



2022/23 Financial Update

March 2022

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

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

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Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 398,000 local people with annual spending of over £470m.

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. 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 forecast outturn of £336.0m against a net revenue budget of £328.3m, with the most significant impact within the rising complexity of needs in Adult Social Care.

When the 2022/23 budget was set, in February 2022, 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. Early in the year forecasts highlighted pressures due to demand, inflation and pay negotiations. The pressures affecting the medium term finances of the Council have been addressed as part of the MTFs process for 2023 to 2027.

To support openness and transparency, and provide evidence of strong governance, the report has a main section, to provide background and context, and then seven supporting appendices with detailed information about allocation and management of public money during 2022/23:

The **Financial Stability** section provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2022/23 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** Finance Sub-Committee.
- **Appendix 7** Highways and Transport Committee.

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

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2022/23 Outturn Forecast - Financial Position

2022/23	Revised Budget	Forecast Outturn	Forecast Variance	For further information please see the following sections
(GROSS Revenue Budget £474.2m)	(NET) £m	£m	£m	
SERVICE DIRECTORATES				
Adults, Health and Integration	121.1	130.0	8.9	Appendix 1 Section 2
Children's Services	74.2	77.7	3.5	Appendix 2 Section 2
Place	81.8	83.7	1.9	Appendix 4, 5 & 7 Section 2
Corporate Services	40.6	41.0	0.4	Appendix 3 Section 2
CENTRAL BUDGETS				
Capital Financing	19.0	19.0	-	Appendix 6 Section 5
Transfer to/(from) Earmarked Reserves	(3.2)	(9.2)	(6.0)	Appendix 6 Section 6
Transfer from MTFS Earmarked Reserve	-	-	-	Appendix 6 Section 6
Corporate Contributions / Central Budgets	(5.2)	(6.2)	(1.0)	Appendix 6 Section 2
TOTAL NET EXPENDITURE	328.3	336.0	7.7	
Business Rates Retention Scheme	(49.1)	(49.1)	-	Section 1 - Paragraphs 21-24
Specific Grants	(24.5)	(24.5)	-	Appendix 6 Section 3
Council Tax	(254.7)	(254.7)	-	Section 1 - Paragraphs 10-20
Net Funding	(328.3)	(328.3)	-	
NET (SURPLUS) / DEFICIT	-	7.7	7.7	

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 rapid inflation, the legacy impact of the Coronavirus pandemic 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. Rising inflation in fuel, utilities and wage levels are affecting costs across all services.
 3. In December a forecast outturn of £8.7m net overspend was reported at the Corporate Policy Committee (The full report can be found [Agenda for Corporate Policy Committee on Monday, 1 December, 2022, 10.00 am, Item 10 | Cheshire East Council](#)).
 4. The outturn position is now forecast to be an overspend of £7.7m due to the following changes since the second review:
 - Increased care commitments, within Adults, Health and Integration, are being offset by income, for example, from direct payment reimbursements and external grants. This results in no net change to the forecast.
 - The Children and Families Directorate forecast has improved by -£0.5m. Additional costs of home to school transport from increasing SEND demand, fuel costs and contract costs is being offset by charging additional amounts to transformation costs to capital receipts and additional underspending in Strong Start from holding vacancies. This forecast assumes that £1.6m of resettlement funding will be applied to costs incurred in 2022/23. Pressure remains on the DSG high needs block as a result of the growth in the number of pupils with an education, health and care plan. The Council holds an unusable reserve to manage DSG balances without impacting on the Council's General Reserves. The balance on the DSG reserve is forecast to be at least £45.6m deficit as at 31 March 2023.
- Environment and Neighbourhood Services forecast pressures have changed by £1.2m. Environmental services operational costs of £1.3m are partially offset by lower premises costs, and vacancies within the Planning service which will not be filled before the year end.
 - Growth and Enterprise forecast has improved by -£1.0m. Cost reduction in Estates of £0.3m due to deferral of some non-essential maintenance work. £0.5m due to release of reserve for the ELENA project and £0.2m grant received relating to Reopening High Streets Safely.
 - Highways and Infrastructure forecast has improved by -£0.7m. Continuing high levels of income is contributing a further £0.5m in 2022/23, costs of the Ringway Jacobs contract are predicted to be £0.2m lower than budget.
 - Increase in the forecast overspend within the Transactional Service Centre due to additional temporary staff in recruitment and pay, external consultants costs (Agyllis), and additional Governance and Support staff

costs. Fall in the underspend being forecast by Customer Services due to test and trace final grant income no longer being received, and back pay costs for staff regrades in the newly formed Continuous Improvements team (£0.4m).

