



Second Financial Review 2023/24

November 2023

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

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

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Introduction

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

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

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

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

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

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

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

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

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2023/24 Outturn Forecast - Financial Position

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

Financial Stability

Introduction

- 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.
- 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.
- Table 1** provides a service summary of financial performance. The current forecast is that services will be £18.7m over budget in the current year which includes mitigating actions identified to date. The 2023/24 Approved Budget Policy Changes and Forecast Variances provide further details and changes to service net budgets since the Medium-Term Financial Strategy (Section 2 in the **Appendices 1-6**).
- It also shows that central budgets are forecast to be £0.9m over budget resulting in an overall forecast outturn of £18.7m against a net revenue budget of £353.1m.
- Further items impacting on the level of the Council's balances are detailed in **Appendix 7**.

Table 1 - Service Revenue Outturn Forecasts

2023/24	Revised Budget (NET) £m	Forecast Outturn £m	Forecast Variance £m	Forecast Variance FR1 £000	Movement from FR1 to FR2 £000
SERVICE DIRECTORATES					
Adult Social Care - Operations	137.9	142.6	4.7	0.2	4.4
Commissioning	(1.4)	(1.4)	0.1	0.1	-
Public Health	-	-	-	-	-
Adults and Health Committee	136.5	141.2	4.7	0.3	4.4
Directorate	0.2	0.4	0.1	0.7	(0.6)
Children's Social Care	49.4	58.8	9.4	4.8	4.6
Strong Start, Family Help and Integration	7.4	6.8	(0.6)	(0.6)	0.0
Education & 14-19 Skills	23.2	25.0	1.8	2.1	(0.3)
Children and Families Committee	80.3	91.0	10.8	7.0	3.8
Directorate	0.2	(0.0)	(0.2)	(0.2)	-
Growth & Enterprise	24.6	22.9	(1.7)	(1.7)	0.0
Economy and Growth Committee	24.8	22.9	(1.9)	(1.9)	0.0
Environment & Neighbourhood Services	48.7	52.3	3.5	4.2	(0.7)
Environment and Communities Committee	48.7	52.3	3.5	4.2	(0.7)
Highways & Infrastructure	11.2	12.4	1.2	1.2	0.1
Highways and Transport Committee	11.2	12.4	1.2	1.2	0.1
Directorate	0.6	0.5	(0.1)	0.2	(0.3)
Finance & Customer Services	12.8	12.9	0.2	0.5	(0.3)
Governance & Compliance Services	10.8	10.3	(0.4)	0.1	(0.5)
Communications	0.7	0.7	0.0	(0.0)	0.0
HR	2.6	2.4	(0.2)	-	(0.2)
ICT	11.8	12.0	0.2	0.3	(0.2)
Policy & Change	2.0	1.9	(0.1)	(0.1)	0.0
Corporate Policy Committee	41.2	40.7	(0.5)	0.9	(1.4)
TOTAL SERVICES NET EXPENDITURE	342.7	360.5	17.8	11.7	6.2
CENTRAL BUDGETS					
Capital Financing	19.0	19.4	0.4	0.4	0.0
Transfer to/(from) Earmarked Reserves	(7.4)	(7.4)	-	-	-
Corporate Contributions / Central Budgets	(1.2)	(0.7)	0.5	0.7	(0.2)
Finance Sub-Committee - Central Budgets	10.4	11.3	0.9	1.1	(0.2)
TOTAL NET EXPENDITURE	353.1	371.9	18.7	12.8	5.9
Business Rates Retention Scheme	(55.3)	(55.3)	-	-	-
Specific Grants	(26.8)	(26.8)	-	-	-
Council Tax	(271.1)	(271.1)	-	-	-
Finance Sub-Committee - Net Funding	(353.1)	(353.1)	-	-	-
NET (SURPLUS) / DEFICIT	-	18.7	18.7	12.8	5.9
General Reserves Balance 2023/24 Budget					
	£m				
Opening Balance April 2023	14.1	Actual			
2023/24 Impact on Reserves (see above)	(18.7)	Forecast			
Closing Balance March 2024	(4.6)	Forecast			

Appendices to Second Financial Review 2023/24

November 2023

Appendix 5 : Environment and Communities Committee

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- 2. 2023/24 Approved Budget Policy Changes and Forecast Variances**
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Appendix 5

Environment and Communities Committee

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

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

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

Environment and Communities Committee

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

Forecast Outturn Commentary:

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

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

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

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

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

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

Environment and Communities Committee

3. Corporate Grants Register

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

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

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

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

Table 1 – Corporate Grants Register

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

Notes

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

Environment and Communities Committee

4. Debt Management

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

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

Environment and Communities Committee

5. Capital Strategy

Environment & Communities													CAPITAL
CAPITAL PROGRAMME 2023/24 - 2026/27													
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

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													
Neighbourhood Services													
Congleton Leisure Centre	12,860	12,676	184	0	0	0	184	0	0	0	0	184	184
Crewe Towns Fund - Valley Brook Green Corridor	100	54	46	0	0	0	46	46	0	0	0	0	46
Macclesfield Leisure Centre Improvements	3,865	3,398	467	0	0	0	467	0	0	0	0	467	467
Middlewich Leisure Centre	60	51	9	0	0	0	9	0	0	0	0	9	9
Libraries - Next Generation - Self Service	374	329	44	0	0	0	44	0	0	0	0	44	44
Poynton Leisure Centre	4,606	417	0	1,974	2,215	0	4,189	0	0	0	0	4,189	4,189
Planning Services													
Regulatory Systems & Environmental 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
<u>Environment and Neighbourhood Services</u>				
Strategic Planning	568	0	568	To meet costs associated with the Local Plan - site allocations, minerals and waste DPD.
Trees / Structures Risk Management	166	(56)	110	New reserve to respond to increases in risks relating to the environment, in particular the management of trees, structures and dealing with adverse weather events.
Spatial Planning - revenue grant	89	(47)	42	Funding IT costs over 4 years.
Neighbourhood Planning	82	(0)	82	To match income and expenditure.
Air Quality	36	(19)	17	Air Quality Management - DEFRA Action Plan. Relocating electric vehicle chargepoint in Congleton.
Street Cleansing	26	(26)	0	Committed expenditure on voluntary litter picking equipment and electric blowers.
Community Protection	17	(17)	0	£4k illicit tobacco grant; £13k Natasha's Law grant.
Licensing Enforcement	8	(8)	0	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Flood Water Management (Emergency Planning)	2	0	2	Relating to Public Information Works.
ENVIRONMENT AND COMMUNITIES TOTAL	994	(173)	821	