



Third Financial Review 2023/24

January 2024

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 £13.0m 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.
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- **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 | 141.5 | 5.0 | Appendix 1 |
| Children's Services | 80.3 | 90.3 | 10.0 | Appendix 2 |
| Place - Directorate/Growth & Enterprise | 24.8 | 22.0 | (2.8) | Appendix 4 |
| Place - Environment & Neighbourhood Services | 48.7 | 51.8 | 3.1 | Appendix 5 |
| Place - Highways & Infrastructure | 11.2 | 11.0 | (0.2) | Appendix 6 |
| Corporate Services | 41.7 | 40.7 | (1.0) | Appendix 3 |
| Total Services Net Expenditure | 343.2 | 357.3 | 14.1 | |
| CENTRAL BUDGETS | | | | |
| Capital Financing | 19.0 | 19.0 | - | 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 | (1.7) | (2.8) | (1.1) | Appendix 7 |
| TOTAL NET EXPENDITURE | 353.1 | 366.1 | 13.0 | |
| 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 | - | 13.0 | 13.0 | |

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 £14.1m 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 below budget resulting in an overall forecast outturn of £13.0m 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 | Forecast Variance FR1 | Movement from FR2 to FR3 |
|--|----------------|------------------|-------------------|-----------------------|--------------------------|
| | (NET) | | | | |
| | £m | £m | £m | £000 | £000 |
| SERVICE DIRECTORATES | | | | | |
| Adult Social Care - Operations | 137.9 | 142.9 | 4.9 | 4.7 | 0.3 |
| Commissioning | (1.4) | (1.4) | 0.1 | 0.1 | 0.0 |
| Public Health | - | - | - | - | - |
| Adults and Health Committee | 136.5 | 141.5 | 5.0 | 4.7 | 0.3 |
| Directorate | 0.7 | 0.5 | (0.2) | 0.1 | (0.3) |
| Children's Social Care | 49.0 | 58.1 | 9.2 | 9.4 | (0.3) |
| Strong Start, Family Help and Integration | 7.4 | 6.4 | (1.0) | (0.6) | (0.4) |
| Education & 14-19 Skills | 23.2 | 25.2 | 2.0 | 1.8 | 0.2 |
| Children and Families Committee | 80.3 | 90.3 | 10.0 | 10.8 | (0.8) |
| Directorate | 0.3 | 0.1 | (0.2) | (0.2) | - |
| Growth & Enterprise | 24.5 | 21.9 | (2.6) | (1.7) | (0.9) |
| Economy and Growth Committee | 24.8 | 22.0 | (2.8) | (1.9) | (0.9) |
| Environment & Neighbourhood Services | 48.7 | 51.8 | 3.1 | 3.5 | (0.4) |
| Environment and Communities Committee | 48.7 | 51.8 | 3.1 | 3.5 | (0.4) |
| Highways & Infrastructure | 11.2 | 11.0 | (0.2) | 1.2 | (1.3) |
| Highways and Transport Committee | 11.2 | 11.0 | (0.2) | 1.2 | (1.3) |
| Directorate | 0.6 | 0.3 | (0.26) | (0.1) | (0.2) |
| Finance & Customer Services | 13.3 | 13.1 | (0.19) | 0.2 | (0.3) |
| Governance & Compliance Services | 10.8 | 10.4 | (0.37) | (0.4) | 0.1 |
| Communications | 0.7 | 0.7 | 0.01 | 0.0 | 0.0 |
| HR | 2.6 | 2.2 | (0.35) | (0.2) | (0.1) |
| ICT | 11.8 | 12.1 | 0.28 | 0.4 | (0.1) |
| Policy & Change | 2.0 | 1.9 | (0.08) | (0.3) | 0.2 |
| Corporate Policy Committee | 41.7 | 40.7 | (1.0) | (0.5) | (0.5) |
| TOTAL SERVICES NET EXPENDITURE | 343.2 | 357.3 | 14.1 | 17.8 | (3.6) |
| CENTRAL BUDGETS | | | | | |
| Capital Financing | 19.0 | 19.0 | - | 0.4 | (0.4) |
| Transfer to/(from) Earmarked Reserves | (7.4) | (7.4) | - | - | - |
| Corporate Contributions / Central Budgets | (1.7) | (2.8) | (1.1) | 0.5 | (1.6) |
| Finance Sub-Committee - Central Budgets | 9.9 | 8.8 | (1.1) | 0.9 | (2.0) |
| TOTAL NET EXPENDITURE | 353.1 | 366.1 | 13.0 | 18.7 | (5.7) |
| 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 | - | 13.0 | 13.0 | 18.7 | (5.7) |
| General Reserves Balance | | | | | |
| 2023/24 Budget | | | | | |
| | £m | | | | |
| Opening Balance April 2023 | 14.1 | Actual | | | |
| 2023/24 Impact on Reserves (see above) | (13.0) | Forecast | | | |
| Closing Balance March 2024 | 1.1 | Forecast | | | |

Appendices to Third Financial Review 2023/24

January 2024

Appendix 1: Adults and Health Committee

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

| | Second Review Revised Net Budget | Adjustments to FR2 Budget | Third Review Revised Net Budget | Unringfenced Grants to be Actioned |
|------------------------------------|--|------------------------------|---------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Adults | | | | |
| Adult Social Care Operations | 137,923 | - | 137,923 | - |
| Commissioning | (1,433) | - | (1,433) | - |
| Public Health | - | - | - | - |
| Adults and Health Committee | 136,490 | - | 136,490 | - |

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

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 3 for 2023/24, with the forecast pressure of £5.0m split between commissioning costs and staffing costs.

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

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

Unusually this year internal staffing costs 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. A number of agency staff have left the organisation and we have seen a reduction in the actual weekly expenditure on staffing and forecast expenditure, however in doing this it is recognised that we are carrying additional assessment risk and delays in assessments have already been noted.

The budget variance for Adult Social Care has worsened since FR2 by £300,000. The main reason continues to be persistent supply-side pressure within the external care market. The impact of inflation on the unit cost of residential and nursing care has exceeded previous expectations.

The Community Care Board has had some success in identifying avoidable expenditure including that incurred in facilitating hospital discharge and we have identified individuals where we are requesting enhanced top-ups to residential and nursing care. We have also started to set the criteria for use of Care Cubed and its use in supporting price negotiations with providers where we continue to see growth.

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

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

However, the budget outturn for Adult Social Care remains under extreme pressure. We have seen a significant increase in demand this month, particularly in respect of working age adults and young adults transitioning from children's services. The position reported for FR3 is dependent upon the successful delivery of on-going mitigations.

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|---|---------------|---------------------------|---|
| | Adults and Health Committee | 15.274 | | |
| 1 | Demand in Adult Social Care - unit cost inflation | 12.652 | 0.000 | Care budget growth in-line with forecasts at year end 2022/23. This has taken affect with an uplift to the external care budget in 2023/24. |
| 2 | Demand in Adult Social Care - complexity | 10.351 | 0.000 | Care budget growth in-line with forecasts at year end 2022/23. This has taken affect with an uplift to the external care budget in 2023/24. |
| 3 | Investment in Adult Social Care | 5.400 | 5.873 | 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 will exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies. |
| 5 | Care Fee Uplifts in Adult Social Care | 2.000 | 0.500 | Volatility in relation to complex care packages (supported living) is creating risk above the funds provided through the Market Sustainability Plan. |
| 6 | Direct Payment (Personal Assistants) Uplift | 0.691 | 0.000 | On track. Growth in budget has been applied to the personal assistant budget for direct payments. |
| 7 | Revenue grants for Adult Social Care | -3.600 | 0.000 | On track. Technical financial adjustment to the budget. Grants are being received as planned. |
| 8 | Home First Strategy - increased care at home capacity | -4.000 | 0.533 | The phased plan of reductions on short term bed is on track. This delivers the £4m targeted reduction annually, but the phasing of delivery means the benefit in 2023/24 will be approximately £3.5m (assuming current commitment remains consistent until year end). |
| 9 | Pension Costs Adjustment | -2.082 | 0.000 | On track, subject to ongoing monitoring, dependent on in-year staffing costs. |
| 10 | Learning Disabilities Future Service Development and Review | -1.750 | 0.000 | On track. Savings are being independently monitored by senior managers in adults in collaboration with finance. |
| 11 | Client contribution yield offsetting growth | -1.200 | 0.000 | On track. The existing fees and charges policy ensures income is appropriately received; this has been verified through a review of income received during first financial review for 2023/24. |
| 12 | Home First Strategy - alternative care provisions | -1.000 | 0.240 | Challenges with delivery due to managing increasing general demand alongside the additional reviews required to achieve this saving. Alternative mitigations are being investigated, including working with Impower to review the use of technology enabled care (TEC). £720,000 of the saving is linked to alternative provision from reviews such as TEC which is anticipated to be the two thirds delivered. |
| 13 | Market Sustainability and Fair Cost of Care - Grant Income | -0.979 | 0.000 | On track. Technical financial adjustment to the budget. Grants are being received as planned. |

| | | | | |
|-----|---|--------|--------|---|
| 14 | Resettlement Revenue Grants | -0.850 | 0.000 | On track. Technical financial adjustment to the budget. Grants are being received as planned. |
| 15 | Communities Team | -0.750 | 0.000 | On track. Grant funding relating to this has been received and future grants allocations have been confirmed. |
| 16 | Direct Payment - Audit Recoveries | -0.750 | 0.000 | On track. Whilst further work is underway to verify analysis of previous recovery exercise and amounts recovered to date gives reassurance that this will be achieved. |
| 17 | ASC Transformation Earmarked Reserve Release | -0.500 | 0.000 | On track. Technical financial adjustment to the budget. The reserve will be drawdown in 2023/24 as planned. |
| 18 | Maximisation of Supported Living | -0.369 | 0.000 | On track. Savings are being independently monitored by senior managers in adults in collaboration with finance. |
| 19 | Productivity and Efficiency in Adult Social Care | -0.271 | 0.271 | Establishment work underway to quantify any remaining staffing budget pressures. This will involve a review of all existing agency appointments. |
| 20 | Building Based Short Breaks | -0.250 | 0.250 | Pending outcome of consultation process. Whilst not expected to be fully achieved in 2023/24, the saving has been fully mitigated elsewhere in the Care4CE service, this has been reflected in the first financial review position. |
| 21 | Adults and Health Non-Essential Commissioning/Contracts | -0.245 | 0.000 | On track. Permanent recurrent funding has been identified within the directorate to ensure full delivery. |
| 22 | Building Based Day Services | -0.229 | 0.114 | Pending outcome of consultation process. Whilst not expected to be fully achieved in 2023/24, the saving has been fully mitigated elsewhere in the Care4CE service, this has been reflected in the first financial review position. |
| 23 | Day Care Review | -0.150 | 0.000 | On track. Savings are being independently monitored by senior managers in adults in collaboration with finance. |
| New | In-year pressures | 0.000 | 0.560 | Balancing variance to capture net pressure on other budget lines. Includes social work operations staffing budget variance (the variance on external care is covered within item 3 & 5). |
| New | Market Sustainability Grant | 0.000 | -2.206 | Announced in July 2023 - will be applied against growth in care fees during the year. |

| | TOTAL FORECAST VARIANCE | | 6.913 | |
|--|-------------------------------------|--|--------|--|
| Further Mitigations / Adjustments to FR2 | In-year growth to Care Fees | | 1.000 | Estimated impact of price inflation on unit cost of care. Assumes current volume of care and average rate of turnover is maintained. And that new packages of care bought at prices seen since April 2023. |
| | Staffing Efficiencies | | -0.332 | Staffing review underway. Estimate assumes a reduction of agency contracts in the service. |
| | Revenue Grant Maximisation | | -0.650 | Allocation of revenue grants within ASC re-aligned to stabilise external commissioned care budget. |
| | Supported Living Risk Share Project | | -0.300 | Forecasted to yield 100% of targeted saving for the risk-share project with SL provider. |
| | Impower Transformation | | -0.842 | Part year forecast saving linked to transformation work. |
| | Further use of Earmarked Reserves | | -0.800 | Remaining reserves utilised. |
| | REVISED FORECAST VARIANCE | | 4.989 | |

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 decrease in specific purpose grants relates to reductions in Afghan-related grants. However, a number of these are subject to change depending on actual claims submitted

- 3.4 **Table 1** provides a detailed listing of all Adults & Health related grants, their movements between the reporting period and the treatment of the grant.
- 3.5 **Table 2** shows additional specific purpose grant allocations that have been received which are £500,000 or less and are for noting only.

Table 1 – Corporate Grants Register

| Grants 2023/24 | Original Budget | Revised Forecast Mid-Year | Revised Forecast FR3 | Change from Mid-Year Forecast | Treatment of Grant |
|---|-----------------|---------------------------|----------------------|-------------------------------|--------------------|
| | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | Notes 2 - 5 |
| ADULTS & HEALTH | | | | | |
| Specific Purpose (Held within Services) | | | | | |
| Additional Better Care (for Adult Social Care) | 8,706 | 8,706 | 8,706 | 0 | |
| Market Sustainability and Fair Cost of Care Fund | 979 | 979 | 979 | 0 | |
| Market Sustainability and Fair Cost of Care Fund - top-up | 2,400 | 2,418 | 2,418 | 0 | |
| Market Sustainability and Fair Cost of Care Fund - Workforce Element | 0 | 2,206 | 2,206 | 0 | |
| Trailblazer support funding - brought-forward | 0 | 300 | 300 | 0 | |
| Discharge Fund | 1,200 | 1,221 | 1,221 | 0 | |
| Multiply - Supported Employment | 0 | 536 | 536 | 0 | |
| Supported Internship Grant | 29 | 29 | 29 | 0 | |
| Asylum Dispersal Scheme | 0 | 482 | 590 | 109 | SRE |
| Afghan - Wrap Around support - brought-forward | 910 | 910 | 672 | (238) | |
| Afghan - Resettlement support - brought-forward | 288 | 288 | 219 | (69) | |
| Afghan - Flexible Housing Funding | 0 | 426 | 213 | (213) | |
| Afghan - Integration Support | 0 | 1,231 | 168 | (1,064) | |
| Afghan - Homelessness Funding | 0 | 128 | 27 | (101) | |
| Afghan - Homeless Wrap Around Funding | 0 | 306 | 18 | (288) | |
| Afghan - Caseworker Tariff | 0 | 36 | 36 | (0) | |
| Homes for Ukraine Scheme - brought-forward | 0 | 2,214 | 2,214 | 0 | |
| Homes for Ukraine Scheme | 0 | 236 | 295 | 59 | SRE |
| Private Finance Initiative (PFI) credits | 4,125 | 4,125 | 4,125 | 0 | |
| Journey First and Parents First (originally provided by the European Social Fund but now DWP) | 0 | 350 | 350 | 0 | |
| Total Adults & Health - Adult, Health & Integration - Specific Purpose | 18,637 | 27,126 | 25,321 | (1,805) | |

| Grants 2023/24 | Original Budget | Revised Forecast | Revised Forecast | Change from | Treatment of |
|--|-----------------|------------------|------------------|----------------|--------------|
| | 2023/24 | 2023/24 | 2023/24 | Mid-Year | Grant |
| | £000 | £000 | £000 | 2023/24 | Notes 2 - 5 |
| | | | | £000 | |
| ADULTS & HEALTH | | | | | |
| Specific Purpose (Held within Services) | | | | | |
| Public Health Grant | 17,405 | 17,972 | 17,972 | 0 | |
| COVID-19 COMF & T&T - brought-forward | 0 | 527 | 527 | 0 | |
| CHAMPS Health Protection / COVID-19 Recovery Funding | 0 | 27 | 27 | 0 | |
| OHID SSMTR Supplementary Substance Misuse Treatment & Recovery Grant | 353 | 354 | 354 | 0 | |
| North West Probation Service funding for SMS rehabilitative and resettlement interventions | 114 | 114 | 114 | 0 | |
| CHAMPS Marmot Place Funding - encourage pregnant women to stop smoking - brought-forward | 0 | 22 | 22 | 0 | |
| CHAMPS SMS - inpatient detox | 46 | 46 | 15 | (31) | |
| Total Adults & Health - Public Health - Specific Purpose | 17,918 | 19,060 | 19,030 | (31) | |
| General Use (Held Corporately) | | | | | |
| Social Care Support Grant | 12,426 | 12,426 | 12,426 | 0 | |
| Local Reform & Community Voices | 207 | 207 | 207 | 0 | |
| Social Care in Prisons | 73 | 73 | 73 | 0 | |
| War Pension Scheme Disregard | 60 | 60 | 60 | 0 | |
| Total Adults & Health - Public Health - General Use | 12,766 | 12,766 | 12,766 | 0 | |
| TOTAL ADULTS & HEALTH | 49,321 | 58,952 | 57,117 | (1,835) | |

Notes

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

Table 2 – DECISION DELEGATED TO OFFICERS

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

| Committee | Year | Type of Grant | £000 | Details |
|--|---------|--|------------|---|
| Adults and Health | 2023/24 | Asylum Dispersal Scheme (Specific Purpose) | 109 | Increase on the Financial Review 2 forecast. 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 | Homes for Ukraine Scheme (Specific Purpose) | 59 | Increase on the Financial Review 2 forecast. 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. |
| Total Specific Purpose Allocations less than £500,000 | | | 168 | |

Adults and Health Committee

4. Debt Management

| | Outstanding Debt £000 | | | Over 6 months old £000 | | |
|---------------------------------------|-----------------------|--------|--------------------------|------------------------|--------|--------------------------|
| | Sep-23 | Oct-23 | Increase / (Decrease) | Sep-23 | Oct-23 | Increase / (Decrease) |
| Adults and Health Committee | | | | | | |
| Adults, Public Health and Communities | 11,999 | 12,212 | 213 | 7,516 | 7,709 | 193 |

Adults and Health Committee

5. Capital Strategy

| Adults & Health | | | | | | | | CAPITAL | | | | | |
|-------------------------------------|-------------------------------------|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|------------------|-----------------------------------|----------------------------------|-----------------------------|---------------------------------|--------------------------|
| 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 | | | | | | | | | | | | | |
| Adults Services | | | | | | | | | | | | | |
| Electronic Call Monitoring System | 389 | 0 | 0 | 389 | 0 | 0 | 389 | 0 | 0 | 389 | 0 | 0 | 389 |
| People Planner System | 94 | 41 | 13 | 40 | 0 | 0 | 53 | 53 | 0 | 0 | 0 | 0 | 53 |
| Replacement Care4CE Devices | 93 | 65 | 8 | 20 | 0 | 0 | 28 | 28 | 0 | 0 | 0 | 0 | 28 |
| Total Committed Schemes | 576 | 106 | 21 | 449 | 0 | 0 | 470 | 81 | 0 | 389 | 0 | 0 | 470 |
| | | | | | | | | | | | | | |
| Total Adults and Health Schemes | 576 | 106 | 21 | 449 | 0 | 0 | 470 | 81 | 0 | 389 | 0 | 0 | 470 |

Adults and Health Committee

6. Reserves Strategy

Adults and Health Committee

| Name of Reserve | Opening Balance 1 April 2023 £000 | Forecast Movement in Reserves 2023/24 £000 | Forecast Closing Balance 31 March '24 £000 | Notes |
|--|---|--|--|---|
| <u>Adult Social Care Operations</u> | | | | |
| Adults Directorate | 1,020 | (1,020) | 0 | To support a number of widespread projects within the Adults and Health Directorate. |
| DOL's Assessments | 125 | (125) | 0 | Reserve will be exhausted by September 2023, creating an underlying staff budget pressure within the revenue budget. |
| <u>Adults Social Care Commissioning</u> | | | | |
| PFI Equalisation - Extra Care Housing | 2,795 | 0 | 2,795 | Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009, and the anticipated gap at the end of the agreement. |
| NHB Community Grants Staffing | 132 | (132) | 0 | Initially to support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects. NHB grant scheme has since ended and the reserve no longer required for this use – potential to return to support Council's overall position. |
| <u>Public Health</u> | | | | |
| Public Health Reserve | 3,010 | (827) | 2,183 | Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an Innovation Fund to support partners to deliver initiatives that tackle key health issues. Anticipated that the carry forward ringfenced grant will be spent across 2022/23 to 2026/27. |
| ADULTS AND HEALTH TOTAL | 7,082 | (2,104) | 4,978 | |

Appendix 2: Children and Families Committee

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Appendix 2

Children and Families Committee

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

| | Second Review Revised Net Budget | Adjustments to FR2 Budget | Third Review Revised Net Budget | Unringfenced Grants to be Actioned |
|---|--|------------------------------|---------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Children's Services | | | | |
| Directorate | 241 | 456 | 697 | - |
| Children's Social Care | 49,408 | (457) | 48,953 | - |
| Education & 14-19 Skills | 7,425 | - | 7,425 | 61 |
| Strong Start, Family Help and Integration (Previously Prevention & Early Help) | 23,201 | (5) | 23,196 | - |
| Children and Families Committee | 80,275 | (6) | 80,271 | 61 |

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 third financial review approvals have been given.

