Cheshire East Council Medium-Term Financial Strategy 2025-2029 and Budget 2025/26

February 2025

Open, Fair, Green

www.cheshireeast.gov.uk

This document will be available to download on the Cheshire East Council website. It formed part of the 6 February 2025 Corporate Policy Committee Agenda and then went on to be considered as part of the 26 February 2025 Council Agenda.

You can continue to provide feedback on the proposals in this report by speaking to your local Councillor

– visit Find Your Local Councillor on the Cheshire East Council website for contact details.

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Section 1 - Medium Term Financial Strategy

Overview

1.1. The vision for Cheshire East Council is to create a borough that is Open, Fair and Green. The Council provides essential services such as Social Care, Education, Highways, Economic Development and Waste that lead the way in achieving this vision for local people. Council services are funded mostly from Council Tax, with additional contributions from Business Rates and government grants and managing these resources appropriately enables our plans to be sustainable over the medium-term.

1.2. Cheshire East is the third largest Council in the Northwest of England with a population of just over 400,000. Our gross annual spend is around £700m and includes capital spending and costs funded directly from government grants such as Dedicated Schools Grant. Net expenditure reflects spending that is only funded from Council Tax, Business Rates and unring-fenced government grants and is approximately £400m.

1.3. The Council reviews its budgetary position annually and produces a rolling 4-year plan, known as the Medium-Term Financial Strategy (MTFS). This considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy and detailed financial position over the medium term. The last MTFS, including a balanced budget for 2024/25 and Council Tax setting was approved at full Council on 27 February 2024.

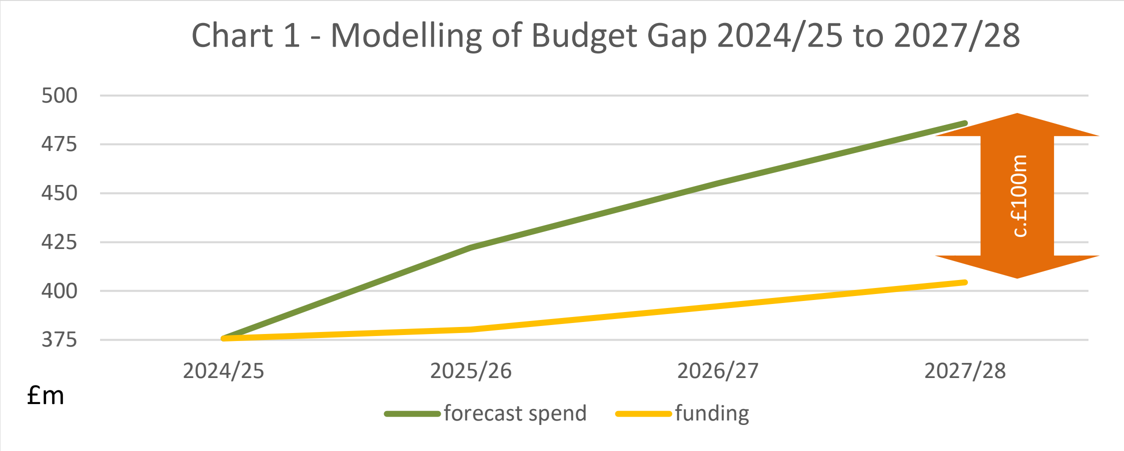
1.4. The Council is facing a significant financial challenge. Like many councils, it is experiencing growth in demand for a number of services, with Children's Services and Adult social care being some of the most significant impacted by demographic demands as well as the same impact that all businesses are facing with inflationary impacts on the costs of goods and services.

1.5. The position for the Council is more acute than many other councils, due to its historically very low level of reserves. These are barely adequate to cover its current risks and are insufficient to cover future projected funding shortfalls that were identified for 2025/26 and beyond without significant sustainable savings being identified.

1.6. Following another single year financial settlement from central government, there is more uncertainty around future central government funding that adds to the scale of this risk. The 2024/25 budget was balanced by the use of General Fund reserves for the first time and this cannot happen in subsequent years.

1.7. The Council therefore needed to urgently consider the actions to take to ensure the affordability of its services and financial sustainability over the medium term. To deal with revised spending forecasts the Council must increase income from taxation and charges as well as making significant savings right across all services. Although this is an extremely challenging situation, actions taken must also ensure that we consider longer term financial implications and not just a short term savings.

