



# First Financial Review 2023/24

**October 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](mailto: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 £12.8m 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.

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(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
<b>SERVICE DIRECTORATES</b>				
Adults, Health and Integration	136.5	136.8	0.3	Appendix 1
Children's Services	79.1	86.1	7.0	Appendix 2
Place - Directorate/Growth & Enterprise	25.0	23.1	(1.9)	Appendix 4
Place - Environment & Neighbourhood Services	48.8	53.0	4.2	Appendix 5
Place - Highways & Infrastructure	11.0	12.2	1.2	Appendix 6
Corporate Services	41.6	42.5	0.9	Appendix 3
<b>Total Services Net Expenditure</b>	<b>342.0</b>	<b>353.7</b>	<b>11.7</b>	
<b>CENTRAL BUDGETS</b>				
Capital Financing	19.0	19.4	0.4	Appendix 7 Section 5
Transfer to/(from) Earmarked Reserves	(6.1)	(6.1)	-	Appendix 7 Section 6
Transfer from MTFS Earmarked Reserve	-	-	-	Appendix 7 Section 6
Corporate Contributions / Central Budgets	(1.8)	(1.1)	0.7	Appendix 7
<b>TOTAL NET EXPENDITURE</b>	<b>353.1</b>	<b>365.9</b>	<b>12.8</b>	
Business Rates Retention Scheme	(55.3)	(55.3)	-	Appendix 7 Section 2
Specific Grants	(26.7)	(26.7)	-	Appendix 7 Section 3
Council Tax	(271.1)	(271.1)	-	Appendix 7 Section 2
<b>Net Funding</b>	<b>(353.1)</b>	<b>(353.1)</b>	<b>-</b>	
<b>NET (SURPLUS) / DEFICIT</b>	<b>(0.0)</b>	<b>12.8</b>	<b>12.8</b>	

# 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 £11.7m 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 £1.1m over budget resulting in an overall forecast outturn of £12.8m 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	Forecast Outturn	Forecast Variance
	(NET)		
	£m	£m	£m
SERVICE DIRECTORATES			
Adult Social Care - Operations	137.9	138.2	0.2
Commissioning	(1.4)	(1.4)	0.1
Public Health	-	-	-
<b>Adults and Health Committee</b>	<b>136.5</b>	<b>136.8</b>	<b>0.3</b>
Directorate	(0.8)	(0.2)	0.7
Children's Social Care	49.7	54.5	4.8
Strong Start, Family Help and Integration	7.0	6.4	(0.6)
Education & 14-19 Skills	23.2	25.3	2.1
<b>Children and Families Committee</b>	<b>79.1</b>	<b>86.1</b>	<b>7.0</b>
Directorate	0.1	(0.1)	(0.2)
Growth & Enterprise	24.9	23.2	(1.7)
<b>Economy and Growth Committee</b>	<b>25.0</b>	<b>23.1</b>	<b>(1.9)</b>
Environment & Neighbourhood Services	48.8	53.0	4.2
<b>Environment and Communities Committee</b>	<b>48.8</b>	<b>53.0</b>	<b>4.2</b>
Highways & Infrastructure	11.0	12.2	1.2
<b>Highways and Transport Committee</b>	<b>11.0</b>	<b>12.2</b>	<b>1.2</b>
Directorate	0.6	0.8	0.2
Finance & Customer Services	13.4	13.8	0.5
Governance & Compliance Services	10.8	10.8	0.1
Communications	0.7	0.7	(0.0)
HR	2.6	2.6	-
ICT	11.6	11.9	0.3
Policy & Change	2.0	1.9	(0.1)
<b>Corporate Policy Committee</b>	<b>41.6</b>	<b>42.5</b>	<b>0.9</b>
<b>TOTAL SERVICES NET EXPENDITURE</b>	<b>342.0</b>	<b>353.7</b>	<b>11.7</b>
CENTRAL BUDGETS			
Capital Financing	19.0	19.4	0.4
Transfer to/(from) Earmarked Reserves	(6.1)	(6.1)	-
Corporate Contributions / Central Budgets	(1.8)	(1.1)	0.7
<b>Finance Sub-Committee - Central Budgets</b>	<b>11.1</b>	<b>12.2</b>	<b>1.1</b>
<b>TOTAL NET EXPENDITURE</b>	<b>353.1</b>	<b>365.9</b>	<b>12.8</b>
Business Rates Retention Scheme	(55.3)	(55.3)	-
Specific Grants	(26.7)	(26.7)	-
Council Tax	(271.1)	(271.1)	-
<b>Finance Sub-Committee - Net Funding</b>	<b>(353.1)</b>	<b>(353.1)</b>	<b>-</b>
<b>NET (SURPLUS) / DEFICIT</b>	<b>(0.0)</b>	<b>12.8</b>	<b>12.8</b>

# Appendices to First Financial Review 2023/24

**October 2023**

# **Appendix 1 : Adults and Health Committee**

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- 4. Debt Management**
- 5. Capital Strategy**
- 6. Reserves Strategy**



# Appendix 1

## Adults and Health Committee

### 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy

	MTFS Net Budget £000	Restructuring & Realignments £000	First Review Revised Net Budget £000	Unringfence Grants to be Actioned £000
<b>Adults</b>				
Adult Social Care Operations	134,211	3,712	137,923	-
Commissioning	2,121	(3,554)	(1,433)	-
Public Health	-	-	-	-
<b>Adults and Health Committee</b>	<b>136,332</b>	<b>158</b>	<b>136,490</b>	<b>-</b>

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.

The restructuring and realignments of £158,000 relate to: the transfer of system software budget to ICT (-£25,000); drawdown from reserves to fund changes to pay structure (£41,000); and drawdown from reserves for grant carried forward in to 2023/24 (£142,000). Further realignments of budgets have taken place within the services to reflect the detailed allocation of MTFS budget changes.

Commissioning Income includes grant income budgets for Market Sustainability and Investment Fund, and Discharge Fund.

# 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 1 for 2023/24, with the forecast pressure of £3.8m split between commissioning costs and staffing costs.

The budget strategy set out a number of 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. A number of 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.

Potential mitigating actions in the region of £3.5m have been identified, including the use of newly announced Market Sustainability Grant (£2.2m) subject to compliance with grant conditions, plus further reviews on staffing in social work operations and transformation activity across Adult Social Care to release potential ongoing reductions contributing up to £1m.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	<b>Adults and Health Committee</b>	<b>15.274</b>		
1	Demand in Adult Social Care - unit cost inflation	12.652	-	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	-	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	1.000	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	-	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	-	On track. Technical financial adjustment to the budget. Grants are being received as planned.
8	Home First Strategy - increased care at home capacity	-4.000	-	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.
9	Pension Costs Adjustment	-2.082	-	On track, subject to ongoing monitoring, dependent on in-year staffing costs.
10	Learning Disabilities Future Service Development and Review	-1.750	-	On track. Savings are being independently monitored by senior managers in adults in collaboration with finance.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
11	Client contribution yield offsetting growth	-1.200	-	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	-	On track. Technical financial adjustment to the budget. Grants are being received as planned.
14	Resettlement Revenue Grants	-0.850	-	On track. Technical financial adjustment to the budget. Grants are being received as planned.
15	Communities Team	-0.750	-	On track. Grant funding relating to this has been received and future grants allocations have been confirmed.
16	Direct Payment - Audit Recoveries	-0.750	-	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.
17	ASC Transformation Earmarked Reserve Release	-0.500	-	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	-	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.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
21	Adults and Health Non-Essential Commissioning/Contracts	-0.245	-	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	-	On track. Savings are being independently monitored by senior managers in adults in collaboration with finance.
New	In-year pressures		0.650	Pressure on social work operations staffing budget (the variance on external care is covered within item 3 & 5).
	<b>TOTAL FORECAST VARIANCE</b>		<b>3.803</b>	
	Further Mitigating Actions anticipated in the region of £3.5m		3.500	<p>Demand and price pressures are continuing to rise. Continued work to contain this is underway.</p> <p>A review of the largest staffing area (social work operations) is underway. See note above (19).</p> <p>The detailed terms and conditions of the newly announced Market Sustainability Grant (£2.2m announced in July this year) are being analysed to ensure compliance and understand the financial impact on the Council. The results will be included within the second financial review.</p>
	<b>REVISED FORECAST VARIANCE</b>		<b>0.303</b>	

# 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 mainly to Afghan Support-related funding, the Multiply – Supported Employment grant and an increase in the Public Health grant, reflecting the latest allocations. Other additional specific purpose grants have also been received and are detailed in **Table 2 to 5**.

- 3.4 **Table 2** shows additional specific purpose grant allocations that have been received over £1m that Council will be asked to approve.
- 3.5 **Table 3** shows additional specific purpose grant allocations that have been received which are over £500,000 and up to £1m, and are for Committee approval.
- 3.6 **Table 4** shows additional specific purpose grant allocations that have been received which are £500,000 or less and are for noting only.
- 3.7 **Table 5** shows delegated decisions for additional specific purpose grants previously named within the MTFS.

**Table 1 – Corporate Grants Register**

Grants 2023/24	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24 £000	2023/24 £000	2023/24 £000	Notes 2 - 5
<b>ADULTS &amp; HEALTH</b>				
<b>Specific Purpose (Held within Services)</b>				
Additional Better Care (for Adult Social Care)	8,706	8,706	0	
Market Sustainability and Fair Cost of Care Fund	979	979	0	
Market Sustainability and Fair Cost of Care Fund - top-up	2,400	2,418	18	SRE
Trailblazer support funding - brought-forward	0	300	300	
Discharge Fund	1,200	1,221	21	SRE
Multiply - Supported Employment	0	536	536	SRE
Supported Internship Grant	29	29	0	
Asylum Dispersal Scheme	0	482	482	SRE
Afghan - Wrap Around support - brought-forward	910	910	0	
Afghan - Resettlement support - brought-forward	288	288	0	
Afghan - Flexible Housing Funding	0	426	426	SRE
Afghan - Integration Support	0	1,231	1,231	SRE
Afghan - Homelessness Funding	0	128	128	SRE
Afghan - Homeless Wrap Around Funding	0	306	306	SRE
Afghan - Caseworker Tariff	0	36	36	SRE
Homes for Ukraine Scheme - brought-forward	0	2,214	2,214	
Homes for Ukraine Scheme	0	236	236	SRE
Private Finance Initiative (PFI) credits	4,125	4,125	0	
Journey First and Parents First (originally provided by the European Social Fund but now DWP)	0	350	350	SRE
<b>Total Adults &amp; Health - Adult, Health &amp; Integration - Specific Purpose</b>	<b>18,637</b>	<b>24,920</b>	<b>6,283</b>	

Grants 2023/24	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24 £000	2023/24 £000	2023/24 £000	Notes 2 - 5
<b>ADULTS &amp; HEALTH</b>				
Public Health Grant	17,405	17,972	567	ODR
COVID-19 COMF & T&T - brought-forward	0	527	527	
CHAMPS Health Protection / COVID-19 Recovery Funding	0	27	27	SRE
OHID SSMTR Supplementary Substance Misuse Treatment & Recovery Grant	353	354	1	
North West Probation Service funding for SMS rehabilitative and resettlement interventions	114	114	(0)	
CHAMPS Marmot Place Funding - encourage pregnant women to stop smoking - brought-forward	0	22	22	
CHAMPS SMS - inpatient detox	46	46	(0)	
<b>Total Adults &amp; Health - Public Health - Specific Purpose</b>	<b>17,918</b>	<b>19,060</b>	<b>1,142</b>	
<b>General Use (Held Corporately)</b>				
Social Care Support Grant	12,426	12,426	0	
Local Reform & Community Voices	207	207	0	
Social Care in Prisons	73	73	0	
War Pension Scheme Disregard	60	60	0	
<b>Total Adults &amp; Health - Public Health - General Use</b>	<b>12,766</b>	<b>12,766</b>	<b>0</b>	
<b>TOTAL ADULTS &amp; HEALTH</b>	<b>49,321</b>	<b>56,746</b>	<b>7,425</b>	

#### Notes

- 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
Adults and Health	2023/24	Afghan - Integration Support (Specific Purpose)	1,231	This grant is from the Home Office (HO). Available where an individual or family has settled in the borough, to provide ongoing integration support.
<b>Total Specific Purpose Allocation for Council Approval</b>			<b>1,231</b>	

## Table 3 – COMMITTEE DECISION

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) over £500,000 up to £1,000,000

Committee	Year	Type of Grant	£000	Details
Adults and Health	2023/24	Multiply - Supported Employment (Specific Purpose)	536	This grant is from the Department for Education (DfE). Multiply is a government-funded programme to help adults improve their numeracy skills.
<b>Total Specific Purpose Allocations over £500,000 up to £1,000,000 for Committee Approval</b>			<b>536</b>	

## Table 4 – 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
Adults and Health	2023/24	Asylum Dispersal Scheme (Specific Purpose)	482	This grant is from the Home Office (HO). Funding allocated by the Home Office for Cheshire East to support the Asylum Dispersal Scheme.
Adults and Health	2023/24	Afghan - Flexible Housing Funding (Specific Purpose)	426	This grant is from the Home Office (HO). To support moves from bridging hotels into settled accommodation. It can be used flexibly at the Council's discretion, including for (but not limited to) rental top-ups, landlord incentives, resource, and capital projects. Claimable as a lump sum in Year 1, once a person or household is confirmed as having moved into settled accommodation.
Adults and Health	2023/24	Afghan - Homelessness Funding (Specific Purpose)	128	This grant is from the Home Office (HO). This is to address homelessness arising from the closure of bridging hotels. It is available to councils who accept homelessness duties from those leaving bridging accommodation, to support with the temporary housing and administration costs of taking a homelessness application.
Adults and Health	2023/24	Afghan - Homeless Wrap Around Funding (Specific Purpose)	306	This grant is from the Home Office (HO). For wrap around support in bridging hotels, including support with moving families on. Increased flexibility for councils to allow them to support families into settled accommodation, including rental top ups, and capital spend (covering for example renovations/stock acquisition).

Committee	Year	Type of Grant	£000	Details
Adults and Health	2023/24	Afghan - Caseworker Tariff (Specific Purpose)	36	This grant is from the Home Office (HO). Provided to help fund Council and Voluntary and Community Sector (VCS) caseworkers.
Adults and Health	2023/24	Homes for Ukraine Scheme (Specific Purpose)	236	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Funding at a rate of £5,950 per person, to provide support to families to rebuild their lives and fully integrate into communities.
Adults and Health	2023/24	Journey First and Parents First (Specific Purpose)	350	This grant is from the Department for Work and Pensions (DWP). Increases in the grants received as claims to DWP / ESF are made on a quarterly basis reflecting match funded expenditure. The Journey First programme provides intensive 1-2-1 support for young people and adults, to identify and strengthen access to work skills – i.e., supporting with job searches and employment or access to further education or training. Increases in the grants received as claims to DWP / ESF are made on a quarterly basis reflecting match funded expenditure.
Adults and Health – Public Health	2023/24	Health Protection / Covid-19 Recovery Funding (Specific Purpose)	27	This grant is from CHAMPS Public Health Collaborative. At a recent System Leadership meeting the Cheshire and Merseyside Directors of Public Health agreed to a redistribution of collaborative funding to the value of £27,000 per local authority, to support local delivery of priorities relating the broader impact of Covid-19, including workforce and health and inequalities. This is a one-off payment.
<b>Total Specific Purpose Allocations less than £500,000</b>			<b>1,991</b>	

**Table 5 – 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 22 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.
Adults and Health	2023/24	Public Health Grant (Specific Purpose)	567	The estimated Public Health grant value recorded in the MTFS is £17.405m. The actual grant value has been confirmed to be £17.972m.
Adults and Health	2023/24	Market Sustainability and Fair Cost of Care Fund - top-up (Specific Purpose)	18	Increase on MTFS 2023-27 estimate. This grant is from the Department of Health and Social Care (DHSC). Adjustment to the value of the MSF grant value to be received, main grant approved through the MTFS. Announced in November 2022, DHSC funding for improvements to adult social care services, to build capacity and improve market sustainability.
Adults and Health	2023/24	Discharge Fund (Specific Purpose)	21	Increase on MTFS 2023-27 estimate. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Adjustment to the value of the Discharge Fund grant value to be received, main grant approved through the MTFS. This funding has been pooled within the Better Care fund. It can be used flexibly on the interventions that best enable the discharge of patients from hospital to the most appropriate location for their ongoing care.
<b>Total Delegated Decision Specific Purpose Allocations previously named in the MTFS</b>			<b>606</b>	

# Adults and Health Committee

## 4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Mar-23	Jun-23	Increase / (Decrease)	Mar-23	Jun-23	Increase / (Decrease)
<b>Adults and Health Committee</b>						
Adults, Public Health and Communities	10,449	12,123	1,674	6,679	7,051	372

Note: The increase in outstanding debt is due to a large amount of low value debt transactions and two invoices to a local authority which total £463,000.