Children and Families Committee

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

Forecast Outturn Commentary:

At the end of last financial year the outturn for Children and Families was an overspend of £5.2m putting the service in a position of challenge from the outset of 2023/24. The growth within the Medium-Term Financial Strategy was not sufficient to cover all the pressures. The costs of childrens social care is a concern for many local authorities and not unique to Cheshire East. The Third Financial Review for 2023/24 reflects a £10.0m in-year pressure. This is an improvement of £0.8m since Second Financial Review. The change mainly relates to the use of a number of grants and use of reserves (£1.0m), offset by small increased costs (£0.4m) in transport, placements and underfunded services for separated migrant children.

The key pressure areas for the directorate include:

- Children's social care agency placements – where the complexity of children in care has continued to increase but the number of children in care has reduced from 586 at April 2023 to 543 at November 2023 (compared to an increase from 521 at April 2022 to 545 at November 2022). 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 vacancies, sick absence, and maternity leave.
- Higher legal costs within children's social care with longer processes and more legal challenge.
- Home to school transport costs – where a mix of increasing numbers of pupils with an education, health and care plan (EHCP), driver shortages and increasing fuel costs have seen overall costs rise.
- Schools Catering – where the costs of the service are above the current charged income level and base budget.

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

Mitigating actions include:

- Reduce spend following an in-depth review of Legal Costs and Educational Psychologists.

- Holding non statutory role vacancies, recruitment drive to reduce the requirement for agency workers including working with regional partners.
- Review of all high cost, low outcome placements for children in care.
- Review subsidy and funding related to school catering services.
- Working at pace to progress in-house sufficiency for children in care placements.

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

Dedicated School Grant (DSG)

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

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

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 around £3.1m in 2023/24.

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|--|---------------|---------------------------|---|
| | Children and Families Committee | 5.623 | | |
| 24 | School transport pressures | 4.000 | 1.360 | <p>This item includes the growth in special educational needs transport and the planned savings from the review of transport.</p> <p>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 will exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies. |
| 26 | Growth in Children's Social Care | 1.900 | 5.121 | <p>The revised position for placements is under review. The service is facing a challenging position given the 2022/23 outturn results.</p> <p>Children's social care agency placements – where the complexity of children in care has continued to increase but the number of children in care has reduced from 586 at April 2023 to 543 at November 2023 (compared to an increase from 521 at April 2022 to 545 at November 2022). 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.</p> |
| 27 | Recognise pressures in the Children's Social Care direct payments budget | 0.743 | -0.070 | On track, subject to ongoing monitoring. |

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|--|---------------|---------------------------|---|
| 28 | Statutory Education Psychology Service | 0.600 | - | On track following indepth review, subject to ongoing monitoring. |
| 29 | Reverse travel savings | 0.430 | - | Achieved. |
| 30 | Increase capacity to support statutory SEND service | 0.300 | - | Achieved although further pressures may emerge. |
| 31 | Household Support Fund Grant | -4.400 | - | Achieved. |
| 32 | Household Support Fund into the Council's base budget (funded from grant) | 4.400 | - | Achieved. |
| 33 | Pension Costs Adjustment | -1.964 | - | On track, subject to ongoing monitoring, dependent on in-year staffing costs. |
| NEW1 | Delivering Better Value in SEND grant | -1.200 | 0.607 | Achieved, change in profile. |
| NEW2 | Delivering Better Value in SEND (funded from grant) | 1.200 | -0.607 | Achieved, change in profile. |
| 34 | Use of Children & Families Transformation Reserve - estimated balance | -1.065 | - | Achieved as a one-off mitigation. |
| 35 | Integrated Children's Service Strategy | -0.950 | - | Project underway. One-off alternative mitigations are closing the gap where identified savings are for part of the year. |
| 36 | Holiday Activity Fund Grant | -0.900 | - | Achieved. |
| 37 | Holiday Activity Fund into the Council's base budget (funded from grant) | 0.900 | - | Achieved. |
| 38 | Review of commissioned services across the Children and Families Directorate | -0.450 | - | Shortfall of £0.220m so further work to do to find the whole saving. This is being off-set in-year by alternative mitigations relating to vacant posts. |
| 39 | Children's Development and Partnerships Service | -0.300 | - | Achieved. |

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|--|---------------|---------------------------|---|
| 40 | Early Help Redesign | -0.200 | - | Achieved. |
| 41 | Deliver the Family Hub model | -0.150 | - | Achieved. |
| 42 | Review of funding streams and income opportunities within Education and Skills | -0.230 | - | Achieved. |
| 43 | Reduce Legacy Pension commitments | -0.100 | - | Achieved. |
| 44 | Revenue costs for the Crewe Youth Zone (as above) aligned to Supporting Families Funding | - | - | Achieved. |
| 45 | Early Help budget to support funding towards the Crewe Youth Zone | - | - | Achieved. |
| | In-year Pressure Unaccompanied Asylum Seeking Children | | 0.895 | Shortfall in Home Office grant compared to forecast cost. |
| | In-year Pressure Legal Care Proceedings | | 0.650 | Higher legal costs within children's social care with longer processes and more legal challenge. Mitigation indepth review of Legal Costs. |
| | In-year Pressure Staffing | | 2.704 | Increased use and cost of agency staff in children's social care to cover vacant posts. |
| | In-year Pressure School Catering | | 0.214 | The costs of the service are above the current charged income level and base budget. This has been reduced by mitigation action to review charges and implement a price uplift. |
| | In-year Pressure | | -1.450 | Increased demand/costs offset by savings due to vacant posts. |
| | TOTAL FORECAST VARIANCE | | 9.997 | |

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|---|---------------|---------------------------|--|
| | Further Mitigating Actions | | | <p>Recruitment drive to reduce the requirement for agency workers including working with regional partners.</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.</p> <p>Increase senior management oversight of care costs to support holistic appraisal of financial impacts and opportunities.</p> |
| | REVISED FORECAST VARIANCE | | 9.997 | |

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 mainly relates to the Teachers' Pay Grant and an increased forecast to the Recovery Premium. There have also been additional, smaller grants and increases to existing grants. Requests for the allocation of the additional specific purpose grants received are detailed in **Table 2** and **Table 3**.

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

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

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

3.7 **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 Mid-Year | Revised Forecast FR3 | Change from Mid-Year Forecast | Treatment of Grant |
|---|-----------------|---------------------------|----------------------|-------------------------------|--------------------|
| | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | Notes 2 - 5 |
| CHILDREN & FAMILIES | | | | | |
| Specific Purpose (Held within Services)¹ | | | | | |
| Dedicated Schools Grant | 165,459 | 152,962 | 152,950 | (12) | |
| Pupil Premium Grant | 4,500 | 4,958 | 4,958 | 0 | |
| Pupil Premium Plus - Post 16 Funding | 0 | 56 | 56 | 0 | |
| Sixth Forms Grant | 2,729 | 2,833 | 2,892 | 59 | SRE |
| Universal Infant Free School Meals | 1,732 | 1,926 | 1,928 | 2 | SRE |
| Primary Physical Education Sports Grant | 981 | 981 | 982 | 1 | SRE |
| Teachers Pay Grant | 0 | 0 | 953 | 953 | SRE |
| Teachers Pension Grant | 0 | 47 | 111 | 64 | SRE |
| COVID-19 Recovery Premium | 0 | 225 | 900 | 675 | SRE |
| School Led Tutoring Grant | 0 | 295 | 295 | 0 | |
| Milk Subsidy | 10 | 21 | 21 | 0 | |
| Schools' Supplementary Grant | 2,548 | 2,543 | 2,543 | 0 | |
| Senior Mental Health Lead Training Grant | 0 | 2 | 2 | 0 | |
| Newly Qualified Teachers (Education Recovery 5% Time off Timetable) | 0 | 48 | 48 | 0 | |
| S14 Experts and Mentors Programme Grant | 0 | 7 | 7 | 0 | |
| Delivering Better Value in SEND | 1,200 | 593 | 593 | 0 | |
| Apprentice Incentive Scheme | 0 | 2 | 2 | 0 | |
| Digital Education Platform | 0 | 3 | 3 | 0 | |
| National Professional Qualification Grant | 0 | 10 | 10 | 0 | |
| Early Years Supplementary Grant | 0 | 1,262 | 1,262 | 0 | |
| | 0 | 0 | 87 | 87 | SRE |
| Total Children & Families - Schools - Specific Purpose | 179,159 | 168,775 | 170,603 | 1,828 | |

| Grants 2023/24 | Original Budget | Revised Forecast | Revised Forecast | Change from | Treatment of |
|---|-----------------|------------------|------------------|-------------|--------------|
| | 2023/24 | Mid-Year | FR3 | Mid-Year | Grant |
| | £000 | 2023/24 | 2023/24 | 2023/24 | Notes 2 - 5 |
| | | £000 | £000 | £000 | |
| CHILDREN & FAMILIES | | | | | |
| Specific Purpose (Held within Services)¹ | | | | | |
| Asylum Seekers | 788 | 3,906 | 3,647 | (259) | |
| Supporting Families (previously Tackling Troubled Families) | 0 | 384 | 384 | 0 | |
| Supporting Families (Payments by Results) Upfront Grant | 719 | 720 | 720 | 0 | |
| Reducing Parental Conflict Grant | 0 | 33 | 48 | 15 | SRE |
| Adoption Support Fund | 28 | 67 | 70 | 3 | SRE |
| KS2 Moderation & Phonics | 11 | 11 | 11 | 0 | |
| NHS Cheshire CCG Grant to fund CEIAS Services | 10 | 0 | 0 | 0 | |
| Skills & Lifelong Learning | 903 | 897 | 897 | 0 | |
| Remand Grant | 20 | 107 | 107 | 0 | |
| Domestic Abuse Safe Accommodation Housing Grant | 650 | 663 | 663 | 0 | |
| Holiday Activities & Food Programme Grant | 900 | 896 | 896 | 0 | |
| Extension of the Role of Virtual School Heads to children with a social worker Implementation | 118 | 118 | 118 | 0 | |
| Homes for Ukraine, education and childcare elements | 0 | 31 | 31 | 0 | |
| Household Support Fund | 4,400 | 4,400 | 4,400 | 0 | |
| Hong Kong UK Welcome Programme (British Nationals) | 0 | 53 | 53 | 0 | |
| Early Years - Delivery Support Fund | 0 | 0 | 82 | 82 | SRE |
| Early Years - Wraparound Childcare Programme | 0 | 0 | 11 | 11 | SRE |
| Early Years - Professional Development programme | 0 | 8 | 8 | 0 | |
| Early Years - Experts and Mentors Programme | 0 | 4 | 4 | 0 | |
| Early Years - Childminder Programme | 0 | 12 | 12 | 0 | |
| Family Hubs Transformation Funding | 0 | 248 | 248 | 0 | |
| Leaving Care Allowance Uplift Implementation Grant (New Burdens) | 0 | 72 | 72 | 0 | |
| Staying Close Award | 0 | 602 | 602 | 0 | |
| Supported Accommodation New Burdens Grant | 0 | 87 | 174 | 87 | SRE |
| Enhance Programme Funding | 0 | 0 | 150 | 150 | SRE |
| Total Children & Families - Children's Services - Specific Purpose | 8,547 | 13,320 | 13,408 | 88 | |

| Grants 2023/24 | Original Budget | Revised Forecast Mid-Year | Revised Forecast FR3 | Change from Mid-Year Forecast | Treatment of Grant |
|--|-----------------|---------------------------|----------------------|-------------------------------|--------------------|
| | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | Notes 2 - 5 |
| CHILDREN & FAMILIES | | | | | |
| General Use (Held Corporately) | | | | | |
| Social Care Support Grant | 6,939 | 6,939 | 6,939 | 0 | |
| Staying Put Implementation Grant | 0 | 130 | 130 | 0 | |
| Extended Rights to Free Transport (Home to School Transport) | 0 | 256 | 256 | 0 | |
| Extended Personal Adviser Duty Implementation | 0 | 57 | 57 | 0 | |
| Extension of the role of Virtual School Heads | 0 | 0 | 61 | 61 | SRE |
| Total Children & Families - General Use | 6,939 | 7,383 | 7,443 | 61 | |
| TOTAL CHILDREN & FAMILIES | 194,645 | 189,477 | 191,454 | 1,977 | |

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 – 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 - Schools | 2023/24 | Teachers Pay Additional Grant (Specific Purpose) | 953 | This is a new grant. This grant is from the Department for Education (DfE). In July 2023, the ESFA announced £482.5 million for schools through the teachers' pay additional grant (TPAG) in 2023 to 2024 to support schools to meet the costs of the 2023 to 2024 teachers pay award. |
| Children and Families - Schools | 2023/24 | COVID-19 Recovery Premium (Specific Purpose) | 675 | Increase of Financial Review 2 forecast. This grant is from the Education & Skills Funding Agency (ESFA). Recovery premium received on behalf of schools and allocated out as per funding schedule (breakdown by school). |
| Total Specific Purpose Allocations over £500,000 up to £1,000,000 | | | 1,628 | |

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 |
|---------------------------------|---------|--|------|--|
| Children and Families - Schools | 2023/24 | Sixth Forms Grant (Specific Purpose) | 59 | Increase of Financial Review 2 forecast. 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) | 2 | Increase of Financial Review 2 forecast. 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 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 | Primary Physical Education Sports Grant (Specific Purpose) | 1 | Increase of Financial Review 2 forecast. This grant is from the Department for Education (DfE). PE and sports premium for primary schools is a grant allocated by the DfE to support schools in ensuring children have equal access to high-quality PE provision and opportunities to |

| Committee | Year | Type of Grant | £000 | Details |
|---|---------|---|------|---|
| | | | | experience and participate in a wide range of sports and physical activities. |
| Children and Families - Schools | 2023/24 | Teachers' Pension Grant (Specific Purpose) | 64 | Increase of Financial Review 2 forecast. 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 | Early Years Teachers Pay Additional Grant (Specific Purpose) | 87 | This is a new grant. This grant is from the Education and Skills Funding Agency. For the 2023/24 financial year, the ESFA has allocated £12.5m of this funding will be provided to local authorities to support early years providers delivering the government's early years entitlements with increased teacher workforce costs from 1 September 2023. This funding will be distributed via the early years teachers' pay additional grant (EY TPAG). The EY TPAG will be paid to local authorities to cover the 7-month period between 1 September 2023 and 31 March 2024. |
| Children and Families – Children's Services | 2023/24 | Reducing Parental Conflict Grant (Specific Purpose) | 15 | Increase of Financial Review 2 forecast. 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 | Adoption Support Fund (Specific Purpose) | 3 | Increase on Financial Review 2 position. This grant is from the Department for Education (DfE). The adoption support fund (ASF) provides funds to local authorities and regional adoption agencies (RAAs) to pay for essential therapeutic services for eligible adoptive and special guardianship order (SGO) families. |
| Children and Families – Children's Services | 2023/24 | Early Years - Delivery Support Fund (Specific Purpose) | 82 | This is a new grant from the Department for Education (DfE). The DfE have provided a Delivery Support Fund to meet the delivery costs associated with rolling out the expanded Early Years entitlements from April 2024 onwards. |
| Children and Families – Children's Services | 2023/24 | Early Years - Wraparound Childcare Programme (Specific Purpose) | 11 | This is a new grant from the Department for Education (DfE). The government are providing funding to local authorities to ensure that all parents of primary school children who need it, can access wraparound childcare in their local area from 8am-6pm. The purpose of the grant is to fund primary schools and private, voluntary and independent (PVI) providers, to introduce or expand before- and after-school childcare provision in their area where there is a gap in availability. |
| Children and Families – Children's Services | 2023/24 | Supported Accommodation New Burdens Grant (Specific Purpose) | 87 | Increase on Financial Review 2 position. This is grant from the Department for Education (DfE). The Government is introducing new requirements for providers of supported accommodation for looked after children and care leavers aged 16 and 17. Providers will be required to register and be inspected by Ofsted against new national |

| Committee | Year | Type of Grant | £000 | Details |
|--|---------|---|------------|---|
| | | | | quality standards and associated administrative requirements. Ofsted will begin registering providers from 28 April 2023, and registration will become mandatory from 28 October 2023. The purpose of this grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them in respect of these changes. Local authorities can use this grant funding to offset the increased costs associated with the impact of these changes. |
| Children and Families – Children's Services | 2023/24 | Enhance Programme Funding (Specific Purpose) | 150 | This is a new grant from the Department for Education (DfE). To deliver dedicated edge of care support to children and families with the aim of preventing children from entering high-cost placements and to live safely within their families. This will include a family group conferencing service / dedicated family support workers, to prevent escalation to care and also a specialist marketing officer to increase internal fostering capacity. |
| Total Specific Purpose Allocations less than £500,000 | | | 559 | |

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 |
|---|---------|--|-----------|---|
| Children and Families | 2023/24 | Extension of the role of Virtual School Heads (General Purpose) | 61 | This is a new grant from the Department for Education. The purpose of this grant is to provide support to local authorities in England to help them to extend the role of the Virtual School Head to promote the educational outcomes of the cohort of children with a social worker. Virtual School Heads should take a strategic leadership role for this cohort of children and work with early years settings, schools, colleges, and social care leaders to create a culture of high aspirations that helps all children with social workers to reach their potential. |
| Total General Use Allocations less than £500,000 | | | 61 | |

Children and Families Committee

4. Debt Management

| | Outstanding Debt £000 | | | Over 6 months old £000 | | |
|--|-----------------------|-----------|--------------------------|------------------------|------------|--------------------------|
| | Sep-23 | Oct-23 | Increase / (Decrease) | Sep-23 | Oct-23 | Increase / (Decrease) |
| Children and Families Committee | | | | | | |
| Children's Social Care (Incl. Directorate) | 4 | 10 | 6 | - | 4 | 4 |
| Prevention and Early Help | 65 | 8 | (57) | 11 | (5) | (16) |
| Schools | 9 | 6 | (3) | - | - | - |
| | 78 | 24 | (54) | 11 | (1) | (12) |

Note: Children's Social Care (Incl. Directorate) - increase of outstanding debt due to one invoice.

