (other than confectionery) for human consumption and general household goods. Where there are two or more General Stores within the same Rural Settlement, none can qualify for Mandatory Relief on that basis, although if one of them functions as a Post Office or a Food Shop relief may be claimed independently on that ground. However, both a General Store and a Post Office in the same Rural Settlement will qualify for Mandatory Relief, provided that, they both meet the criteria. Although a General Store or a Post Office may not meet the criteria for Mandatory Relief, they may still be eligible to apply for Discretionary Relief.

What is the definition of a Public House?

C.6 For the purposes of Rural Rate Relief, 'Public House' means any premises as defined in the Licensing Act 2003, which has a premises license authorising sale by retail of alcohol for consumption on the premises. In addition, the premises must be used principally for retail sales of alcohol to members of the public for consumption on the premises, and sales must not be subject to the condition that buyers reside at or consume food on the premises.

What is the definition of a Petrol Filling Station?

C.7 For the purposes of Rural Rate Relief, 'Petrol Filling Station' means premises where petrol or other automotive fuels are sold retail to the general public for fuelling motor vehicles intended or adapted for use on roads

What is the definition of a Food Shop?

C.8 For the purpose of Rural Rate Relief, 'Food Shop' means a trade or business consisting wholly or mainly of the sale by retail of food for human consumption (excluding confectionery and catering – in this context catering means any supply of food for consumption on the premises on which it is supplied and any supply of hot food for consumption off the premises). This definition may also include shops, which sell mainly household foods, and which may partly also sell hot take away food or food consumed on the premises. But shops whose main business is a restaurant, tearoom, take-away, or confectionery sales are not food shops and so will not qualify for mandatory relief.

What are the qualifying criteria for Discretionary Relief?

C.9 The Council may grant up to 50% Discretionary Relief in respect of any property which qualifies for 50% Mandatory Relief and the Council may also grant up to 100% Discretionary Relief to any rural business which does not meet the mandatory provisions. It should be noted that for 2017 onwards Central Government has requested that Council grant 50% discretionary relief to all ratepayers who receive 50% mandatory rural rate relief.

Rural Rate Relief – Mandatory Relief recipients, the Council's Policy for granting discretionary relief.

C.10 As Central Government has requested and fully funds any additional relief granted to ratepayers who receive mandatory rural rate relief, the Council will automatically grant the additional 50% until such time as primarily legislation is changed.

Appendix D

Discretionary Relief – Premises within Rural Settlements

Discretionary Relief – Premises within Rural Settlements

D.1 In addition to having the ability to grant discretionary relief to those in receipt of mandatory relief, the Local Government and Rating Act 1997 allows discretionary relief of up to 100% to be granted where the rateable value is £16,500 or less and:
(a) Property is used for purposes which are of benefit to the local community; and
(b) It would be reasonable for the billing authority to award relief, having regards to the Council's Council Taxpayers.

D.2 As with most discretionary relief, part of the cost, is met by Central Government and the balance from local sources.

D.3 The main criteria for granting discretionary relief in respect of rural rate relief is that premises are used to benefit the local community.

Benefit to the local community

D.4 Whilst each application for the relief will be considered on its own merits, there are certain factors which weigh heavily in the decision-making process. It is this Council's belief that the spirit of the legislation is to assist businesses and amenities, which contribute significantly to the quality of life of the people who have their main home in the Rural Settlement.

D.5 To be successful for consideration, a business must show that its existence is a significant benefit to the local community with the majority of local residents directly benefiting from services or facilities provided by that business

Rural Rate Relief – the Council's Policy for granting discretionary relief.

D.6 The Council will also consider applications for a discretionary rural rate relief from all ratepayers, not entitled to mandatory relief up to a maximum of 100%.

D.7 In determining the application the following matters will be taken into consideration:

- The granting of any discretionary relief will be essential in ensuring the viability of any business within the rural settlement;
- The granting of any discretionary relief is proportionate given the level of any business rates charged compared with the overall turnover of the business;
- The granting of any discretionary relief will assist the business in continuing to be viable and / or prevent the business from failing;
- The business is considered by the Council to be essential to the community and that any reduction or withdrawal of the business will have a serious detrimental effect on the rural settlement;
- The granting of any discretionary relief is reasonable having regard to the effect on taxpayers of the Cheshire East Council.

Appendix E

Discretionary Relief – Localism Act 2011

Discretionary Relief – Localism Act 2011

General explanation

E.1 Section 69 of the Localism Act 2011 amended Section 47 of the Local Government Finance Act 1988. These provisions allow all Councils to grant discretionary relief in **any** circumstances where it feels fit having regards to the effect on the Council Taxpayers of its area.

E.2 The provisions are designed to give authorities flexibility in granting relief where it is felt that to do so would be of benefit generally to the area and be reasonable given the financial effect to Council Taxpayers.

Discretionary Relief – Localism – the Council's Policy

E.3 Applications will be considered from any ratepayer who wishes to apply. However, where a ratepayer is suffering hardship or severe difficulties in paying their rates liability then relief can be granted under the existing provisions as laid down by Section 49 of the Local Government Finance Act 1988. There will be no requirement to grant relief in such cases under the Council's discretionary relief policy.

E.4 Any ratepayer applying for discretionary rate relief under these provisions and who does not meet the criteria for existing relief (charities, non-profit making organisations etc.) must meet **all** of the following criteria and the amount of relief granted will be dependent on the following key factors:

(a) The ratepayer **must not** be entitled to mandatory rate relief (Charity or Rural Rate Relief);
(b) The ratepayer **must not** be entitled to Central Government funded reliefs;
(c) The ratepayer **must not** be an organisation that could receive relief as a non-profit making organisation or as a sports club or similar;
(d) The ratepayer **must** occupy the premises (no discretionary rate relief will be granted for unoccupied premises);
(e) The premises and organisation **must** be of *significant* benefit to residents of the Council's area;
(f) The premises and organisation **must** relieve the Council of providing similar facilities;
(g) The ratepayer **must**;
  (i) Provide facilities to certain priority groups such as elderly, disabled, minority groups, disadvantaged groups; **or**
  (ii) Provide *significant* employment or employment opportunities to residents of the Council; **or**
  (iii) Provide the residents of the area with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation;

(h) The ratepayer **must** demonstrate that assistance (provided by the discretionary rate relief) will be for a *short time only* **and** that any business / operation is financially viable in the medium and long term;

(i) whether the premises occupied are considered to be reasonable having regard to the size and location of the premises, the size and nature of the organisation, and the use being made of the premises by the organisation; **and**

(j) The ratepayer **must** show that the activities of the organisation are consistent with the Council's core values and priorities.

E.5 Where a ratepayer can demonstrate that **all** of the above criteria are met, relief will be considered for initially a short period.

Appendix F

Local Newspaper Relief

General Explanation

F.1 This is a temporary relief that will be awarded until 2025 and the Government is not changing the legislation around the reliefs available to these properties. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of the Local Government Finance Act 1988 to grant relief in line with the eligibility criteria set out in this guidance.

F.2 The Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.

Eligibility criteria

F.3 The scheme will provide a £1,500 relief for office space occupied by local newspapers up to a maximum of one discount per local newspaper title and per hereditament.

Local Newspapers

F.4 The relief is to be specifically for local newspapers and by that, the Council means what would be considered a “traditional local newspaper.” The relief will not be available to magazines.

Office Space

F.5 The hereditament **must** be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters.

Amount of Relief

F.6 The amount of relief is limited to a maximum of one discount per newspaper title (e.g., per newspaper name) **AND** per hereditament.

Local Newspaper Relief – the Council’s policy for granting discretionary relief.

F.7 The Council has decided to grant relief strictly in accordance with Central Government guidelines.

Appendix G

Supporting Small Businesses Relief (until 31st March 2022)

General Explanation

G.1 Central Government has increased the thresholds for Small Business Rate Relief from 1 April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. They have also allowed rural rate relief to be granted up to 100% using S47 of the Local Government Finance Act 1988 as a top up to the mandatory level of 50%, albeit that the rateable value limits have not been changes in respect of rural hereditaments (see section D of this policy). Unfortunately, despite these changes, some small businesses and businesses in rural areas may lose their entitlement to the relief due to increases in Rateable Value through the revaluation on 1st April 2017.

G.2 The transitional relief scheme (provided under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) does not provide support in respect of changes in reliefs. Therefore, those ratepayers who have lost some or all of their small business or rural rate relief may face large percentage increases in bills from 1 April 2017.

G.3 In view of this, Central Government announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to the revaluation. All authorities are encouraged to grant the relief in accordance with the guidelines laid down by Central Government and if granted strictly in accordance with guidance, the Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.

G.4 The relief is known as the 'Supporting Small Businesses Scheme'

Who is eligible for the relief and how much relief will be available?

G.5 The Supporting Small Businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.

G.6 To support these ratepayers, the Supporting Small Businesses relief will ensure that the increase per year in the bills of these ratepayers is limited **to the greater of:**

(a) a percentage increase per annum. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. (Unlike the transitional relief scheme under the Chargeable Amount regulations), for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief or rural rate relief; **or**
(b) a cash value of £600 per year (£50 per month);

G.7 This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something;

G.8 In the first year of the scheme, this means all ratepayers losing some or all of their small business rate relief or rural rate relief will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who in 2016/17 paid nothing under small business rate relief and are losing all of their entitlement to relief (i.e., moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5;

G.9 The Government has also decided that those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme;

G.10 Ratepayers will remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme (this would be the charge payable as their true rates payable or the charge calculated under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016);

G.11 A change of ratepayer will not affect eligibility for the Supporting Small Businesses relief scheme, **but** eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.

Recalculation of relief

G.12 The amount of relief awarded under the Supporting Small Businesses relief scheme will be recalculated in the event of a change of circumstances including the following:

- This could include, for example, a backdated change to the rateable value or the hereditament; or
- The awarding of another relief.

G.13 The Council will, in effect, calculate the award on a daily basis taking into account the above, and the relief will be re-calculated if the rateable value changes.

Other Reliefs

G.14 Hereditaments eligible for charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for Supporting Small Businesses Relief. Likewise, the same principle applies to properties for which a Section 44A certificate has been granted (apportionment of rateable values for partly occupied properties). The presence of a section 44A certificate will not further reduce the bill found under the Supporting Small Business scheme.

G.15 In accordance with Central Government guidelines, all other discretionary reliefs, will be considered **after** the application of Supporting Small Businesses relief.