# Adults and Health Committee

## 5. Capital Strategy

Adults & Health												CAPITAL	
CAPITAL PROGRAMME 2023/24 - 2026/27													
Scheme Description	Forecast Expenditure							Forecast Funding					
	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	389	0	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	410	60	0	0	470	81	0	389	0	0	470
Total Adults and Health Schemes	576	106	410	60	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
<b><u>Adult Social Care Operations</u></b>				
Adults Directorate	1,020	(500)	520	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.
<b><u>Adults Social Care Commissioning</u></b>				
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	0	132	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.
<b><u>Public Health</u></b>				
Public Health Reserve	3,010	(656)	2,354	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.
<b>ADULTS AND HEALTH TOTAL</b>	<b>7,082</b>	<b>(1,281)</b>	<b>5,801</b>	

# **Appendix 2 : Children and Families Committee**

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## Appendix 2

### Children and Families Committee

#### 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy

	MTFS Net Budget £000	Restructuring & Realignments £000	First Review Revised Net Budget £000	Unringfence Grants to be Actioned £000
<b>Children's Services</b>				
Directorate	(41)	(783)	(824)	-
Children's Social Care	49,478	230	49,708	187
Education & 14-19 Skills	22,743	(15,726)	7,017	256
Strong Start, Family Help and Integration (Previously Prevention & Early Help)	6,945	16,256	23,201	-
<b>Children and Families Committee</b>	<b>79,125</b>	<b>(23)</b>	<b>79,102</b>	<b>443</b>

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.

The restructuring and realignments of £23,000 relate to: the transfer of transport pay budget changes from Place (£28,000); drawdown from reserves to fund changes to pay structure (£45,000); and adjustments to ASDV support service charge (-£96,000). Further realignments of budgets have taken place within the services to reflect the detailed allocation of MTFS budget changes and any restructure of service areas.

# Children and Families Committee

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

### Forecast Outturn Commentary:

The Children and Families First Financial Review for 2023/24 reflects a £11.4m in-year pressure. The breakdown of that position is shown in the main summary table.

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.
- Educational Psychologists – where there is the need for agency staff to cover posts whilst the developing cohort of trainee educational psychologists are fully trained and established. There are also challenges in recruiting and retaining staff..
- Schools Catering – where the costs of the service are above the current charged income level and base budget.

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

#### 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.

Further mitigating actions could be in the region of £4.4m including benefit from early receipt of safety valve funding through lobbying government. Other areas 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.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	<b>Children and Families Committee</b>	<b>5.623</b>		
24	School transport pressures	4.000	1.134	<p>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.</p> <p>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.</p>
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	5.100	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	0.086	Emerging pressures.
28	Statutory Education Psychology Service	0.600	0.150	Emerging pressures.
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.
35	Integrated Children's Service Strategy	-0.950	0.417	Project underway.
36	Holiday Activity Fund Grant	-0.900	-	Achieved.
37	Holiday Activity Fund into the Council's base budget (funded from grant)	0.900	-	Achieved.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
38	Review of commissioned services across the Children and Families Directorate	-0.450	0.230	Further work to do to find the whole saving.
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		1.032	Shortfall in Home Office grant compared to forecast cost.
	In-year Pressure Legal Care Proceedings		0.770	Higher legal costs within children's social care with longer processes and more legal challenge.
	In-year Pressure Staffing		0.994	Increased use and cost of agency staff in children's social care to cover vacant posts.
	In-year Pressure School Catering		0.521	The costs of the service are above the current charged income level and base budget.
	In-year Pressure		0.424	Increased demand/costs offset by savings due to vacant posts.
	<b>TOTAL FORECAST VARIANCE</b>		<b>11.430</b>	
	Further Mitigating Actions In-house action savings could be in the region of £4.4m		4.400	Ensure gap in in-year MTFS savings is achieved to align service areas, create efficiencies and avoid duplication, in line with the developing Integrated 4 year strategy.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
				<p>Reduce spend following an in-depth review of Legal Costs and Educational Psychologists.</p> <p>Review of total spend for UASC against funding to identify appropriate additional funding streams.</p> <p>Holding non statutory vacancies. Recruitment drive to reduce the requirement for agency workers including working with regional partners. Convert suitable agency workers to fill permanent statutory vacancies where appropriate. With HR support develop a new Children's Workforce Strategy to further improve recruitment and retention to key statutory posts.</p> <p>Re-deploy suitably qualified staff from non statutory into statutory posts.</p> <p>Bring educational psychology spend in budget in-year.</p> <p>Additional use of earmarked reserves and grants to deliver on key priorities within the directorate.</p> <p>Stop/defer non-essential spend.</p> <p>Review subsidy and funding related to school catering services.</p> <p>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 and the funding formula for schools .</p> <p>Increase senior management and commissioning controls of care costs to support holistic appraisal of financial impacts and opportunities.</p>
	<b>REVISED FORECAST VARIANCE</b>		<b>7.030</b>	

# 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 increase in specific purpose grants relates mainly to an increase in the Asylum Seekers grant and a new Early Years Supplementary Grant. 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 to 6**.

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

3.5 **Table 3** shows additional specific purpose grant allocations that have been received which are over £500,000 and up to £1m, and are for Committee approval.

3.6 **Table 4** shows additional specific purpose grant allocations that have been received which are £500,000 or less and are for noting only.

3.7 **Table 5** shows additional general purpose grant allocations that have been received which are £500,000 or less and are for noting only.

3.8 **Table 6** shows delegated decisions for additional specific purpose grants previously named within the MTFS.

**Table 1 – Corporate Grants Register**

Grants 2023/24	Original	Revised	Change from	Treatment of
	Budget	Forecast	Original	Grant
	2023/24	2023/24	2023/24	
	£000	£000	£000	Notes 2 - 5
<b>CHILDREN &amp; FAMILIES</b>				
<b>Specific Purpose (Held within Services)<sup>1</sup></b>				
Dedicated Schools Grant	165,459	156,147	(9,312)	
Pupil Premium Grant	4,500	4,958	458	SRE
Pupil Premium Plus - Post 16 Funding	0	56	56	SRE
Sixth Forms Grant	2,729	2,815	86	SRE
Universal Infant Free School Meals	1,732	1,926	194	SRE
Primary Physical Education Sports Grant	981	981	0	
Teachers Pension Grant	0	47	47	SRE
COVID-19 Recovery Premium	0	150	150	SRE
School Led Tutoring Grant	0	221	221	SRE
Milk Subsidy	10	20	10	SRE
Schools' Supplementary Grant	2,548	2,543	(5)	
Senior Mental Health Lead Training Grant	0	2	2	SRE
Delivering Better Value in SEND	1,200	593	(608)	
Apprentice Incentive Scheme	0	2	2	SRE
Digital Education Platform	0	3	3	SRE
National Professional Qualification Grant	0	10	10	SRE
Early Years Supplementary Grant	0	1,262	1,262	SRE
<b>Total Children &amp; Families - Schools - Specific Purpose</b>	<b>179,159</b>	<b>171,737</b>	<b>(7,422)</b>	



Grants 2023/24	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24 £000	2023/24 £000	2023/24 £000	Notes 2 - 5
<b>CHILDREN &amp; FAMILIES</b>				
<b>Specific Purpose (Held within Services)<sup>1</sup></b>				
Asylum Seekers	788	2,893	2,105	SRE
Supporting Families (previously Tackling Troubled Families)	0	280	280	SRE
Supporting Families (Payments by Results) Upfront Grant	719	720	1	SRE
Reducing Parental Conflict Grant	0	35	35	SRE
Adoption Support Fund	28	28	0	
KS2 Moderation & Phonics	11	11	0	
NHS Cheshire CCG Grant to fund CEIAS Services	10	0	(10)	
Skills & Lifelong Learning	903	897	(6)	
Remand Grant	20	107	87	SRE
Domestic Abuse Safe Accommodation Housing Grant	650	663	13	SRE
Holiday Activities & Food Programme Grant	900	1,069	169	SRE
Extension of the Role of Virtual School Heads to children with a social worker Implementation	118	118	0	
Homes for Ukraine, education and childcare elements	0	31	31	SRE
Household Support Fund	4,400	4,400	0	
Hong Kong UK Welcome Programme (British Nationals)	0	53	53	SRE
Early Years - Professional Development programme	0	8	8	SRE
Early Years - Experts and Mentors Programme	0	4	4	SRE
Early Years - Childminder Programme	0	12	12	SRE
Family Hubs Transformation Funding	0	248	248	SRE
Leaving Care Allowance Uplift Implementation Grant (New Burdens)	0	72	72	SRE
Staying Close Award	0	602	602	SRE
<b>Total Children &amp; Families - Children's Services - Specific Purpose</b>	<b>8,547</b>	<b>12,249</b>	<b>3,702</b>	

Grants 2023/24	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24 £000	2023/24 £000	2023/24 £000	Notes 2 - 5
<b>CHILDREN &amp; FAMILIES</b>				
<b>General Use (Held Corporately)</b>				
Social Care Support Grant	6,939	6,939	0	
Staying Put Implementation Grant	0	130	130	SRE
Extended Rights to Free Transport (Home to School Transport)	0	256	256	SRE
Extended Personal Adviser Duty Implementation	0	57	57	SRE
<b>Total Children &amp; Families - General Use</b>	<b>6,939</b>	<b>7,383</b>	<b>444</b>	
<b>TOTAL CHILDREN &amp; FAMILIES</b>	<b>194,645</b>	<b>191,369</b>	<b>(3,276)</b>	

#### Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

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
Children and Families – Schools	2023/24	Early Years Supplementary Grant  (Specific Purpose)	1,262	This grant is from the Education & Skills Funding Agency (ESFA). The ESFA will provide nationally £204 million of supplementary funding to local authorities through a new early year's supplementary grant (EYSG). This will be used to increase the hourly amounts paid to local authorities, so that they can increase the amount of funding their early years childcare providers receive for delivering the entitlements for the period September 2023 to March 2024. The grant amount is an estimation as the grant determination has not yet been confirmed.
<b>Total Specific Purpose Allocation for Council Approval</b>			<b>1,262</b>	

## Table 3 – COMMITTEE DECISION

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) over £500,000 up to £1,000,000

Committee	Year	Type of Grant	£000	Details
Children and Families – Children's Services	2023/24	Staying Close Award  (Specific Purpose)	602	This grant is from the Department for Education (DfE). Staying Close is a programme that aims to radically improve outcomes for young people transitioning from residential care. It intends to address the 'cliff edge' faced by young people leaving residential care by improving and extending the support provided by care leaver's former residential units during the transition to independent adulthood.
<b>Total Specific Purpose Allocations over £500,000 up to £1,000,000 for Committee Approval</b>			<b>602</b>	

## Table 4 – 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	Pupil Premium Grant – Post 16 Funding  (Specific Purpose)	56	This grant is from the Department for Education (DfE). The Department for Education (DfE) has provided eligible local authorities with funding to promote the outcomes of looked-after children and care leavers supported by their Virtual School. It is intended that the funding will be used to improve education outcomes, in particular the attendance, retention, and attainment of this cohort at post-16, and enable them to have sustained involvement in employment, education and training. The funding has been allocated on a proportional basis specifically focused on looked after children and care leavers between 16-18.
Children and Families - Schools	2023/24	Sixth Forms Grant  (Specific Purpose)	86	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.
Children and Families - Schools	2023/24	Universal Infant Free School Meals (UIFSM)  (Specific Purpose)	194	This grant is from the Education & Skills Funding Agency (ESFA). The grant received from the Education & Skills Funding Agency (ESFA) to supports schools in delivering the legal requirement to offer free school meals, meeting the school food standards, to all their reception, year 1 and year 2 pupils. The funding allocation is

Committee	Year	Type of Grant	£000	Details
				based on the total number of eligible meals taken on October and January census multiplied by a set rate. This rate has increased for the 2023/24 academic year from £2.41 to £2.53.
Children and Families - Schools	2023/24	Teachers' Pension Grant (Specific Purpose)	47	This grant is from the Education & Skills Funding Agency (ESFA). The teachers' pension employer contribution grant (TPECG) supports schools and local authorities with the cost of the increase in employer contributions to the teachers' pension scheme. Local authorities must follow the terms and conditions set out in the conditions of grant.
Children and Families - Schools	2023/24	Covid-19 Recovery Premium (Specific Purpose)	150	This grant is from the Education & Skills Funding Agency (ESFA). Recovery premium received on behalf of schools and allocated out as per funding <a href="#">schedule</a> (breakdown by school).
Children and Families - Schools	2023/24	School Led Tutoring Grant (Specific Purpose)	221	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 - Schools	2023/24	Senior Mental Health Lead Training Grant (Specific Purpose)	2	This grant is from the Department for Education (DfE). The Department for Education (DfE) is offering a grant of £1,200 for eligible state-funded schools and colleges in England to train a senior mental health lead to develop and implement a whole school or college approach to mental health and wellbeing. This training is not compulsory, but

Committee	Year	Type of Grant	£000	Details
				it is part of the government's commitment to offer this training to all eligible schools and colleges by 2025. Grants will be provided to cover (or contribute to) the cost of attending a quality assured course and may also be used to hire supply staff whilst leads are engaged in learning.
Children and Families - Schools	2023/24	Apprentice Incentive Scheme (Specific Purpose)	2	This grant is from the Department for Education (DfE). Incentive payments available for hiring a new apprentice. Employers are able to use their levy funds to cover the cost of an apprentice's training and assessment. Payments passported to schools. Grant <a href="#">conditions</a> .
Children and Families - Schools	2023/24	Digital Education Platform (Specific Purpose)	3	This grant is from the Department for Education (DfE). When schools and colleges closed due to the coronavirus pandemic, teachers needed a way to continue teaching students at home. The solution was to provide digital education platforms. This is the name we give to a set of tools and technologies that together enable pupils to learn online in virtual classrooms. Digital education platforms are purpose-built for remote learning and they are so much more than just a school website. Funding is available for schools to help them get set up on one of two platforms, either G Suite for Education (Google Classroom) or Office 365 Education (Microsoft Teams). Both are free to use. Payments passported to schools.
Children and Families – Schools	2023/24	National Professional Qualification Grant	10	This grant is from the Education and Skills Funding Agency (ESFA). Targeted support funding is designed to increase uptake of

Committee	Year	Type of Grant	£000	Details
		(Specific Purpose)		evidenced-based professional development among teachers and leaders. Funding will be available from the autumn term 2023 to incentivise participation in national professional qualifications (NPQs). Local authorities must make the grant available to their schools irrespective of any deficit relating to the expenditure of the school's budget share. Funding for NPQs is not part of schools' budget shares and is not part of the individual schools' budget. It is not to be counted for the purpose of calculating the minimum funding guarantee.
Children and Families – Children's Services	2023/24	Supporting Families (previously Tackling Troubled Families)  (Specific Purpose)	280	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 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.
Children and Families – Children's Services	2023/24	Reducing Parental Conflict Grant  (Specific Purpose)	35	This grant is from the Department for Work and Pensions (DWP). The grant is to support local authorities to further embed support to address parental conflict in their area, to improve outcomes for children.

Committee	Year	Type of Grant	£000	Details
Children and Families – Children's Services	2023/24	Remand Grant (Specific Purpose)	87	This grant is from the Home (Office). HM Prison & Probation Service has provided Cheshire East confirmation of funding allocation in 2023/24. This funding is support local authorities to meet the costs incurred in the remands to youth detention accommodation of children and young people (under 18 years of age). The overall funding to local authorities for remands to Young Offender Institutions (YOI) will be £21.3m in 2023/24 which includes £18m of remand funding. Due to the net increase in bed nights and bed night prices, this is an increase on the previous year and has been calculated by multiplying the YOI sector price by the number of YOI bed nights in 2022/23.
Children and Families – Children's Services	2023/24	Homes for Ukraine, education and childcare elements (Specific Purpose)	31	This grant is from the Education and Skills Funding Agency (ESFA). Funding to provide education and childcare services for children who have entered England via the Homes for Ukraine scheme in 2022 to 2023. The additional funding in 2023/24 financial year relates to arrivals between December 2022 and February 2023.
Children and Families – Children's Services	2023/24	Hong Kong UK Welcome Programme (British Nationals) (Specific Purpose)	53	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Funding is being provided as part of the Hong Kong UK Welcome Programme which is intended to provide funding to local authorities in England to provide targeted support to BN(O) status holders who need additional English language support and destitution support for those whose circumstances change.