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 | 131 | 6 | 89 | 36 | 0 | 0 | 125 | 125 | 0 | 0 | 0 | 0 | 125 | |
| Children's Home Sufficiency Scheme | 2,100 | 0 | 50 | 2,050 | 0 | 0 | 2,100 | 0 | 0 | 0 | 0 | 2,100 | 2,100 | |
| Strong Start, Family Help & Integration | | | | | | | | | | | | | | |
| Beechwood Nursery Expansion | 868 | 856 | 12 | 0 | 0 | 0 | 12 | 0 | 0 | 12 | 0 | 0 | 12 | |
| Early Years Sufficiency Capital Fund | 1,036 | 913 | 123 | 0 | 0 | 0 | 123 | 123 | 0 | 0 | 0 | 0 | 123 | |
| Education and 14-19 Skills | | | | | | | | | | | | | | |
| Adelaide Academy | 854 | 39 | 59 | 756 | 0 | 0 | 815 | 645 | 0 | 0 | 0 | 170 | 815 | |
| Basic Need Grant Allocation | 9,035 | 0 | 1,210 | 5,383 | 2,442 | 0 | 9,035 | 9,035 | 0 | 0 | 0 | 0 | 9,035 | |
| Brine Leas High School | 700 | 0 | 250 | 450 | 0 | 0 | 700 | 700 | 0 | 0 | 0 | 0 | 700 | |
| Congleton Planning Area | 4,470 | 639 | 3,811 | 20 | 0 | 0 | 3,831 | 1,637 | 2,194 | 0 | 0 | 0 | 3,831 | |
| Congleton Planning Area - Primary (1) | 2,209 | 9 | 170 | 100 | 1,930 | 0 | 2,200 | 900 | 1,300 | 0 | 0 | 0 | 2,200 | |
| Congleton Planning Area - Primary (2) | 628 | 66 | 562 | 0 | 0 | 0 | 562 | 562 | 0 | 0 | 0 | 0 | 562 | |
| Congleton Planning Area - Primary (3) | 7,504 | 4 | 0 | 50 | 0 | 7,450 | 7,500 | 4,300 | 3,200 | 0 | 0 | 0 | 7,500 | |
| Devolved Formula Capital | 1,910 | 0 | 955 | 315 | 330 | 310 | 1,910 | 1,910 | 0 | 0 | 0 | 0 | 1,910 | |
| Energy Efficiency Capital | 713 | 48 | 666 | 0 | 0 | 0 | 666 | 666 | 0 | 0 | 0 | 0 | 666 | |
| Handforth Planning Area - New School | 13,003 | 3 | 0 | 500 | 8,500 | 4,000 | 13,000 | 136 | 12,864 | 0 | 0 | 0 | 13,000 | |
| Holmes Chapel Secondary School | 3,656 | 1,778 | 1,878 | 0 | 0 | 0 | 1,878 | 1,635 | 243 | 0 | 0 | 0 | 1,878 | |
| Little Angels Satellite Sites | 29 | 3 | 26 | 0 | 0 | 0 | 26 | 26 | 0 | 0 | 0 | 0 | 26 | |
| Macclesfield Academy Resource Provision | 103 | 3 | 100 | 0 | 0 | 0 | 100 | 100 | 0 | 0 | 0 | 0 | 100 | |
| Macclesfield Planning Area - Secondary | 1,163 | 1,113 | 50 | 0 | 0 | 0 | 50 | 50 | 0 | 0 | 0 | 0 | 50 | |
| Macclesfield Planning Area - Secondary New | 1,031 | 3 | 0 | 1,028 | 0 | 0 | 1,028 | 1,028 | 0 | 0 | 0 | 0 | 1,028 | |
| Macclesfield Planning Area - New school | 4,001 | 1 | 0 | 0 | 0 | 4,000 | 4,000 | 0 | 4,000 | 0 | 0 | 0 | 4,000 | |
| Malbank High School | 1,922 | 1,861 | 61 | 0 | 0 | 0 | 61 | 61 | 0 | 0 | 0 | 0 | 61 | |
| Mobberley Primary School | 958 | 23 | 10 | 925 | 0 | 0 | 935 | 635 | 0 | 0 | 300 | 0 | 935 | |

Children & Families

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 | |
| Committed Schemes in progress | | | | | | | | | | | | | |
| Nantwich Planning Area (Primary) | 7,861 | 515 | 200 | 6,146 | 1,000 | 0 | 7,346 | 4,326 | 3,020 | 0 | 0 | 0 | 7,346 |
| Provision of Sufficient School Places - SEND | 7,182 | 293 | 3,890 | 3,000 | 0 | 0 | 6,890 | 1,361 | 0 | 0 | 0 | 5,528 | 6,890 |
| Puss Bank SEN Expansion | 29 | 6 | 23 | 0 | 0 | 0 | 23 | 0 | 0 | 0 | 0 | 23 | 23 |
| Provision of SEN Unit - Wistaston Primary School | 2,009 | 509 | 400 | 1,100 | 0 | 0 | 1,500 | 1,200 | 0 | 0 | 0 | 300 | 1,500 |
| Sandbach High School - Basic Need | 1,776 | 1,773 | 3 | 0 | 0 | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 3 |
| Sandbach Boys School - Basic Need | 1,742 | 1,703 | 39 | 0 | 0 | 0 | 39 | 39 | 0 | 0 | 0 | 0 | 39 |
| Sandbach Primary Academy | 1,583 | 0 | 200 | 1,383 | 0 | 0 | 1,583 | 1,583 | 0 | 0 | 0 | 0 | 1,583 |
| School Condition Capital Grant | 9,306 | 779 | 2,527 | 2,000 | 2,000 | 2,000 | 8,527 | 8,473 | 0 | 54 | 0 | 0 | 8,527 |
| Shavington Planning Area - Primary | 8,040 | 131 | 50 | 600 | 5,000 | 2,259 | 7,909 | 5,549 | 2,360 | 0 | 0 | 0 | 7,909 |
| Shavington Planning Area - secondary | 3,506 | 168 | 1,782 | 1,557 | 0 | 0 | 3,339 | 3,339 | 0 | 0 | 0 | 0 | 3,339 |
| Special Provision Fund Capital Grant | 725 | 603 | 123 | 0 | 0 | 0 | 123 | 116 | 0 | 6 | 0 | 0 | 123 |
| Springfield Satellite Site (Dean Row) | 6,112 | 807 | 4,805 | 500 | 0 | 0 | 5,305 | 4,505 | 0 | 0 | 0 | 800 | 5,305 |
| The Dingle Primary School Expansion | 1,395 | 67 | 850 | 478 | 0 | 0 | 1,328 | 1,328 | 0 | 0 | 0 | 0 | 1,328 |
| Wheelock Primary School | 2,400 | 0 | 200 | 2,200 | 0 | 0 | 2,400 | 1,890 | 510 | 0 | 0 | 0 | 2,400 |
| Wilmslow High School BN | 14,178 | 4,923 | 5,745 | 3,510 | 0 | 0 | 9,255 | 7,237 | 1,971 | 0 | 0 | 48 | 9,255 |
| Wilmslow Primary Planning Area | 626 | 1 | 0 | 625 | 0 | 0 | 625 | 125 | 500 | 0 | 0 | 0 | 625 |
| Total Committed Schemes | 131,329 | 20,443 | 34,195 | 35,470 | 21,202 | 20,019 | 110,886 | 66,954 | 32,162 | 73 | 300 | 11,398 | 110,886 |
| New Schemes | | | | | | | | | | | | | |
| Childcare Capital Expansion | 749 | 0 | 0 | 749 | 0 | 0 | 749 | 749 | 0 | 0 | 0 | 0 | 749 |
| Education and 14-19 Skills | | | | | | | | | | | | | |
| Adelaide Heath Academy | 120 | 0 | 120 | 0 | 0 | 0 | 120 | 120 | 0 | 0 | 0 | 0 | 120 |
| Cledford House | 100 | 0 | 10 | 90 | 0 | 0 | 100 | 100 | 0 | 0 | 0 | 0 | 100 |
| Edleston Primary School - Condition Project | 30 | 0 | 30 | 0 | 0 | 0 | 30 | 30 | 0 | 0 | 0 | 0 | 30 |
| Future Schemes - Feasibility Studies | 250 | 0 | 0 | 250 | 0 | 0 | 250 | 250 | 0 | 0 | 0 | 0 | 250 |
| Oakfield Lodge & Stables | 50 | 0 | 50 | 0 | 0 | 0 | 50 | 50 | 0 | 0 | 0 | 0 | 50 |
| Poynton Planning Area | 1,500 | 0 | 20 | 480 | 1,000 | 0 | 1,500 | 697 | 803 | 0 | 0 | 0 | 1,500 |
| Sandbach Boys School | 20 | 0 | 20 | 0 | 0 | 0 | 20 | 20 | 0 | 0 | 0 | 0 | 20 |
| SEN Free School 1 | 500 | 0 | 0 | 500 | 0 | 0 | 500 | 500 | 0 | 0 | 0 | 0 | 500 |
| SEN Free School 2 | 500 | 0 | 0 | 500 | 0 | 0 | 500 | 500 | 0 | 0 | 0 | 0 | 500 |
| Styal Primary School - Condition Project | 28 | 1 | 27 | 0 | 0 | 0 | 27 | 27 | 0 | 0 | 0 | 0 | 27 |
| Tytherington High School | 2,502 | 2 | 0 | 200 | 2,300 | 0 | 2,500 | 2,500 | 0 | 0 | 0 | 0 | 2,500 |
| Various SEN Sites - Small Works/Adaptations | 153 | 3 | 0 | 150 | 0 | 0 | 150 | 150 | 0 | 0 | 0 | 0 | 150 |
| Total New Schemes | 5,753 | 6 | 277 | 2,919 | 3,300 | 0 | 6,496 | 5,693 | 803 | 0 | 0 | 0 | 6,496 |
| Total Children and Families | 137,082 | 20,449 | 34,472 | 38,389 | 24,502 | 20,019 | 117,382 | 72,648 | 32,965 | 73 | 300 | 11,398 | 117,382 |

Children and Families Committee

6. Reserves Strategy

Children and Families Committee

| Name of Reserve | Opening Balance 1 April 2023 £000 | Forecast Movement in Reserves 2023/24 £000 | Forecast Closing Balance 31 March '24 £000 | Notes |
|---|---|--|--|--|
| <u>Directorate</u> | | | | |
| Childrens Directorate - Transformation Funding | 779 | (779) | 0 | Budgeted drawdowns as per MTFS 2023-27. |
| Childrens Directorate - C&F ED | 422 | (422) | 0 | Budgeted drawdowns as per MTFS 2023-27. |
| <u>Childrens Social Care</u> | | | | |
| Domestic Abuse Partnership | 146 | (146) | 0 | To sustain preventative services to vulnerable people as a result of partnership funding in previous years. Further analysis to be completed by Second Financial Review to assess drawdown requirements. |
| <u>Strong Start, Family Help and Integration</u> | | | | |
| Troubled Fams Initiative | 1,949 | (178) | 1,771 | Crewe Youth Zone and ACT have been assigned funding from shared outcomes of the Supporting Families Programme. Anticipate remaining balance to be utilised in 2024/25. |
| Public Sector Transformation – contribution to Early Youth Inclusion Fund | 57 | (57) | 0 | Revenue grant carried forward, to be fully utilised in year. |
| Complex Dependencies | 21 | (21) | 0 | Revenue grant carried forward, to be fully utilised in year. |
| CHILDREN AND FAMILIES TOTAL | 3,374 | (1,603) | 1,771 | |

Dedicated Schools Grant Deficit

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

- 6.1 The Dedicated Schools Grant (DSG) is ring-fenced funding received for: schools; high needs / special educational needs; and early years provision. In recent years there has been a pressure on the DSG high needs block where funding has not kept pace with the increasing numbers and cost of children with an education, health and care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The on-going pressure is regularly reviewed; at the end of 2022/23 the deficit was £46.9m; the deficit is forecast to increase to £85.8m by the end of 2023/24.

Appendix 3: Corporate Policy Committee

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Appendix 3

Corporate Policy Committee

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

| | Second Review Revised Net Budget | Adjustments to FR2 Budget | Third Review Revised Net Budget | Unringfenced Grants to be Actioned |
|------------------------------------|--|------------------------------|---------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| CORPORATE | | | | |
| Directorate | 570 | - | 570 | - |
| Finance & Customer Services | 12,764 | 493 | 13,257 | 115 |
| Governance and Compliance Services | 10,766 | - | 10,766 | - |
| HR | 2,588 | - | 2,588 | - |
| ICT | 11,804 | 12 | 11,816 | - |
| Communications | 696 | - | 696 | - |
| Policy and Change | 2,014 | - | 2,013 | - |
| Corporate Policy Committee | 41,202 | 505 | 41,706 | 115 |

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 third financial review approvals have been given.

Corporate Policy Committee

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

Forecast Outturn Commentary:

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

The forecast outturn for Corporate Services is an underspend of £1.0m, which is a £0.7m improvement over the £0.3m underspend reported at second financial review. The Directorate has improved its forecast by building on the staffing savings achieved through a review of vacancies at second review, by further vacancy and contract management, and regular review of non-staffing spend. Holding vacancies has considerably reduced forecast spend on staffing meaning that budget pressure relating to higher than forecast pay inflation can be met from in-year vacancies underspending. The main pressure continues to be from a shortfall in Rent Allowances income however, there is also a large reduction in commissioned hours within the shared ICT service, this has slightly improved since FR2 but continues to impact on income levels. Most of the financial changes identified within the 2023/24 budget are on track, although further work continues to be required to achieve the cost of democracy savings.

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|---|--------------|---------------------|---|
| | Corporate Policy Committee | 2.551 | | |
| 46 | Pay inflation | 2.587 | - | The total cost of pay inflation will exceed 5% based on national pay negotiations. Figures produced at FR3 suggest that this will be mitigated in-year through management of vacancies. A budget pressure remains though. |
| 47 | Shared Services Review – move to hybrid model | 0.39 | - | Project has mobilised and identified appropriate resources. Financial profile is being analysed. NOTE: these costs are being funded from Capital Receipts which are shown outside of Corporate Services. |

| | | | | |
|----|--|--------|-------|---|
| 48 | Revenue implications of capital: IT Procurements and Application Lifecycle Management | 0.511 | - | On track, subject to ongoing monitoring. |
| 49 | Infrastructure Investment Programme | 0.239 | - | On track, subject to ongoing monitoring. |
| 50 | Accelerate digital transformation / robotics and related Digital Savings | 0.15 | - | Structure of digital transformation is being reviewed. No growth incurred to date whilst plans are being developed. |
| 51 | Mitigation of reduction in the Dedicated Schools Grant | 0.122 | - | On track, subject to ongoing monitoring. |
| 52 | Remove Commercial Workstream Income Target | 0.1 | - | Action complete – budget adjusted. |
| 53 | Coroners Restructure Costs | 0.06 | - | Action complete – budget adjusted. |
| 54 | Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels | 0.013 | - | On track, subject to ongoing monitoring. |
| 55 | Pension Costs Adjustment | -0.996 | - | On track, subject to ongoing monitoring, dependent on in-year staffing costs. |
| 56 | ICT Operational Efficiencies | -0.31 | - | Reduction in end user licence costs achieved. Further review of resources and third party contracts. Subject to ongoing monitoring. |
| 57 | Reduce cost of Democracy | -0.135 | 0.084 | Report to Corporate Policy Committee on 15 June 2023 provided latest position. |
| 58 | Elections Act 2022 additional costs (funded by New Burdens grant funding) | -0.132 | - | Action complete – budget adjusted. |
| 59 | Elections Act 2022 additional costs (funded by New Burdens grant funding) | 0.132 | - | Action complete – budget adjusted. |

| | | | | |
|----|---|--------|--------|---|
| 60 | Revenue implications of capital: Vendor Management Phase 3 to drive improvements in procurement | -0.089 | - | On track, subject to ongoing monitoring. |
| 61 | Brighter Futures Together Programme Customer Experience | -0.081 | 0.081 | Savings relate to staffing reductions. These may not be appropriate in 2023/24 due to significant change projects requiring support to customers. |
| 62 | Across the board efficiencies, including procurement and income generation etc | -0.01 | - | On track, subject to ongoing monitoring. |
| 63 | Review of leadership and management, including MARS and redefine 'core offer' | - | - | On track, subject to ongoing monitoring. |
| | In-year Directorate | | -0.263 | Chief executive appointed on 3 rather than 5 days a week and lower daily rate plus some assumptions re non-pay spend in this centre and the Executive Director centre. This figure takes no account of the announcement of the newly appointed Chief Executive starting during 2023/24 - start date to be confirmed. |
| | In-year pressure Finance & Customer Services | | -0.272 | Transactional services forecast to overspend by £143k (£47k improvement since FR2), Finance overspending by £126k mainly as a result of increased External Audit Fee Spend. CSC overspend reduced to £42k from £88k at FR2, mainly as a result of vacancy management (NOTE: Service assuming certain cost will be met from Brighter Futures Reserve). R&B - Pressure in Systems Development & small pressure (£4k) in BIDs offset by underspends in HB Admin and Revenues Service. Improvement in forecast outturn caused by grant related costs incorrectly forecast in FP&A at FR1 and FR2 as incurred, Service now identified that this years costs have been met from elsewhere - this has resulted in a reduction of £329k. NOTE: HoS is looking to create a reserve from these grants to cover ongoing future year revenue costs relating to the project, this would reduce the outturn forecast if agreed. |

| | | | | |
|--|--|--|--------|---|
| | Rent Allowances Under-recovery (Included in F&CS Team Plan) | | - | Rent allowances under-recovery of £1.074m to be funded by Collection Fund Reserve. |
| | In-year Governance & Compliance | | -0.458 | Registration Services forecast to over-recover the income budget by £210k (£235K at FR2) due to increased number of ceremonies at approved premises. Elections overspent the budget/reserve available by £4k due primarily to increased costs of printing and postage. Members budget underspent by £53k on transport, communications and SRAs. £84k overspend due to inability of service to achieve MTFS savings on costs of democracy. Audit & Risk is forecast to underspend by £202k against a forecast underspend of £305k at FR2. The main reason for the change is due to unachievable Fraud income of £100k mistakenly being included in previous forecast figures. The service has shown some further improvements to the staffing underspend due to keeping vacancies open however, this has been offset by a forecast fall in CHESS income in Health & Safety. Legal Services overspend has reduced to £66k from £137k at FR2. Main reason for the overspend due to counsel fees £72k (no change since FR2), income shortfall of approx £85k (£88k at FR2), and staffing now forecast to underspend by approx £88k (£22k at FR2). |
| | In-year Policy & Change | | -0.082 | PMO balanced due to use of reserves, Business Intelligence People overspending by £45k, Business Int Research & Consultation underspent by £63k (£72k at FR2), Subscriptions overspent by £55k (£50k at FR2) partially offset by equality and diversity underspend of £5k (was £21k at FR2) - change due to spend on Corporate Plan. Underspend on P&C management costs due to vacant post, restructure planned to go out to consultation in 2023/24. |
| | In-year pressure Communications | | 0.007 | Overspending on salaries - potentially increased due to return of fostering budget to Children's Services. |
| | In-year HR | | -0.350 | Underspending on central training and organisational development budgets is predicted at £244k (£103k at FR2) with the remainder primarily due to part and full year vacancies. |

| | | | | |
|--|----------------------------------|--|---------------|---|
| | In-year Pressure ICT | | 0.279 | ICT Strategy anticipating fully utilising the funding given for ALM (shown above) due to dependencies on the hybrid programme and cyber security risk noting that this budget accommodates for growth in shared service contracts. £200k underspend due to Gemini project. Further mitigations include transformational work being undertaken within ICT at management level which could potentially be supported by Capital Flexible Receipts. ICT Shared Service CEC 50% share of overspend is £480k due to forecast for commissioned hours reducing to 63,000 from 70,000 previously. This has lead to a worse position on income however this has been partially mitigated by underspends identified within premises and contracts. |
| | REVISED FORECAST VARIANCE | | -0.974 | |

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 and general use grants relates mainly to a forecast increase in Housing Benefit-related grants. Other additional specific purpose grants have also been received, reflecting the latest allocations, and are detailed in **Table 2** and **Table 3**.

- 3.4 **Table 1** provides a detailed listing of all Corporate Policy related grants, their movements between the reporting period and the treatment of the grant.
- 3.5 **Table 2** shows additional **specific purpose** grant allocations that have been received which are £500,000 or less and are for noting only.
- 3.6 **Table 3** shows delegated decisions for additional **specific purpose** grants previously named within the MTFS.
- 3.7 **Table 4** shows delegated decisions for additional **general use** grants previously named within the MTFS.