Supporting Small Businesses Relief – the Council's policy for granting discretionary relief.

G.16 The Council has decided to grant relief strictly in accordance with Central Government guidelines

Appendix H

Expanded Retail Discount Scheme (2021/22 only)

General Explanation

H.1 In response to the coronavirus pandemic (COVID-19), in the Budget on 3rd March 2021, the Government announced that it would provide an extension to the discount granted under the Expanded Retail Discount provisions into the financial year 2021/22 **only** to all those premises that received the discount during 2020/21 and meet the full eligibility criteria

Who is eligible for the relief?

H.2 Properties that will benefit from the relief will be occupied hereditaments that which meet **all** of the following conditions for each chargeable day, namely that they are **wholly or mainly** being used as:

(a) shops, restaurants, cafes, drinking establishments, cinemas, and live music venues;
(b) for assembly and leisure; or
(c) as hotels, guest & boarding premises, and self-catering accommodation,

H.3 The Council considers shops, restaurants, cafes, drinking establishments, cinemas, and live music venues to mean:

Hereditaments that are being wholly or mainly used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc);
- Charity shops;
- Opticians;
- Post offices;
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors);
- Car/caravan show rooms;
- Second-hand car lots;
- Markets;
- Petrol stations;
- Garden centres; and
- Art galleries (where art is for sale/hire)

Hereditaments that are being wholly or mainly used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/key cutting;
- Travel agents;
- Ticket offices e.g., for theatre;
- Dry cleaners;
- Launderettes;
- PC/TV/domestic appliance repair;

- Funeral directors;
- Photo processing;
- Tool hire;
- Car hire;
- Employment agencies;
- Estate agents and letting agents; and
- Betting shops.

Hereditaments that are being wholly or mainly used for the sale of food and/or drink to visiting members of the public:

- Restaurants;
- Takeaways;
- Sandwich shops;
- Coffee shops;
- Pubs; and
- Bars.

Hereditaments which are being used wholly and mainly as cinemas

Hereditaments that are being used wholly and mainly as live music venues

- The Council considers that live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).
- Hereditaments can be a live music venue even if used for other activities, but only if those other activities:
    - i. are merely ancillary or incidental to the performance of live music (e.g., the sale/supply of alcohol to audience members); or
    - ii. do not affect the fact that the primary activity for the premises is the performance of live music (e.g., because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).
- There may be circumstances in which it is difficult to tell whether an activity is a performance of live music or, instead, the playing of recorded music. Although the Council would expect this would be clear in most circumstances, guidance on this may be found in Chapter 16 of the statutory guidance issued in April 2018 under section 182 of the Licensing Act 2003

Sport and leisure

- Hereditaments that are being used wholly or mainly for the provision of sport, leisure, and facilities to visiting members of the public (including for the viewing of such activities) including:
    - Sports grounds and clubs
    - Museums and art galleries
    - Nightclubs
    - Sport and leisure facilities
    - Stately homes and historic houses
    - Theatres
    - Tourist attractions
    - Gyms
    - Wellness centres, spas, massage parlours
    - Casinos, gambling clubs and bingo halls

Assembly

- Hereditaments that are being used for the assembly of visiting members of the public;
- Public halls;
- Clubhouses, clubs, and institutions.

Hotels, guest & boarding premises, and self-catering accommodation

- The Council considers guest & boarding premises and self-catering accommodation to mean hereditaments where the non-domestic part is being used wholly or mainly for the provision of living accommodation as a business such as:
    - Hotels, Guest, and Boarding Houses
    - Holiday homes
    - Caravan parks and sites

H.4 To qualify for the discount the hereditament should be **wholly or mainly** being used for the above qualifying purposes. Hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

H.5 For the avoidance of doubt, hereditaments which have closed due to the government's advice on COVID-19 but would have otherwise remained open will be treated as occupied for the purposes of this relief.

H.6 It should be noted that the list set out above is not intended to be exhaustive and each case will be considered on its individual merits.

H.7 In line with Government guidance the list below sets out the types of uses that **will not be considered as eligible** for the purpose of this discount.

Hereditaments that are being used for the provision of the following services to visiting members of the public

- Financial services (e.g., banks, building societies, cash points, bureaux de change, short-term loan providers);
- Medical services (e.g., vets, dentists, doctors, osteopaths, chiropractors);
- Professional services (e.g., solicitors, accountants, insurance agents/ financial advisers); and
- Post office sorting offices.

Hereditaments that are not reasonably accessible to visiting members of the public

H.8 In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, Council may not grant the discount to itself or a precepting authority.

The Closed Cash Cap

H.9 In addition to meeting the criteria laid down within the previous paragraphs, consideration will also be given as to whether the ratepayers also meet the 'Closed Cash Cap' provisions as follows:

(a) Ratepayers that meet the eligibility criteria for the closed cash cap will be ratepayers who for a chargeable day occupy one or more hereditaments whose use on the chargeable day would, based on the law and guidance applicable on 5 January 2021, have meant that the business or activity would have been mandated to close by the government. For the avoidance of doubt, hereditaments which have closed due to the government's response to coronavirus will be treated as occupied for the purposes of the closed cash cap;

(b) If, under this eligibility test, a person would have been required to close its main, in-person service but could have adapted its business to operate takeaway, click and collect or online with delivery services, it will be considered closed and be eligible for the closed cash cap because its substantive business would have been mandated to close;

(c) In cases where hereditaments would have remained open to provide services that can continue as they are exempt from the regulations (e.g., post office services, food banks etc.) the ratepayer may still be eligible for the closed cash cap, because they would have been unable to provide their main in-person service.

H.10 The following hereditaments **will not meet** eligibility for the closed cash cap:

(a) Hereditaments occupied by businesses and other ratepayers that would have been able to conduct their main service because they do not depend on providing direct in-person services from premises and can operate their services effectively remotely (e.g., accountants, solicitors); and

(b) Hereditaments whose occupiers may have chosen to close but not been required to.

How much relief will be available?

H.11 Subject to the cash caps, the total amount of government-funded relief available for each property for 2021/22 under this scheme is:
(a) For chargeable days from 1 April 2021 to 30 June 2021 100% of the chargeable amount: and
(b) For chargeable days from 1 July 2021 to 31 March 2022, 66% of the chargeable amount.

H.12 The relief will be applied after mandatory reliefs and, other discretionary reliefs funded by Section 31 grants from Central Government have been applied, excluding those where the Council has used its wider discretionary relief powers introduced by the Localism Act, which are not funded by Section 31 grants.

H.13 Subject to the cash cap, the eligibility for the discount and the discount itself will be assessed by the Council and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2021/22:
- Amount of relief to be granted = V x percentage Expanded Retail Discount, where:
- V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs
- The calculation will be undertaken ignoring any prior year adjustments in liabilities which fall to be liable on the day.

H.14 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties subject to the cash caps explained below.

The calculation and the cash caps

H.15 No cash caps will apply for the period between 1 April 2021 to 30 June 2021.

H.16 Under the cash caps, a ratepayer may only receive up to the following cash caps of Expanded Retail Discount in 2021/22 ignoring any relief for the period before 1 July 2021:
(a) £2 million for ratepayers meeting the eligibility for the closed cash cap test set out above; and
(b) £105,000 for all other ratepayers.

H.17 No ratepayer can, in any circumstances, exceed the £2 million cash cap across all of their hereditaments in England. Where a ratepayer eligible for the closed cash cap also occupies hereditaments which do not meet the criteria for the closed cash cap and the value of the discount on the closed hereditaments is less than £2 million then they may also claim the discount on other eligible hereditaments but only up to the cap of £105,000 in respect of those other eligible hereditaments. For example, such a ratepayer whose rate bill from 1 July 2021 onwards on hereditaments eligible for the closed cash cap is £1 million and also occupies other eligible hereditaments with a rates bill of £3 million is able to claim up to £1,105,000 in discount from 1 July 2021 onwards (£1million on their closed hereditament and then up to the £105,000 cash cap on their other eligible hereditaments).

H.18 Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers will be considered as **one** ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:

(a) where both ratepayers are companies, and
   (i) one is a subsidiary of the other; or
   (ii) both are subsidiaries of the same company; or
(b) where only one ratepayer is a company, the other ratepayer (the "second ratepayer") has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.

H.19 In those cases where it is clear to the Council that the ratepayer is likely to breach the cash caps, then the Council will automatically withhold the discount. The Council reserves the right to request information from ratepayers to assist in tits decision and to determine whether any relief should be paid.

Expanded Retail Discount – the Council's policy for granting discretionary relief.

H.20 The Council has decided to grant relief in accordance with Central Government guidelines and in accordance with this policy.

Appendix I

Nursery Discount Scheme (2021/22 only)

General Explanation

I.1 The Government announced an extension to the business rates Nursery Discount on 3rd March 2021. This relief will apply to hereditaments occupied by providers on Ofsted's Early Years Register and wholly or mainly used for the provision of the Early Years Foundation Stage and which are subject to business rates in the year 2021/22. There will be no rateable value limit on the relief and Ofsted will ensure that all local authorities can access the Ofsted Early Years Register to help authorities identify eligible properties.

Who is eligible for the relief?

I.2 Properties that will benefit from the relief will be hereditaments occupied by providers on Ofsted's Early Years Register and wholly or mainly used for the provision of the Early Years Foundation Stage.

I.3 To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purpose. For the avoidance of doubt, hereditaments which have closed temporarily due to the government's advice on COVID19 should be treated as occupied for the purposes of this relief.

I.4 In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, the Council may not grant the discount to itself or a precepting authority.

How much relief will be available?

I.5 Subject to the cash caps, the total amount of government-funded relief available for each property for 2021/22 under this scheme is:

(a) For chargeable days from 1 April 2021 to 30 June 2021 100% of the chargeable amount: and
(b) For chargeable days from 1 July 2021 to 31 March 2022, 66% of the chargeable amount.

I.6 The relief will be applied after mandatory reliefs and, other discretionary reliefs funded by Section 31 grants from Central Government have been applied, excluding those where the Council has used its wider discretionary relief powers introduced by the Localism Act, which are not funded by Section 31 grants

I.7 Subject to the cash cap, the eligibility for the discount and the discount itself will be assessed by the Council and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2021/22:

- Amount of relief to be granted = V x percentage Expanded Retail Discount, where:

- V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs
- The calculation will be undertaken ignoring any prior year adjustments in liabilities which fall to be liable on the day.