- Confirmation of new burdens funding within the Elections Service and lower than previously forecast electoral registrations costs (-£0.2m).
 - Improvement within ICT due to the use of capital reserve for laptop replacement and an improved revenue contracts forecast decreasing the ICT Strategy overspend (-£0.2m).
 - No change in forecast for Central Budgets.
5. This forecast may be subject to variation in the final quarter, as budget managers will continue to take robust actions to control costs and reduce non-essential expenditure to improve this position further.
6. Individual pressures identified above are reflected in the MTFS for 2023/24 to 2026/27. Any betterment to the forecast outturn position should be utilised to replenish reserves in line with the priority of the Corporate Plan.

Table 1 - Service Revenue Outturn Forecasts

2022/23	Revised Budget	Forecast Outturn	Forecast Variance
(GROSS Revenue Budget £474.2m)	(NET)		
	£m	£m	£m
SERVICE DIRECTORATES			
Adult Social Care - Operations	117.5	126.1	8.6
Commissioning	3.6	3.9	0.3
Public Health	-	-	-
Adults and Health Committee	121.1	130.0	8.9
Directorate	1.0	0.6	(0.4)
Children's Social Care	47.0	49.5	2.5
Strong Start, Family Help and Integration	7.7	6.0	(1.7)
Education & 14-19 Skills	18.5	21.6	3.1
Children and Families Committee	74.2	77.7	3.5
Directorate	0.8	0.7	(0.1)
Growth & Enterprise	22.8	22.1	(0.7)
Economy and Growth Committee	23.6	22.8	(0.8)
Environment & Neighbourhood Services	44.4	47.3	2.9
Environment and Communities Committee	44.4	47.3	2.9
Highways & Infrastructure	13.8	13.6	(0.2)
Highways and Transport Committee	13.8	13.6	(0.2)
Directorate	1.4	1.3	(0.1)
Finance & Customer Services	12.5	13.1	0.6
Governance & Compliance Services	11.9	11.3	(0.6)
Communications	0.7	0.7	-
HR	2.4	2.2	(0.2)
ICT	9.8	10.5	0.7
Policy & Change	1.9	1.9	-
Corporate Policy Committee	40.6	41.0	0.4
TOTAL SERVICES NET EXPENDITURE	317.7	332.4	14.7
CENTRAL BUDGETS			
Capital Financing	19.0	19.0	-
Transfer to/(from) Earmarked Reserves	(3.2)	(9.2)	(6.0)
Corporate Contributions / Central Budgets	(5.2)	(6.2)	(1.0)
Finance Sub-Committee - Central Budgets	10.6	3.6	(7.0)
TOTAL NET EXPENDITURE	328.3	336.0	7.7
Business Rates Retention Scheme	(49.1)	(49.1)	-
Specific Grants	(24.5)	(24.5)	-
Council Tax	(254.7)	(254.7)	-
Finance Sub-Committee - Net Funding	(328.3)	(328.3)	-
NET (SURPLUS) / DEFICIT	-	7.7	7.7

Outturn Impact

7. It is planned that £5.2m will be used from the MTFs reserve to mitigate the overspend. The residual impact on General Reserves would be a reduction of £2.5m, decreasing the forecast closing balance of £14.9m to a potential closing balance of £12.4m, which is aligned to the risk assessed level of reserves for the 2023/24 Budget.
8. 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

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

Council Tax

10. Council tax is set locally and retained for spending locally. Council tax was set for 2022/23 at £1,626.24 for a Band D property. This is applied to the taxbase.
11. 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 2022/23 was agreed at 156,607.48 which, when multiplied by the Band D charge, means that the expected income for the year is £254.7m.
12. 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 £313.8m.

13. 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.
14. This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of discounts and exemptions, and changes in numbers and value of properties. The amount billed to date is £315.6m.

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

	£m
Cheshire East Council	254.7
Cheshire Police and Crime Commissioner	36.9
Cheshire Fire Authority	12.9
Town and Parish Councils	9.3
Total	313.8

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

Table 4 – 99% of Council Tax is collected in three years

Financial Year	CEC Cumulative			
	2018/19	2019/20	2020/21	2021/22
	%	%	%	%
After 1 year	98.2	97.9	97.4	97.8
After 2 years	99.0	98.8	98.3	**
After 3 years	99.2	98.9	**	**

**data not yet available

16. The council tax in-year collection rate for the period up to the end of December 2022 is 82.9%. This is a small decrease of 0.5% on the previous year, indicating 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.
17. Council tax support payments were budgeted at £18.4m for 2022/23 and at the end of December the total council tax support awarded was £18.7m.
18. During 2021/22 there was a consultation and review of the Council Tax Support scheme resulting in some amendments being made. The revised scheme was confirmed by full Council in December 2021.
19. Council tax discounts awarded are £29m which is a slight increase in comparison to the same period in 2021/22. A small increase is attributable to work related to raising awareness of the discounts available to residents.
20. Council tax exemptions awarded is £7.7m which although broadly in line with previous years shows a slight increase due to reasons shown at 19.