Table 1 – Corporate Grants Register

| Grants 2023/24 | Original Budget | Revised Forecast Mid-Year | Revised Forecast FR3 | Change from Mid-Year Forecast | Treatment of Grant |
|---|-----------------|---------------------------|----------------------|-------------------------------|--------------------|
| | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | Notes 2 - 5 |
| CORPORATE POLICY | | | | | |
| Specific Purpose (Held within Services) | | | | | |
| Revenues and Housing Benefits: | | | | | |
| Housing Benefit Subsidy | 46,652 | 52,633 | 53,221 | 588 | SRE |
| Discretionary Housing Payments Grant | 314 | 349 | 349 | 0 | |
| Housing Benefit (HB) Award Accuracy Initiative | 29 | 30 | 30 | 0 | |
| LADS - VEP (RTI) funding | 24 | 22 | 21 | (1) | |
| LADS - Internet Protocol Access | 0 | 0 | 1 | 1 | SRE |
| New Burdens: Universal Credit, maintenance & natural migration | 8 | 8 | 8 | 0 | |
| LADS - New Burdens - Discretionary Housing Payments (DHP) | 0 | 60 | 60 | 0 | |
| LADS - New Burdens - Benefit Cap | 0 | 1 | 1 | 0 | |
| LADS - New Burdens - Single Fraud Investigation | 0 | 0 | 1 | 1 | SRE |
| LADS - New Burdens - Welfare Reform Changes (S4/2022) | 62 | 1 | 0 | (1) | |
| LADS - New Burdens - Supported & Temporary Accommodation Change Request | 2 | 0 | 0 | 0 | |
| LADS - New Burdens - Supported & Temporary Accommodation | 5 | 0 | 0 | 0 | |
| LADS - New Burdens - Single Housing Benefit Extract Automation | 5 | 10 | 16 | 6 | SRE |
| LADS - New Burdens - Changes to Universal Credit Stop Notice | 0 | 0 | 1 | 1 | SRE |
| Incapacity Benefit Reassessment (S5/2022) | 2 | 0 | 0 | 0 | |
| Council Tax Rebate Scheme - New Burdens on Account Payment | 0 | 94 | 94 | 0 | |
| Energy Bills Support Scheme Alternative Funding | 0 | 325 | 325 | 0 | |
| Democratic Services: | | | | | |
| Police and Crime Commissioner's Panel grant | 65 | 65 | 65 | 0 | |
| Electoral Integrity Programme - New Burdens (Voter ID) | 132 | 132 | 132 | 0 | |
| Electoral Integrity Programme - New Burdens (Postal Votes) | 0 | 8 | 8 | 0 | |
| Total Corporate Policy - Specific Purposes | 47,300 | 53,739 | 54,334 | 594 | |

| Grants 2023/24 | Original Budget | Revised Forecast | Revised Forecast | Change from | Treatment of |
|--|-----------------|------------------|------------------|-------------|--------------|
| | 2023/24 | Mid-Year | FR3 | Mid-Year | Grant |
| | £000 | £000 | £000 | £000 | Notes 2 - 5 |
| CORPORATE POLICY | | | | | |
| Specific Purpose (Held within Services) | | | | | |
| Revenues and Housing Benefits: | | | | | |
| General Use (Held Corporately) | | | | | |
| Revenue Support Grant | 388 | 388 | 388 | 0 | |
| Housing Benefit Administration Subsidy | 626 | 626 | 741 | 115 | SRE |
| NNDR Administration Allowance | 587 | 578 | 578 | 0 | |
| New Homes Bonus | 3,794 | 3,794 | 3,794 | 0 | |
| Services Grant | 1,720 | 1,720 | 1,720 | 0 | |
| Council Tax Support Fund | 0 | 521 | 521 | 0 | |
| Council Tax Support New Burdens | 0 | 25 | 25 | 0 | |
| Business Rates Reliefs Grant 2023/24 | 0 | 21,039 | 21,039 | 0 | |
| Total Corporate Policy - General Use | 7,115 | 28,692 | 28,807 | 115 | |
| TOTAL CORPORATE POLICY | 54,415 | 82,431 | 83,140 | 709 | |

Notes

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

Table 2 – DECISION DELEGATED TO OFFICERS

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

| Committee | Year | Type of Grant | £000 | Details |
|--|---------|--|----------|--|
| Corporate Policy | 2023/24 | LADS - Internet Protocol Access (Specific Purpose) | 1 | This is a new grant from the Department for Work and Pensions (DWP). To cover IT costs for the LA data sharing programme initiatives |
| Corporate Policy | 2023/24 | LADS - New Burdens - Single Fraud Investigation (Specific Purpose) | 1 | This is a new grant from the Department for Work and Pensions (DWP). This New Burden funding is for costs associated with providing information to the DWP to support fraud investigations. The funding has been allocated based on the forecasted FYE March 2024 HB admin subsidy caseloads. |
| Corporate Policy | 2023/24 | LADS - New Burdens - Changes to Universal Credit Stop Notice (Specific Purpose) | 1 | This is a new grant from the Department for Work and Pensions (DWP). LA's receive stop notices from DWP when Housing Benefit (HB) is due to end due migration to Universal Credit. DWP proposed new types of stop notices to identify the reason HB should stop. Software changes were required to meet this criteria. |
| Total Specific Purpose Allocations less than £500,000 | | | 3 | |

Table 3 – DECISION DELEGATED TO OFFICERS

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

| Committee | Year | Type of Grant | £000 | Details |
|---|---------|--|------------|--|
| | | | | On 22 nd 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) | 588 | Increase on MTFS 2023-27 estimate and Financial Review 2 revised forecast. This grant is from the Department for Work and Pensions. Payment of claims administration within Housing Benefits. |
| Corporate Policy | 2023/24 | LADS - New Burdens - Single Housing Benefit Extract Automation (Specific Purpose) | 6 | Increase on MTFS 2023-27 estimate and Financial Review 2 revised forecast. This grant is from the Department for Work and Pensions (DWP). This is a change request for a new IT field for supported and temporary accommodation information. |
| Total Delegated Decision Specific Purpose Allocations previously named in the MTFS | | | 594 | |

Table 4 – DECISION DELEGATED TO OFFICERS

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

| Committee | Year | Type of Grant | £000 | Details |
|---|---------|---|------------|---|
| | | | | On 22 nd 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 Administration Subsidy (General Use) | 115 | Increase on MTFS 2023-27 estimate. This grant is from the Department for Work and Pensions. Payment of claims administration within Housing Benefits. |
| Total Delegated Decision Specific Purpose Allocations previously named in the MTFS | | | 115 | |

Corporate Policy Committee

4. Debt Management

| | Outstanding Debt £000 | | | Over 6 months old £000 | | |
|-----------------------------------|-----------------------|------------|--------------------------|------------------------|-----------|--------------------------|
| | Sep-23 | Oct-23 | Increase / (Decrease) | Sep-23 | Oct-23 | Increase / (Decrease) |
| Corporate Policy Committee | | | | | | |
| Finance and Customer Services | 95 | 83 | (12) | 53 | 55 | 2 |
| Governance and Compliance | 13 | 2 | (11) | - | - | - |
| Human Resources | 9 | 2 | (7) | - | 1 | 1 |
| ICT | 8 | 188 | 180 | 1 | 1 | - |
| | 125 | 275 | 150 | 54 | 57 | 3 |

Note: Finance and Customer Services - £81,000 of outstanding invoices is for overpayment of salaries and the majority of these are being paid in installments.

Governance and Compliance - outstanding debt has reduced due to 12 invoice being paid, and 3 invoices remain outstanding

HR - only 2 invoices remain outstanding

ICT - Increase in outstanding debt mainly due to 3 local authority invoices (£183,000 total) falling in 1-3 months overdue

Corporate Policy Committee

5. Capital Strategy

| Corporate Policy | | | | | | | | CAPITAL | | | | | |
|--|-------------------------------------|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|------------------|-----------------------------------|----------------------------------|-----------------------------|---------------------------------|--------------------------|
| 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 | | | | | | | | | | | | | |
| ICT Services | | | | | | | | | | | | | |
| Care Act Phase 2 | 6,314 | 4,130 | 826 | 1,358 | 0 | 0 | 2,184 | 0 | 0 | 0 | 0 | 2,184 | 2,184 |
| Digital Customer - Delivery Programme Phase 1 | 250 | 129 | 121 | 0 | 0 | 0 | 121 | 0 | 0 | 0 | 0 | 121 | 121 |
| Digital Customer Enablement | 2,874 | 1,010 | 1,390 | 474 | 0 | 0 | 1,864 | 0 | 0 | 0 | 0 | 1,864 | 1,864 |
| ICT Device Replacement | 1,912 | 453 | 459 | 1,000 | 0 | 0 | 1,459 | 0 | 0 | 459 | 0 | 1,000 | 1,459 |
| IADM (Information Assurance and Data Management) | 19,465 | 15,183 | 1,601 | 1,281 | 1,400 | 0 | 4,282 | 0 | 0 | 0 | 0 | 4,282 | 4,282 |
| Infrastructure Investment Programme (IIP) | 36,370 | 30,068 | 1,673 | 1,996 | 1,804 | 830 | 6,303 | 0 | 0 | 0 | 0 | 6,303 | 6,303 |
| Unified Communications Project | 1,216 | 1,008 | 208 | 0 | 0 | 0 | 208 | 0 | 0 | 0 | 0 | 208 | 208 |
| Vendor Management | 1,006 | 743 | 163 | 100 | 0 | 0 | 263 | 0 | 0 | 0 | 0 | 263 | 263 |
| Finance & Customer Services | | | | | | | | | | | | | |
| Core Financials | 11,317 | 8,813 | 701 | 808 | 698 | 297 | 2,504 | 0 | 0 | 0 | 0 | 2,504 | 2,504 |
| Strategic Capital Projects | 17,518 | 8,578 | 2,852 | 2,390 | 2,300 | 1,397 | 8,939 | 0 | 0 | 0 | 0 | 8,939 | 8,939 |
| Vendor Management - Phase 2 | 320 | 19 | 0 | 0 | 301 | 0 | 301 | 0 | 0 | 0 | 0 | 301 | 301 |
| Total Committed Schemes | 98,562 | 70,134 | 9,994 | 9,407 | 6,503 | 2,524 | 28,428 | 0 | 0 | 459 | 0 | 27,969 | 28,428 |
| New Schemes | | | | | | | | | | | | | |
| ICT Services | | | | | | | | | | | | | |
| ICT Hybrid Model | 1,552 | 0 | 581 | 971 | 0 | 0 | 1,552 | 0 | 0 | 0 | 0 | 1,552 | 1,552 |
| Total New Schemes | 0 | 0 | 581 | 971 | 0 | 0 | 1,552 | 0 | 0 | 0 | 0 | 1,552 | 1,552 |
| | | | | | | | | | | | | | |
| Total Corporate Policy | 98,562 | 70,134 | 10,575 | 10,379 | 6,503 | 2,524 | 29,980 | 0 | 0 | 459 | 0 | 29,521 | 29,980 |

Corporate Policy Committee

6. Reserves Strategy

Corporate Policy Committee

| Name of Reserve | Opening Balance 1 April 2023 £000 | Forecast Movement in Reserves 2023/24 £000 | Forecast Closing Balance 31 March '24 £000 | Notes |
|---|---|--|--|---|
| <u>Directorate</u> | | | | |
| Corporate Directorate | 1,356 | (421) | 935 | To support a number of widespread projects within the Corporate Directorate. |
| <u>Finance and Customer Services</u> | | | | |
| Collection Fund Management | 17,819 | (6,610) | 11,209 | To manage cash flow implications as part of the Business Rates Retention Scheme. |
| Capital Financing Reserve | 12,886 | (7,900) | 4,968 | 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. |
| <u>Governance and Compliance</u> | | | | |
| Insurance Reserve - CCC Fund | (647) | 0 | (647) | To settle insurance claims and manage excess costs. Additional work required by Insurance Service, but reserve cannot be given up. |
| Insurance Reserve - CEC Fund | 5,623 | 0 | 5,623 | To settle insurance claims and manage excess costs. Additional work required by Insurance Service, but reserve cannot be given up. |
| Elections General | 640 | (640) | 0 | To provide funds for Election costs every 4 years. |
| Brexit Funding | 13 | 0 | 13 | To be reviewed. |
| <u>Human Resources</u> | | | | |
| HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System) | 59 | (59) | 0 | To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System. |
| Pay Structure (M Grade Review) | 306 | (306) | 0 | To fund ongoing changes to pay structure. |

Corporate Policy Committee

| Name of Reserve | Opening Balance 1 April 2023 £000 | Forecast Movement in Reserves 2023/24 £000 | Forecast Closing Balance 31 March '24 £000 | Notes |
|--|---|--|--|---|
| <u>Policy and Change</u> | | | | |
| Brighter Future Transformation Programme | 1,789 | (1,271) | 518 | To fund the Council's four year transformation programme and its five outcomes of Culture; Estates and ICT systems; Customer Experience, Commercial Approach and Governance. £1.271m drawn down to date as per MTFS budget. However, there is some uncertainty regarding who controls this reserve and cannot get details of committed spend. To be reviewed. |
| CORPORATE POLICY TOTAL | 45,549 | (22,467) | 23,064 | |

Appendix 4: Economy and Growth Committee

Contents

- 1. Changes to Revenue Budget 2023/24 since Second Financial Review**
- 2. 2023/24 Approved Budget Policy Changes and Forecast Variances**
- 3. Corporate Grants Register**
Table 1: Economy and Growth Committee Grants
- 4. Debt Management**
- 5. Capital Strategy**
- 6. Reserves Strategy**

Appendix 4

Economy and Growth Committee

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

| | Second Review Revised Net Budget | Adjustments to FR2 Budget | Third Review Revised Net Budget | Unringfenced Grants to be Actioned |
|------------------------------|--|------------------------------|---------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Directorate | 182 | 109 | 291 | - |
| Growth & Enterprise | 24,616 | (109) | 24,507 | - |
| Economy and Growth Committee | 24,798 | - | 24,798 | - |

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

Economy and Growth Committee

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

Forecast Outturn Commentary:

The Growth and Enterprise and Place Directorate services have an underspend of £2.8m against a net budget of £24.8m. This is an improvement of £0.9m from the second financial review. The main changes are an improvement to the Facilities Management position (-£0.5m) as a result of additional credits from prior year rates appeals alongside a review of energy forecasts. There are also additional savings from holding vacancies and reducing non-essential spend (-£0.4m) across all areas.

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 improved the outturn forecast for Estates by £1m in-year and helped to mitigate the increased reactive maintenance pressures. A £0.2m pressure is forecast because of the pay award being higher than the original budget. Several in-year mitigations are forecast within the outturn position reflecting a reduction in Place Directorate spending, releasing earmarked reserves and actions to reduce Economic Development and Cultural Economy expenditure.

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|---|----------------|---------------------|---|
| | Economy and Growth Committee | 1.045** | | **Totals will not match to MTFS as Place Restructuring items all moved under E&G |
| 64 | Assets - Buildings and Operational | 2.480 | - | Growth identified for increases in costs for the operation of our building continues to be monitored. |
| 65 | Pay inflation | 1.437 | 0.246 | The total cost of pay inflation will exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies. |
| 66 | Rates increase for Cheshire East properties | 0.343 | - | Budgets in place for increase in rateable values for Cheshire East Council properties. |
| 67 | Rates increase from Collection Fund EMR | -0.343 | - | Funding for increase in rateable values for Cheshire East properties is in place for 2023/24. |

| | | | | |
|----|---|---------|--------|---|
| 68 | Office Estate Rationalisation | 0.210 | 0.050 | Consultation ongoing with proposals being developed for consideration by Committee. |
| 69 | Rural and Visitor Economy | 0.165 | - | Provision of additional funding to manage increased costs of materials and staffing. This is expected to be on budget. |
| 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 | | -1.411 | Mainly due to rates rebate for prior years plus staffing savings and reduced expenditure. |
| | Housing Mitigations | | -0.500 | Staffing savings, utilisation of grants and increased income. |
| | Rural & Cultural Mitigations | | -0.223 | Staffing savings and reduced expenditure. Slightly offset by income pressures across the service. |
| | Economic Development Mitigations | | -0.768 | Reduced expenditure, staffing savings, increased capitalisation and utilisation of grants, release of earmarked reserves. |

| | | | | |
|--|---|--|---------------|--|
| | Place directorate Mitigations | | -0.205 | Reduced expenditure and release of earmarked reserve |
| | In year variances across Economy & Growth | | -0.008 | |
| | TOTAL FORECAST VARIANCE | | -2.819 | |
| | Further Mitigating Actions | | TBD | Stop non-essential spend and continued vacancy management, reduce energy costs in Council buildings through partition of under-utilised areas. |
| | REVISED FORECAST VARIANCE | | -2.819 | |

** 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 There has been no change in the grants forecast position for Economy & Growth.
- 3.4 **Table 1** provides a detailed listing of all Economy & Growth related grants, their movements between the reporting period and the treatment of the grant.

Table 1 – Corporate Grants Register

| Grants 2023/24 | Original Budget | Revised Forecast Mid-Year | Revised Forecast FR3 | Change from Mid-Year Forecast | Treatment of Grant |
|---|-----------------|---------------------------|----------------------|-------------------------------|--------------------|
| | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | Notes 2 - 5 |
| ECONOMY & GROWTH | | | | | |
| Specific Purpose (Held within Services) | | | | | |
| Rough Sleeping Initiative | 0 | 319 | 319 | 0 | |
| Rough Sleeper Initiative: Target Group Priority Funding | 0 | 15 | 15 | 0 | |
| Homelessness Prevention Grant | 0 | 608 | 608 | 0 | |
| Homelessness Prevention Grant: Homes for Ukraine top-up 2023/24 | 0 | 422 | 422 | 0 | |
| Shared Prosperity Fund - brought-forward | 0 | 1,119 | 1,119 | 0 | |
| Shared Prosperity Fund | 0 | 2,412 | 2,412 | 0 | |
| Local Enterprise Partnership (LEP): Core Funding | 375 | 250 | 250 | 0 | |
| Local Enterprise Partnership (LEP): Growth Hub Funding | 231 | 261 | 261 | 0 | |
| Local Enterprise Partnership (LEP): NP (Northern Powerhouse) 11 | 500 | 500 | 500 | 0 | |
| Local Enterprise Partnership (LEP): Skills Bootcamp | 1,500 | 1,355 | 1,355 | 0 | |
| Impossible Perspectives – Digital Arts Project | 0 | 49 | 49 | 0 | |
| Towns Fund - Ice Cream Van | 0 | 15 | 15 | 0 | |
| Total Economy & Growth - Specific Purpose | 2,606 | 7,324 | 7,324 | 0 | |
| TOTAL ECONOMY & GROWTH | 2,606 | 7,324 | 7,324 | 0 | |

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.

Economy and Growth Committee

4. Debt Management

| | Outstanding Debt £000 | | | Over 6 months old £000 | | |
|------------------------------|-----------------------|--------|--------------------------|------------------------|--------|--------------------------|
| | Sep-23 | Oct-23 | Increase / (Decrease) | Sep-23 | Oct-23 | Increase / (Decrease) |
| Economy and Growth Committee | | | | | | |
| Growth and Enterprise | 905 | 1,777 | 872 | 224 | 222 | (2) |

Note: Increase in outstanding debt mainly due to invoices two local audthority invoices (£385,000 & £735,000 respectively).

Economy and Growth Committee

5. Capital Strategy

| Economy & Growth | | | | | | | | 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 | | | | | | | | | | | | | | |
| Facilities Management | | | | | | | | | | | | | | |
| Public Sector Decarbonisation Fund - FM 1 | 1,855 | 1,759 | 96 | 0 | 0 | 0 | 96 | 96 | 0 | 0 | 0 | 0 | 96 | |
| Public Sector Decarbonisation Fund - FM 2 | 604 | 452 | 153 | 0 | 0 | 0 | 153 | 153 | 0 | 0 | 0 | 0 | 153 | |
| Public Sector Decarbonisation Fund - FM 3 | 5,214 | 3,931 | 1,283 | 0 | 0 | 0 | 1,283 | 285 | 0 | 0 | 0 | 998 | 1,283 | |
| PSDS - 3B - Lot 1 | 3,278 | 0 | 200 | 2,078 | 1,000 | 0 | 3,278 | 2,015 | 0 | 0 | 0 | 1,263 | 3,278 | |
| PSDS - 3B - Lot 3 (schools) | 4,946 | 0 | 4,572 | 375 | 0 | 0 | 4,946 | 4,572 | 0 | 375 | 0 | 0 | 4,946 | |
| Septic Tanks | 636 | 280 | 5 | 351 | 0 | 0 | 356 | 0 | 0 | 0 | 0 | 356 | 356 | |
| Schools Capital Maintenance | 6,956 | 4,639 | 1,838 | 479 | 0 | 0 | 2,317 | 2,037 | 0 | 281 | 0 | 0 | 2,317 | |
| Corporate Landlord - Operational | 1,027 | 962 | 35 | 30 | 0 | 0 | 65 | 0 | 0 | 0 | 0 | 65 | 65 | |
| Premises Capital (FM) | 38,989 | 30,705 | 2,315 | 3,500 | 2,469 | 0 | 8,284 | 0 | 0 | 0 | 0 | 8,284 | 8,284 | |
| Poynton Pool Spillway | 1,380 | 296 | 154 | 930 | 0 | 0 | 1,084 | 0 | 0 | 200 | 0 | 884 | 1,084 | |
| Housing | | | | | | | | | | | | | | |
| Home Upgrade Grant Phase 2 | 6,210 | 0 | 1,553 | 4,658 | 0 | 0 | 6,210 | 6,210 | 0 | 0 | 0 | 0 | 6,210 | |
| Crewe Towns Fund - Warm and Healthy Homes | 100 | 10 | 20 | 70 | 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 | 8 | 3 | 5 | 0 | 0 | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 5 | |
| Future High Street Funding - Delamere Street | 10 | 5 | 5 | 0 | 0 | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 5 | |
| Green Homes Grant | 3,103 | 2,249 | 370 | 483 | 0 | 0 | 854 | 854 | 0 | 0 | 0 | 0 | 854 | |
| Sustainable Warmth - Home Upgrade Grant | 806 | 631 | 175 | 0 | 0 | 0 | 175 | 175 | 0 | 0 | 0 | 0 | 175 | |
| Home Repairs Vulnerable People | 1,285 | 659 | 109 | 258 | 258 | 0 | 626 | 0 | 0 | 0 | 0 | 626 | 626 | |
| Disabled Facilities | 15,818 | 6,989 | 3,200 | 3,287 | 2,342 | 0 | 8,829 | 7,902 | 0 | 0 | 0 | 928 | 8,829 | |
| Warm Homes Fund | 239 | 198 | 41 | 0 | 0 | 0 | 41 | 41 | 0 | 0 | 0 | 0 | 41 | |
| Temporary Accommodation | 1,178 | 878 | 210 | 90 | 0 | 0 | 300 | 0 | 54 | 246 | 0 | 0 | 300 | |
| Gypsy and Traveller Sites | 4,136 | 1,289 | 2,069 | 778 | 0 | 0 | 2,847 | 700 | 436 | 0 | 0 | 1,712 | 2,847 | |