Committee	Year	Type of Grant	£000	Details
Children and Families – Children's Services	2023/24	Early Years - Professional Development Programme  (Specific Purpose)	8	This grant is from the Department for Education (DfE). The Early Years Professional Development Programme is a key element of the national government initiative to improve children's outcomes in early language, literacy and mathematics.
Children and Families – Children's Services	2023/24	Early Years - Experts and Mentors Programme  (Specific Purpose)	4	This grant is from the Department for Education (DfE). The experts and mentors programme supports private, voluntary or independent (PVI) nursery settings, maintained nursery schools and school-based nurseries.
Children and Families – Children's Services	2023/24	Early Years - Childminder Programme  (Specific Purpose)	12	This grant is from the Department for Education (DfE). The Early Years Childminder Mentor programme from the Department for Education is focused on supporting early years childminders, to address the impact of the pandemic on the youngest children. The programme is available nationally, across England. At the end of each term, Mentors will move on to support a new group of childminders. Mentors will offer mostly online support. Groups will be allowed to meet face-to-face, if this is feasible for both the Mentor and the childminders they are supporting.
Children and Families – Children's Services	2023/24	Family Hubs Transformation Funding  (Specific Purpose)	248	This grant is from the Department for Education (DfE). The Department for Education (DfE) launched the £12 million family hubs transformation fund in November 2021 to support local authorities in England to open family hubs.

Committee	Year	Type of Grant	£000	Details
Children and Families – Children’s Services	2023/24	Leaving Care Allowance Uplift Implementation Grant (New Burdens)  (Specific Purpose)	72	This grant is from the Department for Education (DfE). Statutory guidance requires local authorities to provide a leaving care allowance, to enable care leavers to purchase essentials (such as furniture, white goods and carpets/curtains) when they move into their first home. DfE guidance currently recommends that local authorities should pay a minimum of £2,000.
<b>Total Specific Purpose Allocations less than £500,000</b>			<b>1,601</b>	

## Table 5 – DECISION DELEGATED TO OFFICERS

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

Committee	Year	Type of Grant	£000	Details
Children and Families – Children’s Services	2023/24	Extended Rights to Free Transport (Home to School Transport)  (General Use)	256	This funding is from the Department for Education. The Department for Education provides additional transport funding to local authorities to support children from low-income families to be able to attend schools further from home than the statutory walking distances. The funding is paid as a non-ring-fenced grant paid via the Department for Communities and Local Government under the Local Services Support Grant (section 31 of the Local Government Act 2003).
Children and Families – Children’s Services	2023/24	Staying Put Implementation  (General Use)	130	This funding is from the Department for Education. The purpose of the grant is to provide support for local authorities in England for expenditure lawfully incurred or to be incurred by them, in respect of a young person aged 18 and their former foster carer, who wish to continue living together in a ‘Staying Put’ arrangement. For the

Committee	Year	Type of Grant	£000	Details
				purposes of this grant 'young person' means a former relevant child who was looked after immediately prior to their 18 <sup>th</sup> birthday. This supported arrangement can continue until the young person's 21 <sup>st</sup> birthday.
Children and Families – Children's Services	2023/24	Extended Personal Adviser Duty Implementation  (General Use)	57	This funding is from the Department for Education. The Children and Social Work Act 2017 introduced a new duty on local authorities, requiring them to offer Personal Adviser support to all care leavers up to age 25. This duty came into force on 1 <sup>st</sup> April 2018. The purpose of this grant is to provide support to local authorities in England, to help them to meet the requirements of this duty, in response to young people that may request such support from the local authority after the age of 21 and up to their 25 <sup>th</sup> birthday.
<b>Total General Use Allocations less than £500,000</b>			<b>443</b>	

**Table 6 – 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 22 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 – Children’s Services	2023/24	Asylum Seekers  (Specific Purpose)	2,105	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 - Schools	2023/24	Pupil Premium Grant  (Specific Purpose)	458	Increase on MTFS 2023-27 estimate. This grant is from the Department for Education (DfE). Pupil premium is funding to improve education outcomes for disadvantaged pupils in schools in England. Evidence shows that disadvantaged children generally face additional challenges in reaching their potential at school and often do not perform as well as other pupils.

Committee	Year	Type of Grant	£000	Details
Children and Families - Schools	2023/24	Milk Subsidy  (Specific Purpose)	10	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	Supporting Families (Payments by Results) Upfront Grant  (Specific Purpose)	1	Increase on MTFS 2023-27 estimate. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Local councils and partners supporting vulnerable families to thrive. Providing help to those families who need support so they get it at the right point, in the right way, as early as possible.
Children and Families – Children’s Services	2023/24	Domestic Abuse Safe Accommodation Housing Grant  (Specific Purpose)	13	Increase on MTFS 2023-27 estimate. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). The Domestic Abuse Act 2021 placed new duties on local authorities across England to ensure that victims of domestic abuse and their children can access the right support in safe accommodation when they need it.
Children and Families – Children’s Services	2023/24	Holiday Activities & Food Programme Grant  (Specific Purpose)	169	Increase on MTFS 2023-27 estimate. This grant is from the Department for Education (DfE). 2022/23 was the first of a 3-year funding settlement of over £200 million per year for holiday activities and food programme (HAF). This funding is for the 153 upper tier local authorities to coordinate and

Committee	Year	Type of Grant	£000	Details
				provide free holiday provision, including healthy food and enriching activities. The programme will again be available to children in every local authority in England with the funding confirmed on an annual basis.
<b>Total Delegated Decision Specific Purpose Allocations previously named in the MTFS</b>			<b>2,756</b>	

# Children and Families Committee

## 4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Mar-23	Jun-23	Increase / (Decrease)	Mar-23	Jun-23	Increase / (Decrease)
<b>Children and Families Committee</b>						
Children's Social Care (Incl. Directorate)	12	7	(5)	-	-	-
Education and 14-19 Skills	6	-	(6)	2	-	(2)
Strong Start, Family Help and Integration	67	84	17	3	18	15
Schools	2	71	69	-	-	-
	<b>87</b>	<b>162</b>	<b>75</b>	<b>5</b>	<b>18</b>	<b>13</b>

Note: Education & 14-19 Skills debt is now included in Strong Start, Family Help and Integration. The increase in over 6 months debt for Strong Start, Family Help and Integration is due to 4 invoices. Schools outstanding debt has increased due to 16 invoices now being 1-3 months overdue (this includes one invoice for £42,000).

# Children and Families Committee

## 5. Capital Strategy

Children & Families														CAPITAL
CAPITAL PROGRAMME 2023/24 - 2026/27														
Scheme Description	Forecast Expenditure							Forecast Funding						
	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														
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	2,100	0	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	788	39	100	649	0	0	749	579	0	0	0	170	749	
Basic Need Grant Allocation	9,542	0	2,292	4,808	2,442	0	9,542	9,542	0	0	0	0	9,542	
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	500	1,700	0	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	250	1,500	5,750	0	7,500	4,300	3,200	0	0	0	7,500	
Devolved Formula Capital	1,927	0	947	340	330	310	1,927	1,927	0	0	0	0	1,927	
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 Planning Area	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	4,091	1,113	100	2,878	0	0	2,978	2,978	0	0	0	0	2,978	
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	2,000	2,000	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	908	23	200	685	0	0	885	585	0	0	300	0	885	



CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	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	
<b>Committed Schemes in progress</b>													
Nantwich Planning Area (Primary)	7,861	515	500	2,500	4,346	0	7,346	4,326	3,020	0	0	0	7,346
Nantwich Planning Area (Secondary)	701	1	700	0	0	0	700	700	0	0	0	0	700
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
Puss Bank SEN Expansion	532	509	23	0	0	0	23	0	0	0	0	23	23
Resource Provision - Wistaston	1,406	6	1,000	400	0	0	1,400	1,100	0	0	0	300	1,400
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 Planning Area - Primary	3,694	11	1,683	2,000	0	0	3,683	3,173	510	0	0	0	3,683
School Condition Capital Grant	9,762	779	2,983	2,000	2,000	2,000	8,983	8,929	0	54	0	0	8,983
SEN/High Needs Grant Allocation	307	158	149	0	0	0	149	149	0	0	0	0	149
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	1,328	0	0	0	1,328	1,328	0	0	0	0	1,328
Wilmslow High School BN	13,954	4,923	5,745	3,286	0	0	9,031	7,012	1,971	0	0	48	9,031
Wilmslow Primary Planning Area	626	1	0	625	0	0	625	125	500	0	0	0	625
<b>Total Committed Schemes</b>	<b>134,902</b>	<b>20,613</b>	<b>42,259</b>	<b>31,092</b>	<b>30,368</b>	<b>10,569</b>	<b>114,289</b>	<b>70,356</b>	<b>32,162</b>	<b>73</b>	<b>300</b>	<b>11,398</b>	<b>114,289</b>
<b>New Schemes</b>													
<b>Education and 14-19 Skills</b>													
Poynton Planning Area	1,500	0	20	1,480	0	0	1,500	697	803	0	0	0	1,500
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
<b>Total New Schemes</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>2,480</b>	<b>0</b>	<b>0</b>	<b>2,500</b>	<b>1,697</b>	<b>803</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,500</b>
<b>Total Children and Families</b>	<b>134,902</b>	<b>20,613</b>	<b>42,279</b>	<b>33,572</b>	<b>30,368</b>	<b>10,569</b>	<b>116,789</b>	<b>72,053</b>	<b>32,965</b>	<b>73</b>	<b>300</b>	<b>11,398</b>	<b>116,789</b>

# Children and Families Committee

## 6. Reserves Strategy

<b><u>Children and Families Committee</u></b>				
<b>Name of Reserve</b>	<b>Opening Balance 1 April 2023</b>	<b>Forecast Movement in Reserves 2023/24</b>	<b>Forecast Closing Balance 31 March 2024</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b><u>Directorate</u></b>				
Childrens Directorate - Transformation Funding	<b>779</b>	(714)	<b>65</b>	Budgeted drawdowns as per MTFS 2023-27.
Childrens Directorate - C&F ED	<b>422</b>	(351)	<b>71</b>	Budgeted drawdowns as per MTFS 2023-27.
<b><u>Childrens Social Care</u></b>				
Domestic Abuse Partnership	<b>146</b>	0	<b>146</b>	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.
<b><u>Strong Start, Family Help and Integration</u></b>				
Troubled Fams Initiative	<b>1,949</b>	(1,949)	<b>0</b>	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	<b>57</b>	(57)	<b>0</b>	Revenue grant carried forward, to be fully utilised in year.
Complex Dependencies	<b>21</b>	(21)	<b>0</b>	Revenue grant carried forward, to be fully utilised in year.
<b>CHILDREN AND FAMILIES TOTAL</b>	<b>3,374</b>	<b>(3,092)</b>	<b>282</b>	

### **Dedicated Schools Grant Deficit**

<b>Dedicated Schools Grant Deficit</b>	<b>£m</b>
Deficit Balance B/F	<b>46.9</b>
Additional In-year Pressures	<b>39.0</b>
<b>Deficit Balance at 31st March 2024</b>	<b>85.9</b>

- 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 and health care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The ongoing pressure is regularly reviewed; at the end of 2022/23 the deficit was £46.9m; the deficit is forecast to increase to £85.9m 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 September 2023 for approval.

# **Appendix 3 : Corporate Policy Committee**

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# Appendix 3

## Corporate Policy Committee

### 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy

	MTFS Net Budget £000	Restructuring & Realignments £000	First Review Revised Net Budget £000	Unringfence Grants to be Actioned £000
<b>CORPORATE</b>				
Directorate	2,126	(1,546)	580	-
Finance & Customer Services	12,567	784	13,351	25
Governance and Compliance Services	10,344	424	10,768	-
HR	2,464	124	2,588	-
ICT	10,819	769	11,588	-
Communications	690	6	696	-
Policy and Change	1,978	26	2,004	-
<b>Corporate Policy Committee</b>	<b>40,988</b>	<b>587</b>	<b>41,575</b>	<b>25</b>

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.

The restructuring and realignments of £587,000 relate to: the transfer of system software budget from Adults to ICT (£25,000); drawdown from reserves to fund changes to pay structure (£73,000); adjustments to ASDV support service charges (£145,000); and drawdown from reserves for grant carried forward in to 2023/24 (£344,000). Further realignments of budgets have taken place within the services to reflect the detailed allocation of MTFS budget changes and any movement of service areas.

# 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 back office functions such as Finance, Legal, HR and ICT as well as front line services such as Customer Services, Revenues and Benefits, Registration and Consultation Services. Services across the directorate are important in enabling activities, for example providing ICT Systems, project management, legal advice and HR support.

Spending pressure is largely related to higher than forecast pay inflation. But there is also 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 vacancy and contract management.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	<b>Corporate Policy Committee</b>	<b>2.551</b>		
46	Pay inflation	2.587	0.406	The total cost of pay inflation may exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies.
47	Shared Services Review – move to hybrid model	0.390	-	Project has mobilised and identified appropriate resources. Financial profile is being analysed. Activities are currently up to date including procurement of the delivery partner for the tenancy split. Further HR support is required, although not in excess of the project budget. Reporting will continue to the Shared Services Joint Committee.
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	0.150	-	Structure of digital transformation is being reviewed. No growth incurred to date whilst plans are being developed. Co-ordination and oversight of digital workstreams within ICT is improving under the implementation of the Digital Strategy.
51	Mitigation of reduction in the Dedicated Schools Grant	0.122	-	On track, subject to ongoing monitoring.
52	Remove Commercial Workstream Income Target	0.100	-	Action complete – budget adjusted.
53	Coroners Restructure Costs	0.060	-	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	-0.310	-	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	0.100	Saving decision deferred by Full Council to Dec 2023.
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.
61	Brighter Futures Together Programme Customer Experience	-0.081	0.081	Savings relate to staffing reductions. These may not be realistic in 2023/24 due to significant change projects requiring support to customers.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
62	Across the board efficiencies, including procurement and income generation etc	-0.010	-	On track, subject to ongoing monitoring.
63	Review of leadership and management, including MARS and redefine 'core offer'	-	-	On track, subject to ongoing monitoring, savings are not forecast until 2024/25.
	In-year pressure Communications		0.006	Slight pressure due to staffing costs. The figures include costs for 6 months of a Grade 8 post which may be funded from the Business Change reserve, if this is used the pressure could be reduced by approximately £25,000.
	In-year Directorate		-0.190	Underspend mainly due to vacant Executive Director post.
	In-year pressure Finance & Customer Services		0.386	Transactional Service Centre (TSC) forecast to a deficit of £171,000, Finance has pressures of £151,000 mainly as a result of staffing costs. Customer Services reporting a £50,000 pressure on staffing, Revs & Bens have a pressure of £50,000, this is due to systems development printing £46,000 and BID ballot costs £4,000. Partially offset by £30,000 underspend in Business Solutions, and £5,000 savings in Procurement.
	In-year Governance & Compliance		-0.008	Democratic Services: Elections Reserve and 23/24 budget insufficient to meet May 2023 Election costs +£80,000, offset by Registrations income over budget -£310,000. Legal Services have a forecast pressure of £222,000 due to counsel fees, income shortfall, and staffing/agency pressure in the People team.
	In-year Pressure ICT		0.561	Currently forecasting to budget for CEC ICT Strategy. Anticipating fully utilising the funding given for ALM due to dependencies on the hybrid programme and cyber security risk. A forecast pressure of £561,000 is the CEC 50% share of ICT Shared Service forecast deficit position. Forecast assumed 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 be available for the planned commissioned hours in the current year.



MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	In-year Policy & Change		-0.123	PMO balanced due to use of reserves, Business Intelligence People balanced, Business Intelligence Research & Consultation underspent by £72,000, Subscriptions overspent by £50,000 (due to increased costs of the only two remaining subscriptions, Local Government Association and the County Councils Network) partially offset by equality and diversity underspend £21,000. Further underspend of £80,000 due to vacant management post, restructure planned to go out to Consultation in 2023/24.
	Mitigating Actions Transformational Activity		-0.021	Transformational work being undertaken by Corporate Services Directors could potentially be supported by Flexible Capital Receipts.
	Mitigating Actions Transformational Activity ICT		-0.030	Transformational work being undertaken within ICT at management level could potentially be supported by Capital Flexible Receipts.
	Mitigating Actions Review of ICT Strategy		-0.200	Potential underspend on ICT Strategy (subject to further review).
	Mitigating Actions Reduced Expenditure Election Services		-0.030	Further review of Elections spend suggests forecast FR1 pressure was overstated by £30,000.
	Mitigating Actions Use of Reserve		-0.025	Use of Business Change reserve to fund 6 months of a post in Communications.
	<b>TOTAL FORECAST VARIANCE</b>		<b>0.913</b>	
	Further Mitigating Actions		TBD	Tighter vacancy management across Corporate Services. Delay of additional Customer Experience projects during Adults / Childrens transformation activity. Reduced temporary staffing levels. Further delay growth items to explore further digital service options.
	<b>REVISED FORECAST VARIANCE</b>		<b>0.913</b>	



# 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 the Business Rates Relief grant. Since the baseline funding level for business rates retention was set back in 2013/14, there have been many policy changes around reliefs for different business types. With each policy change, all local authorities are compensated for their share of business rates foregone. In 2023/24, £6.6m of this compensation has been included within the business rates budget, with the remaining compensation received being credited to the Collection Fund Earmarked Reserve to continue to support any future risks around

business rate funding. Other additional specific purpose grants have also been received, reflecting the latest allocations, and are detailed in **Table 2 to 5**.