I.8 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties subject to the cash caps explained below.

The calculation and the cash caps

I.9 No cash caps will apply for the period between 1 April 2021 to 30 June 2021.

I.10 Under the cash caps, a ratepayer may only receive Nursery Discount up to £105,000 for 2021/22 ignoring any relief for the period before 1 July 2021.

I.11 No ratepayer can in any circumstances can exceed the cash cap across all of their hereditaments in England.

I.12 Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers will be considered as one ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:
(a) where both ratepayers are companies, and
  (i) one is a subsidiary of the other; or
  (ii) both are subsidiaries of the same company; or
(b) where only one ratepayer is a company, the other ratepayer (the "second ratepayer") has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.

I.13 In those cases where it is clear to the Council that the ratepayer is likely to breach the cash caps then the Council will automatically withhold the discount. The Council reserves the right to request information from ratepayers to assist in tits decision and to determine whether any relief should be paid.

Nursery Discount Scheme – the Council's policy for granting discretionary relief.

I.14 The Council has decided to grant relief in accordance with Central Government guidelines and in accordance with this policy.

Appendix J

COVID Additional Relief Fund (2021/22 only)

General Explanation

J.1 The purpose of this policy is to determine the level of discretionary relief payable under the Council's COVID-19 Additional Relief Fund (CARF) scheme.

J.2 Central Government has provided the authority with funding to assist those ratepayers who businesses have been (and continue to be) affected by the pandemic but that are ineligible for existing support linked to business rates.

J.3 The Government has not changed the legislation relating to the business rates reliefs available to properties. Instead, the Government will, in line with the eligibility criteria set out in this policy, reimburse local authorities where relief is granted using discretionary relief powers under section 47 of the Local Government Finance Act 1988.

J.4 Whilst funding is provided by Central Government, it is for the Council to decide its own local scheme and determine in each individual case whether to grant this particular relief.

J.5 Relief under the CARF scheme will only be available to reduce chargeable amounts in respect of the 2021/22 financial year.

J.6 Where ratepayers receive relief it will be granted under the COVID-19 Additional Relief Fund (CARF) scheme in line with the following policy.

Eligibility for discretionary relief under the COVID-19 Additional Relief Fund (CARF) scheme

J.7 Whilst the Council has determined its own scheme, the Department for Levelling Up, Housing and Communities has stated that, in order for the Council to receive the allocated funding, it must:

(a) **not** award relief to ratepayers who for the same period of the relief either are or would have been eligible for the Expanded Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS);

(b) **not** award relief to a hereditament for a period when it is unoccupied (other than hereditaments which have become closed temporarily due to the government's advice on COVID-19, which should be treated as occupied for the purposes of this relief), and

(c) direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

J.8 In line with section 47(8) of the Local Government Finance Act 1988, the Council must not grant any relief to itself or to either local or major precepting authorities.

J.9 The relief will be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where the Council has provided relief using its wider discretionary relief powers introduced by the Localism Act 2011 which are not funded by section 31 grants.

J.10 Where any reduction or remission is granted to a ratepayer under S49 Local Government Finance Act 1988 (where hardship is proven to the Council), then there will be no requirement to grant CARF Discretionary Rate Relief for that amount.

J.11 In certain cases, the order in which relief is granted is specified. Mandatory relief shall be granted in all cases where the relevant criteria are met irrespective of whether discretionary relief can be granted or not.

Council's policy for granting relief under the COVID-19 Additional Relief Fund.

J.12 Over the past few years, a number of schemes (such as the COVID-19 Additional Relief Fund) have been led by Central Government but without specific legislative changes.

J.13 The Council is keen to support such initiatives especially where they are designed to help local businesses and will look to maximise both the reliefs given as well as maximise any grants receivable.

J.14 In view of this, the Council has decided that where a ratepayer meets **all** of the relevant criteria, relief will be 17% of the 2021/22 liability **after** any other reliefs and reductions have been applied. The council will roll forward any credit balances from 2021/22 to reduce liability for 2022/23 and will not issue refunds for any overpayment due to CARF in the year 2021/22.The Council will award relief only where the monetary value is £100 or more.

J.15 The criteria for the COVID-19 Additional Relief Fund are as follows:

(a) the ratepayer is **not** eligible (or would be eligible) for the Expanded Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS);

(b) the ratepayer is not entitled to either Small Business Rate Relief or Rural Rate Relief granted at 100%;

(c) the ratepayer is **not** entitled to mandatory relief (80%) and discretionary (top up) of 20% which is funded through business rates retention;

(d) the hereditament is treated as occupied by the Council;

(e) the ratepayer confirms that they have been adversely affected by the pandemic and have been unable to adequately adapt to that impact;

(f) the ratepayer is **not** subject to Subsidy Control and

(g) the hereditament is not excluded as shown below.

Excluded hereditaments

J.16 The Council has decided that the following hereditaments / ratepayers will be excluded from relief under the Council's COVID-19 Additional Relief Fund (CARF) scheme:

- Hereditaments that do not directly employ anyone (for example: parking spaces, advertising boards, communication masts, ATMs);
- NHS including NHS and Foundation Trusts, practitioners who provide services under contract to the NHS;
- Government departments, legislative bodies, the armed forces, the fire and police services;
- Financial Services (e.g., banks, building societies, cash points, bureaux de change, short-term loan providers);
- Medical services (e.g., vets, dentists, doctors, osteopaths, chiropractors);
- Professional services (e.g., solicitor, accountants, insurance agents/financial advisers);
- Post office sorting offices;
- Businesses in administration, liquidation or subject to a strike off notice on Companies house will not benefit from this relief; and
- Businesses who entered into a CVA or IVA prior to 31 March 2022.

Subsidy Control

J.17 The Council's COVID-19 Additional Relief Fund (CARF) scheme is subject to the subsidies chapter within the UK-EU Trade and Cooperation Agreement (TCA). However, for CARF there is an exemption for subsidies under the value of approximately £2,243,000 per economic actor (broadly speaking, for example, a holding company and its subsidiaries).

J.18 This allowance comprises 325,000 Special Drawing Rights (at current exchange rates about £343,000) for Small Amounts of Financial Assistance and a further £1,900,000 for COVID-19 related subsidy.

J.19 Therefore, to be awarded CARF the ratepayer must not have claimed over the period 2019/20 to 2021/22 more than £2,243,000 from schemes which fell within the Small Amounts of Financial Assistance or COVID-19 related allowances.

J.20 Any COVID-19 business grants a ratepayer has received from local government generally and the 2019/20 Retail Relief should count towards this limit, but the ratepayer should not count any Extended Retail Discount they have received since 1 April 2020.

J.21 Further details of subsidy control can be found at: https://www.gov.uk/government/publications/covid-19-additional-relief-fund-carf-local-authority-guidance

J.22 The ratepayer will need to indicate to the Council:

- if they have not to date received any subsidy which fell within the Small Amounts of Financial Assistance or COVID-19 related allowances; or
- if the ratepayer has received other such subsidies, they will be required to provide the name and total value of those subsidies.

J.23 A ratepayer is not eligible to receive CARF if they have already exceeded the £2,243,000 allowance. However, the Council will still apply relief under the CARF scheme if they have reached this limit provided the ratepayer can evidence that they:
(a) Intend to use the support to fund uncovered fixed costs (costs not covered by profits for insurance etc) during the period of COVID-19. Economic actors may claim for up to 70% of their uncovered costs (although this 70% limit does not apply to small businesses with less than 50 employees and less than £9 million turnover where the limit is instead 90%); and
(b) Have shown a decline in turnover of at least 30% within the April 2020 to March 2021 period, compared to the same 2019 to 2020 period.

J.24 The ratepayer may claim up to a further £10 million of additional allowance (on top of the £2,243,000) if they meet the above tests and they have not claimed any other support from the additional allowance up to an aggregate £10 million limit (such as from the COVID-19 business grants).

J.25 Government and the Council will not tolerate any business falsifying their records or providing false evidence to gain this relief including claiming support above these thresholds.

J.27 A ratepayer who falsely applies for any relief or provides false information or makes false representation in order to gain relief may be guilty of fraud under the Fraud Act 2006.

Effect on the Council's Finances

J.28 As Central Government leads this initiative, funding will be provided through section 31 of the Local Government Act 2003. This is not automatic and Central Government will look to the Council to adopt the recommended approach when granting in these areas.

J.29 In order to guarantee funding, the Council will ensure that the criteria in this policy are met in full

Appendix K

Extension to the Transitional Relief Scheme Supporting Small Business Rates Relief Scheme (2022/23 only)

Purpose of the Policy

K.1 The purpose of this policy is to determine the level of discretionary relief to be awarded in respect of Transitional Relief (TR) and Supporting Small Business Rates relief (SSB) for the financial year commencing 1st April 2022.

K.2 This is a government led initiative and the Council is keen to support businesses as far as possible.

General Explanation

K.3 The Transitional Relief scheme was introduced in 2017 to help those ratepayers who were faced with higher bills as a result of the revaluation. The scheme ends on 31 March 2022 and, as a result, a small number of ratepayers would face a significant increase to their full rates bill from 1 April 2022.

K.4 Government has announced that it would like to extend the current Transitional Relief (TR) scheme and the Supporting Small Business scheme (SSB) for one year to the end of the current revaluation cycle.

K.5 This scheme, which has been adopted by the Council, will restrict increases in bills to 15% for businesses with small properties (up to and including £20,000 rateable value) and 25% for medium properties (up to and including £100,000 rateable value).

How will the relief be provided?

K.6 As this is a temporary measure for 2022/23, the government is not changing the legislation around transitional relief. Instead, the government will, in line with the eligibility criteria set out in this guidance, reimburse the Council if it uses its discretionary relief powers, under section 47 of the Local Government Finance Act 1988, to grant relief.

Who is eligible for the relief?

K.7 Hereditaments that will benefit are those with a rateable value up to and including £100,000 who would have received transitional relief and/or SSB in 2022/23. In line with the existing thresholds in the Transitional Relief scheme, the £100,000 rateable value threshold will be based on the rateable value shown for 1st April 2017 or the substituted day in the cases of splits and mergers.

K.8 This policy does **not** apply to those in downward transition to lower bills, those will fall to their full bill on 1 April 2022.

How much relief will be available?

K.9 Government will fund the discretionary relief to ensure eligible properties receive the same level of protection they would have received had the statutory Transitional Relief scheme and Supporting Small Business scheme extended into 2022/23.