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 | |
| Committed Schemes in progress | | | | | | | | | | | | | |
| Estates | | | | | | | | | | | | | |
| Corporate Landlord - Non-Operational | 1,336 | 0 | 1,336 | 0 | 0 | 0 | 1,336 | 0 | 0 | 0 | 0 | 1,336 | 1,336 |
| Malkins Bank Landfill Site | 1,360 | 565 | 250 | 545 | 0 | 0 | 795 | 0 | 0 | 0 | 7 | 788 | 795 |
| Farms Strategy | 2,910 | 1,671 | 30 | 180 | 310 | 720 | 1,240 | 0 | 0 | 0 | 1,240 | 0 | 1,240 |
| Economic Development | | | | | | | | | | | | | |
| Crewe Towns Fund - Repurposing Our High Streets | 1,450 | 38 | 227 | 541 | 644 | 0 | 1,412 | 1,412 | 0 | 0 | 0 | 0 | 1,412 |
| Crewe Towns Fund - Flag Lane Baths | 2,800 | 306 | 236 | 2,258 | 0 | 0 | 2,494 | 2,494 | 0 | 0 | 0 | 0 | 2,494 |
| Crewe Towns Fund - Mill Street Corridor | 1,190 | 190 | 633 | 367 | 0 | 0 | 1,000 | 1,000 | 0 | 0 | 0 | 0 | 1,000 |
| Crewe Towns Fund - Mirion St | 732 | 30 | 100 | 603 | 0 | 0 | 703 | 703 | 0 | 0 | 0 | 0 | 703 |
| Crewe Towns Fund - Crewe Youth Zone non-grant | 978 | 49 | 100 | 829 | 0 | 0 | 929 | 929 | 0 | 0 | 0 | 0 | 929 |
| Crewe Towns Fund - History Centre Public Realm | 283 | 14 | 269 | 0 | 0 | 0 | 269 | 269 | 0 | 0 | 0 | 0 | 269 |
| Crewe Towns Fund | 12,442 | 0 | 256 | 7,811 | 4,374 | 0 | 12,442 | 12,442 | 0 | 0 | 0 | 0 | 12,442 |
| Handforth Heat Network | 13,219 | 0 | 680 | 1,924 | 6,692 | 3,923 | 13,219 | 2,604 | 7,428 | 0 | 0 | 3,187 | 13,219 |
| Demolition of Crewe Library & Concourse (Future High Street Funding - History Centre Preparatory) | 3,290 | 181 | 836 | 2,273 | 0 | 0 | 3,109 | 1,586 | 0 | 0 | 0 | 1,523 | 3,109 |
| Future High Street Funding - CEC Innovation | 3,973 | 59 | 1,304 | 2,611 | 0 | 0 | 3,915 | 3,915 | 0 | 0 | 0 | 0 | 3,915 |
| Future High Street Funding - Christ Church | 80 | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Crewe Town Centre Regeneration | 32,303 | 15,058 | 16,016 | 1,229 | 0 | 0 | 17,245 | 351 | 64 | 0 | 0 | 16,829 | 17,245 |
| Macclesfield Indoor Market Toilet Refurbishment | 180 | 12 | 168 | 0 | 0 | 0 | 168 | 50 | 98 | 0 | 0 | 20 | 168 |
| Macclesfield Town Centre | 358 | 0 | 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 | 57,866 | 6,002 | 2,400 | 18,989 | 30,475 | 0 | 51,864 | 21,189 | 0 | 0 | 21,700 | 8,975 | 51,864 |
| Leighton Green | 2,096 | 1,464 | 100 | 532 | 0 | 0 | 632 | 0 | 0 | 0 | 0 | 632 | 632 |
| Connecting Cheshire Phase 3 | 8,000 | 0 | 600 | 1,500 | 2,000 | 3,900 | 8,000 | 0 | 8,000 | 0 | 0 | 0 | 8,000 |
| Connecting Cheshire 2020 | 9,250 | 3,709 | 2,303 | 2,238 | 1,000 | 0 | 5,542 | 5,542 | 0 | 0 | 0 | 0 | 5,542 |
| Culture & Tourism | | | | | | | | | | | | | |
| Countryside Vehicles | 1,579 | 580 | 153 | 193 | 219 | 434 | 999 | 0 | 0 | 965 | 33 | 0 | 999 |
| Culture & Tourism S106 Schemes | 379 | 65 | 47 | 267 | 0 | 0 | 314 | 8 | 306 | 0 | 0 | 0 | 314 |
| New Archives Premises | 10,256 | 0 | 761 | 8,827 | 667 | 0 | 10,256 | 0 | 0 | 0 | 0 | 10,256 | 10,256 |
| PROW Capital Works | 1,051 | 957 | 94 | 0 | 0 | 0 | 94 | 94 | 0 | 0 | 0 | 0 | 94 |
| PROW CMM A6 MARR | 100 | 9 | 56 | 35 | 0 | 0 | 91 | 91 | 0 | 0 | 0 | 0 | 91 |
| PROW Flood Damage Investment | 72 | 63 | 8 | 0 | 0 | 0 | 8 | 0 | 0 | 0 | 0 | 8 | 8 |
| Tatton Park Investment Phase 2 | 3,280 | 1,407 | 350 | 350 | 350 | 823 | 1,873 | 0 | 0 | 0 | 0 | 1,873 | 1,873 |
| Total Committed Schemes | 306,788 | 91,766 | 49,346 | 83,076 | 72,800 | 9,800 | 215,022 | 91,294 | 26,385 | 2,067 | 34,373 | 60,902 | 215,022 |

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 | |
| New Schemes | | | | | | | | | | | | | |
| Housing | | | | | | | | | | | | | |
| Local Authority Housing Fund | 978 | 0 | 978 | 0 | 0 | 0 | 978 | 978 | 0 | 0 | 0 | 0 | 978 |
| Economic Development | | | | | | | | | | | | | |
| UK Shared Prosperity Fund - Core | 950 | 0 | 301 | 649 | 0 | 0 | 950 | 950 | 0 | 0 | 0 | 0 | 950 |
| Handforth Garden Village s106 Obligations | 6,841 | 0 | 0 | 0 | 3,000 | 3,841 | 6,841 | 0 | 0 | 0 | 0 | 6,841 | 6,841 |
| Culture & Tourism | | | | | | | | | | | | | |
| Cattle Handling Facility - Oakwood Farm | 190 | 0 | 190 | 0 | 0 | 0 | 190 | 0 | 0 | 190 | 0 | 0 | 190 |
| Rural Shared Prosperity Fund | 828 | 0 | 210 | 618 | 0 | 0 | 828 | 828 | 0 | 0 | 0 | 0 | 828 |
| Total New Schemes | 1,018 | 0 | 1,678 | 1,267 | 3,000 | 3,841 | 9,786 | 2,755 | 0 | 190 | 0 | 6,841 | 9,786 |
| Total Growth & Enterprise | 307,806 | 91,766 | 51,024 | 84,343 | 75,800 | 13,641 | 224,808 | 94,049 | 26,385 | 2,257 | 34,373 | 67,744 | 224,808 |

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 '24 £000 | Notes |
|---|---|--|--|---|
| <u>Directorate</u> | | | | |
| 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. |
| <u>Growth and Enterprise</u> | | | | |
| 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 | 128 | 128 | Ringfenced Trading Reserve used to support projects and overall position at Tatton. |
| Royal Arcade Crewe | 20 | (20) | 0 | Original purpose was to fund vacant possession related costs for the Royal Arcade until demolition. The balance will now be used to pay for ongoing rates and maintenance costs for Crewe Bus station. |
| ECONOMY AND GROWTH TOTAL | 3,109 | (1,442) | 1,667 | |

Appendix 5: Environment and Communities Committee

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Appendix 5

Environment and Communities Committee

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

| | Second Review Revised Net Budget | Adjustments to FR2 Budget | Third Review Revised Net Budget | Unringfenced Grants to be Actioned |
|---------------------------------------|--|------------------------------|---------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Environment & Neighbourhood Service | 48,749 | - | 48,748 | - |
| Environment and Communities Committee | 48,749 | - | 48,748 | - |

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 third financial review approvals have been given.

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 £3.1m against a net budget of £48.7m. This is an improvement of £0.4m from the second finance review. The main changes are:

- a reduction in the cost of the one-off changes to Libraries staff contracts (-£0.2m)
- additional capitalisation and the release of an earmarked reserve in Environmental Services (-£0.2m)
- general savings from holding vacancies and stopping non-essential spend (-£0.3m) across all services.
- These have been offset by a £0.3m adverse position for Environment Commissioning as described below.

Of the £3.1m pressure, Environment Commissioning is reporting a pressure of £2.3m against a net budget of £38.4m. This reflects:

- continued increase in contract inflation for the waste disposal contracts and increased tonnages (+£0.9m)
- the impact of recycling income shortfall due to a decline in the markets (+£1.0m)
- Greenspaces review in-year shortfall (+£0.2m)
- a reduction in fuel inflation (-£0.1m)
- improvement in net bereavement services income (-£0.2m)
- The agreed pay rise above budgeted rates has also resulted in a (+£0.5m) pressure for the wholly owned companies.

The overall Environment Commissioning pressure has moved adversely by £0.3m since second finance review, mainly due to an increase in fuel prices plus an increase in the tonnage forecast offset by an improvement in net bereavement services income.

£1m of the £3.1m adverse position relates to ongoing pressures in Planning and Building Control, predominantly from reduced income. The pay rise above budgeted rates is expected to result in a £0.3m pressure for Cheshire East services. Implications related to one off changes to staff contracts of £0.1m have been included in the forecast for Libraries as a result of the recently approved reduction in opening hours. These pressures have been offset by holding staff vacancies across the services, reducing expenditure, capitalising the Carbon team staff costs and releasing earmarked reserves.

| 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 | 1.848 | 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 will 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 | 1.315 | 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 pressure. This will need to be monitored through the year to see if income improves – this is subject to national economic trends. Government announcements advise national planning application fee increases will be implemented from December 2023 – 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 | -0.065 | 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. |
| 90 | Strategic Leisure Review | -1.291 | - | The Strategic Leisure Review is now well established and 2023/24 savings have been secured from a variety of sources including via the operating contract with Everybody Health & Leisure and a £0.5m one-off grant receipt from Sport England's Swimming Pool Support Fund. On 9th November the Environment and Communities Committee approved a delegation to undertake a public consultation on the next stage of the review which launched on 23rd November. |
| 91 | Maintenance of green spaces | -0.398 | 0.198 | On 28th September the Environment and Communities Committee approved a delegation to undertake a public consultation on the draft policy document and associated schedules which has now closed. A final set of recommendations are due to be presented at the February meeting. 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. Subscription payments opened in early October as planned and paid for collections will commence in January 2024. |
| 93 | Libraries - Service Review | -0.519 | 0.102 | Environment and Communities Committee approved the implementation of the revised opening hours informed by public consultation on 27 July 2023. Two Town Councils have committed to topping up opening hours – Crewe and Nantwich, with these agreements set to commence on 1st April 2024 for a period of 3 years. Following further work to undertake a formal staff consultation the new opening hours go live as of 1st December. |
| 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. |
| 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 | | -0.261 | |
| | In-year savings across Environment & Communities (excluding wholly owned companies) | | -0.797 | Mainly staffing savings and reduced expenditure |
| | TOTAL FORECAST VARIANCE | | 3.095 | |
| | Further Mitigating Actions | | TBD | Stop non-essential spend and continued vacancy management. |
| | REVISED FORECAST VARIANCE | | 3.095 | |

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

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.

Table 1 – Corporate Grants Register

| Grants 2023/24 | Original Budget | Revised Forecast | Revised Forecast | Change from | Treatment of |
|---|-----------------|------------------|------------------|-------------|--------------|
| | 2023/24 | Mid-Year | FR3 | Mid-Year | Grant |
| | £000 | £000 | £000 | £000 | Notes 2 - 5 |
| ENVIRONMENT & COMMUNITIES | | | | | |
| Specific Purpose (Held within Services) | | | | | |
| Bikeability Grant | 240 | 240 | 240 | 0 | |
| Swimming Pool Support Fund | 0 | 0 | 500 | 500 | SRE |
| 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 Information Grant - Natasha's Law | 0 | 0 | 0 | 0 | |
| Food Standards Agency - 22-23 | 0 | 1 | 1 | 0 | |
| Food Standards Agency 23-24 | 0 | 0 | 0 | 0 | |
| Section 31 grant - Biodiversity net gain | 0 | 20 | 20 | 0 | |
| Taxi and PHV Database Payment Notification | 0 | 0 | 0 | 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 | 1,709 | 500 | |
| TOTAL ENVIRONMENT & COMMUNITIES | 240 | 1,209 | 1,709 | 500 | |

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 – 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 | Swimming Pool Support Fund | 500 | This grant is a new grant from Sport England. The funding is to be used to support utilities costs associated with the ongoing revenue cost. |
| Total Specific Purpose Allocations over £500,000 up to £1,000,000 | | | 500 | |

Environment and Communities Committee

4. Debt Management

| | Outstanding Debt £000 | | | Over 6 months old £000 | | |
|--|-----------------------|--------|--------------------------|------------------------|--------|--------------------------|
| | Sep-23 | Oct-23 | Increase / (Decrease) | Sep-23 | Oct-23 | Increase / (Decrease) |
| Environment and Communities Committee | | | | | | |
| Environment and Neighbourhood Services | 331 | 325 | (6) | 206 | 214 | 8 |

Note: Increase in over 6 month debt mainly due to £15,000 invoice.

Environment and Communities Committee

5. Capital Strategy

| Environment & Communities | | | | | | | | | | | | | | 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 | | | | | | | | | | | | | | |
| Environment Services | | | | | | | | | | | | | | |
| Arnold Rhodes Public Open Space Improvements Phase 2 | 89 | 89 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bereavement Service Data System | 35 | 6 | 29 | 0 | 0 | 0 | 29 | 0 | 0 | 29 | 0 | 0 | 29 | |
| Carbon Offset Investment | 568 | 78 | 40 | 250 | 200 | 0 | 490 | 0 | 0 | 0 | 0 | 490 | 490 | |
| Chelford Village Hall Open Space and Sport Improvements | 164 | 115 | 35 | 15 | 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 | 20 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 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 | 1,780 | 289 | 1,291 | 200 | 0 | 0 | 1,491 | 1,491 | 0 | 0 | 0 | 0 | 1,491 | |
| Green Investment Scheme (Solar Farm) | 3,950 | 339 | 3,286 | 325 | 0 | 0 | 3,611 | 0 | 0 | 0 | 0 | 3,611 | 3,611 | |
| Household Waste Recycling Centres | 860 | 39 | 50 | 756 | 15 | 0 | 821 | 0 | 0 | 0 | 0 | 821 | 821 | |
| Litter and Recycling Bins | 208 | 111 | 25 | 25 | 25 | 22 | 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 | 5 | 13 | 0 | 0 | 18 | 0 | 18 | 0 | 0 | 0 | 18 | |
| Park Development Fund | 931 | 577 | 89 | 89 | 89 | 87 | 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 | 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 | 0 | 7 | 7 | 14 | 28 | 0 | 28 | 0 | 0 | 0 | 28 | |
| Solar Energy Generation | 14,180 | 48 | 70 | 1,960 | 10,800 | 1,302 | 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 | 6 | 16 | 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 | |

Environment & Communities

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 | |
| 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 |
| Crewe Towns Fund - Cumberland Arena | 3 | 0 | 3 | 0 | 0 | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 3 |
| Crewe Towns Fund - Pocket Parks | 110 | 0 | 110 | 0 | 0 | 0 | 110 | 110 | 0 | 0 | 0 | 0 | 110 |
| 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 | 0 | 0 | 4,189 | 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 | 47,056 | 20,483 | 6,168 | 3,656 | 11,136 | 5,614 | 26,574 | 1,650 | 166 | 239 | 0 | 24,518 | 26,574 |
| 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 | 100 | 3,496 | 3,301 | 0 | 6,897 | 0 | 0 | 0 | 0 | 6,897 | 6,897 |
| Fleet Vehicle Electric Charging | 585 | 0 | 155 | 314 | 116 | 0 | 585 | 0 | 0 | 0 | 0 | 585 | 585 |
| Macclesfield Chapel Refurbishment | 429 | 0 | 10 | 419 | 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 |
| Wynbury St Chad's Closed Cemetery | 219 | 0 | 219 | 0 | 0 | 0 | 219 | 0 | 0 | 0 | 0 | 219 | 219 |
| Grounds Maintenance System | 121 | 0 | 121 | 0 | 0 | 0 | 121 | 0 | 0 | 0 | 0 | 121 | 121 |
| Total New Schemes | 0 | 0 | 770 | 4,229 | 3,417 | 0 | 8,416 | 100 | 0 | 0 | 0 | 8,316 | 8,416 |
| Total Environment and Communities Schemes | 47,056 | 20,483 | 6,937 | 7,885 | 14,553 | 5,614 | 34,990 | 1,750 | 166 | 239 | 0 | 32,834 | 34,990 |

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 '24 £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 charge point 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 | |

Appendix 6: Highways and Transport Committee

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Appendix 6

Highways and Transport Committee

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

| | Second Review Revised Net Budget | Adjustments to FR2 Budget | Third Review Revised Net Budget | Unringfenced Grants to be Actioned |
|----------------------------------|--|------------------------------|---------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Highways & Infrastructure | 11,180 | - | 11,180 | 13 |
| Highways and Transport Committee | 11,180 | - | 11,180 | 13 |

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 third quarter approvals have been given.

Highways and Transport Committee

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

Forecast Outturn Commentary:

Highways & Infrastructure are reporting an underspend of £0.2m against a net budget of £11.2m. This is a £1.4m improvement over the forecast reported at the second finance review. The main reasons for the change are:

- Increased income and holding vacancies within the Parking service (-£0.4m)
- The release of a reserve and reduced expenditure for HS2 (-£0.5m)
- Holding vacant posts and additional income from Infrastructure (-£0.3m)
- Highways staffing savings (-£0.1m)
- Strategic Transport savings (-£0.1m).

The programme of parking initiatives to deliver the parking savings from the 2023/24 MTFS is being considered by Highways and Transport Committee in January 2024. If agreed, they will be implemented from April 2024. This is forecast to be a pressure of £1.6m in the current year accounts. 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 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 levels in Highways are also helping to offset increased energy costs due the time required to implement the energy saving for Street Lighting MTFS proposal. Due to wet weather conditions experienced recently there has been a significant increase in road defects (potholes) applying pressure to highways budgets.