Non-Domestic Rates (NDR)

21. 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.
22. The small business multiplier applied to businesses which qualify for the small business relief was set at 49.9p in

2022/23. The non-domestic multiplier was set at 51.2p in the pound for 2022/23.

23. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.
24. The business rates in-year collection rate for the period up to the end of December 2022 is 80.8%. This is a significant increase on last year and begins to revert collection rates back to pre-pandemic figures. A return to standard collection processes and government support through additional reliefs has assisted the recovery in collection.

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

Financial Year	CEC Cumulative			
	2018/19	2019/20	2020/21	2021/22
	%	%	%	%
After 1 year	98.5	98.2	92.4	95.6
After 2 years	99.4	98.4	97.4	**
After 3 years	99.4	99.2	**	**

**data not yet available

Appendices to the 2022/23 Financial Update

March 2022

Appendix 3 : Corporate Policy Committee

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2. Corporate Grants Register

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Table 3: Note Additional Grant Funding (General Purpose) over £500,000 up to £1,000,000

Table 4: Delegated Decision Additional Grant Funding (Specific Use) £500,000 or less

3. Debt Management

4. Capital Strategy

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Appendix 3

Corporate Policy Committee

1. Changes to Revenue Budget 2022/23 since Financial Review Update

	Second review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Corporate Policy				
Directorate	1,400	-	(5)	1,395
Finance & Customer Services	12,116	-	400	12,516
Governance and Compliance Services	11,799	-	123	11,922
HR	2,423	-	-	2,423
ICT	9,443	-	309	9,752
Communications	673	-	-	673
Policy and Change	1,918	-	-	1,918
	39,772	-	827	40,599

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Corporate Grants Register	National Allocation 2022/23 £m	Revised Forecast 2022/23 £000
SPECIFIC USE (Held within Services)		
Corporate Policy Committee		
Housing Benefit Subsidy	not available	52,676
Discretionary Housing Payments Grant	98.000	349
Housing Benefit (HB) Award Accuracy Initiative	11.417	31
LADS - VEP (RTI) funding	10.900	29
New Burdens: Universal Credit, maintenance & natural migration	not available	8
LADS - New Burdens - Welfare Reform Changes (S4/2022)	19.500	64
LADS - New Burdens - Supported & Temporary Accommodation Change Request	not available	2
LADS - New Burdens - Supported & Temporary Accommodation	not available	5
LADS - New Burdens - Single Housing Benefit Extract Automation	not available	5
Incapacity Benefit Reassessment (S5/2022)	0.478	2
Council Tax Rebate Scheme - New Burdens on Account Payment	28.047	450
Council Tax Energy Rebate Scheme	3,069.445	19,852
Business Rates Grant NB	not available	19
Democratic Services:	not available	
Police and Crime Commissioner's Panel grant	not available	65
Electoral Integrity Programme - New Burdens	7.478	69
Total		73,626

Corporate Grants Register	National Allocation 2022/23 £m	Revised Forecast 2022/23 £000
GENERAL PURPOSE (Held Corporately)		
Corporate Policy Committee		
Housing Benefit Administration Subsidy	163.721	736
Council Tax Support Administration Subsidy	69.000	344
Unidentified Ministry of Justice Grant	not available	9
NNDR Administration Allowance	not available	587
Council Tax Family Annexe Discount	7.422	25
Revenue Support Grant	1,672.058	7
New Homes Bonus	556.003	6,614
Lower Tier Services Grant	111.000	360
Services Grant	822.000	2,932
Business Rates Reliefs Grant	4,076.389	13,890
Total		25,504
Total Corporate Policy Committee		99,130

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

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

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

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

Table 2 – Note that Council will be asked to Approve Supplementary Revenue Estimates of Additional Grant Funding (Specific Purpose) over £1m

Committee	Type of Grant	£000	Details
Corporate Policy	Housing Benefit Subsidy	4,071	Increase on MTFS 2022-26 estimate. This grant is from the Department for Work and Pensions. Payment of claims administration within Housing Benefits. Housing Benefit for local authorities: subsidy circulars - GOV.UK (www.gov.uk)
Corporate Policy	Energy Bills Support Scheme Alternative Funding	2,089	Funding provided to be distributed to Cheshire East residents qualifying to receive Alternative Fuel grants in accordance with Government guidance.
Total Specific Purpose Allocations over £1,000,000		6,160	

Table 3 – Note - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (General Purpose) over £500,000 up to £1,000,000

Committee	Type of Grant	£000	Details
Finance Sub-Committee (Corporate Policy to Note)	Council Tax Support Fund	521	This grant is provided Council Tax Reduction Scheme (CTRS) claimants plus discretionary scheme Council Tax Support Fund guidance - GOV.UK (www.gov.uk)
Total General Purpose Allocations over £500,000 up to £1,000,000		521	