K.10 The practical effects of the Transitional Relief scheme will be assumed to remain as it is in the current statutory scheme (As prescribed in the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) except that:

(a) the cap on increases for small properties (with a rateable value of less than or equal to £20,000/£28,000 in London) in 2022/23 will be assumed to be 15% (before the increase for the change in the multiplier). Specifically, X in regulation 10(6) for the year commencing 1 April 2022 will be assumed to be 115. Q in regulation 10(12) should be assumed to be 1; and
(b) the cap on increases for other properties (up to and including £100,000 rateable value) in 2022/23 will be assumed to be 25% (before the increase for the change in the multiplier). Specifically, X in regulation 10(4) for year commencing 1 April 2022 will be assumed to be 125. Q will be assumed to be 1.

K.11 This scheme applies only to hereditaments up to and including £100,000 rateable value based on the value shown for 1st April 2017 or the substituted day in the cases of splits and mergers.

K.12 Changes in rateable value which take effect from a later date will be calculated using the normal rules in the Transitional Relief scheme. For the avoidance of doubt, properties whose rateable value is £100,000 or less on 1st April 2017 (or the day of merger) but increase above £100,000 from a later date will still be eligible for the relief.

K.13 Where necessary, the Valuation Office Agency will continue to issue certificates for the value at 31st March 2017 (regulation 17, SI 2016 No. 1265) or 1st April 2017 (as required under regulations 16 and 18 SI 2016 No.1265).

K.14 The relief will be calculated on a daily basis.

K.15 The Supporting Small Business scheme will be assumed to remain as it is in the Council's current scheme (for periods up to 31st March 2022) with a percentage cap in 2022/23 of 15% plus inflation (or a cash value increase of £600 if greater).

K.16 Where a ratepayer would have been in receipt of both Transitional Relief and Supporting Small Business in respect of 2022/23, a single award of section 47 relief will be granted resulting in a chargeable amount equivalent to that had the original Transitional Relief and Supporting Small Business schemes continued.

Recalculations of relief

K.17 As with the original Transitional Relief scheme, the amount of relief awarded will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or to the hereditament. This change of circumstances could arise during the year in question or during a later year.

Calculating the extension of Transitional Relief and Supporting Small Business where other reliefs apply

K.18 Under the statutory Transition scheme which ends on 31 March 2022, Transitional Relief is measured before all other reliefs. But the extension of Transitional Relief and Supporting Small Business scheme into 2022/23 will be delivered via section 47 of the Local Government Finance Act 1988 which will be measured **after** other reliefs (including other funded reliefs granted under section 47.

Subsidy control

K.19 The extension of Transitional Relief and Supporting Small Business relief scheme is likely to amount to subsidy. Any relief provided by the Council under this scheme will need to comply with the UK's domestic and international subsidy control obligations.

K.20 To the extent that the Council is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9 December 2021) in a three-year period (consisting of the 2022/23 financial year and the two previous financial years) Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the 3 years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit, should be counted.

K.21 In those cases where it is clear to the Council that the ratepayer is likely to breach the Small Amounts of Financial Assistance Allowance then the Council will automatically withhold the relief.

Transitional Relief & Supporting Small Business Rates Relief (2022/23) - the Council's policy for granting discretionary relief.

K.22 Over the past few years, a number of schemes have been led by government but without specific legislative changes. These are administered under S47 of the Local Government Finance Act 1988. The Council is keen to support such initiatives especially where they are designed to help local businesses and will look to maximise both the reliefs given as well as maximise any grants receivable. However, the Council reserves the right to vary its approach where thought appropriate.

K.23 In the case of transitional relief and supporting small business rates relief, the Council will grant the relief strictly in accordance with government guidance.

Effect on the Council's Finances

K.24 As this is a government led initiative, grants for the full amount awarded will be available through section 31 of the Local Government Act 2003.

Appendix L

Retail, Hospitality and Leisure Relief (2022/23 only)

Purpose of the Policy

L.1 The purpose of this policy is to determine the level of discretionary relief to be awarded in respect of the Retail, Hospitality and Leisure Business Rates Relief Scheme for the financial year commencing 1st April 2022.

L.2 This is a government led initiative and the Council is keen to support businesses as far as possible.

General Explanation

L.3 The 2022/23 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality, and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.

Who is eligible for the relief?

L.4 Hereditaments which benefit from the relief will be those which for a chargeable day in 2022/23:
(a) meet the eligibility criteria; and
(b) the ratepayer for that chargeable day has not refused the relief for the eligible hereditament. The ratepayer may refuse the relief for each eligible hereditament anytime up to 30 April 2023. The ratepayer cannot withdraw their refusal for either all or part of the financial year.

L.5 In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, the Council may not grant the discount to themselves certain precepting authorities (e.g., a parish or county council) or a functional body, within the meaning of the Greater London Authority Act 1999.

How much relief will be available?

L.6 Subject to the £110,000 cash cap per business, the total amount of government-funded relief available for each property for 2022/23 under this scheme is for chargeable days from 1 April 2022 to 31 March 2023, 50% of the chargeable amount.

L.7 The relief will be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, but before those where the Council has used their wider discretionary relief powers introduced by the Localism Act 2011, which are not funded by section 31 grants.

L.8 Subject to the cash cap, the eligibility for the discount and the relief itself will be assessed and calculated on a daily basis. The formula that will be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2022/23 is V x 0.5, where V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any certain other discretionary reliefs.

L.9 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties up to the maximum £110,000 cash cap, per business.

The cash cap and subsidy control

L.10 Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England.

L.11 Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers will be considered as one ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:
(a) where both ratepayers are companies, and
  (i) one is a subsidiary of the other; or
  (ii) both are subsidiaries of the same company; or
(b) where only one ratepayer is a company, the other ratepayer (the "second ratepayer") has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.

L.12 Furthermore, the Retail, Hospitality and Leisure Scheme is likely to amount to subsidy. Any relief provided by the Council under this scheme will need to comply with the UK's domestic and international subsidy control obligations

L.13 To the extent that the Council is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g., a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9th December 2021) in a three-year period (consisting of the 2022/23 year and the two previous financial years). Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the 3 years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit should be counted.

L.14 In those cases where it is clear to the Council that the ratepayer is likely to breach the cash cap or the Small Amounts of Financial Assistance limit then the authority will automatically withhold the relief.

L.15 The amount of relief awarded will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.

Eligibility for the Retail, Hospitality and Leisure Relief Scheme

L.16 Hereditaments that are eligible for Retail, Hospitality and Leisure scheme will be occupied hereditaments which meet all of the following conditions for the chargeable day:

(a) they are wholly or mainly being used:
- (i) as shops, restaurants, cafes, drinking establishments, cinemas, or live music venues;
- (ii) for assembly and leisure; or
- (iii) as hotels, guest & boarding premises, or self-catering accommodation.

L.17 The Council considers shops, restaurants, cafes, drinking establishments, cinemas, and live music venues to mean:

(i) Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc);
- Charity shops;
- Opticians;
- Post offices;
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors);
- Car/ caravan show rooms;
- Second-hand car lots;
- Markets;
- Petrol stations;
- Garden centres; and
- Art galleries (where art is for sale/hire).

(ii) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc);
- Shoe repairs/ key cutting;
- Travel agents;
- Ticket offices e.g., for theatre;
- Dry cleaners;
- Launderettes;
- PC/ TV/ domestic appliance repair;
- Funeral directors;
- Photo processing;
- Tool hire; and
- Car hire.

(iii) Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants;
- Takeaways;
- Sandwich shops;
- Coffee shops;
- Pubs; and
- Bars.

(iv) Hereditaments which are being used as cinemas

(v) Hereditaments that are being used as live music venues:

- Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended);
- Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) that are merely ancillary or incidental to the performance of live music (e.g., the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g., because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).

L.18 The Council considers assembly and leisure to mean:

(i) Hereditaments that are being used for the provision of sport, leisure, and facilities to visiting members of the public (including for the viewing of such activities):

- Sports grounds and clubs;
- Museums and art galleries;
- Nightclubs;
- Sport and leisure facilities;
- Stately homes and historic houses;
- Theatres;
- Tourist attractions;
- Gyms;
- Wellness centres, spas, massage parlours; and
- Casinos, gambling clubs and bingo halls.

(ii) Hereditaments that are being used for the assembly of visiting members of the public:

- Public halls; and
- Clubhouses, clubs, and institutions.

L.19 The Council considers hotels, guest & boarding premises, and self-catering accommodation to mean:

(i) Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:

- Hotels, guest, and boarding houses;
- Holiday homes; and
- Caravan parks and sites.

L.20 To qualify for the relief, the hereditament should be wholly or mainly being used for the above qualifying purposes. This is a test on use rather than occupation, therefore hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

L.21 The lists set out above are not intended to be exhaustive as it would be impossible to list the many and varied uses that exist within the qualifying purposes.

Ineligible uses

L.22 The lists below set out the types of uses that the government **does not** consider to be an eligible use for the purpose of this discount.

(i) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g., banks, building societies, cash points, bureaux de change, short-term loan providers, betting shops);
- Medical services (e.g., vets, dentists, doctors, osteopaths, chiropractors);
- Professional services (e.g., solicitors, accountants, insurance agents/ financial advisers, employment agencies, estate agents, letting agents); and
- Post office sorting offices.

(ii) Hereditaments that are not reasonably accessible to visiting members of the public

Retail, Hospitality and Leisure Business Rates Scheme (2022/23) - the Council's policy for granting discretionary relief.

L.23 Over the past few years, a number of schemes have been led by government but without specific legislative changes. These are administered under S47 of the Local Government Finance Act 1988. The Council is keen to support such initiatives especially where they are designed to help local businesses and will look to maximise both the reliefs given as well as maximise any grants receivable. However, the Council reserves the right to vary its approach where thought appropriate.

L.24 In the case of Retail, Hospitality and Leisure Business Rates Relief scheme, the Council will grant the relief strictly in accordance with government guidance.

Effect on the Council's Finances

L.25 As this is a government led initiative, grants for the full amount awarded will be available through section 31 of the Local Government Act 2003.

Appendix M

Section 49 – Hardship Relief

Section 49 – Hardship Relief

General explanation

M.1 The Council is able to exercise its discretion under Section 49 of the Local Government Finance Act 1988 to provide either partial or full relief for non-domestic rate payments in cases of hardship where it would be reasonable to do so having due regard to the interests of council tax payers in general.