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

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|--|-----------------|---------------------|--|
| | Highways and Transport Committee | -0.842** | | ** Totals will not match to MTFS as Place Restructuring items all moved under E&G. No.98 moved to H&T. |
| 98 | Move to a single contractor to maintain all Council owned green spaces | -0.075 | - | Works are continuing to migrate the grounds maintenance functions from highways to with ANSA Environmental Services Ltd as the single provider of these services. There is a slippage on delivery to 2024/25. This is being mitigated within Highways. |
| 102 | Pay inflation | 0.265 | 0.094 | The total cost of pay inflation will exceed 5% based on national pay negotiations. This may be mitigated through management of vacancies. |
| 103 | Local Bus | 0.080 | 0.250 | Additional government funding to support local bus allocation to be determined with local Operators and H&T representatives. |
| 104 | Highways | -0.579 | - | Budget adjustment on track as a result of a number of internal changes including greater capitalisation of highways maintenance works. |
| 105 | Energy saving measures from streetlights | -0.242 | 0.242 | Market engagement underway to understand cost and complexity to acquiring a Central Management System (CMS) which will enable various policy changes to streetlights in the borough to realise energy savings. This will need to be added to the capital programme est. £7–£10m. September consultation. The £0.242m saving is expected to be made in 2024/25 if the capital investment is made. |
| 106 | Pension Costs Adjustment | -0.172 | - | On track, subject to ongoing monitoring, dependent on in-year staffing costs. |
| 108 | Parking | -0.119 | 1.575 | Town by town analysis on parking well underway to inform consultation exercise. Car park usage monitoring now complete. The majority of the £1.575m income is expected in 2024/25 subject to committee decision. |
| | Increased Highways income to mitigate the energy saving from | | -0.242 | |

| | | | | |
|--|----------------------------------|--|---------------|---|
| | streetlights savings pressure | | | |
| | Parking Savings | | -0.699 | Staffing vacancies, reduced expenditure and increased income. |
| | Highways Savings | | -0.394 | Partial releases of depot reserve and flooding reserves plus staffing savings. |
| | HS2 Savings | | -0.583 | Partial release of reserve plus staffing savings and reduced expenditure. |
| | Infrastructure Savings | | -0.304 | Staff savings and increased income. |
| | Ansa Transport | | 0.091 | Pay inflation plus unmitigated pressure. |
| | Strategic Transport Savings | | -0.216 | Staffing savings and improvement in concessionary fares. |
| | TOTAL FORECAST VARIANCE | | -0.186 | |
| | Further Mitigating Actions | | TBD | Stop non-essential spend and continued vacancy management. Lobby government on recognition of inflation on highway schemes funded from grants. |
| | REVISED FORECAST VARIANCE | | -0.186 | |

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 mainly relates to the Local Electric Vehicle Infrastructure grant. Details of increases in specific purpose and general use grants are provided in **Table 2** and **Table 3**.
- 3.4 **Table 1** provides a detailed listing of all Highways & Transport related grants, their movements between the reporting period and the treatment of the grant.
- 3.5 **Table 2** shows additional **specific purpose** grant allocations that have been received which are £500,000 or less and are for noting only.
- 3.6 **Table 3** 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 Mid-Year | Revised Forecast FR3 | Change from Mid-Year Forecast | Treatment of Grant |
|--|-----------------|---------------------------|----------------------|-------------------------------|--------------------|
| | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | Notes 2 - 5 |
| HIGHWAYS & TRANSPORT | | | | | |
| Specific Purpose (Held within Services) | | | | | |
| Bus Service Operators Grant | 0 | 348 | 348 | 0 | |
| Bus Capacity Grant - brought-forward | 0 | 179 | 179 | 0 | |
| Local Transport Fund - brought-forward | 0 | 219 | 219 | 0 | |
| Local Transport Fund | 0 | 390 | 390 | 0 | |
| Better Deal for Buses - Supported Bus Services - brought-forward | 0 | 320 | 320 | 0 | |
| Better Deal for Buses - Rural Mobility Grant - brought-forward | 0 | 5 | 5 | 0 | |
| Bus Support Grant - brought-forward | 0 | 147 | 147 | 0 | |
| Local Authority Capability Fund - brought-forward | 0 | 154 | 154 | 0 | |
| LTA Enhanced Partnership Grant - brought-forward | 0 | 171 | 171 | 0 | |
| Local Electric Vehicle Infrastructure (LEVI) | 0 | 70 | 230 | 159 | SRE |
| Bus Service Improvement Plan+ (BSIP+) | 0 | 1,188 | 1,188 | 0 | |
| Bus Fare Cap Grant | 0 | 1 | 1 | 0 | |
| Active Travel Capability Fund | 0 | 0 | 72 | 72 | SRE |
| Total Highways & Transport - Specific Purpose | 0 | 3,191 | 3,422 | 231 | |
| General Use (Held Corporately) | | | | | |
| Pavement Licensing - New Burdens | 0 | 0 | 13 | 13 | SRE |
| Total Highways & Transport - General Use | 0 | 0 | 13 | 13 | |
| TOTAL HIGHWAYS & TRANSPORT | 0 | 3,191 | 3,434 | 244 | |

Notes

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

Table 2 – DECISION DELEGATED TO OFFICERS

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

| Committee | Year | Type of Grant | £000 | Details |
|--|---------|--|------------|--|
| Highways and Transport | 2023/24 | Active Travel Capability Fund (Specific Purpose) | 72 | This is a new grant from Active Travel England. This funding is to be used to build on the outcomes of the cycle audit to assess the sufficiency of cycle storage provision (quality/location) and to determine potential improvements in each town, linking to other active travel investment priorities; complete the consultation and design work on Clayton Bypass and; Contribute towards the design work on Manchester Road. |
| Highways and Transport | 2023/24 | Local Electric Vehicle Infrastructure (LEVI) (Specific Purpose) | 159 | Increase on Financial Review 2 position. This grant is 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. |
| Total Specific Purpose Allocations less than £500,000 | | | 231 | |

Table 3 – 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 |
|---|---------|---|-----------|--|
| Highways and Transport | 2023/24 | Pavement Licensing - New Burdens (General Use) | 13 | This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). New Burden grant relating to the introduced temporary measures through the Business and Planning Act 2020 to support businesses selling food and drink during the economic recovery while social distancing guidelines remain in place. The bill streamlines the process of obtaining permission for the placing of tables and chairs outside a business on the pavement. |
| Total General Use Allocations less than £500,000 | | | 13 | |

Highways and Transport Committee

4. Debt Management

| | Outstanding Debt £000 | | | Over 6 months old £000 | | |
|----------------------------------|-----------------------|--------|--------------------------|------------------------|--------|--------------------------|
| | Sep-23 | Oct-23 | Increase / (Decrease) | Sep-23 | Oct-23 | Increase / (Decrease) |
| Highways and Transport Committee | | | | | | |
| Highways and Infrastructure | 1,000 | 1,076 | 76 | 650 | 642 | (8) |

Note: Outstanding debt increase mainly due to two invoices (£29,000 and £48,000 respectively).

Highways and Transport Committee

5. Capital Strategy

| 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 | | |
| Committed Schemes in progress | | | | | | | | | | | | | | |
| Highways | | | | | | | | | | | | | | |
| A532 Safer Road Fund Scheme | 1,223 | 346 | 577 | 300 | 0 | 0 | 877 | 778 | 0 | 0 | 0 | 99 | 877 | |
| A536 Safer Road Fund Scheme | 2,404 | 1,817 | 517 | 70 | 0 | 0 | 587 | 493 | 0 | 0 | 0 | 94 | 587 | |
| A537 Safer Road Fund Scheme | 2,733 | 2,001 | 632 | 100 | 0 | 0 | 732 | 489 | 0 | 0 | 0 | 243 | 732 | |
| Air Quality Action Plan | 473 | 339 | 99 | 35 | 0 | 0 | 134 | 108 | 10 | 0 | 0 | 15 | 134 | |
| Alderley Edge Bypass Scheme Implementation | 60,611 | 60,358 | 25 | 228 | 0 | 0 | 253 | 0 | 0 | 0 | 0 | 253 | 253 | |
| Bridge Maintenance Minor Wks | 9,869 | 7,641 | 2,228 | 0 | 0 | 0 | 2,228 | 1,524 | 0 | 0 | 0 | 703 | 2,228 | |
| Client Contract and Asset Mgmt | 1,243 | 393 | 792 | 58 | 0 | 0 | 850 | 680 | 0 | 0 | 0 | 170 | 850 | |
| Crewe Rail Exchange | 6,702 | 6,693 | 9 | 0 | 0 | 0 | 9 | 9 | 0 | 0 | 0 | 0 | 9 | |
| Highway Maintenance Minor Works | 52,564 | 36,919 | 15,645 | 0 | 0 | 0 | 15,645 | 11,464 | 0 | 0 | 0 | 4,181 | 15,645 | |
| Highway Pothole/Challenge Fund | 8,353 | 8,074 | 279 | 0 | 0 | 0 | 279 | 0 | 0 | 0 | 0 | 279 | 279 | |
| Jack Mills Way Part 1 Claims | 300 | 285 | 15 | 0 | 0 | 0 | 15 | 0 | 15 | 0 | 0 | 0 | 15 | |
| Local Highway Measures | 7,602 | 6,531 | 871 | 200 | 0 | 0 | 1,071 | 695 | 0 | 0 | 0 | 376 | 1,071 | |
| Programme Management | 1,211 | 967 | 244 | 0 | 0 | 0 | 244 | 244 | 0 | 0 | 0 | 0 | 244 | |
| Road Network & Linked Key Inf | 83 | 78 | 0 | 5 | 0 | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 5 | |
| Road Safety Schemes Minor Wks | 6,128 | 5,528 | 599 | 0 | 0 | 0 | 599 | 374 | 0 | 0 | 0 | 225 | 599 | |
| Traffic Signs and Bollards - LED Replacement | 1,250 | 913 | 337 | 0 | 0 | 0 | 337 | 0 | 0 | 0 | 0 | 337 | 337 | |
| Winter Service Facility | 999 | 577 | 163 | 130 | 130 | 0 | 423 | 0 | 0 | 0 | 0 | 423 | 423 | |
| Infrastructure | | | | | | | | | | | | | | |
| A500 Dualling scheme | 89,456 | 10,415 | 759 | 1,663 | 23,541 | 53,078 | 79,041 | 53,284 | 4,300 | 0 | 0 | 21,457 | 79041 | |
| A50 / A54 Holmes Chapel | 603 | 92 | 10 | 501 | 0 | 0 | 511 | 0 | 511 | 0 | 0 | 0 | 511 | |
| A54 / A533 Leadsmyth Street, Middlewich | 563 | 152 | 50 | 361 | 0 | 0 | 411 | 0 | 411 | 0 | 0 | 0 | 411 | |
| A6 MARR CMM Handforth | 1,265 | 505 | 425 | 335 | 0 | 0 | 760 | 213 | 59 | 0 | 0 | 488 | 760 | |
| A6 MARR Technical Design | 473 | 277 | 2 | 194 | 0 | 0 | 196 | 70 | 127 | 0 | 0 | 0 | 196 | |
| A556 Knutsford to Bowdon | 504 | 361 | 45 | 98 | 0 | 0 | 143 | 0 | 143 | 0 | 0 | 0 | 143 | |
| Peacock Roundabout Junction | 750 | 0 | 0 | 750 | 0 | 0 | 750 | 0 | 750 | 0 | 0 | 0 | 750 | |
| Congleton Link Road | 88,443 | 71,453 | 672 | 3,525 | 4,229 | 8,565 | 16,991 | 316 | 14,130 | 0 | 0 | 2,545 | 16,991 | |
| Crewe Green Link Road | 26,624 | 26,607 | 18 | 0 | 0 | 0 | 18 | 0 | 18 | 0 | 0 | 0 | 18 | |
| Crewe Green Roundabout | 7,500 | 7,056 | 57 | 190 | 197 | 0 | 444 | 0 | 444 | 0 | 0 | 0 | 444 | |
| Flowerpot Phs 1 & Pinchpoint | 10,037 | 1,437 | 500 | 5,835 | 2,265 | 0 | 8,601 | 2,139 | 726 | 0 | 0 | 5,736 | 8,601 | |

Highways & Transport

CAPITAL

CAPITAL PROGRAMME 2023/24 - 2026/27

| Scheme Description | 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 | | | | | | | | | | | | | |
| Future High Street Funding - Adaptive Signals | 509 | 276 | 233 | 0 | 0 | 0 | 233 | 29 | 203 | 0 | 0 | 0 | 233 |
| Future High Street Funding - Flag Lane Link | 1,558 | 358 | 825 | 25 | 350 | 0 | 1,200 | 1,200 | 0 | 0 | 0 | 0 | 1,200 |
| Future High Street Funding - Southern Gateway | 5,118 | 443 | 1,564 | 3,110 | 0 | 0 | 4,674 | 4,674 | 0 | 0 | 0 | 0 | 4,674 |
| Highways & Infrastructure S106 Funded Schemes | 2,696 | 1,236 | 248 | 1,122 | 89 | 0 | 1,460 | 283 | 1,177 | 0 | 0 | 0 | 1,460 |
| Infrastructure Scheme Development | 325 | 0 | 63 | 163 | 100 | 0 | 325 | 325 | 0 | 0 | 0 | 0 | 325 |
| Middlewich Eastern Bypass | 91,157 | 20,247 | 11,266 | 19,360 | 25,785 | 14,499 | 70,910 | 46,779 | 12,816 | 0 | 0 | 11,315 | 70,910 |
| Mill Street Corridor - Station Link Project | 950 | 0 | 100 | 850 | 0 | 0 | 950 | 950 | 0 | 0 | 0 | 0 | 950 |
| North-West Crewe Package | 42,351 | 22,374 | 19,859 | 118 | 0 | 0 | 19,977 | 0 | 12,249 | 0 | 1,730 | 5,997 | 19,977 |
| Old Mill Road / The Hill Junction | 1,325 | 173 | 140 | 1,012 | 0 | 0 | 1,152 | 0 | 1,152 | 0 | 0 | 0 | 1,152 |
| Poynton Relief Road | 52,657 | 43,682 | 3,285 | 1,708 | 396 | 3,587 | 8,976 | 2,236 | 5,740 | 0 | 1,000 | 0 | 8,976 |
| Sydney Road Bridge | 10,501 | 10,105 | 0 | 140 | 198 | 59 | 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 | 2,996 | 2,570 | 426 | 0 | 0 | 0 | 426 | 361 | 0 | 0 | 0 | 65 | 426 |
| 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 | 785.490 | 1,163 | 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 | 207 | 56 | 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 | 125 | 195 | 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 | 0 | 13 | 0 | 0 | 13 | 0 | 0 | 0 | 0 | 13 | 13 |
| Car Parking Improvements (including residents parking) | 322 | 266 | 20 | 36 | 0 | 0 | 56 | 0 | 0 | 10 | 0 | 46 | 56 |
| HS2 | | | | | | | | | | | | | |
| Crewe HS2 Hub Project Development | 12,700 | 8,598 | 100 | 1,500 | 1,150 | 1,352 | 4,102 | 0 | 0 | 0 | 0 | 4,102 | 4,102 |
| Total Committed Schemes | 626,258 | 373,410 | 67,452 | 45,826 | 58,430 | 81,140 | 252,848 | 134,873 | 55,686 | 10 | 2,730 | 59,549 | 252,848 |

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 | |
| New Schemes | | | | | | | | | | | | | |
| Highways | | | | | | | | | | | | | |
| Footpath Maintenance - Slurry Sealing & Reconstruction Works | 1,319 | 0 | 650 | 669 | 0 | 0 | 1,319 | 1,319 | 0 | 0 | 0 | 0 | 1,319 |
| Managing and Maintaining Highways | 9,331 | 0 | 0 | 4,619 | 4,712 | 0 | 9,331 | 0 | 0 | 0 | 0 | 9,331 | 9,331 |
| Pothole Funding | 17,397 | 0 | 0 | 5,799 | 5,799 | 5,799 | 17,397 | 17,397 | 0 | 0 | 0 | 0 | 17,397 |
| Integrated Block - LTP | 6,009 | 0 | 0 | 2,003 | 2,003 | 2,003 | 6,009 | 6,009 | 0 | 0 | 0 | 0 | 6,009 |
| Maintenance Block - LTP, plus CE funding for inflationary rise | 21,287 | 0 | 0 | 7,609 | 7,878 | 5,799 | 21,287 | 17,397 | 0 | 0 | 0 | 3,890 | 21,287 |
| Incentive Fund - LTP | 4,350 | 0 | 0 | 1,450 | 1,450 | 1,450 | 4,350 | 4,350 | 0 | 0 | 0 | 0 | 4,350 |
| Total New Schemes | 59,693 | 0 | 650 | 22,149 | 21,842 | 15,051 | 59,693 | 46,472 | 0 | 0 | 0 | 13,221 | 59,693 |
| Total Highways & Transport | 685,951 | 373,410 | 68,102 | 67,976 | 80,273 | 96,191 | 312,541 | 181,345 | 55,686 | 10 | 2,730 | 72,770 | 312,541 |

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 '24 £000 | Notes |
|--|---|--|--|--|
| <u>Highways and Infrastructure</u> | | | | |
| HS2 | 785 | (400) | 385 | To support the Council's ongoing programme in relation to Government's HS2 investment across the borough and Transport for the North's Northern Powerhouse Rail Business Case. |
| Flood Recovery Works | 400 | (200) | 200 | To support locations identified for repair works as a result of the 2019 flood events. |
| Parking Pay and Display Machines / Parking Studies | 178 | (178) | 0 | To cover contract inflation for P&D machines and for new regulation from DfT on role of parking in decarbonising transport. |
| Highways Procurement Proj | 104 | (69) | 35 | To finance the development of the next Highway Service Contract. Depot mobilisation costs, split over 7 years from start of contract in 2018. |
| LEP-Local Transport Body | 19 | (19) | 0 | To fund the business case work for re-opening the Middlewich rail line. The remaining reserve will be fully required in 2023/24. |
| HIGHWAYS AND TRANSPORT TOTAL | 1,486 | (866) | 620 | |

Appendix 7: Finance Sub-Committee

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6. Reserves Strategy

Appendix 7

Finance Sub-Committee

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

| | Second Review Revised Net Budget | Adjustments to FR2 Budget | Third Review Revised Net Budget | Unringfenced Grants to be Actioned |
|---|--|------------------------------|---------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| CENTRAL BUDGETS | | | | |
| Capital Financing | 19,000 | - | 19,000 | - |
| Corporate Contributions / Central Budgets | (1,206) | (499) | (1,704) | - |
| Contribution to / from Reserves | (7,363) | - | (7,363) | - |
| Finance Sub-Committee - Central Budgets | 10,431 | (499) | 9,933 | - |
| TOTAL BUDGET | 353,125 | - | 353,125 | 188 |
| CENTRAL BUDGETS FUNDING | | | | |
| Business Rates Retention Scheme | (55,277) | - | (55,277) | - |
| Specific Grants | (26,751) | - | (26,751) | (188) |
| Council Tax | (271,097) | - | (271,097) | - |
| Finance Sub-Committee - Net Funding | (353,125) | - | (353,125) | (188) |

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 third financial review approvals have been given.

Finance Sub-Committee

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

Forecast Outturn Commentary:

Scope for additional mitigating items in 2023/24: Use £5.695m from Capital Financing Reserve to cover the pressure on the associated capital financing budget arising due to increasing interest rates.

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

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

| MTFS Ref No | Detailed List of Service Budget Changes | 2023/24 £m | 2023/24 Variance £m | Commentary |
|-------------|---|------------|---------------------|--|
| | Finance Sub-Committee | -28.194 | | |
| 109 | Capital Financing – Minimum Revenue Provision | - | 5.695 | Interest rate rises, repayment of overpaid COVID grants and the High Needs deficit have impacted on the overall level and cost of borrowing. |
| 110 | Pension Costs Adjustment | 5.35 | - | Action complete – budget adjusted. |
| 111 | Bad Debt Provision adjustment | -0.8 | - | Subject to ongoing monitoring. |
| 112 | Capital Receipts Income | -1 | -1.6 | Above target, subject to ongoing monitoring. |
| 113 | Use of Earmarked Reserves – MTFS reserve | -4.951 | - | On track, subject to ongoing monitoring. |
| 114 | Use of Earmarked Reserves – Collection Fund reserve | 1.674 | - | On track, subject to ongoing monitoring. |
| 115 | Use of Earmarked Reserves – Capital Financing reserve | -1.7 | - | On track, subject to ongoing monitoring. |
| 116 | Use of Earmarked Reserves – Transformation reserve | -1.371 | - | Overall forecast of potential overspend for Council creates pressure on reserves. |

| | | | | |
|-----|---|---------|--------------|--|
| 117 | Council Tax - % increase | -12.709 | - | On track, subject to ongoing monitoring. |
| 118 | Council Tax – Base increase | -3.707 | - | On track, subject to ongoing monitoring. |
| 119 | Business Rates | -6.191 | - | On track, subject to ongoing monitoring. |
| 120 | Unring-fenced Grants + Revenue Support Grant | -2.789 | - | On track, subject to ongoing monitoring. |
| | In-year pressure credit losses | | 0.5 | Increased risks around credit losses due to economic climate. |
| | TOTAL FORECAST VARIANCE | | 4.595 | |
| | Further Mitigating Actions could be in the region of £5m from the use of the Capital Financing Reserve. | | 5.695 | <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.£5.695m.</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> |
| | REVISED FORECAST VARIANCE | | -1.1 | |

CENTRAL BUDGETS AND FUNDING

Table 1 – Central Outturn Forecasts

| 2023/24 | Revised Budget | Forecast Outturn FR3 | Forecast Variance FR3 | Forecast Variance FR2 | Movement from FR2 to FR3 |
|---------------------------------------|------------------|----------------------|-----------------------|-----------------------|--------------------------|
| (NET) | | | | | |
| £000 | £000 | £000 | £000 | £000 | £000 |
| CENTRAL BUDGETS | | | | | |
| Capital Financing | 19,000 | 19,000 | - | 418 | (418) |
| Transfer to/(from) Earmarked Reserves | (7,363) | (7,363) | - | - | - |
| Other Income/Expenditure | (54) | (54) | - | - | - |
| Past Service Pensions | - | - | - | - | - |
| Credit Losses | (650) | (150) | 500 | 491 | 9 |
| Income from Use of Capital Receipts | (1,000) | (2,600) | (1,600) | - | (1,600) |
| Apprenticeship Levy | - | - | - | - | - |
| Central Budgets | 9,933 | 8,833 | (1,100) | 909 | (2,009) |
| TOTAL NET EXPENDITURE | 353,125 | 366,128 | 13,003 | 18,733 | (5,730) |
| Business Rates Retention Scheme | (55,277) | (55,277) | - | - | - |
| Specific Grants | (26,751) | (26,751) | - | - | - |
| Council Tax | (271,097) | (271,097) | - | - | - |
| Sourced from Collection Fund | - | - | - | - | - |
| Net Funding | (353,125) | (353,125) | - | - | - |

- 2.1 It is currently forecast that there will be a £1.1m positive variance to budget on the central budget. This is due to the increased use of capital receipts above budget in-year offset by 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 £13.0m. As the Council's General Reserves balance is £14.1m, mitigating actions must continue to 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 1** shows these amounts separately, giving a total budgeted collectable amount of £334.9m.
- 2.9 This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the amount billed will therefore exceed the budget.
- 2.10 This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of

discounts and exemptions, and changes in numbers and value of properties. The net amount billed to end of October 2023 is £332.9m.