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

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

3.6 **Table 4** shows additional general use grant allocations that have been received which are £500,000 or less and are for noting only.

3.7 **Table 5** shows delegated decisions for additional specific purpose grants previously named within the MTFS.

**Table 1 – Corporate Grants Register**

Grants 2023/24	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24 £000	2023/24 £000	2023/24 £000	Notes 2 - 5
<b>CORPORATE POLICY</b>				
<b>Specific Purpose (Held within Services)</b>				
<b>Revenues and Housing Benefits:</b>				
Housing Benefit Subsidy	46,652	49,599	2,947	SRE
Discretionary Housing Payments Grant	314	349	35	SRE
Housing Benefit (HB) Award Accuracy Initiative	29	21	(8)	
LADS - VEP (RTI) funding	24	2	(22)	
New Burdens: Universal Credit, maintenance & natural migration	8	8	(0)	
LADS - New Burdens - Discretionary Housing Payments (DHP)	0	60	60	SRE
LADS - New Burdens - Benefit Cap	0	1	1	SRE
LADS - New Burdens - Welfare Reform Changes (S4/2022)	62	1	(61)	
LADS - New Burdens - Supported & Temporary Accommodation Change Request	2	0	(2)	
LADS - New Burdens - Supported & Temporary Accommodation	5	0	(5)	
LADS - New Burdens - Single Housing Benefit Extract Automation	5	0	(5)	
Incapacity Benefit Reassessment (S5/2022)	2	0	(2)	
Energy Bills Support Scheme Alternative Funding	0	2,089	2,089	SRE
<b>Democratic Services:</b>				
Police and Crime Commissioner's Panel grant	65	65	0	
Electoral Integrity Programme - New Burdens	132	132	0	
<b>Total Corporate Policy - Specific Purposes</b>	<b>47,300</b>	<b>52,326</b>	<b>5,026</b>	

Grants 2023/24	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24 £000	2023/24 £000	2023/24 £000	Notes 2 - 5
<b>CORPORATE POLICY</b>				
<b>General Use (Held Corporately)</b>				
Revenue Support Grant	388	388	0	
Housing Benefit Administration Subsidy	626	626	0	
NNDR Administration Allowance	587	587	0	
New Homes Bonus	3,794	3,794	(0)	
Services Grant	1,720	1,720	0	
Council Tax Support Fund	0	521	521	Reserves
Council Tax Support New Burdens	0	25	25	SRE
Business Rates Reliefs Grant 2023/24	0	21,039	21,039	Reserves
<b>Total Corporate Policy - General Use</b>	<b>7,115</b>	<b>28,701</b>	<b>21,586</b>	
<b>TOTAL CORPORATE POLICY</b>	<b>54,415</b>	<b>81,026</b>	<b>26,612</b>	

#### Notes

- 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
Corporate Policy	2023/24	Energy Bills Support Scheme Alternative Funding  (Specific Purpose)	2,089	This funding is from the Department for Energy Security & Net Zero (DESNZ). It relates to the payment of alternative fuel grants to qualifying Cheshire East residents in accordance with Government guidance. The grant is aimed at providing support to households not eligible for the automatic Energy Bills Support Scheme (£400 payment paid by the energy suppliers).
<b>Total Specific Purpose Allocation for Council Approval</b>			<b>2,089</b>	

## 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
Corporate Policy	2023/24	LADS - New Burdens - Discretionary Housing Payments (DHP)  (Specific Purpose)	60	This grant is from the Department for Work and Pensions (DWP). Discretionary Housing Payments provide extra money when a local authority decides that someone needs extra help to meet their housing costs. This New Burden funding relates to the costs incurred by local authorities in administering the DHP scheme in England and Wales, as part of the Welfare Reform changes.
Corporate Policy	2023/24	LADS - New Burdens - Benefit Cap  (Specific Purpose)	1	This grant is from the Department for Work and Pensions (DWP). The Benefit Cap is a limit on the total amount of benefit that most working age people can get. This New Burdens funding relates to the extra costs of delivering the benefit cap regulations. The funding has been allocated to

Committee	Year	Type of Grant	£000	Details
				local authorities based on the expected benefit cap caseloads under housing benefit, considering the forecast rollout of Universal Credit to local authorities in the financial year ending March 2024.
<b>Total Specific Purpose Allocations less than £500,000</b>			<b>61</b>	

#### Table 4 – DECISION DELEGATED TO OFFICERS

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

Committee	Year	Type of Grant	£000	Details
Corporate Policy	2023/24	Council Tax Support New Burdens  (General Use)	25	This funding is from the Department for Levelling-Up, Housing and Communities (DLUHC) and is a new grant. The New Burdens funding is intended to support the administration of the Council Tax support payments which have been processed by Council Tax staff. It supports any resource required either during the processing or afterwards where backlogs caused by the additional tasks have built up and need addressing.
<b>Total General Use Allocations less than £500,000</b>			<b>25</b>	

## Table 5 – 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 22 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)	2,947	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	Discretionary Housing Payments Grant (Specific Purpose)	35	Increase on MTFS 2023-27 estimate. This grant is from the Department for Work and Pensions (DWP). DHPs provide financial support towards housing costs and are paid by a local authority when they are satisfied that a claimant needs further financial assistance with housing costs, and is in receipt of either Housing Benefit (HB) or Universal Credit (UC) with housing costs towards rental liability. Grant is capped although local authorities can choose to pay out more if they wish to from their own resource.
<b>Total Delegated Decision Specific Purpose Allocations previously named in the MTFS</b>			<b>2,982</b>	



# Corporate Policy Committee

## 4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Mar-23	Jun-23	Increase / (Decrease)	Mar-23	Jun-23	Increase / (Decrease)
<b>Corporate Policy Committee</b>						
Finance and Customer Services	83	187	104	57	56	(1)
Governance and Compliance	20	3	(17)	-	2	2
Human Resources	-	18	18	-	-	-
ICT	205	350	145	-	1	1
	<b>308</b>	<b>558</b>	<b>250</b>	<b>57</b>	<b>59</b>	<b>2</b>

Note: Finance and Customer Services outstanding debt has increased due to 27 invoices which total £127,000 now being 1-3 months overdue.

Governance and Compliance outstanding debt has decreased, 7 invoices overdue at end of March have now been paid. Two invoices are over 6 months old.

Human Resources outstanding debt has increased due to 2 invoices now being 1-3 months overdue.

ICT – At the end of June £348,000 of outstanding debt was 1-3 months overdue of which £346,000 had been paid by early August. Two invoices are over 6 months old.

# Corporate Policy Committee

## 5. Capital Strategy

Corporate Policy								CAPITAL					
CAPITAL PROGRAMME 2023/24 - 2026/27													
Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	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	
Committed Schemes in progress													
ICT Services													
Care Act Phase 2	6,314	4,130	1,146	1,038	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	456	453	3	0	0	0	3	0	0	3	0	0	3
IADM (Information Assurance and Data Management) Programme	19,465	15,183	2,432	1,850	0	0	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	1,044	720	741	0	2,505	0	0	0	0	2,505	2,505
Strategic Capital Projects	19,352	8,578	3,686	4,000	3,087	0	10,773	0	0	0	0	10,773	10,773
Vendor Management - Phase 2	320	19	0	0	301	0	301	0	0	0	0	301	301
Total Committed Schemes	98,931	70,134	12,679	10,176	5,943	0	28,797	0	0	3	0	28,794	28,797
New Schemes													
ICT Services													
ICT Hybrid Model	1,553	0	926	627	0	0	1,553	0	0	0	0	1,553	1,553
Total New Schemes	0	0	926	627	0	0	1,553	0	0	0	0	1,553	1,553
Total Corporate Policy													
Total Corporate Policy	98,931	70,134	13,604	10,803	5,943	0	30,349	0	0	3	0	30,346	30,349

# Corporate Policy Committee

## 6. Reserves Strategy

Name of Reserve	Opening Balance 1 April 2023 £000	Forecast Movement in Reserves 2023/24 £000	Forecast Closing Balance 31 March 2024 £000	Notes
<b><u>Directorate</u></b>				
Corporate Directorate	1,356	(625)	731	To support a number of widespread projects within the Corporate Directorate.
<b><u>Finance and Customer Services</u></b>				
Collection Fund Management	17,819	(6,198)	11,621	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.
<b><u>Governance and Compliance</u></b>				
Insurance Reserve - Cheshire County Fund	(647)	0	(647)	To settle insurance claims and manage excess costs.
Insurance Reserve - Cheshire East Fund	5,623	0	5,623	To settle insurance claims and manage excess costs.
Elections General	640	(640)	0	To provide funds for Election costs every 4 years.
Brexit Funding	13	0	13	
<b><u>Human Resources</u></b>				
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	(278)	28	To fund ongoing changes to pay structure.
<b><u>Policy and Change</u></b>				
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.
<b>CORPORATE POLICY TOTAL</b>	<b>45,549</b>	<b>(20,631)</b>	<b>24,918</b>	

# **Appendix 4 : Economy and Growth Committee**

## **Contents**

- 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy**
- 2. 2023/24 Approved Budget Policy Changes and Forecast Variances**
- 3. Corporate Grants Register**
  - Table 1: Economy and Growth Committee Grants**
  - Table 2: Committee Decision Additional Grant Funding (specific Purpose) over £500,000 up to £1,000,000**
  - Table 3: Delegated Decision Additional Grant Funding (Specific Purpose) £500,000 or less**
  - Table 4: Delegated Decision Additional Grant Funding (Specific Purpose) previously named in the MTFS**
- 4. Debt Management**
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# Appendix 4

## Economy and Growth Committee

### 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy

	MTFS Net Budget £000	Restructuring & Realignments £000	First Review Revised Net Budget £000	Unringfence Grants to be Actioned £000
<b>PLACE</b>				
Directorate	846	(707)	139	-
Growth & Enterprise	24,198	683	24,881	-
<b>Economy and Growth Committee</b>	<b>25,044</b>	<b>(24)</b>	<b>25,020</b>	<b>-</b>

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.

The restructuring and realignments of £24,000 relate to: the transfer from Highways & Transport and Environment & Communities of the Restructuring Potential saving to be held centrally (-£622,000); achieved restructure savings to offset against the central MTFS item (£209,000); drawdown from reserves to fund changes to pay structure (£47,000); and drawdown from reserves for business rate adjustment as per MTFS (£343,000). Further realignments of budgets have taken place within the services to reflect the detailed allocation of MTFS budget changes and any movement of service areas.

# Economy and Growth Committee

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

### Forecast Outturn Commentary:

Growth & Enterprise have an underspend of £1.9m against a net budget of £24.9m. 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 totalling £0.7m are reflected in 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
	<b>Economy and Growth Committee</b>	<b>1.045**</b>		<b>**Totals will not match to MTFS as Place Restructuring items all moved under E&amp;G</b>
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.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
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.
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		-0.732	Staffing savings and utilisation of grants.
	In-year variances across Economy & Growth		-0.070	

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Mitigating Actions Reduced Place directorate spend and release of earmarked reserve		-0.200	
	Mitigating Actions Reduced Economic Development expenditure and release of earmarked reserves		-0.349	
	<b>TOTAL FORECAST VARIANCE</b>		<b>-1.904</b>	
	Further Mitigating Actions		TBD	Stop non-essential spend and continued vacancy management, reduce energy costs in Council buildings through partition of under-utilised areas.
	<b>REVISED FORECAST VARIANCE</b>		<b>-1.904</b>	

\* 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 mainly to Homelessness Prevention and Rough Sleeping Initiative grants. The Shared Prosperity Fund has had £1.2m brought-forward from 2022/23 for use in the current financial year.

Other additional specific purpose grants, reflecting the latest allocations, have also been received and are detailed in **Table 2 to 4**.

3.4 **Table 2** shows additional specific purpose use grant allocations that have been received which are over £500,000 and up to £1m, and are for Committee approval.

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

3.6 **Table 4** shows delegated decisions for additional specific purpose grants previously named within the MTFS.

**Table 1 – Corporate Grants Register**

Grants 2023/24	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24 £000	2023/24 £000	2023/24 £000	Notes 2 - 5
<b>ECONOMY &amp; GROWTH</b>				
<b>Specific Purpose (Held within Services)</b>				
Rough Sleeping Initiative	0	319	319	SRE
Homelessness Prevention Grant	0	608	608	SRE
Homelessness Prevention Grant: Homes for Ukraine top-up 2023/24	0	422	422	SRE
Shared Prosperity Fund - brought-forward	0	1,166	1,166	
Local Enterprise Partnership (LEP): Core Funding	375	250	(125)	
Local Enterprise Partnership (LEP): Growth Hub Funding	231	261	30	SRE
Local Enterprise Partnership (LEP): NP (Northern Powerhouse) 11	500	500	0	
Local Enterprise Partnership (LEP): Skills Bootcamp	1,500	1,355	(145)	
Impossible Perspectives – Digital Arts Project	0	49	49	SRE
Towns Fund - Ice Cream Van	0	15	15	SRE
<b>Total Economy &amp; Growth - Specific Purpose</b>	<b>2,606</b>	<b>4,946</b>	<b>2,340</b>	
<b>TOTAL ECONOMY &amp; GROWTH</b>	<b>2,606</b>	<b>4,946</b>	<b>2,340</b>	

Notes

- 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 – COMMITTEE DECISION

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) over £500,000 up to £1,000,000

Committee	Year	Type of Grant	£000	Details
Economy and Growth	2023/24	Homelessness Prevention Grant  (Specific Purpose)	608	<p>This grant is from the Department for Levelling-Up and Communities (DLUHC). The purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them in supporting local authorities to discharge their homelessness duties under homelessness legislation. The grant is ring-fenced for 2023-2024 and is to be spent in adherence with the following principles:</p> <ol style="list-style-type: none"> <li>1. To fully enforce the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness.</li> <li>2. Reduce family temporary accommodation numbers through maximising family homelessness prevention and reduce the use of unsuitable B&amp;Bs for families.</li> <li>3. Ensure service financial viability of services by contributing to the costs of statutory duties, including implementing the Homelessness Reduction Act and supporting with the costs of temporary accommodation.</li> </ol>
<b>Total Specific Purpose Allocations over £500,000 up to £1,000,000 for Committee Approval</b>			<b>608</b>	

### 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 Sleeping Initiative (Specific Purpose)	319	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Funding has been used to establish or continue Rough Sleeping Initiative services agreed by the Department for Levelling Up, Housing and Communities (DLUHC) to immediately intervene in, prevent and reduce rough sleeping.
Economy and Growth	2023/24	Homelessness Prevention Grant: Homes for Ukraine top-up 2023/24 (Specific Purpose)	422	This grant is from the Department for Levelling-Up and Communities (DLUHC). Earlier intervention to prevent homelessness is more effective, and provides better value for money, than responding to households becoming homeless at a point of crisis. It is anticipated this funding will be used to maximise upstream homelessness prevention to stop vulnerable households from becoming homeless, as well as helping to meet temporary accommodation costs where necessary. The grant is ring-fenced.
Economy and Growth	2023/24	Impossible Perspectives – Digital Arts Project (Specific Purpose)	49	This grant is from the Arts Fund UK. Impossible Perspectives is an exciting new collaboration across heritage, arts and innovation. A grant application was required to start the project off as part of the inception for a proposed major new exhibition planned for 2025 called ‘Canaletto - The Immersive Grand Tour’. This, for the first time, will bring together Canaletto paintings and objects that explore the unique connection between the artist and Tatton Park.