1.8. The previous MTFS position as published in February 2024 estimated a budget gap of c.£100m over the period 2025/26 to 2027/28 (when including the requirement to increase the General Reserves to a minimum level of £20m consistent with a unitary council of our size and complexity).



1.9. “Budget Gap” describes the difference between the funding the Council expected to receive, and the estimated cost of continuing to deliver current services. Put simply, the budget gap results from funding failing to keep pace with demand, inflation, and other financial pressures. The Council must develop a strategy to address the gap to deliver a balanced budget each year as well as have the resources to manage any financial shock.

1.10. During 2024, the Council commissioned the following external reviews and external support to help identify and address the key issues:

- Local Government Association (LGA) Corporate Peer Challenge – a peer challenge was carried out in March 2024 and the report published in June 2024 with a set of 18 recommendations for the Council. A detailed action plan has been produced.
- Decision-making accountability (DMA) review – the Council has also commissioned the LGA to carry out a review of its senior management structure, with a view to establishing a model which promotes clear responsibilities, accountabilities and efficient decision-making.
- Contracting an external transformation partner, Inner Circle, to help the Council to shape a transformation plan to help close the gap.

1.11. There has been a significant programme of works following these reviews to address findings including engagement with an external partner to work alongside officers and Members to identify opportunities to transform the way the Council operates to help improve the Council, address key findings and to assist with closing the gap that was identified in the last MTFS. The Transformation Plan, produced as a result of this work, was approved at Corporate Policy Committee in August 2024 and submitted to central government by the end of August 2024 in line with the requirement as part of the approval of Exceptional Financial Support (EFS), granted in principle, in February 2024.

1.12. Extensive internal work has also been undertaken to challenge budgets and put forward savings and income options alongside the transformation programme recommendations.

1.13. To address in-year pressures, Strategic Finance Management Board introduced weekly meetings, chaired by the Section 151 Officer and has led on a number of key tasks to urgently reduce spend and identify additional savings, including:

- Line-by-line reviews of all budgets to further identify any underspends and/or additional funding;
- Stopping any non-essential spend;
- Actively managing vacancies, particularly agency usage and reduce overspends on staffing as soon as possible;

- Reviewing Section 106 legacy budgets, the effects of which are partly reflected in the FR3 forecast outturn as a one-off contribution to reserves;
- Review of capital receipts available and potential surplus assets that can be sold (for best consideration);
- Identifying any other areas of discretionary spend including grants awarded, where spend can be reduced or stopped;
- Reviewing Debt management / overall level of bad debt provision – work undertaken to date includes an internal review focussing on the Adult Social Care bad debt provision, has identified through adopting a new approach to reviewing and monitoring these debts, an improvement (reduction) of the Council's bad debt provision of £1.07m, further work is ongoing and will be updated at Outturn;
- Reviewing Fees and Charges – work undertaken including benchmarking and new income opportunities by Lyon Consulting working alongside Transformation partners to deliver additional income to the Council – proposals included in the 2025/26 Budget and future years is ongoing;
- Any directorate that is identified as being off target by more than 5% is subject to a detailed finance and performance review on a weekly basis through a financial recovery review process. This process has been put in place for Adults Services and Children and Families and is being chaired by the Section 151 Officer.

1.14. As a result of the work carried out during 2024/25, the updated MTFS position as at February 2025 is summarised in Table 1 below, followed by a summary of the national and local context issues and key expenditure and income assumptions included in the makeup of these projections. It should be noted that as the Council identifies ongoing proposals to address the budget gap, the future years gaps will reduce accordingly.

1.15. Due to the unprecedented financial circumstances that the Council continues to be in it has not been possible to present a fully balanced budget beyond 2025/26.

1.16. An urgent report was received by full Council on 11 December 2024, which was necessitated following a request from the Ministry of Housing, Communities and Local Government (MHCLG) to submit a formal request and supporting evidence for any EFS for future years by 13 December 2024. At the same time, any revisions to previous in-principle decisions also needed to be submitted, for the current year.