Table 1 – Cheshire East Council collects Council Tax on behalf of other precepting authorities

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

- 2.11 Table 2 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 2 – 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 October 2023 is 65.0%. This is equivalent to 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 October 2023 the total Council Tax Support awarded was £20.1m. This includes £0.3m additional Council Tax Support Fund.
- 2.14 Council tax discounts awarded for the period up to the end of October 2023 are £30.9m, which is an increase of £2.2m in comparison to the same period in 2022/23. This increase is attributable to work related to raising awareness of the discounts available to residents.
- 2.15 Council tax exemptions awarded to date are £8.3m, which is an increase of £0.8m 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 Cheshire East Council collects business rates on behalf of Central Government and the Cheshire Fire Authority. Table 3 shows these amounts separately, giving a total budgeted collectable amount of £147.7m.

***data not yet available*

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

| | £m |
|-------------------------|--------------|
| Cheshire East Council | 72.4 |
| Central Government | 73.8 |
| Cheshire Fire Authority | 1.5 |
| Total | 147.7 |

2.19 Table 4 demonstrates how collection continues to improve even after year end. The table shows how 99% of non-domestic rates are collected within three years.

Table 4 – 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 | ** | ** | ** |

2.20 The business rates in-year collection rate for the period up to the end of October 2023 is 66.2%. This is a small decrease on last year, contributed to the rise in inflation and energy costs.

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 Since Financial Review 2 there has been increase in specific purpose grants of £1.4m to £295.2m.
- 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 £48.8m at Financial Review 2. This forecast position has increased slightly at third 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.
- 3.8 **Table 3** 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 Mid-Year | Revised Forecast FR3 | Change from Mid-Year Forecast |
|-------------------------------|-----------------|---------------------------|----------------------|-------------------------------|
| | 2023/24 £m | 2023/24 £m | 2023/24 £m | 2023/24 £m |
| SPECIFIC PURPOSE | | | | |
| Children and Families | 187.7 | 182.1 | 184.0 | 1.9 |
| Adults and Health | 36.6 | 46.2 | 44.4 | (1.8) |
| Economy and Growth | 2.6 | 7.3 | 7.3 | 0.0 |
| Environment and Communities | 0.2 | 1.2 | 1.7 | 0.5 |
| Highways and Transport | 0.0 | 3.2 | 3.4 | 0.2 |
| Corporate Policy | 47.3 | 53.7 | 54.3 | 0.6 |
| TOTAL SPECIFIC PURPOSE | 274.4 | 293.7 | 295.2 | 1.4 |
| GENERAL USE | | | | |
| Children and Families | 6.9 | 7.4 | 7.4 | 0.1 |
| Adults and Health | 12.8 | 12.8 | 12.8 | 0.0 |
| Economy and Growth | 0.0 | 0.0 | 0.0 | 0.0 |
| Environment and Communities | 0.0 | 0.0 | 0.0 | 0.0 |
| Highways and Transport | 0.0 | 0.0 | 0.0 | 0.0 |
| Corporate Policy | 7.1 | 28.7 | 28.8 | 0.1 |
| TOTAL GENERAL USE | 26.8 | 48.8 | 49.0 | 0.2 |
| TOTAL GRANT FUNDING | 301.2 | 342.6 | 344.2 | 1.6 |
| Source: Cheshire East Finance | | | | |

Table 2 – Corporate Grants Register – General Use Grants

| General Use Grants 2023/24 (Held Corporately) | Original Budget | Revised Forecast Mid-Year | Revised Forecast FR3 | Change from Revised Forecast 2023/24 | Treatment of Grant |
|--|----------------------------|--|-------------------------------------|---|-------------------------------|
| | 2023/24 £000 | 2023/24 £000 | 2023/24 £000 | £000 | |
| CHILDREN & FAMILIES | | | | | |
| Social Care Support Grant (Children) | 6,939 | 6,939 | 6,939 | 0 | |
| Staying Put Implementation Grant | 0 | 130 | 130 | 0 | |
| Extended Rights to Free Transport (Home to School Transport) | 0 | 256 | 256 | 0 | |
| Extended Personal Adviser Duty Implementation | 0 | 57 | 57 | 0 | |
| Extension of the role of Virtual School Heads | 0 | 0 | 61 | 61 | SRE |
| Total Children & Families Committee | 6,939 | 7,383 | 7,443 | 61 | |
| ADULTS & HEALTH | | | | | |
| Social Care Support Grant (Adults) | 12,426 | 12,426 | 12,426 | 0 | |
| Local Reform & Community Voices | 207 | 207 | 207 | 0 | |
| Social Care in Prisons | 73 | 73 | 73 | 0 | |
| War Pension Scheme Disregard | 60 | 60 | 60 | 0 | |
| Total Adults & Health Committee | 12,766 | 12,766 | 12,766 | 0 | |
| HIGHWAYS & TRANSPORT | | | | | |
| Pavement Licensing - New Burdens | 0 | 0 | 13 | 13 | SRE |
| Total Highways & Transport Committee | 0 | 0 | 13 | 13 | |
| CORPORATE POLICY | | | | | |
| Revenue Support Grant | 388 | 388 | 388 | 0 | |
| Housing Benefit Administration Subsidy | 626 | 626 | 741 | 115 | SRE |
| NNDR Administration Allowance | 587 | 578 | 578 | 0 | |
| New Homes Bonus | 3,794 | 3,794 | 3,794 | 0 | |
| Services Grant | 1,720 | 1,720 | 1,720 | 0 | |
| Council Tax Support Fund | 0 | 521 | 521 | 0 | |
| Business Rates Reliefs Compensation Grant 2023/24 | 0 | 21,039 | 21,039 | 0 | |
| Total Corporate Policy Committee | 7,115 | 28,692 | 28,807 | 115 | |
| TOTAL | 26,820 | 48,840 | 49,029 | 188 | |

Table 3 – 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 | 2023/24 | Extension of the role of Virtual School Heads (General Purpose) | 61 | This is a new grant from the Department for Education. The purpose of this grant is to provide support to local authorities in England to help them to extend the role of the Virtual School Head to promote the educational outcomes of the cohort of children with a social worker. Virtual School Heads should take a strategic leadership role for this cohort of children and work with early years settings, schools, colleges, and social care leaders to create a culture of high aspirations that helps all children with social workers to reach their potential. |
| Corporate Policy | 2023/24 | Housing Benefit Administration Subsidy (General Use) | 115 | Increase on MTFS 2023-27 estimate. This grant is from the Department for Work and Pensions. Payment of claims administration within Housing Benefits. |
| Highways and Transport | 2023/24 | Pavement Licensing - New Burdens (General Use) | 13 | This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). New Burden grant relating to the introduced temporary measures through the Business and Planning Act 2020 to support businesses selling food and drink during the economic recovery while social distancing guidelines remain in place. The bill streamlines the process of obtaining permission for the placing of tables and chairs outside a business on the pavement. |

| Committee | Year | Type of Grant | £000 | Details |
|--|------|---------------|------------|---------|
| | | | | |
| Total Specific Purpose Allocations less than £500,000 | | | 128 | |

Finance Sub-Committee

4. Debt Management

- 4.1 Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has increased by £1.3m since the end of September.
- 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 October 2023 was £15.7m.

- 4.6 The total amount of service debt over six months old is £8.8m; provision of £7.4m has been made to cover doubtful debt in the event that it needs to be written off.

DEBT SUMMARY

| | Outstanding Debt £000 | Over 6 months old £000 |
|--|--------------------------|---------------------------|
| Adults and Health Committee | | |
| Adults, Public Health and Communities | 12,212 | 7,709 |
| Children and Families Committee | | |
| Children's Social Care (Incl. Directorate) | 10 | 4 |
| Prevention and Early Help | 8 | (5) |
| Schools | 6 | - |
| Highways and Transport Committee | | |
| Highways and Infrastructure | 1,076 | 642 |
| Economy and Growth Committee | | |
| Growth and Enterprise | 1,777 | 222 |
| Environment and Communities Committee | | |
| Environment and Neighbourhood Services | 325 | 214 |
| Corporate Policy Committee | | |
| Finance and Customer Services | 83 | 55 |
| Governance and Compliance | 2 | - |
| Human Resources | 2 | 1 |
| ICT | 188 | 1 |
| | 15,689 | 8,843 |

Finance Sub-Committee

5. Capital Strategy

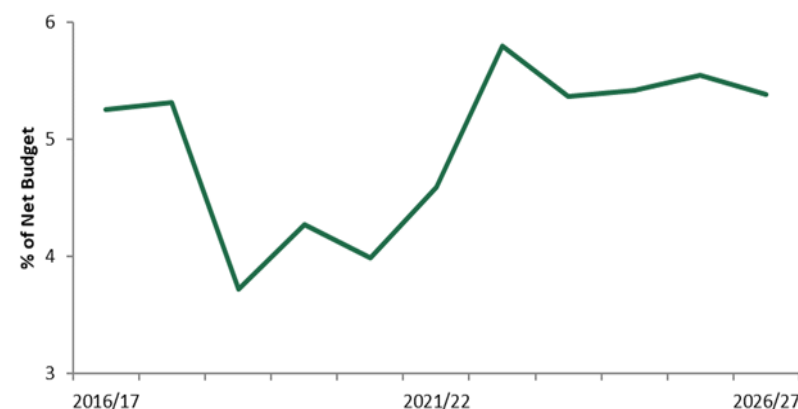
Table 1: Financial Parameters for 2023/24

| Parameter | 2023/24 |
|---|---------|
| Repayment of Borrowing | |
| Minimum Revenue Provision* | 17.5 |
| External Loan Interest | 13.9 |
| Investment Income | (3.6) |
| Contributions from Services Revenue Budgets | (1.2) |
| | |
| Total Capital Financing Costs | 26.6 |
| Use of Financing EMR | (7.6) |
| Actual CFB in MTFS | 19.0 |
| | |
| Capital Receipts targets* | 1.0 |
| Flexible use of Capital Receipts | 2.6 |

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

Use of Financing Earmarked Reserve

- 5.10 To allow a longer-term approach to setting the Financial Parameters of the Capital Strategy the Council will maintain an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.
- 5.11 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any variance to the Capital Finance Budget (CFB) within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. In balancing the CFB over the period of the MTFS the Section 151 Officer may also recommend appropriate use of the Financing Earmarked Reserve over the period.

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

Capital Programme – Review Position

5.13 Since the Second Financial review was reported to the Finance Sub Committee on the 2nd November, the capital programme has increased by £3.5m. This is mainly due to the receipt of several additional grants from the Shared Prosperity Fund £1.9m and the Childcare Expansion grant £0.8m.

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

Table 2: Summary Capital Programme

| | MTFS Budget | SCEs/ Virements in Quarter | 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 | 0.5 |
| Children & Families | 116.8 | | 0 | (0.4) | 116.4 |
| Highways & Transport | 311.0 | | 0 | 0 | 311.0 |
| Economy & Growth | 227.2 | 0.6 | (4.8) | 0.9 | 223.9 |
| Environment & Communities | 34.9 | | -0.4 | 0 | 34.5 |
| Corporate Directorate | 30.3 | - | 0 | - | 30.3 |
| | 720.7 | 0.6 | (5.2) | 0.5 | 716.6 |

5.15 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**.

5.16 **Table 4** lists details of Capital Supplementary Estimates over up to £1,000,000 and Capital Virements up to and including £5,000,000 that requires Committee to approve.

5.17 **Table 5** lists details a Capital Virement over £5,000,000 that was recommended by the Economy & Growth Committee to be approved by the Finance Sub Committee.

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

5.19 Prudential Indicators are shown at the end of this section

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

Table 3: Capital Programme Update

| CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------------------|
| CAPITAL PROGRAMME 2023/24 - 2026/27 | | | | | |
| | Forecast 2023/24 £000 | Forecast 2024/25 £000 | Forecast 2025/26 £000 | Forecast 2026/27 £000 | Total Forecast 2023-27 £000 |
| Committed Schemes - In | | | | | |
| Adults and Health | 4 | 466 | 0 | 0 | 470 |
| Children and Families | 34,195 | 35,470 | 21,202 | 20,019 | 110,886 |
| Highways & Transport | 67,452 | 45,826 | 58,430 | 81,140 | 252,848 |
| Economy & Growth | 49,346 | 83,076 | 72,800 | 9,800 | 215,022 |
| Environment & Communities | 6,168 | 3,656 | 11,136 | 5,614 | 26,574 |
| Corporate Policy | 9,994 | 9,407 | 6,503 | 2,524 | 28,428 |
| Total Committed Schemes - In Progress | 167,159 | 177,901 | 170,071 | 119,097 | 634,228 |
| CAPITAL PROGRAMME 2023/24 - 2026/27 | | | | | |
| | Forecast 2023/24 £000 | Forecast 2024/25 £000 | Forecast 2025/26 £000 | Forecast 2026/27 £000 | Total Forecast 2023-27 £000 |
| New Schemes | | | | | |
| Adults and Health | 0 | 0 | 0 | 0 | 0 |
| Children and Families | 277 | 2,919 | 3,300 | 0 | 6,496 |
| Highways & Transport | 650 | 22,149 | 21,843 | 15,051 | 59,693 |
| Economy & Growth | 1,678 | 1,267 | 3,000 | 3,841 | 9,786 |
| Environment & Communities | 770 | 4,229 | 3,417 | 0 | 8,416 |
| Corporate Policy | 581 | 971 | 0 | 0 | 1,552 |
| Total New Schemes | 3,957 | 31,535 | 31,560 | 18,892 | 85,943 |
| Total | 171,116 | 209,435 | 201,631 | 137,989 | 720,171 |

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 | Forecast 2023-27 £000 |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Funding Requirement | | | | | |
| Indicative Funding Analysis: | | | | | |
| (See note 1) | | | | | |
| Government Grants | 90,937 | 130,626 | 77,033 | 51,277 | 349,873 |
| External Contributions | 19,964 | 17,376 | 42,003 | 35,861 | 115,204 |
| Revenue Contributions | 1,681 | 1,093 | 219 | 434 | 3,426 |
| Capital Receipts | 2,077 | 1,796 | 31,810 | 1,720 | 37,403 |
| Prudential Borrowing (See note 2) | 56,456 | 58,546 | 50,566 | 48,697 | 214,265 |
| Total | 171,116 | 209,435 | 201,631 | 137,989 | 720,171 |

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: Requests for Supplementary Capital Estimates (SCEs) and Virements

| Committee / Capital Scheme | Amount Requested £ | Reason and Funding Source |
|---|-----------------------|--|
| Supplementary Capital Estimates that have been made up to £1,000,000 | | |
| Children and Families | | |
| Families Hub Transformation | 36,000 | Additional grant funding from Department for Education for Family Hub Transformation |
| Childcare Capital Expansion Grant | 748,977 | New grant from DfE to increase physical capacity of early years childcare provision and wraparound provision from primary aged children. |
| Highways & Transport | | |
| Highway Maintenance Minor Works | 59,721 | Replenishment from s106 funds for qualifying expenditure incurred. |
| Tytherington Lane, Macclesfield S106 - Traffic Calming Measures | 7,000 | Further draw down to S106 balances to continue works on these projects |
| A51 Nantwich Road Alpraham | 18,000 | |
| Total Supplementary Capital Estimates Requested | 869,698 | |

| Service / Capital Scheme | Amount Requested £ | Reason and Funding Source |
|--|-----------------------|--|
| Capital Budget Virements that have been made up to £5,000,000 | | |
| Children & Families | | |
| Education and 14-19 Skills | | |
| Holmes Chapel Secondary School | 25,000 | Transfer to named scheme from Basic Need |
| Sandbach High School - Basic Need | 37,580 | Transfer from Sandbach Planning area |
| Macclesfield Planning Area - Secondary New | 427,960 | Transfer of unused balance from Macclesfield Planning area school project |
| Congleton Planning Area | 574,940 | Amount of underspend on project to be returned to Basic Needs |
| Highways and Infrastructure | | |
| A6 MARR CMM Handforth | 65,138 | Works in Disley complete - remaining budget to be moved to Handforth section. To combine with S106 Cuckoo Lane New commission, new project needed. |
| Acton Village | 180,390 | Funded by Kingsleyfields – Ref 508H. |
| Southern Gateway | 487,011 | Future High Street Fund - re-allocation of funds within the block grant allocation |
| Mill Street Corridor | 950,000 | Transfer from UK Shared Prosperity Fund - core line |
| Economy & Growth | | |
| Macclesfield Indoor Market Toilet Refurbishment | 20,000 | Funding from Premises Capital project towards delivery of this scheme. |
| Wilmslow Garden Centre Footpath s106 | 8,241 | Feasibility study to be funded by LTP funds and an additional £4k allocation from the STEPS Active Travel project. |
| Future High Street Funding - CEC Innovation Centre | 700,000 | To combine the CEC Innovation Centre with Christ Church Innovation Centre, |
| Future High Street Funding - CEC Innovation Centre | 250,000 | Future High Street Fund - re-allocation of funds within the block grant allocation |
| Environment and Neighbourhood Services | | |
| Crewe Towns Fund - Cumberland Arena | 2,755 | Virement from Crewe Towns funds to named project |
| Future High Street Funding - Sustainable Energy Netwo | 85,000 | Future High Street Fund - proposed changes within this fund |
| Crewe Towns Fund - Pocket Parks | 110,094 | Virement from Crewe Towns funds to named project |
| Total Capital Budget Virements Approved | 3,729,015 | |
| Total Supplementary Capital Estimates and Virements | 4,598,713 | |

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

| Committee | Amount Requested £ | Reason and Funding Source |
|--|-----------------------|--|
| Finance Sub Committee are to approve the Capital Virements and SCEs Supplementary Capital Virements over £5,000,000 | | |
| Economy & Growth | | |
| Handforth Garden Village s106 Development Obligations | 6,841,422 | Recommendation to the Finance Sub Committee that the existing Handforth Garden Village budget in the Council's Capital Programme is separated into two project budgets, with the new project being titled Handforth Garden Village s106 Development Obligations, and having a budget of £6.8m to cover the first tranche of s106 contributions associated with the initial infrastructure works. |
| Total Supplementary Capital Virements Requested | 6,841,422 | |
| Total Supplementary Virements Estimates | 6,841,422 | |

Table 6: TO NOTE - Capital Budget Reductions

| Committee / Capital Scheme | Approved Budget £ | Revised Approval £ | Reduction £ | Reason and Funding Source |
|---|----------------------|-----------------------|-----------------|---|
| Finance Sub Committee are asked to note the reductions in Approved Budgets | | | | |
| Highways & Infrastructure | | | | |
| S106 Agreement: Sandbach Railway Station – Cycle Lockers | 20,000 | 18,557 | (1,443) | Projects now complete |
| Wellington Road, Bollington 17/1891M | 6,000 | 2,943 | (3,057) | |
| Marsh Lane, Holmes Chap Bus St | 25,000 | 24,102 | (898) | |
| Springwood Way TytheringtonTRO | 3,000 | 2,213 | (787) | |
| Environment & Communities | | | | |
| Arnold Rhodes Public Open Space Improvements Phase 2 | 94,428 | 89,020 | (5,408) | Project now complete. Monies to be returned to s106 funds |
| | 148,428 | 136,835 | (11,593) | |

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

Background

- 5.23 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Estimates of Capital Expenditure

- 5.24 In 2023/24, the Council estimates to spend £171.1m on capital expenditure as summarised below.

| Capital Expenditure | 2022/23 Actual £m | 2023/24 Estimate £m | 2024/25 Estimate £m | 2025/26 Estimate £m | Future years £m |
|---------------------|-------------------------|---------------------------|---------------------------|---------------------------|-----------------------|
| Total | 116.4 | 171.1 | 209.4 | 205.6 | 134.1 |

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 | 2.1 | 1.8 | 31.8 | 1.7 |
| Government Grants | 47.1 | 90.9 | 130.6 | 77.1 | 51.3 |
| External Contributions | 6.7 | 20.0 | 17.4 | 42.0 | 35.9 |
| Revenue Contributions | 1.2 | 1.7 | 1.1 | 0.2 | 0.4 |
| Total Financing | 56.0 | 114.7 | 150.9 | 151.1 | 89.3 |
| Prudential Borrowing | 60.4 | 56.4 | 58.5 | 54.5 | 44.8 |
| Total Funding | 60.4 | 56.4 | 58.5 | 54.5 | 44.8 |
| Total Financing and Funding | 116.4 | 171.1 | 209.4 | 205.6 | 134.1 |

Source: Cheshire East Finance

Replacement of debt finance

- 5.26 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets may be used to replace debt finance. Planned MRP repayments are as follows.

| Replacement of debt finance | 2022/23 Actual £m | 2023/24 Estimate £m | 2024/25 Estimate £m | 2025/26 Estimate £m | 2026/27 Estimate £m |
|-----------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total | 15.0 | 17.5 | 19.4 | 22.9 | 25.7 |

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 £39m during 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows.

| Capital Financing Requirement | 2022/23 Actual £m | 2023/24 Estimate £m | 2024/25 Estimate £m | 2025/26 Estimate £m | 2026/27 Estimate £m |
|-------------------------------|----------------------|------------------------|------------------------|------------------------|------------------------|
| Total | 467 | 506 | 534 | 564 | 580 |

Source: Cheshire East Finance

Asset disposals

5.28 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council received £4.9m of capital receipts from asset sales in 2022/23 and plans to receive a further £4.8m in future years.