Committee	Year	Type of Grant	£000	Details
Economy and Growth	2023/24	Towns Fund - Ice Cream Van (Specific Purpose)	15	This grant is from the Department for Levelling-Up and Communities (DLUHC). Towns Fund revenue grant to facilitate the onward grant to a third-party educational establishment to facilitate the sourcing and placement of an Ice Cream van within the public realm being created through the History Centre Public Realm project (Towns Fund Project 5). Funding is to be spent by March 2026.
<b>Total Specific Purpose Allocations less than £500,000</b>			<b>805</b>	

**Table 4 – 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 22 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.
Economy and Growth	2023/24	Local Enterprise Partnership (LEP): Growth Hub Funding  (Specific Purpose)	30	Increase on MTFS 2023-27 estimate. This grant is from Business, Energy and Industrial Strategy (BEIS). The Core Growth Hub Grant is offered under Section 11 of the Industrial Development Act 1982 to provide advice and guidance via Growth Hubs and simplify access to support for businesses. The funding is delivered via the Cheshire and Warrington LEP.
<b>Total Delegated Decision Specific Purpose Allocations previously named in the MTFS</b>			<b>30</b>	

# Economy and Growth Committee

## 4. Debt Management

	Outstanding Debt £000			Over 6 months old £000		
	Mar-23	Jun-23	Increase / (Decrease)	Mar-23	Jun-23	Increase / (Decrease)
Economy and Growth Committee						
Growth and Enterprise	519	607	88	207	265	58

Note: Outstanding debt has increased mainly due to one invoice for £61,000 now being 1-3 months overdue.

The increase in debt over 6 months old is due to an invoice for £50,000 owed by a company which is in administration.

# Economy and Growth Committee

## 5. Capital Strategy

Economy & Growth													CAPITAL
CAPITAL PROGRAMME 2023/24 - 2026/27													
Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding
	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	
<b>Committed Schemes in progress</b>													
<b>Facilities Management</b>													
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	2,100	0	200	1,900	0	0	2,100	2,100	0	0	0	0	2,100
PSDS - 3B - Lot 3 (schools)	4,975	0	4,975	0	0	0	4,975	4,600	0	375	0	0	4,975
Septic Tanks	636	280	356	0	0	0	356	0	0	0	0	356	356
Schools Capital Maintenance	6,478	4,639	1,838	0	0	0	1,838	1,558	0	281	0	0	1,838
Corporate Landlord - Operational	1,027	962	65	0	0	0	65	0	0	0	0	65	65
Premises Capital (FM)	40,272	30,705	3,598	3,500	2,469	0	9,567	0	0	0	0	9,567	9,567
Poynton Pool Spillway	1,380	296	1,084	0	0	0	1,084	0	0	200	0	884	1,084
<b>Housing</b>													
Home Upgrade Grant Phase 2	6,210	0	3,105	3,105	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	3,898	2,249	1,649	0	0	0	1,649	862	787	0	0	0	1,649
Sustainable Warmth - Home Upgrade Grant	2,810	631	2,179	0	0	0	2,179	2,179	0	0	0	0	2,179
Home Repairs Vulnerable People	1,285	659	226	200	200	0	626	0	0	0	0	626	626
Disabled Facilities	15,614	6,989	3,940	2,342	2,342	0	8,625	7,697	0	0	0	928	8,625
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	2,847	0	0	0	2,847	700	436	0	0	1,712	2,847
<b>Estates</b>													
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	3,380	1,671	314	306	306	784	1,710	0	0	0	1,710	0	1,710
Red Roofs Hole Farm Alderley Edge - Acquisition	15	12	3	0	0	0	3	0	0	0	0	3	3



## CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	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	
<b>Committed Schemes in progress</b>													
<b>Economic Development</b>													
Crewe Towns Fund - Repurposing Our High Streets	1,450	38	540	399	474	0	1,412	1,412	0	0	0	0	1,412
Crewe Towns Fund - Flag Lane Baths	2,800	306	2,494	0	0	0	2,494	2,494	0	0	0	0	2,494
Crewe Towns Fund - Mirion St	732	30	78	625	0	0	703	703	0	0	0	0	703
Crewe Towns Fund - Crewe Youth Zone non-grant costs	978	49	218	711	0	0	929	929	0	0	0	0	929
Crewe Towns Fund	14,074	0	1,652	8,520	3,901	0	14,074	14,074	0	0	0	0	14,074
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	3,040	181	1,489	1,370	0	0	2,859	1,336	0	0	0	1,523	2,859
Future High Street Funding - CEC Innovation Centre	3,323	59	3,265	0	0	0	3,265	3,265	0	0	0	0	3,265
Future High Street Funding - Christ Church Innovation Centre	480	80	400	0	0	0	400	400	0	0	0	0	400
Crewe Town Centre Regeneration	32,019	15,058	15,444	0	1,517	0	16,961	131	0	0	0	16,829	16,961
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	1,600	2,400	4,000	0	8,000	0	8,000	0	0	0	8,000
Connecting Cheshire 2020	9,250	3,709	2,303	2,238	1,000	0	5,541	7,143	0	0	0	-1,601	5,541
Connecting Cheshire Phase 2	6,235	5,352	0	0	883	0	883	0	313	0	177	393	883
Connecting Cheshire	29,524	28,929	0	0	595	0	595	0	48	0	0	547	595
<b>Culture &amp; Tourism</b>													
Countryside Vehicles	1,579	580	587	193	219	0	999	0	0	965	33	0	999
Culture & Tourism S106 Schemes	209	65	98	47	0	0	144	0	144	0	0	0	144
New Archives Premises	10,256	0	4,106	5,699	451	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	91	0	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	268	1,605	0	0	1,873	0	0	0	0	1,873	1,873
		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Committed Schemes</b>	<b>353,774</b>	<b>127,716</b>	<b>69,319</b>	<b>69,667</b>	<b>82,364</b>	<b>4,707</b>	<b>226,058</b>	<b>94,789</b>	<b>27,307</b>	<b>1,857</b>	<b>35,020</b>	<b>67,085</b>	<b>226,058</b>
<b>New Schemes</b>													
<b>Housing</b>													
Local Authority Housing Fund	978	0	978	0	0	0	978	978	0	0	0	0	978
<b>Culture &amp; Tourism</b>													
Cattle Handling Facility - Oakwood Farm	190	0	190	0	0	0	190	0	0	190	0	0	190
<b>Total New Schemes</b>	<b>190</b>	<b>0</b>	<b>1,168</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,168</b>	<b>978</b>	<b>0</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>1,168</b>
<b>Total Growth &amp; Enterprise</b>	<b>353,964</b>	<b>127,716</b>	<b>70,487</b>	<b>69,667</b>	<b>82,364</b>	<b>4,707</b>	<b>227,225</b>	<b>95,767</b>	<b>27,307</b>	<b>2,047</b>	<b>35,020</b>	<b>67,085</b>	<b>227,225</b>

# 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
<b><u>Directorate</u></b>				
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.
<b><u>Growth and Enterprise</u></b>				
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.
<b>ECONOMY AND GROWTH TOTAL</b>	<b>3,109</b>	<b>(1,570)</b>	<b>1,539</b>	

# **Appendix 5 : Environment and Communities Committee**

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- 2. 2023/24 Approved Budget Policy Changes and Forecast Variances**
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  - Table 1: Environment and Communities Committee Grants**
  - Table 2: Committee Decision Additional Grant Funding (specific Purpose) over £500,000 up to £1,000,000**
  - Table 3: Delegated Decision Additional Grant Funding (Specific Purpose) £500,000 or less**
- 4. Debt Management**
- 5. Capital Strategy**
- 6. Reserves Strategy**

# Appendix 5

## Environment and Communities Committee

### 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy

	MTFS Net Budget £000	Restructuring & Realignments £000	First Review Revised Net Budget £000	Unringfence Grants to be Actioned £000
<b>PLACE</b>				
Environment & Neighbourhood Service	48,321	468	48,789	-
Environment and Communities Committee	48,321	468	48,789	-

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.

The restructuring and realignments of £468,000 relate to: adjustment to ASDV support service charges (-£8,000); the transfer of the Restructuring Potential MTFS saving to Economy & Growth to be managed centrally (£500,000); transfer of MTFS saving for single contractor for green spaces to Highways & Transport (£75,000); transfer of transport pay budget changes to Highways & Transport and Children & Families (-£114,000); the movement of achieved restructure savings to offset against central policy proposal including MARS savings (-£72,000); drawdown from reserves to fund changes to pay structure (£32,000); and drawdown from reserves for grant carried forward in to 2023/24 (£56,000). Further realignments of budgets have taken place within the services to reflect the detailed allocation of MTFS budget changes and any movement of service areas.

# 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 £4.2m against a net budget of £48.8m. £1.4m of this relates to ongoing income pressures in Planning and Building Control. There are pressures of £1.8m comprising continued increased contract inflation for the waste disposal contracts (+£0.9m) plus impact of recycling income shortfall due to a decline in the market (+£1.2m) 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 - Stop non-essential spend and continued vacancy management, financial impact to be determined.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	<b>Environment and Communities Committee</b>	<b>4.543**</b>		** 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	1.849	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	0.368	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.
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

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
				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	-	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	-	<p>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.</p> <p>Government communications now suggest the new Regulations being issues in Autumn 2024 so these must be imminent.</p>
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

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
				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 report scheduled to be taken to September Committee date targeted to seeking 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.
99	Environment Strategy and Carbon Neutrality	-0.061	-	Budget line adjustment only – now actioned.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
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 Environment & Communities		-0.178	
	<b>TOTAL FORECAST VARIANCE</b>		<b>4.177</b>	
	Further Mitigating Actions		TBD	Stop non-essential spend and continued vacancy management
	<b>REVISED FORECAST VARIANCE</b>		<b>4.177</b>	

\* 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



# 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 The increase in specific purpose grants relates mainly to High Speed 2 (HS2) funding. Other additional specific purpose

grants have also been received and are detailed in **Table 2** and **3**.

3.4 **Table 2** shows additional specific purpose grant allocations that have been received which are over £500,000 and up to £1m, and are for Committee approval.

3.5 **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	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24	2023/24	2023/24	
	£000	£000	£000	Notes 2 - 5
<b>ENVIRONMENT &amp; COMMUNITIES</b>				
<b>Specific Purpose (Held within Services)</b>				
Bikeability Grant	240	240	0	
Enforcement Grant (Planning) - brought forward	0	30	30	
High Speed 2 (HS2) Ltd	0	850	850	SRE
Air Quality Grant (Awareness) - brought-forward	0	25	25	
Air Quality Grant (Cycling) - brought-forward	0	10	10	
Offensive weapons - brought-forward	0	4	4	
Cosmetic fillers - brought-forward	0	7	7	
Food Information Grant - Natasha's Law - brought forward	0	11	11	
Food Standards Agency - 22-23	0	1	1	SRE
Food Standards Agency 23-24	0	1	1	SRE
Section 31 grant - Biodiversity net gain	0	20	20	SRE
Natural England - Stewardship scheme	0	2	2	SRE
Natural England - Stewardship scheme	0	7	7	SRE
Apprentice Incentive Scheme	0	2	2	SRE
<b>Total Environment &amp; Communities - Specific Purpose</b>	<b>240</b>	<b>1,209</b>	<b>969</b>	
<b>TOTAL ENVIRONMENT &amp; COMMUNITIES</b>	<b>240</b>	<b>1,209</b>	<b>969</b>	

Notes

- 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 – COMMITTEE DECISION

Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) over £500,000 up to £1,000,000

Committee	Year	Type of Grant	£000	Details
Environment and Communities	2023/24	High Speed 2 (HS2) Ltd (Specific Purpose)	850	This grant is from High Speed 2 (HS2) Ltd. The HS2 Environment and Landscape Fund is provided for landscaping/ecological mitigation as part of the HS2 Phase 2A.
<b>Total Specific Purpose Allocations over £500,000 up to £1,000,000 for Committee Approval</b>			<b>850</b>	

**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
Environment and Communities	2023/24	Food Standards Agency 2022/23 and 2023/24  (Specific Purpose)	2	This grant is from the Foods Standards Agency (FSA). Food Standards Agency grants for data cleansing work to improve data quality within our Management Information System for food hygiene / food standards.
Environment and Communities	2023/24	Section 31 grant - Biodiversity net gain  (Specific Purpose)	20	This grant is from the Department for Environment, Food and Rural Affairs (DEFRA). This funding will allow the Planning service to adopt the mandatory Biodiversity Net Gain approach to Development coming into force in 2023, to ensure that natural habitats are extended or improved as part of a project or development.
Environment and Communities	2023/24	Natural England - Stewardship scheme  (Specific Purpose)	9	This grant is from Natural England. This is for grant aided ecological works on various Countryside sites within Cheshire East.
Environment and Communities	2023/24	Apprentice Incentive Scheme  (Specific Purpose)	2	This grant is from the Department for Education. Payment for taking on an apprentice and can be spent on any costs associated with supporting an apprentice in the workplace including salary. his allocated via Children's Services. Payment is for an apprentice based at Home Farm Tatton Park. Grant <a href="#">conditions</a> .
<b>Total Specific Purpose Allocations less than £500,000</b>			<b>33</b>	

# Environment and Communities Committee

## 4. Debt Management

	Outstanding Debt   £000			Over 6 months old   £000		
	Mar-23	Jun-23	Increase / (Decrease)	Mar-23	Jun-23	Increase / (Decrease)
<b>Environment and Communities Committee</b>						
Environment and Neighbourhood Services	1,116	266	(850)	243	219	(24)

Note: Outstanding debt has decreased due to a credit note being applied to an invoice for £850,000.

# Environment and Communities Committee

## 5. Capital Strategy

Environment & Communities								CAPITAL					
CAPITAL PROGRAMME 2023/24 - 2026/27													
Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	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	
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
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

CAPITAL PROGRAMME 2023/24 - 2026/27													
	Forecast Expenditure							Forecast Funding					
	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
Scheme Description													
Committed Schemes in progress													
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
<b><u>Environment and Neighbourhood Services</u></b>				
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.
<b>ENVIRONMENT AND COMMUNITIES TOTAL</b>	<b>994</b>	<b>(173)</b>	<b>821</b>	



# **Appendix 6 : Highways and Transport Committee**

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# Appendix 6

## Highways and Transport Committee

### 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy

	MTFS Net Budget £000	Restructuring & Realignments £000	First Review Revised Net Budget £000	Unringfence Grants to be Actioned £000
<b>PLACE</b>				
Highways & Infrastructure	11,007	(16)	10,991	-
Highways and Transport Committee	11,007	(16)	10,991	-

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.

The restructuring and realignments of £16,000 relate to: the transfer of the Restructuring Potential MTFS saving to Economy & Growth to be managed centrally (£122,000) ; transfer of MTFS saving for single contractor for green spaces from Environment & Communities (-£75,000); transfer of transport pay budget changes from Environment & Communities (£86,000) ;adjustments to ASDV support service charges (-£40,000); the increased capitalisation of Highways & Infrastructure staff (-£137,000); drawdown from reserves to fund changes to pay structure (£14,000); and drawdown from reserves for grant carried forward in to 2023/24 (£15,000). Further realignments of budgets have taken place within the services to reflect the detailed allocation of MTFS budget changes and any movement of service areas.

# 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 £11m. £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 is due 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 shortly. 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 totalling £0.5m are included in the forecast outturn position reflecting the partial release of the flooding reserve. 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
	<b>Highways and Transport Committee</b>	<b>-0.842**</b>		** 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	Lookig at a range of options for technological solutions and associated finance options to deliver the required energy savings. October 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		-0.116	
	In-year savings and mitigations across Highways & Transport		-0.429	
	Mitigating Actions partial release of flooding and depot reserves		-0.253	
	<b>TOTAL FORECAST VARIANCE</b>		<b>1.224</b>	

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
	Further Mitigating Actions		TBD	Stop non-essential spend and continued vacancy management Lobby government on recognition of inflation on highway schemes funded from grants.
	<b>REVISED FORECAST VARIANCE</b>		<b>1.224</b>	

# Highways and Transport 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 the Bus Service Improvement Plan, Bus Service Operators and

Local Transport Fund grants. Other additional specific purpose grants, reflecting the latest allocations, have also been received and are detailed in **Table 2** and **3**.