Section 49 Hardship Relief – the Council's Policy

M.2 The Council will consider applications for hardship relief from individuals and organisations based on their own merits on a case-by-case basis. The Revenues Manager will consider applications. Application forms are available at the following links:

M.3 In making decisions on whether to award the relief the Council takes into account the following criteria (not listed in any priority):

- Any reduction or remission of rates on the grounds of hardship should be the exception rather than the rule;
- Any reduction of the rates must be shown to be significant to the future viability of the business;
- The business must continue to trade;
- Evidence provided must include (but not limited to):
  - audited or independently verified accounts from the last two years
  - copies of your last three months' bank statements
  - a copy of any business plan
  - a brief history of your business
  - a cash flow forecast for the next 12 month
- The test of "hardship" is not strictly confined to financial hardship and that this, in itself, is not a deciding factor;
- The loss of the business would reduce amenities of an area if it is the sole provider of a service in the area;
- The loss of the business would worsen the employment prospects in the area;
- The interests of the Council Tax payers of the area would be best served by awarding the relief;
- The business must demonstrate how it is beneficial to the local community and why it is currently suffering financial hardship;
- The business provides employment to local residents in an area where employment opportunities are limited;
- Independent advice given by banks or financial advisors should be sought to demonstrate the future viability of the business; and
- Applications will only be considered where signed by the ratepayer, or, where an organisation is the ratepayer, an appropriately authorised representative of the organisation.

Finance Sub-Committee

2 November 2023

Cheshire Pension Fund Briefing

Report of: Alex Thompson, Director of Finance and Customer Services

Report Reference No: FSC/22/23-24

Ward(s) Affected: All

Purpose of Report

1 The purpose of this report is to brief the Finance Sub-Committee in respect of matters considered at the Cheshire Pension Fund Committee.

2 The Finance Sub-Committee on 7th June 2023 agreed to receive briefing papers through the year in respect of matters considered at the Cheshire Pension Fund Committee; the latest briefing paper is attached as an appendix.

Executive Summary

3 This report contains a briefing paper summarising the key points in the items presented to the Cheshire Pension Fund Committee on 8th September 2023.

RECOMMENDATIONS

The Finance Sub Committee is recommended to:

1. Consider the briefing paper summarising the key points in the items presented to the Cheshire Pension Fund Committee on 8th September 2023.

Background

4 The Finance Sub-Committee on 7th June 2023 received a report: 'Local Government Pension Scheme and Cheshire Pension Fund'.

5 The purpose of the report was to inform the Sub-Committee about the Local Government Pension Scheme (LGPS), its importance in respect of the Council's financial planning and reporting, and to introduce the first in a series of briefing notes in respect of items presented to the Cheshire Pension Fund Committee. This report is the latest briefing paper.

Consultation and Engagement

6 No consultation or engagement is required directly in relation to this report.

Reasons for Recommendations

7 This report is the latest briefing paper on matters considered at the Cheshire Pension Fund Committee. It supports the Corporate Plan priority of being an open and enabling organisation; particularly with regard to ensuring transparency in decision making and supporting a sustainable financial future for the Council.

Other Options Considered

8 Not applicable.

Implications and Comments

Monitoring Officer/Legal

9 There are no legal implications of this report.

Section 151 Officer/Finance

10 As covered in the report.

Policy

11 There are no policy implications identified.

Equality, Diversity and Inclusion

12 There are no equality, diversity and inclusion implications identified.

Human Resources

13 There are no human resources implications identified.

Risk Management

14 There are no risk management implications identified.

Rural Communities

15 There are no direct implications to rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

16 There are no direct implications for children and young people.

Public Health

17 There are no direct implications to public health.

Climate Change

18 There are no direct implications to climate change.

Access to Information	
Contact Officer:	Paul Goodwin - Head of Finance & Deputy Chief Finance Officer paul.goodwin@cheshireeast.gov.uk
Appendices:	Briefing Paper on Cheshire Pension Fund Committee Meeting
Background Papers:	Medium Term Financial Strategy 2023/24-2026/27 Statement of Accounts

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CHESHIRE PENSION FUND

APPENDIX 1
Section 151 Officer briefing
September 2023

INTRODUCTION

This briefing note summarises key points to note in the items being presented to the Pension Fund Committee on 8 September 2023 (procedural items have not been included).

PART A

STANDING ITEMS
Compliance Update – "amber" breach in period re an employer owing £7k in contributions dating back to October 2022.
Business Plan 23/24 – progress on delivery of quarter 2 actions is reported as "amber" due to delays in delivery of Admin and Comms actions, much of which is due to actions outside the Fund's control. Forecast outturn of £0.19m underspend, largely due to staff vacancies.
Regulatory update – items include the Mansion House speech and consultation around LGPS investment asset pooling, the Boycotts Investments and Sanctions Bill, an update on the long running McCloud remedy, and delays to the national Pensions Dashboards programme.

ANNUAL REPORT / STATEMENT OF ACCOUNTS 2022-23
Key points: Contributions, benefit payments, and payments to members leaving before retirement have all increased; investment assets have decreased to £6.3bn from £7.0bn due to market value changes. No changes to primary statements from draft accounts presented in June 2023. Minor changes to some notes to the accounts.

OVERPAYMENTS POLICY
Current policy dates back to 2012 and has been reviewed by legal team. Principles in new policy unchanged but more detail provided on supporting processes. Report sets out additional detail on processes in place designed to reduce risk of overpayments occurring.

LGPS POOLING CONSULTATION
DLUHC have issued a consultation which includes proposals on LGPS asset pooling, levelling up and private equity investments. Report sets out key issues which will inform the Fund's final response. Concerns include the proposed deadline of March 2025 for pooling liquid investments, delegation of investment decision making and strategic implementation to pools, and requirement for 10% investment allocation to private equity. Overall the consultation fails to sufficiently recognise the primary purpose of LGPS investments is to generate returns to support the payment of pension benefits. Fund officers will finalise a response to the consultation based on these issues.

PART B - CONFIDENTIAL ITEMS

RESPONSIBLE INVESTMENT POLICY UPDATE
Some investment managers / index providers are introducing exclusions which mean they will not invest in certain companies e.g. those producing tobacco products and thermal coal. The Fund's current RI policy does not support blanket disinvestments. However, analysis of the impact of the proposed introductions by two investment managers (one of which is LGPS Central) indicates that the number of companies excluded will be small and is unlikely to have a material impact on financial performance. There are concerns as to the potential cost of moving investments to other funds without such exclusions. Report proposes accepting the indicated exclusions and amending the Fund's RI policy so that the Fund reviews any proposed exclusions on a case by case basis.

CYBER RISK AND VULNERABILITY REVIEW

A review of cyber risk management arrangements across i) the Fund, ii) the Council's ICT service, and iii) Civica (provider and host of the Fund's administration system) is underway. The review of Fund arrangements is complete. Key actions to progress are: i) develop a Fund cyber strategy, ii) provide guidance to staff and members on their role in managing cyber risk, iii) develop a Fund incident response plan, and iv) review use of unencrypted emails. Fund proposals in response are set out. Outcomes from ICT and Civica reviews are expected at next Committee.

Cheshire East Council

Audit and Governance Committee

28 September 2023

Section 106 Key Findings – Internal Audit Report

Report of: David Brown, Director of Governance and Compliance (Monitoring Officer)

Report Reference No: FSC/15/23-24

Ward(s) Affected: All

Purpose of Report

1 To provide the Committee with the key findings from Internal Audit's review of arrangements for the management and monitoring of Section 106 (S106) agreements (Appendix 1).

2 Officers with responsibility for the implementation of the recommended actions will be in attendance at the meeting to assist the committee with any questions Members may wish to raise; whilst this report and appendix are not restricted, if members wish to discuss particular schemes or proposals the committee may need to sit in private as this may impact on the business and commercial interests of the Council.

Executive Summary

3 The planning service has undertaken a wide-ranging review and has previously reported to Environment and Communities Committee on the work being undertaken. This report supports that wider review.

4 Internal Audit have completed an extensive review of the council's arrangements for the management and monitoring of Section 106 agreements. The key findings of the review are shared in Appendix 1.

5 The overall assurance opinion for this review is "No Assurance". This reflects that there are currently significant areas of risk which are not being managed effectively in relation to the effective and efficient use of

S106 agreements and contributions. This audit report findings relate to operational processes, governance, and a lack of strategic oversight in place for senior officers and service committees. “No Assurance” opinion reports are considered for inclusion in the council’s Annual Governance Statement.

6 The outcome of this review will also be subject to consideration by the council’s Finance Sub Committee and the Environment and Communities Committee.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Receive the findings of the internal audit review on the arrangements for the management and monitoring of Section 106 funds and note the “No Assurance” opinion with an initial progress report being provided to the Committee in March 2024, and a further update on the implementation of actions to be reported to this Committee in 12 months’ time.

2. Consider the item for inclusion in the final Annual Governance Statement which will be brought to the Committee in due course.

3. Determine whether, based on the identified improvement actions, and the arrangements for the oversight of their implementation described, there are further actions to be taken.

Background

7 Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as S106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. Each 106 agreement is a specific deed attached to an individual planning permission. They are usually place and purpose specific.

8 Planning obligations may only constitute a reason for granting planning permission if they meet the tests that they are necessary. They must be:

- necessary to make the development acceptable in planning terms,
- directly related to the development; and

- fairly and reasonably related in scale and kind to the development.

9 These tests are set out as statutory tests in regulation 122 (as amended by the 2011 and 2019 Regulations) and as policy tests in the National Planning Policy Framework. These tests apply whether or not there is a Community Infrastructure Levy charging schedule for the area. They are focused on site specific mitigation of the impact of development. S106 agreements are often referred to as 'developer contributions' along with the Community Infrastructure Levy.

10 It is the role of the Planning Officer to use their knowledge and experience to review individual applications and apply the above tests in practice. This involves taking into account the relevant legislation and council policies, specifically the adopted Local Plan and other planning policies in order to identify and engage with the relevant consultees and ensure that all consultation responses are appropriately considered.

11 The council (as Local Planning Authority) undertakes consultation with services on planning developments; statutory consultees include various internal Services, including but not limited to, Housing, Highways, Education and Green Spaces, as well as external organisations such as the NHS via the Integrated Care Board (ICB).