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

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

5.29 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting and the Council therefore seeks to strike a balance between cheap short term loans (currently available at around 5.3%) and long term fixed rate loans where the future cost is known but higher (currently 5.4%– 5.6%).

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

| Gross Debt and the Capital Financing Requirement | 2022/23 Actual £m | 2023/24 Estimate £m | 2024/25 Estimate £m | 2025/26 Estimate £m | 2026/27 Estimate £m |
|--|----------------------|------------------------|------------------------|------------------------|------------------------|
| Borrowing | 261 | 299 | 364 | 429 | 494 |
| PFI Liabilities | 19 | 18 | 17 | 17 | 15 |
| Total Debt | 280 | 317 | 381 | 446 | 509 |
| Capital Financing Req. | 467 | 506 | 534 | 564 | 580 |

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 £374m 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 | 299 | 364 | 429 | 494 |
| Liability Benchmark | 239 | 272 | 312 | 348 | 374 |

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 | 600 |
| Authorised Limit for Other Long-Term Liabilities | 19 | 18 | 17 | 17 | 15 |
| Authorised Limit for External Debt | 499 | 558 | 587 | 607 | 615 |
| Operational Boundary for Borrowing | 470 | 530 | 560 | 580 | 590 |
| Operational Boundary for Other Long-Term Liabilities | 19 | 18 | 17 | 17 | 15 |
| Operational Boundary for External Debt | 489 | 548 | 577 | 597 | 605 |

Source: Cheshire East Finance

Investment Strategy

5.35 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

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

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

Source: Cheshire East Finance

5.37 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 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 Cabinet as part of the Finance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.

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

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

Source: Cheshire East Finance

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

5.42 Due to the 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 capital programme, within the Capital Strategy 2023 to 2027, has been affected by high construction inflation and high interest rates. When taking into account the longer term revenue implications and impact on future revenue budgets, the current programme is now considered to be unaffordable in future years. Consequently, the capital programme must be rephased, with the potential that some projects will have to cease to ensure the continued sustainability and affordability of the programme.

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 £28.7m will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding. The closing balance at 31 March 2024 is forecast at £32.9m.
- 6.8 The third review position presents a pressure of £13.0m. Any variation to budget at year-end will be managed through the Council’s Earmarked Reserves.

Table 1 – Forecast Reserves Position

| | £m |
|--|-------------|
| General Reserve | 14.1 |
| Earmarked Reserves (excluding Schools) | 32.9 |
| Total Reserves Balance at 31 March 2024 | 47.0 |

- 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 '24 £000 |
|--|--|--|--|
| Adults and Health Committee | 7,082 | (2,104) | 4,978 |
| Children and Families Committee | 3,374 | (1,603) | 1,771 |
| Corporate Policy Committee | 45,549 | (22,467) | 23,064 |
| Economy and Growth Committee | 3,109 | (1,442) | 1,667 |
| Environment and Communities Committee | 994 | (173) | 821 |
| Highways and Transport Committee | 1,486 | (866) | 620 |
| TOTAL EARMARKED RESERVES MOVEMENT | 61,594 | (28,655) | 32,921 |

**Excluding schools' balances*

6.10 Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is ring-fenced funding received for: schools; high needs / special educational needs; and early years provision. In recent years there has been a pressure on the DSG high needs block where funding has not kept pace with the increasing numbers and cost of children with an education, health and care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The on-going pressure is regularly reviewed; at the end of 2022/23 the deficit was £46.9m; the deficit is forecast to increase to £85.8m by the end of 2023/24.

Table 3 – DSG Deficit

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

Appendix 7a: Treasury Management Strategy

Treasury Management Report

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 Strategy (see **Appendix 7b**).

2. External Context

- 2.1 **Economic Background:** The Bank of England's (BoE) increased the Bank Base Rate to 5.25% in August 2023, before maintaining this level in September and then again in November. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.
- 2.2 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price setting.
- 2.3 Office for National Statistics (ONS) figures showed CPI inflation was 6.7% in September 2023, unchanged from the previous month but above the 6.6% expected. Core CPI inflation fell to 6.1% from 6.2%, in line with predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling, declining to around 4% by the end of calendar 2023 but taking until early 2025 to

reach the 2% target and then falling below target during the second half 2025 and into 2026.

- 2.4 ONS figures showed the UK economy grew by 0.2% between April and June 2023. The BoE forecasts GDP will likely stagnate in Q3 but increase modestly by 0.1% in Q4, a deterioration in the outlook compared to the August MPR. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.
- 2.5 The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in these sectors.
- 2.6 **Financial Markets:** Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.
- 2.7 Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the

10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

- 2.8 **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.
- 2.9 Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.
- 2.10 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.
- 2.11 An outlook for the remainder of 2023/24 and interest rate forecast provided by Arlingclose is attached at **Annex A**.

3. Local Context

3.1 As at 24 November 2023 the Authority has borrowings of £303m and investments of £72m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast

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

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

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

3.2 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.

3.3 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.

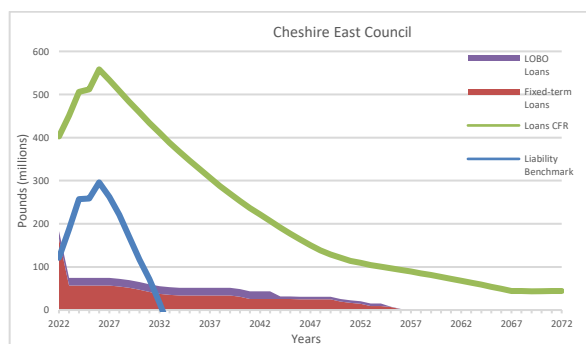
3.4 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum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

Table 2: Liability Benchmark

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

- 3.5 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

- 4.1 The Authority currently holds loans of £303m, which is higher than 31 March 2023. This increase is expected as the CFR increases and budgetary pressures continue.
- 4.2 Between 2022/21 and 2022/23, receipt of Government funding for Covid relief measures, energy grants and other schemes in advance of expenditure had reduced the Councils borrowing requirement. These funds have now mostly been used or repaid which has significantly

increased the amounts needed to be borrowed to more realistic levels.

- 4.3 At the moment, cash shortfalls are being met by temporary borrowing from other Local Authorities which, for a number of years, has been considerably cheaper than other sources of borrowing and allowed the Council to keep financing costs low. The cost of these loans has now significantly increased in line with base rate increases. Consideration is, therefore, being given to some longer term fixed rate loans which may be cheaper in the short term and provide surety of future interest costs protecting against any further sudden unexpected future rate increases. The cost of short term borrowing in the first half of 2023/24 is 4.13% and rising, compared to 1.66% for 2022/23.
- 4.4 **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

- 5.1 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 24 November 2023 is £72m.
- 5.2 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.
- 5.3 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.

- 5.4 Treasury Management income to 24 November 2023 is £1,930,000 which is higher than the budgeted £560,000. However, borrowing costs are also higher than budgeted at £8.3m compared to budget of £3.16m. 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 £6.2m in excess of that budgeted.
- The average daily investment balance including managed funds up to 24 November 2023 is £59.0m
 - The average annualized interest rate received on in-house investments up to 24 November 2023 is 4.87%
 - The average annualized interest rate received on the externally managed funds up to 24 November 2023 is 6.19%
- 5.5 The Authority's total average interest rate on all investments in 2023/24 is 5.20%. This return is below our own performance target of 5.40% (average Base Rate + 0.50%) due to the time lag of re-investments as rates increase. However, we compare

favourably to the Sterling Over Night Interest Average (SONIA) rate.

Table 3 – Interest Rate Comparison

| Comparator | Average Rate to 24/11/2023 |
|---------------|----------------------------|
| Cheshire East | 5.20% |
| SONIA | 4.85% |
| Base Rate | 4.90% |
| Target Rate | 5.40% |

- 5.6 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.
- 5.7 The investments are in five different funds which are all together are designed to give an annual income return higher than cash investments but which have different underlying levels of volatility. By spreading investments across different types of fund, the intention is to dampen any large fluctuations in the underlying value of the investments.

Table 4 –Strategic Investments

| Fund Manager | Asset Class | Invested £m | Current Value £m |
|--------------|-----------------|----------------|------------------------|
| CCLA | Property | 7.5 | 7.4 |
| Aegon | Multi Asset | 5.0 | 4.2 |
| Fidelity | Equity - Global | 4.0 | 4.0 |
| Schroders | Equity - UK | 2.5 | 2.1 |
| M & G | Bonds | 1.0 | 0.8 |
| TOTAL | | 20.0 | 18.5 |

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

Chart 2 – Current Investments by Counterparty Type

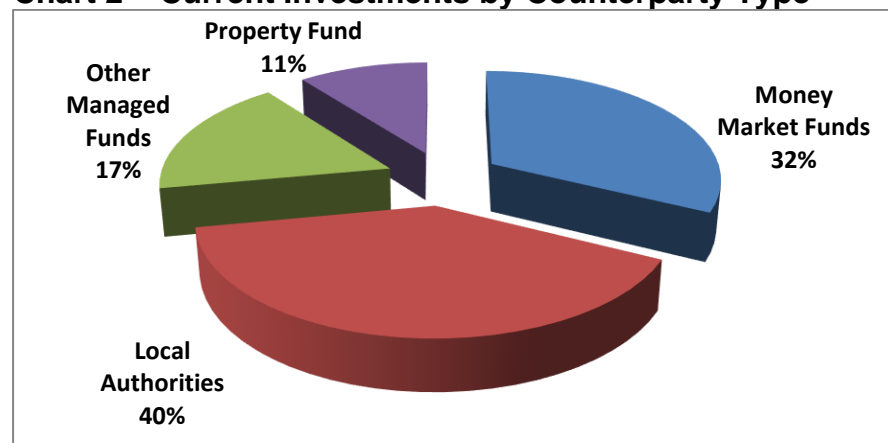
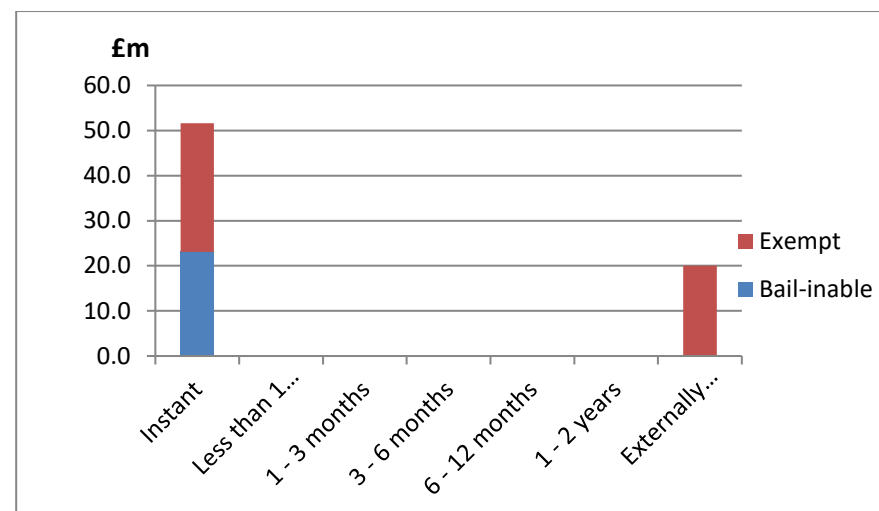


Table 6 – Types of Investments and Current Interest Rates

| In-House Managed Investments | Average Rate % | £m |
|--------------------------------------|----------------|-------------|
| Money Market Funds | 5.33 | 23.1 |
| Other Local Authorities – Fixed Term | 5.35 | 28.5 |
| Externally Managed Funds | | £m |
| Total – see table 4 | | 20.0 |
| Summary of Current Investments | | £m |
| TOTAL | | 71.6 |

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

- 6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 6.2 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk.

The upper limit on the one-year revenue impact of a 1% rise in interest rates is:

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

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

- 6.4 **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 less investments and the actual maturity profiles as at 24 November 2023 are:

| Refinancing rate risk indicator | Upper Limit | Actual |
|---------------------------------|-------------|--------|
| Under 12 months | 75% | 59% |
| 12 months and within 24 months | 75% | 16% |
| 24 months and within 5 years | 75% | 1% |
| 5 years and within 10 years | 75% | 9% |
| 10 years and within 20 years | 100% | 4% |
| 20 years and above | 100% | 11% |

- 6.5 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.
- 6.6 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

| Price Risk Indicator | 2023/24 | 2024/25 | 2025/26 |
|---|---------|---------|---------|
| Limit on principal invested beyond year end | £25m | £15m | £10m |
| Actual amounts committed beyond year end | £0m | £0m | £0m |

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

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

UK inflation and wage growth remain elevated, but, following a no-change MPC decision in November, Bank Rate appears to have peaked in this rate cycle. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy likely slides into recession and inflation falls more quickly.

The much-repeated message from the MPC is that monetary policy will remain tight as inflation is expected to moderate to target slowly. In the Bank's forecast, wage and services inflation, in particular, will keep CPI above the 2% target until 2026.

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

Employment demand is easing, although the tight labour market has resulted in higher nominal wage growth. Anecdotal

evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household spending will therefore be weak. Higher interest rates will also weigh on business investment and spending.

Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.

Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant policy loosening in the future to boost activity.

Annex B: Existing Investment & Debt Portfolio Position

| | 24/11/23 Actual Portfolio £m | 24/11/23 Average Rate % |
|-------------------------------------|---------------------------------------|-------------------------------|
| External Borrowing: | | |
| PWLB – Fixed Rate | 60 | 4.53% |
| Local Authorities | 200 | 4.70% |
| LOBO Loans | 17 | 4.63% |
| Other | 7 | 5.07% |
| Total External Borrowing | 284 | 4.66% |
| Other Long Term Liabilities: | | |
| PFI | 19 | - |
| Total Gross External Debt | 303 | - |
| Investments: | | |
| <i>Managed in-house</i> | | |
| Short-term investments: | | |
| Instant Access | 23 | 5.33% |
| Fixed Term | 29 | 5.35% |
| <i>Managed externally</i> | | |
| Property Fund | 7.5 | 5.00% |
| Multi Asset Fund | 5 | 6.73% |
| Equity - Global | 4 | 5.62% |
| Equity - UK | 2.5 | 6.94% |
| Bonds | 1 | 3.84% |
| Total Investments | 72 | 5.44% |
| Net Debt | 231 | - |

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 2nd 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.

1.16 **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.

2. Investment Indicators^T

2.1 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.

Table 1: Total investment exposure in £'000

| Total investment exposure | 31/03/23 Actual | 31/03/24 Forecast | 31/03/24 Forecast |
|----------------------------------|--------------------|----------------------|----------------------|
| Treasury management investments | 52,300 | 40,000 | 40,000 |
| Service investments: Loans | 16,728 | 26,740 | 26,668 |
| Service investments: Shares | 4,460 | 4,460 | 4,460 |
| Commercial investments: Property | 24,537 | 24,537 | 24,537 |
| Commercial Investments: Loans | 3,776 | 3,446 | 3,446 |
| TOTAL INVESTMENTS | 101,801 | 99,183 | 99,111 |
| Commitments to lend | 6,097 | 6,013 | 6,013 |
| TOTAL EXPOSURE | 107,898 | 105,196 | 105,124 |

2.2 The Council has total investment exposure forecasted at £105m at March 2024 (£65m 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.

- 2.3 **How investments are funded:** The Authority's investments are largely funded by usable reserves and income received in advance of expenditure. Prudential borrowing is being used in limited circumstances and performance is closely monitored.

Table 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 | 3,446 |
| TOTAL FUNDED BY BORROWING | 29,517 | 23,865 | 22,799 |

- 2.4 **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 | 2022/23 Actual | 2023/24 Forecast | 2024/25 Forecast |
|--|----------------|------------------|------------------|
| Treasury management investments | 2.96% | 4.90% | 5.12% |
| Service investments: Loans (see 1.21 below) | -6.52% | -0.43% | 0.03% |
| Service investments: Shares (see 1.22 below) | NIL* | NIL* | NIL* |
| Commercial investments: Property | 3.16% | 3.20% | 3.20% |
| Commercial Investments: Loans | 3.16% | 3.13% | 3.13% |

- 2.5 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.

- 2.6 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.
- 2.7 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.
- 2.8 Both tenants 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 leases are renewed or replaced.
- 2.9 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 we offset prudential borrowing costs against the income. However, as this is the major income bearing category of investment more attention needs to be diverted to ensure that occupancy and income are maximised and secured for the long term.

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

3. Treasury Management Investments

- 3.1 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.
- 3.2 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.
- 3.3 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

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

4. Service Investments: Loans

- 4.1 **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth. These are shown below in Table 4.
- 4.2 The Council has participated in a European Regional Development Fund project and has received £20m 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.
- 4.3 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.
- 4.4 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.

- 4.5 In addition, the Council has invested £5m 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.
- 4.6 The nature of the loans are 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.

- 4.7 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%.
- 4.8 The Council may consider making further Service Investment Loans, subject to business cases and where the balance of security, liquidity and yield have been considered as part of robust risk assessment. None are currently envisaged.
- 4.9 **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 | 31/03/24 Forecast £000 | 31/03/24 Forecast £000 | 31/03/24 Forecast £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 | 26,531 | 70 | 26,461 | 30,000 |
| Local charities | 221 | 185 | 27 | 158 | 2,500 |
| TOTAL | 16,621 | 26,740 | 107 | 26,642 | 35,000 |

- 4.10 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.

- 4.11 **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.
- 4.12 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

- 5.1 **Contribution:** The Council invests in the shares of its subsidiaries and local businesses to support local public services and stimulate local economic growth.
- 5.2 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).

- 5.3 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:
- 5.4 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.
- 5.5 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.

- 5.6 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.
- 5.7 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.
- 5.8 **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 | 31/03/24 actual £000 | 31/03/24 Forecast £000 | 31/03/24 Forecast £000 | 2024/25 £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 |
| TOTAL | 4,460 | 1,070 | 3,390 | 4,460 | 10,000 |

- 5.9 **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.
- 5.10 **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).

- 5.11 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).
- 5.12 **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

- 6.1 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.

- 6.2 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.
- 6.3 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.
- 6.4 **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.

- 6.5 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.
- 6.6 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.
- 6.7 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. The year to March 2022 saw retail values continue to grow and the other categories made modest gains. 2023 saw a significant reversal of these gains and every category saw falls in valuation. The most significant correction came 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 an existing lease. This increases the risk of non-renewal thereby lowering the valuation. The downward trend will continue in 2024 until a new tenancy agreement is agreed.

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

| Property | Actual | 31/03/22 actual | | 31/03/23 actual | |
|--------------------|---------------|---------------------------|---|-------------------|-------------------|
| | Purchase cost | Gains or (losses) in-year | Value in accounts (includes gains/ (losses) to date | Gains or (losses) | Value in accounts |
| Industrial Units | 1,492 | 11 | 1,740 | (122) | 1,618 |
| Enterprise Centres | 245 | 20 | 340 | (15) | 325 |
| Retail | 23,300 | 371 | 25,975 | (3,887) | 22,088 |
| Office | 240 | *- | 533 | (27) | 506 |
| Total | 25,277 | 402 | 28,588 | (4,051) | 24,537 |

6.8 **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.

6.9 **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 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.

6.10 **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.

6.11 **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.

6.12 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.

6.13 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.

6.14 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.

6.15 **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

7.1 **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.

7.2 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 31/03/24 Forecast | | | 2024/25 |
|-----------------------|-----------------|-------------------------|----------------|------------------------|----------------|
| | | Balance owing | Loss allowance | Net figure in accounts | Approved Limit |
| Partner Organisations | 3,776 | 3,446 | 159 | 3,287 | 20,000 |
| TOTAL | 3,776 | 3,446 | 159 | 3,287 | 20,000 |

- 7.3 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).
- 7.4 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.
- 7.5 **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.

- 7.6 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

- 8.1 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. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

- 8.2 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

- 9.1 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.
- 9.2 Historically, the Authority has not been materially dependent on return-generating investment activity to achieve a balanced revenue budget, in respect of Place Services. However, in the context of the current financial situation faced by the Authority and the sector, those returns will become an important factor in the ability to set a balanced budget. Whilst the proportion of the net revenue budget was consistently low and deemed immaterial this could change and 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 could become more difficult to achieve. Therefore, more emphasis needs to be placed on managing the portfolio and securing an income stream or reviewing exit strategies.

10. Borrowing in Advance of Need

- 10.1 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

- 11.1 **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.

- 11.2 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.

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

- 11.4 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.

- 11.5 **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.

- 11.6 **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.
- 11.7 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.