- 3.4 **Table 2** shows additional specific purpose grant allocations that have been received over £1m that Council will be asked to approve.
- 3.5 **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	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2023/24	2023/24	2023/24	
	£000	£000	£000	Notes 2 - 5
<b>HIGHWAYS &amp; TRANSPORT</b>				
<b>Specific Purpose (Held within Services)</b>				
Bus Service Operators Grant	0	348	348	SRE
Bus Capacity Grant - brought-forward	0	179	179	
Local Transport Fund - brought-forward	0	219	219	
Local Transport Fund	0	198	198	SRE
Better Deal for Buses - Supported Bus Services - brought-forward	0	320	320	
Better Deal for Buses - Rural Mobility Grant - brought-forward	0	5	5	
Bus Support Grant - brought-forward	0	147	147	
Local Authority Capability Fund - brought-forward	0	154	154	
LTA Enhanced Partnership Grant - brought-forward	0	171	171	
Local Electric Vehicle Infrastructure (LEVI)	0	70	70	SRE
Bus Service Improvement Plan+ (BSIP+)	0	1,188	1,188	SRE
Bus Fare Cap Grant	0	1	1	SRE
<b>Total Highways &amp; Transport - Specific Purpose</b>	<b>0</b>	<b>2,999</b>	<b>2,999</b>	
<b>TOTAL HIGHWAYS &amp; TRANSPORT</b>	<b>0</b>	<b>2,999</b>	<b>2,999</b>	

Notes

- 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
Highways and Transport	2023/24	Bus Service Improvement Plan+ (BSIP+)  (Specific Purpose)	1,188	This a new grant from the Department for Transport DfT). This is a continuation of the Bus Service Improvement funding and allows Local Authorities to support existing bus services and/or create new services with the overall aim of ensuring long term sustainability of this provision.
<b>Total Specific Purpose Allocation for Council Approval</b>			<b>1,188</b>	



### 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
Highways and Transport	2023/24	Bus Service Operators Grant (Specific Purpose)	348	This a new grant from the Department for Transport DfT). This grant is to support the local bus operators with the cost of providing the services or for the provision of infrastructure supporting such services across the borough or into a neighbouring area.
Highways and Transport	2023/24	Local Transport Fund (Specific Purpose)	198	This a new grant 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.
Highways and Transport	2023/24	Local Electric Vehicle Infrastructure (LEVI) (Specific Purpose)	70	This a new grant from the Department for Transport DfT). This is capability funding to ensure that local authorities have dedicated staff to undertake the planning and delivery of charging infrastructure.
Highways and Transport	2023/24	Bus Fare Cap Grant (Specific Purpose)	1	This a new grant from the Department for Transport DfT). This specifically provides financial support, in the same way as the Bus Service Operators Grant (BSOG), to one local bus operator which is not BSOG registered.
<b>Total Specific Purpose Allocations less than £500,000</b>			<b>617</b>	

# Highways and Transport Committee

## 4. Debt Management

	Outstanding Debt    £000			Over 6 months old    £000		
	Mar-23	Jun-23	Increase / (Decrease)	Mar-23	Jun-23	Increase / (Decrease)
Highways and Transport Committee						
Highways and Infrastructure	994	968	(26)	521	596	75

Note: An invoice for £94,000 is now 6-9 months overdue.

# Highways and Transport Committee

## 5. Capital Strategy

Highways & Transport												CAPITAL
CAPITAL PROGRAMME 2023/24 - 2026/27												
Scheme Description	Forecast Expenditure							Forecast Funding				
	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
<b>Committed Schemes in progress</b>												
<b>Highways</b>												
A532 Safer Road Fund Scheme	1,223	346	877	0	0	0	877	778	0	0	0	99
A536 Safer Road Fund Scheme	2,404	1,817	587	0	0	0	587	493	0	0	0	94
A537 Safer Road Fund Scheme	2,733	2,001	732	0	0	0	732	489	0	0	0	243
Air Quality Action Plan	463	339	123	0	0	0	123	108	0	0	0	15
Alderley Edge Bypass Scheme Implementation	60,611	60,358	253	0	0	0	253	0	0	0	0	253
Bridge Maintenance Minor Wks	9,869	7,641	2,228	0	0	0	2,228	1,524	0	0	0	703
Client Contract and Asset Mgmt	1,243	393	850	0	0	0	850	680	0	0	0	170
Crewe Rail Exchange	6,702	6,693	9	0	0	0	9	9	0	0	0	0
Highway Maintenance Minor Wks	52,505	36,919	15,585	0	0	0	15,585	11,404	0	0	0	4,181
Highway Pothole/Challenge Fund	8,353	8,074	279	0	0	0	279	0	0	0	0	279
Jack Mills Way Part 1 Claims	300	285	15	0	0	0	15	0	15	0	0	0
Local Highway Measures	7,602	6,531	1,071	0	0	0	1,071	695	0	0	0	376
Programme Management	1,211	967	244	0	0	0	244	244	0	0	0	0
Road Network & Linked Key Inf	83	78	5	0	0	0	5	5	0	0	0	0
Road Safety Schemes Minor Wks	6,128	5,528	599	0	0	0	599	374	0	0	0	225
Traffic Signs and Bollards - LED Replacement	1,250	913	337	0	0	0	337	0	0	0	0	337
Winter Service Facility	999	577	163	130	130	0	423	0	0	0	0	423
<b>Infrastructure</b>												
A500 Dualling scheme	89,456	10,415	1,257	5,719	36,066	36,000	79,041	53,284	4,300	0	0	21,457
A50 / A54 Holmes Chapel	603	92	10	501	0	0	511	0	511	0	0	0
A54 / A533 Leadsmithy Street, Middlewich	563	152	50	361	0	0	411	0	411	0	0	0
A6 MARR CMM Disley	1,722	1,657	65	0	0	0	65	0	11	0	0	54
A6 MARR CMM Handforth	1,200	505	400	295	0	0	695	213	48	0	0	434
A6 MARR Technical Design	473	277	196	0	0	0	196	70	127	0	0	0
A556 Knutsford to Bowdon	504	361	45	98	0	0	143	0	143	0	0	0
Peacock Roundabout Junction	750	0	0	750	0	0	750	0	750	0	0	0
Congleton Link Road	88,443	71,453	2,456	6,040	2,900	5,594	16,991	316	14,130	0	0	2,545
Crewe Green Link Road	26,624	26,607	18	0	0	0	18	0	18	0	0	0
Crewe Green Roundabout	7,500	7,056	57	190	197	0	444	0	444	0	0	0
Flowerpot Phs 1 & Pinchpoint	10,037	1,437	500	5,835	2,265	0	8,601	2,139	726	0	0	5,736

## CAPITAL PROGRAMME 2023/24 - 2026/27

Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	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	
Committed Schemes in progress													
Infrastructure													
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	895	0	305	0	1,200	1,200	0	0	0	0	1,200
Future High Street Funding - Southern Gateway	4,631	443	1,955	2,232	0	0	4,187	4,187	0	0	0	0	4,187
Highways & Infrastructure S106 Funded Schemes	2,650	1,236	1,140	274	0	0	1,414	283	1,130	0	0	0	1,414
Infrastructure Scheme Development	325	0	163	163	0	0	325	325	0	0	0	0	325
Middlewich Eastern Bypass	91,157	20,247	11,521	18,291	24,917	16,181	70,910	46,779	12,816	0	0	11,315	70,910
North-West Crewe Package	42,351	22,374	12,874	6,603	100	400	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	2,236	1,355	5,385	0	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	1,948	0	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	12,701	8,598	1,563	2,540	0	0	4,102	0	0	0	0	4,102	4,102
Total Committed Schemes	626,367	375,067	67,432	53,230	72,464	58,175	251,301	133,380	57,544	10	2,730	57,636	251,301

# Highways & Transport

# CAPITAL

CAPITAL PROGRAMME 2023/24 - 2026/27													
Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	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	
<b>New Schemes</b>													
<b>Highways</b>													
Footpath Maintenance - Slurry Sealing & Reconstruction Works	1,319	0	1,319	0	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
<b>Total New Schemes</b>	<b>59,693</b>	<b>0</b>	<b>1,319</b>	<b>21,480</b>	<b>21,842</b>	<b>15,051</b>	<b>59,693</b>	<b>46,472</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,221</b>	<b>59,693</b>
<b>Total Highways &amp; Transport</b>	<b>686,059</b>	<b>375,067</b>	<b>68,750</b>	<b>74,711</b>	<b>94,306</b>	<b>73,226</b>	<b>310,992</b>	<b>179,852</b>	<b>55,630</b>	<b>10</b>	<b>2,730</b>	<b>72,771</b>	<b>310,992</b>

# 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
<b><u>Highways and Infrastructure</u></b>				
HS2	785	(200)	585	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 be utilised for repairs due to any adverse weather events.
Parking Pay and Display Machines / Parking Studies	178	(178)	0	Reserve to be used to implement the parking savings agreed in the February 2023 MTFS.
Highways Procurement Proj	104	(66)	38	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.
<b>HIGHWAYS AND TRANSPORT TOTAL</b>	<b>1,486</b>	<b>(663)</b>	<b>823</b>	

# **Appendix 7 : Finance Sub-Committee**

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# Appendix 7

## Finance Sub-Committee

### 1. Changes to Revenue Budget 2023/24 since Medium Term Financial Strategy

	MTFS Net Budget £000	Restructuring & Realignments £000	First Review Revised Net Budget £000	Unringfence Grants to be Actioned £000
<b>CENTRAL BUDGETS</b>				
Capital Financing	19,000	-	19,000	-
Corporate Contributions / Central Budgets	(1,650)	(54)	(1,704)	-
Contribution to / from Reserves	(5,042)	(1,096)	(6,138)	-
Finance Sub-Committee - Central Budgets	12,308	(1,150)	11,158	-
<b>CENTRAL BUDGETS FUNDING</b>				
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 first quarter approvals have been given.

The restructuring and realignments of £1,150,000 relate to the movement in reserves: drawdown from reserves to fund changes to pay structure (-£252,000); drawdown from reserves for grant carried forward in to 2023/24 (-£555,000); drawdown from reserves for business rate adjustment as per MTFS (-£343,000); and school contribution to capital reserve (£54,000 to reserve and -£54,000 contribution received).



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

### Forecast Outturn Commentary:

Mitigations - 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
	<b>Finance Sub-Committee</b>	-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	5.350	-	Action complete – budget adjusted.
111	Bad Debt Provision adjustment	-0.800	-	Subject to ongoing monitoring.
112	Capital Receipts Income	-1.000	-	On track, subject to ongoing monitoring.
113	Use of Earmarked Reserves – MTFS reserve	-4.951	-	On track, subject to ongoing monitoring.

MTFS Ref No	Detailed List of Service Budget Changes	2023/24 £m	2023/24 Variance £m	Commentary
114	Use of Earmarked Reserves – Collection Fund reserve	1.674	-	On track, subject to ongoing monitoring.
115	Use of Earmarked Reserves – Capital Financing reserve	-1.700	-	On track, subject to ongoing monitoring.
116	Use of Earmarked Reserves – Transformation reserve	-1.371	-	Overall forecast of potential deficit 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		0.641	Increased risks around credit losses due to economic climate.
	<b>TOTAL FORECAST VARIANCE</b>		<b>6.059</b>	
	Further Mitigating Actions could be in the region of £5m from the use of the Capital Financing Reserve.		5.000	<p>Capital Programme Review to identify scope to delay, reduce or stop spending on capital projects, to improve cashflow and save on borrowing costs.</p> <p>Review earmarked reserve including the option to utilise the Capital Financing Budget Reserve in relation to corresponding budget pressures. c.£5m.</p> <p>Lobby government on potential mitigation of cashflow implications from High Needs spending.</p> <p>Review economic factors, such as forecast interest rates.</p>
	<b>REVISED FORECAST VARIANCE</b>		<b>1.059</b>	



## CENTRAL BUDGETS AND FUNDING

**Table 1 – Central Outturn Forecasts**

2023/24	Revised Budget	Forecast Outturn	Forecast Variance	Further Mitigating Action	Revised Forecast Variance
	(NET)				
	£m	£m	£m	£m	£m
CENTRAL BUDGETS					
Capital Financing	19.0	24.4	5.4		5.4
Transfer to/(from) Earmarked Reserves	(6.1)	(6.1)	-		-
Corporate Contributions / Central Budgets	(1.8)	(1.1)	0.7		0.7
Finance Sub-Committee - Central Budgets	11.1	17.2	6.1	-	6.1
Business Rates Retention Scheme	(55.3)	(55.3)	-		-
Specific Grants	(26.7)	(26.7)	-		-
Council Tax	(271.1)	(271.1)	-		-
Finance Sub-Committee - Net Funding	(353.1)	(353.1)	-	-	-

2.1 It is currently forecast that there will be a £6.1m 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 £26.6m. 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 amount billed to date is £334.7m.

**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
<b>Total</b>	<b>334.9</b>

- 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**

Financial Year	CEC Cumulative			
	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 June 2023 is 28.94%. This is a very small decrease of 0.01% 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 June 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 are £30.7m which is an increase of £2.4m 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 is £7.9m, 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 June 2023 is 31.59%. This is a 1.18% 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.
- 3.3 During the year there has been an increase in specific purpose grants of £15.0m to £289.4m.
- 3.4 Spending in relation to specific purpose grants must be in line with the purpose for which it is provided.
- 3.5 General use grants were budgeted to be £26.8m. Further in-year grant announcements have increased the amount

received to £48.8m (an increase of £22.0m) at the first financial review.

- 3.6 **Table 1** provides a summary of the updated forecast position for grants in 2023/24 by type and service.
- 3.7 Further details of general use grants are shown in **Table 2**, the Corporate Grants Register. At the First Financial Review, there is a £22.0m increase on the Original Budget forecast position. This is mainly due to the Business Rates Relief Compensation grant.
- 3.8 **Table 3** shows additional grant allocations that have been received over £1m that Council will be asked to approve.
- 3.9 **Table 4** shows additional general use 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	Revised Forecast FR1	Change from Original Budget
	2023/24 £m	2023/24 £m	2023/24 £m
<b>SPECIFIC PURPOSE</b>			
Children and Families	187.7	184.0	(3.7)
Adults and Health	36.6	44.0	7.4
Economy and Growth	2.6	4.9	2.3
Environment and Communities	0.2	1.2	1.0
Highways and Transport	0.0	3.0	3.0
Corporate Policy	47.3	52.3	5.0
<b>TOTAL SPECIFIC PURPOSE</b>	<b>274.4</b>	<b>289.4</b>	<b>15.0</b>
<b>GENERAL USE</b>			
Children and Families	6.9	7.4	0.4
Adults and Health	12.8	12.8	0.0
Economy and Growth	0.0	0.0	0.0
Environment and Communities	0.0	0.0	0.0
Highways and Transport	0.0	0.0	0.0
Corporate Policy	7.1	28.7	21.6
<b>TOTAL GENERAL USE</b>	<b>26.8</b>	<b>48.8</b>	<b>22.0</b>
<b>TOTAL GRANT FUNDING</b>	<b>301.2</b>	<b>338.3</b>	<b>37.1</b>

Source: Cheshire East Finance



**Table 2 – Corporate Grants Register – General Use Grants**

<b>General Use Grants 2022/23 (Held Corporately)</b>	<b>Original Budget</b>	<b>Revised Forecast FR1</b>	<b>Change from Original Budget</b>	<b>Treatment of Grant</b>
	<b>2023/24 £000</b>	<b>2023/24 £000</b>	<b>2023/24 £000</b>	<i>Notes 2 - 5</i>
<b>CHILDREN &amp; FAMILIES</b>				
Social Care Support Grant (Children)	6,939	6,939	0	
Staying Put Implementation Grant	0	130	130	SRE
Extended Rights to Free Transport (Home to School Transport)	0	256	256	SRE
Extended Personal Adviser Duty Implementation	0	57	57	SRE
<b>Total Children &amp; Families Committee</b>	<b>6,939</b>	<b>7,383</b>	<b>444</b>	
<b>ADULTS &amp; HEALTH</b>				
Social Care Support Grant (Adults)	12,426	12,426	0	
Local Reform & Community Voices	207	207	0	
Social Care in Prisons	73	73	0	
War Pension Scheme Disregard	60	60	0	
<b>Total Adults &amp; Health Committee</b>	<b>12,766</b>	<b>12,766</b>	<b>0</b>	
<b>CORPORATE POLICY</b>				
Revenue Support Grant	388	388	0	
Housing Benefit Administration Subsidy	626	626	0	
NNDR Administration Allowance	587	587	0	
New Homes Bonus	3,794	3,794	(0)	
Services Grant	1,720	1,720	0	
Council Tax Support Fund	0	521	521	Reserves
Council Tax Support New Burdens	0	25	25	SRE
Business Rates Reliefs Compensation Grant 2023/24	0	21,039	21,039	Reserves
<b>Total Corporate Policy Committee</b>	<b>7,115</b>	<b>28,701</b>	<b>21,586</b>	
<b>TOTAL</b>	<b>26,820</b>	<b>48,849</b>	<b>22,029</b>	