Table 4 – Note Delegated Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) £500,000 or less

Committee	Type of Grant	£000	Details
Corporate Policy	Council Tax Rebate Scheme - New Burdens on Account Payment	280	New Burden grant relating to the additional costs resulting from administration of support for energy bills - the council tax rebate 2022-23. Support for energy bills - the council tax rebate 2022-23: billing authority guidance - GOV.UK (www.gov.uk)
Corporate Policy	Business Rates Grants - New Burdens	19	The balance of new burdens funding for administering business rates grants.
Total Specific Purpose Allocations less than £500,000		299	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Corporate Policy Committee		
Finance and Customer Services	113	47
Governance and Compliance	3	-
Human Resources	(1)	-
ICT	18	-
	133	47

4. Capital Strategy

Corporate Policy

CAPITAL

CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Total Approved Budget	Forecast Expenditure						Total Forecast Budget 2023/27 £000	Forecast Funding					Total Funding £000
		Prior Years £000	Revised Budget 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000		Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	
Committed Schemes														
ICT Services														
Care Act Phase 2	2,648	0	510	1,100	1,038	0	0	2,648	0	0	0	0	2,648	2,648
Digital Customer - Delivery Programme Phase 1	250	79	49	122	0	0	0	171	0	0	0	0	171	171
Digital Customer Enablement	2,874	33	967	1,400	474	0	0	2,841	0	0	0	0	2,841	2,841
ICT Device Replacement	120	75	381	0	0	0	0	381	0	0	381	0	0	381
Info' Assurance And Data Mgmt	5,324	0	1533	1,941	1,850	0	0	5,324	0	0	0	626	4,698	5,324
Infrastructure Investment(IIP)	7,773	0	2434	1,869	1,656	1814	0	7,773	0	0	0	0	7,773	7,773
Unified Communications Project	1,206	651	555	0	0	0	0	555	0	0	0	0	555	555
Vendor Management	1,006	730	276	0	0	0	0	276	0	0	0	0	276	276
Total ICT Services Schemes	21,201	1,568	6,705	6,432	5,018	1,814	0	19,969	0	0	381	626	18,962	19,969
Finance & Customer Services														
Core Financials	3,948	0	1,746	741	720	741	0	3,948	0	500	0	13	3,435	3,948
Strategic Capital Projects	12,349	0	535	4,727	4,000	3,087	0	12,349	0	0	0	0	12,349	12,349
Total Finance & Customer Services Schemes	16,297	0	2,281	5,468	4,720	3,828	0	16,297	0	500	0	13	15,784	16,297
Total Committed Schemes	37,498	1,568	8,986	11,900	9,738	5,642	0	36,266	0	500	381	639	34,746	36,266
New Schemes														
ICT Services														
Vendor Management - Phase 2	320	0	19	0	0	151	150	320	0	0	0	150	170	320
Total ICT Services New Schemes	320	0	19	0	0	151	150	320	0	0	0	150	170	320
Total Corporate Policy Schemes	37,818	1,568	9,005	11,900	9,738	5,793	150	36,586	0	500	381	789	34,916	36,586

5. Reserves Strategy

Corporate Policy Committee

Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Directorate				
Corporate Directorate	1,868	(381)	1,487	To support a number of widespread projects within the Corporate Directorate.
Finance and Customer Services				
Collection Fund Management *	27,424	(13,840)	13,584	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Financing Reserve - Capital Financing Budget *	6,511	1,500	8,011	
Financing Reserve - Corporate Capital Projects	925	(400)	525	
Financing Reserve - People Capital Projects	573	(150)	423	To provide for financing of capital schemes, other projects and initiatives.
Financing Reserve - Place Capital Projects	1,520	(250)	1,270	
MTFS Reserve *	10,068	(6,833)	3,235	To support the financial strategy and risk management. Reserve balance at end of 2026/27 is forecast at £2.7m.
Section 151 Revenue Grants	28	(28)	0	Unspent specific use grant carried forward into 2022/23.
Section 151 Revenue Grants - Covid-19	5,989	(5,989)	0	Covid (Unringfenced) reserve carried forward into 2022/23.
Governance and Compliance				
Insurance Reserve - Cheshire County Fund	130	(187)	(57)	To settle insurance claims and manage excess costs.
Insurance Reserve - Cheshire East Fund	5,164	(1,244)	3,920	To settle insurance claims and manage excess costs.
Elections General	477	225	702	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)	584	(278)	306	To fund ongoing changes to pay structure.
Policy and Change				
Brighter Future Transformation Programme *	1,780	(279)	1,501	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.
CORPORATE POLICY TOTAL	63,113	(28,193)	34,920	