12 S106 was first reviewed by Internal Audit during 2011. A review of S106 management was then undertaken in 2017 and identified several key findings to be addressed. These findings were followed up in detail by Internal Audit in 2019 with all actions found to still be in progress. The follow up work identified that the completion of outstanding actions was reliant on the successful implementation of the S106 database system (Exacom) and subsequent migration of data to ensure that it was operational.

13 The system went live during 2019 and further follow up work to monitor progress against actions was planned for 2020/21. Unfortunately, the reallocation of internal audit resources in response to the Covid-19 pandemic from March 2020 prevented this work from being undertaken at that point, but the area of S106 and the Community Infrastructure Levy were both included in the 2021/22 Audit Plan; the internal audit of S106 was deferred to 2022/23 to allow the project to complete the migration of data into the S106 database.

14 Work began on the review of the Community Infrastructure Levy (CIL) in 2021/22, and the report draft was finished earlier in 2022/23; as this review was showing similar findings to those emerging in the S106 review, we agreed with management to “hold” that report whilst the S106 review progressed further. Whilst there are similar findings arising from the CIL review, a “Limited” assurance opinion was given; the

actions to be undertaken to respond to findings on CIL are aligned to those in the s106 management actions, and that report has been issued as Final. A number of the CIL management actions have been implemented.

15 Internal Audit carried out a review of the policies, systems and procedures in place to provide assurance that the following key risks were managed effectively:

- Risk 1: Arrangements to ensure that appropriate S106 agreements are secured, in place and monitored to activate trigger points in a timely manner are ineffective, resulting in failure to identify and collect amounts due, limiting improvements to the local community and failure to meet obligations imposed during the planning process.
- Risk 2: Limited strategic oversight and senior decision making in the process leads to reduced benefits/outcomes due to low levels of innovation and options appraisal against achievement of the council's corporate aims.
- Risk 3: Ineffective monitoring and accountability arrangements may result in a failure to implement schemes within agreed timescales, resulting in potential repayments to developers, unspent monies being unallocated and remaining on the council's balance sheet, and planning obligations remaining unmet or becoming the responsibility of the council.
- Risk 4: Ineffective governance and monitoring arrangements leading to a lack of transparency around the level and status of S106 monies held by the council, resulting in difficulties in managing the financial position of the service, a lack of strategic oversight by senior officers and Members, and reputational damage to the council.
- Risk 5: Recommendations made previously have not been implemented, resulting in continuation of poor practice.

16 The review concluded that there is a lack of strategic oversight of the management of S106 internally within planning and across other relevant service areas, as well as by the Environment and Communities Committee.

17 Consultees and service users of the S106 contributions require greater understanding of their roles and responsibilities, and more structure in terms of ensuring the timely response and implementation of spend, in turn achieving greater outcomes for residents through more effective use of the S106 contribution.

18 The review of the processes, administration and monitoring of S106 concluded that this is currently not effective, with a significant level of inconsistency in the recording and monitoring of S106 Agreements and financial contributions across various systems. As such, the Council is currently unable to efficiently identify key financial information with respect to these obligations, for example commitments, actual expenditure and any balances or refunds that may be required to developers.

19 The internal audit review has provided a “No Assurance” opinion, based on the testing completed. Internal Audit use a standard set of opinions, and a “No Assurance” means that.

(a) There is an absence of controls to mitigate against the risks identified in the terms of reference. The majority of recommendations made are high priority, and key risks are not being properly managed. Urgent attention is required by management to improve the control environment.

(b) This area may be considered for inclusion in the organisation’s Annual Governance Statement. It may also be appropriate for this area to be included in the sections/directorate Risk Register, and for the action plan to address these fundamental weaknesses to become part of the Service Delivery Plan.

20 Each of the recommended actions has been agreed and accepted by the relevant service area. The internal audit process has been supported positively by planning and finance services, and recognition and support for the changes needed have been endorsed by the Corporate Leadership Team. There are actions in place to respond to each of the findings, with responsibilities and expected timescales for their implementation set out.

21 The implementation of these actions will be closely followed up by Internal Audit and these will be reported back to the Audit and Governance Committee as set out in the recommendations of this report. In addition, further member oversight of the issues raised by the report, and the implementation of the required actions will be provided by reports to the Finance Sub Committee and the Environment and Communities Committee.

22 The Finance Sub Committee will receive the key findings on the 2nd November, with a view to understanding the financial implications of the review, and how the planned changes should drive more effective recording, use, and timely spend of the contributions, whilst having regard to the legal restrictions that apply to these contributions.

23 The Local Planning Authority Review, which is monitored by the Environment and Communities Committee, had identified the area of S106 for inclusion in the Modernisation Plan, pending completion of the internal audit report, and resolved that a Member/Officer working group would be established on completion of the internal audit work to explore the process of Section 106 planning obligations as part of the wider Modernisation Plan.

24 Members have already been nominated for this group and it will now be established to oversee the implementation of the findings of the review and help to inform how information can be more pro-actively shared with members regarding section 106 contributions. This will be discussed at the 6th November meeting of this committee.

Consultation and Engagement

25 The terms of reference for the assurance work were drafted with input from the relevant senior officers, including the Council's Section 151 officer, and the Executive Director, Place.

Reasons for Recommendations

26 One of the key roles of the Audit and Governance Committee is to receive reports and assurances from across the organisation, and in doing so, consider the effectiveness of the arrangements described, identifying further information needed, and or making recommendations for improvements and additional action required.

27 The Committee are asked to consider the assurances provided by the key findings, the assurances provided by way of management responses, follow up by Internal Audit and the further oversight which will be provided by the Finance Sub Committee and Environment and Communities Committee and determine if anything further is required at this point.

Other Options Considered

28 No other options considered.

Implications and Comments

Monitoring Officer/Legal

29 This report is provided to ensure transparency and compliance with good audit practice. Although there are no direct legal implications arising from the recommendations of this report ongoing support will be provided.

Section 151 Officer/Finance

30 There are no direct financial implications arising from the recommendations of this report; Internal Audit resource had already been allocated within the 2022/23 and 2023/24 plans for this work. Any further resource to implement the actions arising from the report would be subject to the relevant decision making and approval processes.

Policy

31 The Audit and Governance Committee receiving reports and assurances supports the corporate objective of being an open and enabling organisation.

Equality, Diversity and Inclusion

32 There are no direct implications for equality, diversity and inclusion arising from the recommendations of this report.

Human Resources

33 There are no direct implications for human resources arising from the recommendations of this report.

Risk Management

34 Considering the recommendations of arising from this report and maintaining oversight of the effective implementation of the actions required will contribute to the improvement of the organisations use of S106 contributions, managing the risks set out in the internal audit review.

Rural Communities

35 There are no direct implications for rural communities arising from the recommendations of this report.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

36 There are no direct implications for children and young people arising from the recommendations of this report.

Public Health

37 There are no direct implications for public health arising from the recommendations of this report.

Climate Change

38 There are no direct implications for climate change arising from the recommendations of this report.

Access to Information	
Contact Officer:	Josie Griffiths josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix 1 – S106 Key Findings
Background Papers:	n/a

Section 106 Internal Audit Report – Key Findings

Audit and Governance Committee
28th September 2023

Open Fair Green

Cheshire East Council

Contents

- Section 106 Agreements and Community Infrastructure Levy – Background
- Scope of the Internal Audit review
- Audit opinions
- Headline findings
- Findings, implications, recommended actions and management responses – summarised by the key risks examined
- Next steps

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Section 106 Agreements and Community Infrastructure Levy (CIL) Fund

Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as **S106 agreements,** are a mechanism which make a specific development proposal acceptable in planning terms, that would not otherwise be acceptable. Each 106 agreement is a specific deed attached to an individual planning permission.

Planning obligations may only constitute a reason for granting planning permission if they meet the tests that they are necessary. They must be:

- necessary to make the development acceptable in planning terms,
- directly related to the development; and
- fairly and reasonably related in scale and kind to the development.

The **Community Infrastructure Levy (CIL)** is a planning charge introduced across England and Wales by the 'Community Infrastructure Levy Regulations 2010 (as amended)' and is used by Local Authorities to help fund a wide range of infrastructure required as a result of increased development (not an individual development like S106) in an area. It is based on the size and type of development and once a CIL Charging Schedule is set in an area, it is mandatory to pay and <u>non-negotiable</u>.

Internal Audit Scope - 5 risks examined

- *Risk 1: Arrangements to ensure that appropriate S106 agreements are secured, in place and monitored to activate trigger points in a timely manner are ineffective, resulting in failure to identify and collect amounts due, limiting improvements to the local community and failure to meet obligations imposed during the planning process*
- *Risk 2: Limited strategic oversight and senior decision making in the process leads to reduced benefits/outcomes due to low levels of innovation and options appraisal against achievement of the Council's corporate aims*
- *Risk 3: Ineffective monitoring and accountability arrangements may result in a failure to implement schemes within agreed timescales, resulting in potential repayments to developers, unspent monies being unallocated and remaining on the Council's balance sheet, and planning obligations remaining unmet or becoming the responsibility of the Council*
- *Risk 4: Ineffective governance and monitoring arrangements leading to a lack of transparency around the level and status of S106 monies held by the Council, resulting in difficulties in managing the financial position of the service, a lack of strategic oversight by senior officers and Members, and reputational damage to the Council*
- *Risk 5: Recommendations made previously (2018 audit) have not been implemented, resulting in continuation of poor practice.*

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Audit Opinion
An overall opinion on the control environment will be given on completion of the audit work. This opinion relates **only** to those risks identified or systems tested. Where the audit opinion given is either limited or no assurance, consideration will be given to including those areas in the Annual Governance Statement.
There are four possible opinions: good assurance, satisfactory assurance, limited assurance, and no assurance.

The following table explains the various assurance levels in terms of the controls in place and how testing has shown them to be operating. It also gives an indication as to the priority rating of recommendations you might expect at each assurance level, although please note this is for guidance only as the final opinion lies at the discretion of the Auditor.