### 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	Afghan - Integration Support (Specific Purpose)	1,231	This grant is from the Home Office (HO). Available where an individual or family has settled in the borough, to provide ongoing integration support.
Children and Families – Schools	2023/24	Early Years Supplementary Grant (Specific Purpose)	1,262	This grant is from the Education & Skills Funding Agency (ESFA). The ESFA will provide nationally £204 million of supplementary funding to local authorities through a new early year's supplementary grant (EYSG). This will be used to increase the hourly amounts paid to local authorities, so that they can increase the amount of funding their early years childcare providers receive for delivering the entitlements for the period September 2023 to March 2024. The grant amount is an estimation as the grant determination has not yet been confirmed.
Corporate Policy	2023/24	Energy Bills Support Scheme Alternative Funding (Specific Purpose)	2,089	This funding is from the Department for Energy Security & Net Zero (DESNZ). It relates to the payment of alternative fuel grants to qualifying Cheshire East residents in accordance with Government guidance. The grant is aimed at providing support to households not eligible for the automatic Energy Bills Support Scheme (£400 payment paid by the energy suppliers).
Highways and Transport	2023/24	Bus Service Improvement Plan+ (BSIP+) (Specific Purpose)	1,188	This a new grant from the Department for Transport DfT). This is a continuation of the Bus Service Improvement funding and allows Local Authorities to support existing bus services and/or

Committee	Year	Type of Grant	£000	Details
				create new services with the overall aim of ensuring long term sustainability of this provision.
<b>Total Specific Purpose Allocation for Council Approval</b>			<b>5,770</b>	

**Table 4 – DECISION DELEGATED TO OFFICERS**

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

Committee	Year	Type of Grant	£000	Details
Finance Sub-Committee (Expenditure Children and Families – Children’s Services)	2023/24	Extended Rights to Free Transport (Home to School Transport)  (General Use)	256	This funding is from the Department for Education. The Department for Education provides additional transport funding to local authorities to support children from low-income families to be able to attend schools further from home than the statutory walking distances. The funding is paid as a non-ring-fenced grant paid via the Department for Communities and Local Government under the Local Services Support Grant (section 31 of the Local Government Act 2003).
Finance Sub-Committee (Expenditure Children and Families – Children’s Services)	2023/24	Staying Put Implementation  (General Use)	130	This funding is from the Department for Education. The purpose of the grant is to provide support for local authorities in England for expenditure lawfully incurred or to be incurred by them, in respect of a young person aged 18 and their former foster carer, who wish to continue living together in a ‘Staying Put’ arrangement. For the purposes of this grant ‘young person’ means a former relevant child who was looked after immediately prior to their 18 <sup>th</sup> birthday. This supported arrangement

Committee	Year	Type of Grant	£000	Details
				can continue until the young person's 21 <sup>st</sup> birthday.
Finance Sub-Committee (Expenditure Children and Families – Children's Services)	2023/24	Extended Personal Adviser Duty Implementation  (General Use)	57	This funding is from the Department for Education. The Children and Social Work Act 2017 introduced a new duty on local authorities, requiring them to offer Personal Adviser support to all care leavers up to age 25. This duty came into force on 1 April 2018. The purpose of this grant is to provide support to local authorities in England, to help them to meet the requirements of this duty, in response to young people that may request such support from the local authority after the age of 21 and up to their 25 <sup>th</sup> birthday.
Finance Sub-Committee (Expenditure Corporate Policy)	2023/24	Council Tax Support New Burdens  (General Use)	25	This funding is from the Department for Levelling-Up, Housing and Communities (DLUHC) and is a new grant. The New Burdens funding is intended to support the administration of the Council Tax support payments which have been processed by Council Tax staff. It supports any resource required either during the processing or afterwards where backlogs caused by the additional tasks have built up and need addressing.
<b>Total General Purpose Allocations less than £500,000</b>			<b>468</b>	

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## 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 increased by £1.2m since the end of March.
- 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 June 2023 was £14.7m.

- 4.6 The total amount of service debt over six months old is £8.2m; provision of £7.6m has been made to cover doubtful debt in the event that it needs to be written off.

### DEBT SUMMARY

	Outstanding Debt £000	Over 6 months old £000
<b>Adults and Health Committee</b>		
Adults, Public Health and Communities	12,123	7,051
<b>Children and Families Committee</b>		
Children's Social Care (Incl. Directorate)	7	-
Prevention and Early Help	84	18
Schools	71	-
<b>Highways and Transport Committee</b>		
Highways and Infrastructure	968	596
<b>Economy and Growth Committee</b>		
Growth and Enterprise	607	265
<b>Environment and Communities Committee</b>		
Environment and Neighbourhood Services	266	219
<b>Corporate Policy Committee</b>		
Finance and Customer Services	187	56
Governance and Compliance	3	2
Human Resources	18	-
ICT	350	1
	<b>14,684</b>	<b>8,208</b>

# Finance Sub-Committee

## 5. Capital Strategy

Table 1: Financial Parameters for 2021/22 to 2024/25

Parameter	Value (£m)			
	2023/24	2024/25	2023/24	2026/27
<b>Repayment of Borrowing</b>				
Minimum Revenue Provision*	17.2	20.0	23.4	25.5
External Loan Interest	11.7	6.0	6.0	6.0
Investment Income	(2.6)	(2.4)	(2.4)	(2.3)
Contributions from Services Revenue Budgets	(1.3)	(1.6)	(2.6)	(3.5)
Total Capital Financing Costs	25.0	22.0	24.4	25.7
Use of Financing EMR	(6.0)	(2.0)	(3.4)	(3.7)
Actual CFB in MTFS	19.0	20.0	21.0	22.0
Capital Receipts targets*	1.0	1.0	1.0	1.0
Flexible use of Capital Receipts	1.0	1.0	1.0	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 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 £9.0m over the next four financial years to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £3.0m from the Investment Portfolio; £1.8m electric vehicle transition and charging programme £1.2m contribution from schools towards the schools transformation programme; £1.3m from Everybody Health and Leisure for the improvements to the Council's leisure facilities: the Green Investment schemes, including a solar farm £1.2m, £0.3m from Countryside Services for the vehicle replacement programme upgrade, and £0.2m from the Children's Home Sufficiency project.

### **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 Medium-term Financial Strategy (MTFS) was approved in February 2023, the capital programme has increased by £37.4m. This is mainly due to an increase in grant funding that the Council is due to receive but was confirmed after the MTFS was approved.
- 5.14 Some of the additional grants that have now been included in programme are the Public Sector De-carbonisation Grant (Lot 3b) £7.1m; Home Upgrade Grant £6.2m; Basic Need Grant £2.5m, Footpath Maintenance Grant £1.3m and Local Authority Housing Fund £1.0m.
- 5.15 The capital programme also slipped a further £8.8m at the Outturn position that has since been re-profiled into future years.
- 5.16 The current in-year position for 2023/24 has reduced to £205.8m from the £214.7m that was reported in the MTFS.
- 5.17 There is only one significant Supplementary Capital Estimate and that is the Active Travel Grant (Tranche 4) for £1.3m that will fund a scheme at Manchester Road, Wilmslow.
- 5.18 There are also two significant budget reductions, one is for £0.5m for the Handforth Heat Network project where the mix

of funding has changed and subsequently reduced and the second is for the Future High Street funded - Sustainable Energy Network where £1.5m of the funding has been returned to Business, Energy and Industrial Strategy. **Table 2** below shows a summary of the changes.

**Table 2: Summary Capital Programme**

	MTFS Budget	Slippage (+/-) from the Outturn position	Budget Reductions	SCEs/ Virements	Revised Budget
	2023/27 £m	2023/27 £m	2023/27 £m	2023/27 £m	2023/27 £m
Adults and Health	0.5	0	0	0	0.5
Children & Families	117.2	-0.4	0	0	116.8
Highways & Transport	296.4	13.3	0	1.3	311.0
Economy & Growth	205.5	22.2	(0.5)	-	227.2
Environment & Communities	34.6	1.8	(1.5)	0	34.9
Corporate Directorate	29.1	1.2	0	-	30.3
	683.3	38.1	(2.0)	1.3	720.7

- 5.19 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**.
- 5.20 **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.
- 5.21 **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.
- 5.22 **Table 6** lists details of Capital Supplementary Estimates over £1,000,000 and Capital Virements over £5,000,000 that



requires Committee to make a recommendation to Council to approve.

5.23 **Table 7** lists details of reductions in Approved Budgets where schemes are completed and surpluses can now be removed. These are for noting purposes only.

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

5.25 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
<b>Committed Schemes - In</b>					
Adults and Health	410	60	0	0	470
Children and Families	42,259	31,092	30,368	10,569	114,288
Highways & Transport	67,430	53,230	72,464	58,175	251,299
Economy & Growth	69,319	69,667	82,364	4,707	226,057
Environment & Communities	7,823	16,306	2,715	0	26,844
Corporate Policy	12,678	10,176	5,943	0	28,797
<b>Total Committed Schemes - In Progress</b>	<b>199,919</b>	<b>180,531</b>	<b>193,854</b>	<b>73,451</b>	<b>647,755</b>
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
<b>New Schemes</b>					
Adults and Health	0	0	0	0	0
Children and Families	20	2,480	0	0	2,500
Highways & Transport	1,319	21,481	21,842	15,051	59,693
Economy & Growth	1,168	0	0	0	1,168
Environment & Communities	2,403	2,256	3,417	0	8,076
Corporate Policy	926	627	0	0	1,553
<b>Total New Schemes</b>	<b>5,836</b>	<b>26,844</b>	<b>25,259</b>	<b>15,051</b>	<b>72,990</b>
<b>Total</b>	<b>205,755</b>	<b>207,375</b>	<b>219,113</b>	<b>88,502</b>	<b>720,745</b>

# 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
<b>Funding Requirement</b>					
<b>Indicative Funding</b>					
<b>Analysis:</b> (See note 1)					
Government Grants	111,653	116,897	91,565	29,189	<b>349,304</b>
External Contributions	22,243	28,349	51,903	22,812	<b>125,307</b>
Revenue Contributions	2,338	193	219	0	<b>2,750</b>
Capital Receipts	2,361	1,922	32,983	784	<b>38,050</b>
Prudential Borrowing (See note 2)	67,160	60,014	42,443	35,717	<b>205,334</b>
<b>Total</b>	<b>205,755</b>	<b>207,375</b>	<b>219,113</b>	<b>88,502</b>	<b>720,745</b>

### Note 1:

The funding requirement identified in the above table represents a balanced and affordable position, in the medium term. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for capital receipts over the next 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
<b>Capital Budget Virements that have been made up to £100,000</b>		
<b>Children &amp; Families</b>		
Sandbach High School - Basic Need	37,585	Virement of remaining budget on Sandbach Planning Area project to cover expenditure in relation to Sandbach High School.
Special Provision Fund - Brereton PS Minor SEN Adaptations	4,315	Virement of amount from Special Provision Fund allocated pot to cover expenditure on Brereton PS SEN Adaptations.
<b>Economy &amp; Growth</b>		
PROW Capital Works	4,182	Virement of the residual Local Transport Programme grant from the Countryside Capital project as that project is now complete.
<b>Total Capital Budget Virements Approved</b>	<b>46,082</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>46,082</b>	

## Table 5: COMMITTEE DECISION

Requests for Supplementary Capital Estimates (SCEs) and Virements

Committee / Capital Scheme	Amount Requested £	Reason and Funding Source
<b>Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements</b>		
<b>Capital Budget Virements above £100,000 up to and including £5,000,000</b>		
<b>Highways and Transport</b>		
Active Travel Fund	164,916	Virement to cover overspend against the Tranche 1, Emergency fund covered by project Active Travel (Cycling / Walking Route) Investment LTP funding.
<b>Economy &amp; Growth</b>		
Future High Street Funding - CEC Innovation Centre	1,453,845	Future High Street Funding grant , virement from Christ Church Innovation Centre, originally intended for two pieces of work, but this was no longer a valid option.
Southern Gateway	1,576,921	Department for Levelling Up, Housing and Communities have approved the request to reallocate funding within our Future High Street Funding programme
History Centre Preparatory	275,434	
Municipal Technology Innovation Centre	700,000	
Sustainable Energy Network	558,077	
<b>Total Capital Virements requested</b>	<b>4,729,193</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>4,729,193</b>	

**Table 6: COUNCIL DECISION**

Recommendations for Approval for Supplementary Capital Estimates (SCEs) and Virements

Committee	Amount Requested	Reason and Funding Source
£		
<b>Supplementary Capital Estimates over £1,000,000</b>		
<b>Highways &amp; Transport</b> Active Travel Fund	1,297,882	Following a bidding process, the Council have been awarded £1,297,882 from Active Travel England to deliver a scheme at Manchester Road in Wilmslow (Tranche 4)
<b>Total Supplementary Capital Estimates Requested</b>	<b>1,297,882</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>1,297,882</b>	

**Table 7: TO NOTE - Capital Budget Reductions**

Committee / Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
<b>Finance Sub Committee are asked to note the reductions in Approved Budgets</b>				
<b>Children and Families</b>				
Devolved Formula Capital	350,000	346,178	3,822	The allocation for the 2023/24 Devolved Formula capital to schools is slightly less than the estimate in the 2023/27 MTFS - therefore a reduction in budget is required.
<b>Highways and Transport</b>				
On-street Residential Charging	455,330	451,100	4,230	Budget includes "On-street Residential Chargepoint" grant £155,330, the confirmed amount for this grant is actually £151,100.
<b>Economy &amp; Growth</b>				
Handforth Heat Network	13,710,000	13,219,000	491,000	Overall reduction due to funding changes to this project, Grants -£2.816m; External Contributions +£2.538m; Prudential Borrowing -£0.213m
<b>Environment &amp; Communities</b>				
Future High Street Funding - Sustainable Energy Network	2,642,501	1,137,336	1,505,165	The level of funding has now changed for this project as £1.505m of funding has been returned to the Department for Business, Energy & Industrial Strategy (BEIS)
	<b>17,157,831</b>	<b>15,153,614</b>	<b>2,004,217</b>	

## Prudential Indicators revisions to: 2021/22 and 2023/24 – 2024/25, 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 £205.8m 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
<b>Total</b>	116.4	205.8	207.3	219.1	88.5

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	2.4	1.9	32.9	1.0
Government Grants	47.1	111.7	116.9	91.6	29.1
External Contributions	6.7	22.2	28.3	51.9	22.8
Revenue Contributions	1.2	2.4	0.2	0.2	0.0
<b>Total Financing</b>	<b>56.0</b>	<b>138.7</b>	<b>147.3</b>	<b>176.6</b>	<b>52.9</b>
Prudential Borrowing	60.4	67.1	60.0	42.5	35.6
<b>Total Funding</b>	<b>60.4</b>	<b>67.1</b>	<b>60.0</b>	<b>42.5</b>	<b>35.6</b>
<b>Total Financing and Funding</b>	<b>116.4</b>	<b>205.8</b>	<b>207.3</b>	<b>219.1</b>	<b>88.5</b>

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
<b>Total</b>	<b>15.0</b>	<b>17.2</b>	<b>19.9</b>	<b>23.4</b>	<b>25.5</b>

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 £52m 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
<b>Total</b>	<b>467</b>	<b>519</b>	<b>557</b>	<b>578</b>	<b>557</b>

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
<b>Total</b>	<b>4.9</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>

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
<b>Total Debt</b>	<b>280</b>	<b>339</b>	<b>371</b>	<b>428</b>	<b>401</b>
<b>Capital Financing Req.</b>	<b>467</b>	<b>519</b>	<b>557</b>	<b>578</b>	<b>557</b>

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 £351m over the next four years.

Borrowing and the Liability Benchmark	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Outstanding Debt	261	321	354	411	386
<b>Liability Benchmark</b>	<b>239</b>	<b>285</b>	<b>335</b>	<b>362</b>	<b>351</b>

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	570
Authorised Limit for Other Long-Term Liabilities	19	18	17	17	15
<b>Authorised Limit for External Debt</b>	<b>499</b>	<b>558</b>	<b>587</b>	<b>607</b>	<b>585</b>
Operational Boundary for Borrowing	470	530	560	580	560
Operational Boundary for Other Long-Term Liabilities	19	18	17	17	15
<b>Operational Boundary for External Debt</b>	<b>489</b>	<b>548</b>	<b>577</b>	<b>597</b>	<b>575</b>

### 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
<b>Total Investments</b>	<b>52</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>

Source: Cheshire East Finance

5.37 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 7a**.

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 Finance Sub-Committee as part of the Financial Review 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 7b**.

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.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31/03/23 Actual</b>	<b>31/03/24 Estimate</b>	<b>31/03/25 Estimate</b>	<b>31/03/26 Estimate</b>	<b>31/03/27 Estimate</b>
Financing Costs (£m)	19.0	19.0	20.0	21.0	22.0
Proportion of net revenue stream %	<b>5.80</b>	<b>5.38</b>	<b>5.37</b>	<b>5.50</b>	<b>5.59</b>
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 £27.4m 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 £34.2m.
- 6.8 The first review position presents a pressure of £26.6m. 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)	34.2
<b>Total Reserves Balance at 31 March 2024</b>	<b>48.3</b>

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

**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	(1,281)	5,801
Children and Families Committee	3,374	(3,092)	282
Corporate Policy Committee	45,549	(20,631)	24,918
Economy and Growth Committee	3,109	(1,570)	1,539
Environment and Communities Committee	994	(173)	821
Highways and Transport Committee	1,486	(663)	823
<b>TOTAL EARMARKED RESERVES MOVEMENT</b>	<b>61,594</b>	<b>(27,410)</b>	<b>34,184</b>

*\*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 and health care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The ongoing pressure is regularly reviewed; at the end of 2022/23 the deficit was £46.9m; the deficit is forecast to increase to £85.9m 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 September 2023 for approval.