Assurance Level	Explanation
Good Assurance	Controls are in place to mitigate against the risks identified in the terms of Reference. Testing has shown that controls are working effectively and consistently to ensure that key risks are well managed. No high level recommendations have been made although there may be a small number at medium level. Some changes in the control environment may be beneficial to enhance performance and realise best practice.
Satisfactory Assurance	Controls are adequate to address the risks identified in the terms of reference. Testing has shown that there are some inconsistencies in the application of the controls, and attention is needed to improve the effectiveness of these controls. Recommendations will normally be no higher than medium level.
Limited Assurance	Controls are either not designed to mitigate the risks identified in the terms of reference, or testing has shown there to be significant non-application of controls. There are likely to be a number of high priority recommendations and/or a large number at the medium level. Attention is needed to improve the quality and effectiveness of the control environment in order to ensure key risks can be managed well.
No Assurance	There is an absence of controls to mitigate against the risks identified in the terms of reference. The majority of recommendations made are high priority, and key risks are not being properly managed. Urgent attention is required by management to improve the control environment. This area may be considered for inclusion in the organisation's Annual Governance Statement. It may also be appropriate for this area to be included in the sections/directorate Risk Register, and for the action plan to address these fundamental weaknesses to become part of the Service Delivery Plan.

Headlines

- “No Assurance” opinion; consideration should be given to inclusion in the Annual Governance Statement and will be discussed with External Audit.
- Internal Audit had previously reviewed this area in 2017/18 and a significant number of findings from that Audit are repeated, in full or in part in the current review.
- Internal Audit are moving to a 2 phase approach on follow up work; 1) Agree completion of agreed actions 2) Confirming that actions have had the desired effect
- Detailed audit testing covered 15 agreements entered into during the period 2017 to 2022, plus 1 additional agreement entered into prior to that where concerns had been raised by the relevant Member (dated 2013).
- 93 legacy agreements were inherited from predecessor authorities. Of these, 8 were time limited with only 1 recorded as being fully committed. The 7 remaining agreements had not been committed within the required deadlines and the developers may request repayment of any uncommitted balance. Should any monies be committed after the deadline, there is a risk that these amounts may need to be repaid at some point in the future.

Headlines

- Work is ongoing to identify the value of CEC specific agreements that have expired and the associated uncommitted balances. *In the last reporting year £9m of s106 contributions were spent.*
- Organisational understanding of the legal purpose, role, and functions of S106 agreements needs to be improved. *Training and awareness raising sessions will be progressed.*
- Need to ensure CEC achieves the most effective benefits from S106 developer contributions.
- Planning Service Review identified S106 as a key area of work as part of the modernisation workplan. *Environment and Communities working group ready to be stood up.*
- Insufficient resource in planning service to undertake role and discharge legal duties; no resilience in service delivery as only 1 post, resulting in unacceptable risks– *will be addressed via recruitment to 1 post immediately, in advance full service restructure.*

Headlines

- Lack of clarity about roles and responsibilities across the 106 process – e.g. planning officer role; consultees/other services who are responsible for spending the contributions that have been secured; s106 monitoring officer role. *This will be addressed through training and awareness raising sessions including a full workshop.*
- New processes – including process maps – to be developed. *A more pro active process will be used moving forward. Short term actions will need support from other services who are responsible for scheme delivery – e.g. committing spend and implementing schemes.*
- Insufficient oversight by senior management and Members of S106 activity and delivery. Requirement for services to report back on spend and implementation of projects to planning services. *Regular reporting and updates to CLT and E and C committee to be implemented moving forward.*
- S106 is supported by an IT system "Exacom"; currently, this isn't being used to best effect and doesn't reflect all S106 agreements in place. *Ensuring full use of Exacom will provide up to date information and support more responsive and efficient monitoring and reporting.*

Key Findings – Risk 1 (1/4)

Arrangements to ensure that appropriate S106 agreements are secured, in place and monitored to activate trigger points in a timely manner are ineffective...

Finding	Implication and Action	Management Response
Policies and Procedures Although the Site Allocations and Development Policies Document has recently reviewed and ratified, several policy documents inherited from legacy councils have not been updated to reflect the requirements of Cheshire East. The key document is the Draft Developer Contributions Supplementary Planning Document (SPD) which went out to consultation in November 2022 and is expected to be adopted in late 2023/23.	Implication Ineffective or out of date policies and procedures leading to inconsistent approach to the identification and recording of s106 agreements resulting in potential loss of income and reputational damage to the Council. Action To complete the consultation process for the Draft Developer Contributions SPD, ensuring that all relevant services are included prior to presentation to the Environment and Communities Committee. Following approval the document should be shared with all relevant officers and published on the Council's website.	Management Response – Agreed Due to be presented to Environment and Communities Committee in Q3 Timescale – November 2023
Roles and Responsibilities A significant risk to delivery and continuity arises from a lack of resilience in procedural documentation and staffing resource. The current arrangements do not provide appropriate contingency or cover in the event of absence.	Implication Financial and reputational damage due to significant delays at various stages of the process or inappropriate application of the rules. Action Establish the level of resource required to: • Bring monitoring of S106 agreements to an effective level • Maintain it at this level going forward. • Provide an appropriate level of contingency within the service	Management Response – Agreed Management arrangements to be considered as part of wider Planning Review Timescale – Ongoing. Recruitment process underway

Key Findings – Risk 1 (2/4)

Arrangements to ensure that appropriate S106 agreements are secured, in place and monitored to activate trigger points in a timely manner are ineffective…

Finding	Implication and Action	Management Response
Identification and Approval of S106 Agreements A local Scheme of Delegation documenting the delegation of powers from the Head of Planning is in place, dated April 2020. However this was not readily available. It is appreciated that this is currently being reviewed and is awaiting formal approval	Implication The Local Scheme of Delegation may be out of date and not reflect the delegated powers, as detailed in the current Constitution which may result in decisions not being made by appropriate Officers, or Officers taking decisions without the authority to do so. Action Once approved, the updated Local Scheme of Delegation should be communicated to appropriate officers and uploaded to Centranet for reference.	Management Response – Agreed Timescale – updated SOD completed and undergoing approval process
Content of S106 Agreements There is a lack of consistency in providing for, and articulating, ongoing costs such as utilities and maintenance within s106 agreements	Implication Where ongoing costs are not provided for there may be unbudgeted financial strain being placed on services in future years. Action Commuted sums for future maintenance costs should be built into all S106 consultation responses by Services. This should be reflected in agreements where appropriate or, at the very least, built into future budgets to ensure that any additional costs as a result of a development are accounted for.	Management Response – Agreed Agreed processes/formulae as set out in the SPD will include maintenance where this is appropriate. Timescale – December 2023

Key Findings – Risk 1 (3/4)

Arrangements to ensure that appropriate S106 agreements are secured, in place and monitored to activate trigger points in a timely manner are ineffective

Finding	Implication and Action	Management Response
Recording S106 Agreements The Exacom system is not being used to its full potential by recording both financial and non financial elements of s106 agreements. During 2022 all agreements up to October 2020 were migrated to the system, however, it has not been updated since and is currently over 2 years out of date.	Implication Processes for identifying potential S106 records are weak, resulting in failure to identify and collect amounts due, limiting improvements to the local community and failure to meet obligations imposed during the planning process. Action The Exacom should be brought up to date as a priority and utilised to its full potential.	Management Response – Agreed Work is underway to update Exacom records as a priority and recruitment to vacant post will assist in this. Timescale – Ongoing, recruitment process underway
Supporting Documentation Key documentation not consistently retained on the document management system.	Implication Failure to clearly evidence the S106 process and decision making, resulting in potential reputational damage if this is challenged. Action All information supporting the S106 process should be uploaded to the document management system to support and evidence decisions.	Management Response – Agreed Planning application system is the appropriate location. Timescale – November 2023
Trigger Points Although trigger points are clearly documented in s106 agreements, testing identified that this was not always the case on the Finance Master Spreadsheet	Implication Failure to identify that triggers have been achieved leading to limited oversight of monies due, a reliance on developers to make payment and potential financial loss to the Council Action A data cleanse of the Finance Master Spreadsheet should be completed to ensure that all relevant information is clearly documented. Moving forward, Exacom should be the primary record for all s106 related matters.	Management Response – Agreed To be undertaken in consultation with relevant services Timescale – November 2023

Key Findings – Risk 1 (4/4)

Arrangements to ensure that appropriate S106 agreements are secured, in place and monitored to activate trigger points in a timely manner are ineffective

Finding	Implication and Action	Management Response
Monitoring Capacity issues have resulted in overall limitation of proactive monitoring	Implication Lack of oversight of s106 agreements resulting in a failure to collect, commit and expend contributions within deadlines resulting in financial loss and/or challenge to the Council. Action The level of resource required to ensure that s106 agreements are subject to regular and effective monitoring should be determined and any shortfalls addressed.	Management Response – agreed as per previous actions in relation to resource, capacity and wider planning review
Recording Receipts, Commitments and Expenditure 8 contributions received between 2018/19 and 2021/22 totalling £5.8m were identified as unallocated.	Implication Contributions which are not committed and spent within agreed deadlines may be liable to be returned to the developer resulting in financial pressures on the Council as they remain responsible for fulfilling the planning conditions. Action This should be investigated and the monies allocated to the correct S106 obligation in order to ensure that the contributions are spent in line with the relevant deadlines.	Management Response – Agreed To be undertaken with input from Legal and Finance Timescale – October 2023

Key Findings – Risk 2
Limited strategic oversight and senior decision making in the process leads to reduced benefits/outcomes

Finding	Implication and Action	Management Response
Lack of strategic oversight for S106 at Committee and senior officer level, including awareness of contributions against triggers and deadlines, and key issues emerging.	<u>Implication</u> Lack of strategic oversight may lead to reduced benefits/outcomes and the potential for reputational damage following claims of bias or favouritism <u>Action</u> Regular reports or briefings should be provided to senior managers and the Environment and Communities Committee with respect to S106 agreements. This should include information in respect of key/emerging issues and oversight of contributions due, received and spent.	Management Response – Agreed To be linked to Annual IFS report Timescale – December 2023
Issues were identified in relation to consultation with services regarding potential s106 obligations and contributions. These related to potential missed opportunities for services to access developer contributions and a concerning lack of appreciation and understanding of S106 use, processes, and timescales by consultees.	<u>Implication</u> Inconsistent processes and lack of understanding of the decision-making process and timeframes by Services may result in delayed planning decisions, non-compliance with agreed targets and missed opportunities to identify potential contributions. <u>Action</u> Consultation timescales and potential use and limitations of s106 contributions should be reiterated to consultee services. Consideration should also be given to introducing a standard consultation pro forma document detailing the proposed obligation, rationale and justification, along with any supporting documentation	Management Response – Agreed Work is already underway as part of the planning service review to improve performance of a number of internal statutory consultees within a number of services, which are adding delays to planning decisions on applications. Cross team working and action plans have been developed and are being progressed in this regard. Timescale – as per Planning Modernisation Plan.
There are no formal procedures documenting the process to be followed in undertaking viability assessments which are required where developers challenge proposed s106 obligations as financially unviable.	<u>Implication</u> Informal policies and procedures may result in an inconsistent approach and ineffective record keeping to support viability assessments for both financial and non-financial benefits. <u>Action</u> The process for undertaking viability assessments should be agreed and documented, including recording of decisions and retention of supporting evidence	Management Response – Agreed A workshop led by planning and involving key consultees will be held in October 2023 as an opportunity to deliver training, clarify roles and responsibilities and develop detailed process notes and process mapping as required. In addition, and building in this detail, working Policy & Procedures document will be produced in consultation with the relevant Services. Timescale – December 2023