**Table 3 – DSG Deficit**

Dedicated Schools Grant Deficit	£m
Deficit Balance B/F	46.9
Additional In-year Pressures	39.0
<b>Deficit Balance at 31st March 2024</b>	<b>85.9</b>

## Appendix 7a

# Treasury Management Strategy

## Treasury Management Report

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## 1. Background

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (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 (**Appendix 7b**).

## 2. External Context

- 1.4 **Economic background:** From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture.
- 1.5 The UK situation was not welcome news for the Bank of England. GDP growth was weak, confirmed at 0.1% in Q1, although more recent monthly GDP data has been somewhat better. The housing market has stalled, consumer demand is weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.
- 1.6 April data showed the unemployment rate increased to 3.8% while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the Covid pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.
- 1.7 Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.
- 1.8 After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary

Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.

- 1.9 Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.
- 1.10 With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK measure of consumer confidence rising to -24 in June, it is likely confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.
- 1.11 **Financial Markets:** Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.
- 1.12 Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield

from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.

- 1.13 **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.
- 1.14 Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, 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.
- 1.15 An outlook for the remainder of 2023/24 and interest rate forecast provided by Arlingclose is attached at **Annex A**.

### 3. Local Context

- 1.16 As at 30 June 2023 the Authority has borrowings of £261m and investments of £37m. 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	518	557	577
Less: Other long term liabilities *	(19)	(18)	(17)	(17)
<b>Loans CFR</b>	<b>448</b>	<b>500</b>	<b>540</b>	<b>560</b>
Less: External borrowing **	(261)	(321)	(354)	(411)
<b>Internal (over) borrowing</b>	<b>187</b>	<b>179</b>	<b>186</b>	<b>149</b>
Less: Usable reserves	(165)	(156)	(151)	(146)
Less: Working capital	(64)	(80)	(75)	(73)
<b>Investments (or New borrowing)</b>	<b>(42)</b>	<b>(57)</b>	<b>(40)</b>	<b>(70)</b>

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

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

- 1.17 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 1.18 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.

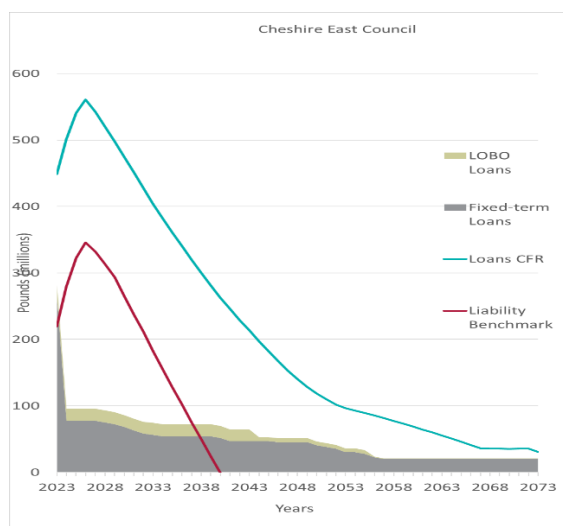
- 1.19 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum 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	500	540	560
Less: Usable reserves	(165)	(156)	(151)	(146)
Less: Working capital	(64)	(80)	(75)	(73)
Plus: Minimum investments	20	20	20	20
<b>Liability Benchmark</b>	<b>239</b>	<b>284</b>	<b>334</b>	<b>361</b>

- 1.20 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

- 1.21 The Authority currently holds loans of £242m, a decrease of £19m since 31 March 2023. However, this will increase to a higher level, currently forecast as £321m at 31 March 2024.

- 1.22 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 need to be borrowed to more realistic levels.

- 1.23 At the moment, 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. The cost of short term borrowing in this quarter is 3.84% and rising, compared to 1.66% for 2022/23. A full list of current temporary borrowings is shown in **Annex C**.

- 1.24 **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

- 1.25 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 June 2023 is £37m.
- 1.26 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.
- 1.27 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.

- 1.28 Treasury Management income to 30 June 2023 is £650,000 which is higher than the budgeted £215,000. However, borrowing costs are also higher than budgeted at £2,67m compared to budget of £1,17m. 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 June 2023 is £53.0m
  - The average annualized interest rate received on in-house investments up to 30 June 2023 is 4.28%
  - The average annualized interest rate received on the externally managed funds up to 30 June 2023 is 5.83%
- 1.29 The Authority's total average interest rate on all investments in 2023/24 is 5.03%. The returns continues to exceed our own performance target of 4.93% (average Base Rate + 0.50%). We also compare favourably to the Sterling Over Night Interest Average (SONIA) rate.

**Table 3 – Interest Rate Comparison**

Comparator	Average Rate to 30/06/2023
Cheshire East	5.03%
SONIA	4.37%
Base Rate	4.43%
Target Rate	4.93%

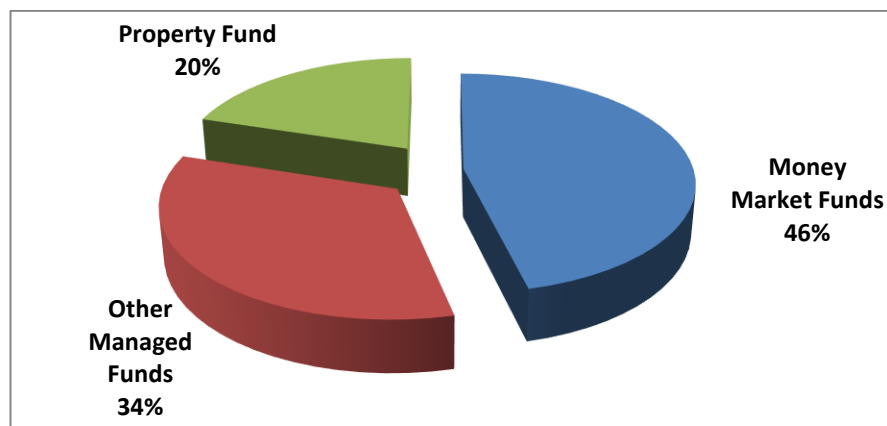
- 1.30 As the Authority holds reserves and working capital, £20m of this has been placed in strategic investments in order to benefit from higher income returns whilst spreading risk across different asset classes.
- 1.31 The investments are in five different funds which are all designed to give an annual income return between 4% and 5% but which have different underlying levels of volatility. By spreading investments across different types of fund, the intention is to dampen any large fluctuations in the underlying value of the investments.

**Table 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	4.0
Schroders	Equity - UK	2.5	2.3
M & G	Bonds	1.0	0.8
TOTAL		20.0	19.0

- 1.32 The value of these investments does vary. During 2022/23 the valuation of all funds has been affected by rising inflation, the effects of the war in Ukraine and low levels of GDP. All funds continue to deliver good levels of income return.

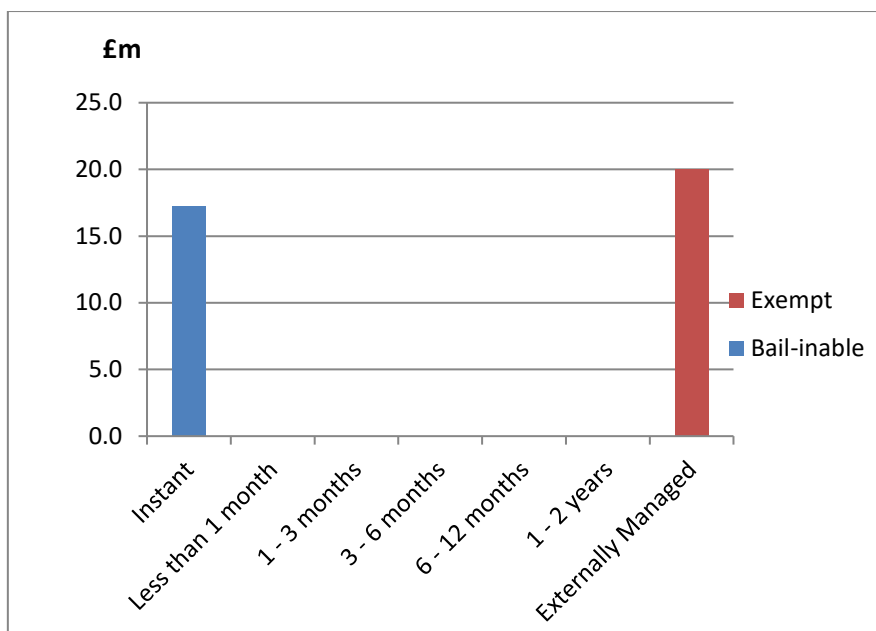
**Chart 2 – Current Investments by Counterparty Type**



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

Instant Access Accounts	Average Rate %	£m
Money Market Funds	4.77	17.2
Externally Managed Funds		£m
Total – see table 4		20.0
Summary of Current Investments		£m
<b>TOTAL</b>		<b>37.2</b>

**Chart 3 – Maturity Profile of Investments**



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

## 6. Treasury Management Indicators

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£740,000
Likely revenue impact in 2023/24 of a 1% <u>rise</u> in interest rates	£1,270,000

1.35 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% and likely to change further so full revenue impact of changing rates is likely to be higher. Increased borrowing following repayment of Government funds has resulted in this indicator being exceeded.

1.36 **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 June 2023 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	75%	73%
12 months and within 24 months	75%	0%
24 months and within 5 years	75%	1%
5 years and within 10 years	75%	10%
10 years and within 20 years	100%	4%
20 years and above	100%	12%

1.37 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.

1.38 **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 2023/24

	Current	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
<b>Official Bank Rate</b>													
<b>Upside risk</b>	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Central Case</b>	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00
<b>Downside risk</b>	0.00	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

UK inflation and wage growth has proven to be even more stubborn, with headline rates remaining steady, core rates rising, and wage growth accelerating. As a result, the Bank of England sought to shock markets and underline its inflation fighting credentials by increasing Bank Rate by 50bps to 5.0% with a further increase to 5.25%. However, this is unlikely to be the peak.

The economy has been resilient in the face of the dual headwinds of inflation and interest rates, albeit the majority rise in Bank Rate is yet to impact households. Government cost of living support, stronger wage growth and household savings have had an offsetting effect, while timing issues around mortgage resets have delayed the impact of monetary tightening.

Employment demand has remained strong and, alongside inflation expectations, has driven stronger wage growth. This in turn is adding upward pressure to inflation, particularly services inflation. Core CPI and services inflation have increased of late despite previous monetary tightening.

The banks credibility issues mean that it can no longer afford to wait until the effect of past increases in Bank Rate affect activity. This suggests that further monetary tightening is necessary to have the desired immediate effect on inflation.

The lagged effect of aggressive monetary tightening will increasingly pressure economic activity. A recession appears inevitable. Household spending will be affected by increases in mortgage payments, while business investment/spending will fall back due to higher borrowing costs. Unemployment will increase.

Inflation will fall sharply this year, albeit at a slower pace than expected. Recessionary conditions eventually create downside risks for inflation and will entail monetary easing in the medium term to stimulate economic activity.

The expectation is that the MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until service inflation and wage growth ease. The stickiness of data suggests cuts will happen later than previously expected.

## Annex B: Existing Investment & Debt Portfolio Position

	30/06/23 Actual Portfolio £m	30/06/23 Average Rate %
<b>External Borrowing:</b>		
PWLB – Fixed Rate	60	4.53%
Local Authorities	162	3.85%
LOBO Loans	17	4.63%
Other	3	4.28%
<b>Total External Borrowing</b>	<b>242</b>	<b>4.28%</b>
<b>Other Long Term Liabilities:</b>		
PFI	19	-
<b>Total Gross External Debt</b>	<b>261</b>	<b>-</b>
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	17	4.77%
<i>Managed externally</i>		
Property Fund	7.5	4.75%
Multi Asset Fund	5	6.70%
Equity - Global	4	4.74%
Equity - UK	2.5	6.00%
Bonds	1	3.56%
<b>Total Investments</b>	<b>37</b>	<b>5.12%</b>
<b>Net Debt</b>	<b>224</b>	<b>-</b>

## Annex C: Current Temporary Borrowing

Lender	Start	Maturity	Rate %	£m
Evergreen Fund (CW LEP)	Call Account		4.45	3.4
East Sussex CC	14/04/23	14/07/23	4.40	5.0
Norwich City Council	18/01/23	18/07/23	3.87	5.0
Tendring DC	21/04/23	21/07/23	4.30	3.0
Wigan MBC	23/01/23	24/07/23	3.85	5.0
West Mids CA	24/04/23	24/07/23	4.25	5.0
Northern Ireland Housing Executive	29/07/22	28/07/23	1.88	10.0
Rutland County Council	30/01/23	31/07/23	3.80	3.0
West Yorks Comb Auth	03/02/23	03/08/23	3.70	5.0
Barnsley MBC	05/05/23	07/08/23	4.25	6.0
Hampshire CC	10/02/23	10/08/23	3.85	10.0
Flyde BC	13/02/23	14/08/23	3.85	2.0
South Derbyshire DC	16/02/23	16/08/23	3.80	3.0
Derbyshire Dales DC	22/05/23	22/08/23	4.33	4.0
Maldon DC	23/11/22	23/08/23	1.80	2.0
East Sussex CC	24/02/23	24/08/23	3.90	5.0
Crawley BC	26/05/23	29/08/23	4.50	5.0
Blackburn with Darwen	30/05/23	30/08/23	4.50	5.0
Vale of Glamorgan	23/02/23	15/09/23	4.15	1.5
LB Wandsworth	15/03/23	15/09/23	4.35	5.0
LB Islington	21/06/23	21/09/23	4.51	5.0
Nottinghamshire CC	21/06/23	21/09/23	4.80	5.0
South Lanarkshire Council	22/03/23	22/09/23	4.50	5.0
Cambridge & Peterbrough CA	23/01/23	25/09/23	3.90	10.0
Mid Sussex DC	23/03/23	26/09/23	4.30	2.0
LB Wandsworth	13/06/23	13/10/23	4.51	7.5
Carmarthenshire CC	21/04/23	20/10/23	4.20	5.0
LB Wandsworth	21/06/23	23/10/23	4.51	5.0
Local Government Association	26/04/23	26/10/23	4.30	1.5
Local Government Association	26/04/23	26/10/23	4.30	1.5
Barnsley MBC	27/06/23	27/10/23	4.50	5.0
West Yorks CA	04/05/23	06/11/23	4.30	5.0
West Yorks CA	02/06/23	30/11/23	4.65	5.0
East Suffolk Council	28/06/23	04/01/24	4.48	5.0
West Mids CA	06/02/23	05/02/24	4.00	5.0
<b>TOTAL</b>				<b>165.4</b>

# 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	30/06/23 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
<b>TOTAL INVESTMENTS</b>	<b>101,801</b>	<b>106,813</b>	<b>94,441</b>
Commitments to lend	6,097	6,013	6,013
<b>TOTAL EXPOSURE</b>	<b>107,898</b>	<b>112,826</b>	<b>100,454</b>

- 1.18 The Council has total investment exposure estimated at £112.8m at June 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 June 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
<b>TOTAL FUNDED BY BORROWING</b>	<b>29,517</b>	<b>23,865</b>	<b>23,129</b>

- 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 (see 1.21 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 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 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	30/06/23 Actual £000	30/06/23 Actual £000	30/06/23 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
<b>TOTAL</b>	<b>16,621</b>	<b>16,795</b>	<b>107</b>	<b>16,688</b>	<b>35,000</b>

- 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	30/06/23 actual £000	30/06/23 actual £000	30/06/23 actual £000	2023/24 £000
	Value in accounts	Amounts invested	Total Gains/ (Losses)	Value in accounts	Approved Limit (at cost)
Local businesses	4,460	1,070	3,390	4,460	10,000
<b>TOTAL</b>	<b>4,460</b>	<b>1,070</b>	<b>3,390</b>	<b>4,460</b>	<b>10,000</b>

- 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
<b>Total</b>	<b>25,277</b>	<b>402</b>	<b>28,588</b>	<b>(4,051)</b>	<b>24,537</b>

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 30/06/23 Actual			2023/24
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Partner Organisations	3,776	3,776	183	3,593	20,000
<b>TOTAL</b>	<b>3,776</b>	<b>3,776</b>	<b>183</b>	<b>3,593</b>	<b>20,000</b>

- 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.