Key Findings – Risk 3 (1/2)

Ineffective monitoring and accountability arrangements may result in a failure to implement schemes within agreed timescales

Finding	Implication and Action	Management Response
There are no formal procedures documenting the agreed approach to enforcement of s106 obligations.	<u>Implication</u> Lack of documented procedures may lead to an inconsistent approach to enforcement activity and allegations of bias against the Council. <u>Action</u> The approach to enforcement of s106 obligations should be agreed and documented to ensure a consistent approach.	Management Response – Agreed As per above response re workshop and development of policy and procedure document. Timescale – December 2023
No records are retained to demonstrate that post development reviews are undertaken to ensure that the requirements of the S106 obligations have been discharged as anticipated.	<u>Implication</u> Obligations may not be fulfilled and/or contributions may be used for purposes other than in accordance with the s106 agreement leading to potential challenge to the Council and additional financial pressure to fulfil outstanding planning obligations. <u>Action</u> Records of post development reviews should be maintained to demonstrate that all s106 obligations have been discharged in accordance with the agreement.	Management Response – Agreed Requirements to be detailed in policy and procedure document that is being developed. Timescale – December 2023

Key Findings – Risk 3 (2/2)

Ineffective monitoring and accountability arrangements may result in a failure to implement schemes within agreed timescales

Finding	Implication and Action	Management Response
There is no pro active monitoring or reporting to services and/or other external organisations receiving funds (e.g., NHS or Police) of obligations that are approaching their commitment spend deadline. In addition, there is no formal reporting of unspent balances and/or repayments to developers.	<u>Implication</u> Spend may be committed after a deadline has expired which may result in a requirement to repay monies to developers should they make such a request. <u>Action</u> Regular reports should be provided to Services and/or other external organisations receiving funds (e.g., NHS or Police) which highlight any obligations nearing their commitment/spend deadline date. A process should be introduced to ensure that services monitor, challenge, and report unspent and repaid balances, taking into account the risk that monies spent or committed after the agreed deadline may need to be repaid in future.	Management Response – Agreed It is proposed that a 6 monthly report will be produced and distributed as appropriate. In addition a s106 Officers Group will also be established. Timescale – First report to be produced December 2023
Inaccurate and inconsistent recording of time limited contributions v non time limited contributions make it difficult to draw meaningful conclusions as to whether contributions received have been committed and spent in accordance with agreed deadlines.	<u>Implication</u> The position in relation to balances held is unclear and requires additional resources to "unpick" this situation, ensure funds are used in line with obligations of original S106 agreement and minimise the risk of repayments to developers. <u>Action</u> A data cleansing exercise should be undertaken to ensure the accuracy of recording time limited and non time limited obligations. Moving forward, Exacom should be the primary record for all s106 related matters.	Management Response – Agreed To be addressed by the production of the 6 monthly s106 report as detailed above Timescale – December 2023

Key Findings – Risk 4

Ineffective governance and monitoring arrangements leading to a lack of transparency around the level and status of S106 monies held by the Council

Finding	Implication and Action	Management Response
Whilst the required Infrastructure Funding Statement (IFS) is produced and published annually, it is not formally reported to and approved by a relevant forum due to its nature as a factual monitoring report. In addition, the formatting and content, whilst detailed, do not directly reflect the guidance and could therefore be improved to assist the reader.	Implication Ineffective monitoring and oversight arrangements may lead to a failure to provide the required administration of scheme monies in line with best practice. Action Regular reports on S106 activity, including the review and approval of the IFS, should be reported to Place DMT to ensure that senior managers are aware of the latest position. A briefing should also be provided to Environment and Communities Committee for information purposes. Any issues requiring escalation should be provided on a regular basis to the Environment and Communities Committee.	Management Response – Agreed As detailed in previous actions, 6 monthly s106 report to be produced and more detailed reporting to Members as part of Annual IFS Report Timescale – December 2023
Whilst ad-hoc requests for information from Members are responded to, there is no regular reporting of monies due, received, committed, and spent to Members for their Ward areas.	Implication Ineffective reporting of S106 information to Members may result in excessive queries which are time consuming to respond to. Action Regular reporting of S106 monies to Member and other relevant Officers should be introduced to provide greater transparency and minimise ad-hoc queries. Roll out of the full Exacom system would greatly assist in this through the creation of reports.	Management Response – Agreed As above plus engagement with s106 Members Working Group Timescale – December 2023

Key Findings – Risk 5

Recommendations made previously (2018 audit) have not been implemented...

Finding	Implication and Action	Management Response
A significant number of findings from the 2018 audit are repeated, in full or part, in the 2023 report. This is partly as a result of the delays in implementing and utilising Exacom but the management responses cover the issues faced by the service in more detail. Full details of the previous actions and implementation status have been provided to CLT but this will be replaced by a summary in the final report.	<u>Implication</u> Risks identified in previous audit reviews have not been addressed resulting in no further improvements being achieved. Action – as per management response	Outstanding actions have been superseded by the current action plan which has been agreed with management along with timescales for implementation.

What's next?

- Journey of the key findings through Audit and Governance Committee, Finance Sub Committee and Environment and Communities Committee.
- Audit and Governance Committee will receive assurance through Internal Audit follow up, and the oversight from other committees that actions are being implemented and achieving the desired change and impact, which fall broadly into two areas;
  - Arrangements to deal with the improvements to the administration and monitoring of S106 agreements
  - Improving the use and more timely spend of S106 funding

– An initial progress update will be provided to the Audit and Governance Committee in March 2024,with a further report detailing progress against implementation of actions will be presented to Audit and Governance Committee in 12 months.

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Finance Sub-Committee Work Programme 2023-24

Report Reference	Finance Sub-Committee	Title	Purpose of Report	Lead Officer	Consultation	Equality Impact Assessment	Part of Budget and Policy Framework	Corporate Plan Priority	Exempt Item
FSC/29/23-24	11/01/2024	Third Financial Review of 2023/24 (Finance Sub Committee)	This report outlines how the Council is managing resources to provide value for money services during the 2023/24 financial year. The purpose of the report is to note and comment on the Third Financial Review and Performance position of 2023/24 and approve Supplementary Estimates and Virements.	Director of Finance and Customer Services	No	No	Yes	Open	No
FSC/23/23-24	11/01/2024	Medium Term Financial Strategy Consultation 2024/25 - 2027/28 Provisional Settlement Update (Finance Sub Committee)	All Committees were being asked to provide feedback in relation to their financial responsibilities as identified within the Constitution and linked to the budget alignment approved by the Finance Sub-Committee in March 2023. Responses to the consultation would be reported to the Corporate Policy Committee to support that Committee in making recommendations to Council on changes to the current financial strategy.	Director of Finance and Customer Services	Yes	No	Yes	Open	No

Finance Sub-Committee Work Programme 2023-24

FSC/24/23-24	11/01/2024	MTFS Strategies – Investment Strategy	To note and comment on the Council's Investment Strategy in light of the ongoing budget consultation document and to set out the Council's approach to managing investments in 2024/25.	Director of Finance and Customer Services	No	No	Yes	Open	No
FSC/25/23-24	11/01/2024	MTFS Strategies – Treasury Management Strategy	The Treasury Management Strategy details the activities of the Treasury Management function in the forthcoming year 2024/25. To review the draft Treasury Management Strategy as part of the performance management framework.	Director of Finance and Customer Services	No	No	Yes	Open	No
FSC/26/23-24	11/01/2024	MTFS Strategies – Capital Strategy	The Capital Strategy is a key document for the Council and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. It also provides a framework within which the Council's capital investment plans will be delivered.	Director of Finance and Customer Services	No	No	Yes	Open	No

Finance Sub-Committee Work Programme 2023-24

FSC/27/23-24	11/01/2024	MTFS Strategies – Reserves Strategy	To provide information about the requirements to maintain financial reserves and to provide statements on the types of reserves and current and predicted balances.	Director of Finance and Customer Services	No	No	Yes	Open	No
FSC/30/23-24	11/01/2024	Cheshire Pension Fund Briefing (Financial Review 2)	The purpose of this report is to present the latest in a series of briefing notes in respect of key items being presented to the Cheshire Pension Fund Committee.	Director of Finance and Customer Services	No	No	Yes	Open	No
FSC/21/23-24	11/01/2024	Companies Business Plans	The purpose of this report is to enable the Sub Committee, as representing the Council as Shareholder, to consider the medium term business plans of the Council's wholly owned companies	Director of Finance and Customer Services	No	No	Yes	Open	No
FSC/31/23-24	11/01/2024	Procurement Pipeline	The purpose of this report is to enable Finance Sub Committee to fulfil its responsibilities in relation to the oversight of the procurement pipeline of the Council. This report provides an update of the pipeline of procurement activity, confirms the contracts awarded by the Council since April 2023 and provides an update on the number of cases where and reasons why	Director of Finance and Customer Services	No	No	No	Open	Yes

Finance Sub-Committee Work Programme 2023-24

			procurement activity has required the use of waivers.						
FSC/32/23-24	04/03/2024	Service Budgets 2024/25 (Finance Sub Committee)	The purpose of the report is to set out the allocation of budgets for 2024/25, for all Committees, following Council's approval of the Medium Term Financial Strategy in February 2024	Director of Finance and Customer Services	No	No	Yes	Open	No
FSC/33/23-24	04/03/2024	Procurement Pipeline	The purpose of this report is to enable Finance Sub Committee to fulfil its responsibilities in relation to the oversight of the procurement pipeline of the Council. This report provides an update of the pipeline of procurement activity, confirms the contracts awarded by the Council since April 2023 and provides an update on the number of cases where and reasons why procurement activity has required the use of waivers.	Director of Finance and Customer Services	No	No	No	Open	Yes

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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