1.17. It was agreed at that meeting that the Chief Executive could finalise and submit a request for EFS in the form of an in-principle capitalisation direction for 2024/25 for up to £17.6m, up to £31.4m for 2025/26 and up to £23.7m for 2026/27.

1.18. This MTFS report sets out the detail behind the budget for the financial year 2025/26 for approval, including the projected use of EFS for 2025/26 and the forecast position for the rest of the medium term. It also contains the individual financial strategies around Capital, Investments, Treasury Management and Reserves (see **Annex 4** to **Annex 8**).

Table 1: Summary position for 2025/26 to 2028/29	Revised Budget 2024/25 £m	Estimated Net Budget 2025/26 £m	Estimated Net Budget 2026/27 £m	Estimated Net Budget 2027/28 £m	Estimated Net Budget 2028/29 £m
Adults, Health and Integration	138.0	**159.4**	**157.2**	**158.8**	**160.2**
Childrens Services	88.6	**97.3**	**97.2**	**97.0**	**96.8**
Place	92.2	**91.0**	**95.2**	**96.6**	**103.8**
Resources and Chief Executive's Office	41.7	**42.8**	**47.2**	**49.1**	**50.6**
Council Wide Transformation savings	0.0	**-13.5**	**-34.2**	**-45.2**	**-45.2**
Total Service Budgets	360.5	**377.1**	**362.6**	**356.3**	**366.1**
CENTRAL BUDGETS:					
Capital Financing	31.7	**35.0**	**38.8**	**41.9**	**43.2**
Flexible use of Capital Receipts	-1.0	**-1.0**	**-1.0**	**-1.0**	**-1.0**
Bad Debt Provision (change)	-0.1	**-0.1**	**-0.1**	**-0.1**	**-0.1**
Contingency Budget	0.0	**16.0**	**30.9**	**42.8**	**55.7**
Risk Budget	0.0	**0.0**	**3.8**	**2.0**	**0.8**
Pension adjustment	0.0	**-0.7**	**-0.7**	**-0.7**	**-0.7**
Use of (-) / Top up (+) Reserves	-15.4	**1.3**	**5.0**	**8.9**	**8.9**
Total Central Budgets	15.2	**50.5**	**76.6**	**93.7**	**106.8**
TOTAL: SERVICE + CENTRAL BUDGETS	**375.7**	**427.6**	**439.3**	**450.0**	**473.0**
FUNDED BY:					
Council Tax	-287.1	**-307.3**	**-325.6**	**-345.0**	**-365.5**
Business Rate Retention Scheme	-56.6	**-57.1**	**-57.1**	**-57.1**	**-57.1**
Revenue Support Grant	-0.4	**-0.8**	**-0.8**	**-0.8**	**-0.8**
Specific Unring-fenced Grants	-31.6	**-37.1**	**-34.1**	**-34.1**	**-34.1**
TOTAL: FUNDED BY	**-375.7**	**-402.4**	**-417.7**	**-437.0**	**-457.6**
Exceptional Financial Support - Capitalisation Direction		**-25.3**			
Funding Position (+shortfall)	**0.0**	**0.0**	**21.6**	**13.0**	**15.4**

Note – table may not add across/down due to roundings

National Context

1.19. The Council is significantly exposed to the national economic changes. Increasing prices impact the Council's contracts and bills, increasing complexity in demand also contributes to driving up costs. Once the annual budget is set the Council must rely on achieving financial targets or using reserves to manage risks. The Council has limited reserves due to the level of spending required on front line services and as such the national financial challenges are causing significant financial stress on the ability to deliver services without fundamental change.

1.20. Analysis from the Local Government Association (LGA) found that due to inflation and wage pressures alongside cost and demand pressures, English councils face a £2.3 billion funding gap in 2025/26 rising to £3.9 billion in 2026/27. This is a £6.2 billion shortfall across the two years.

1.21. In the UK, CPI inflation peaked at a 40-year high of 11.1% in October 2022; a figure that would have been higher without the energy price guarantee limiting households' annualised energy bills. Inflation has now fallen to 2.9% (December 2024) but the higher costs and prices are now permanently locked into the system.

1.22. Interest rates remain high and the annual Capital Financing Budget had to increase for 2024/25 from £19m to £28.5m to support the increased interest rates and borrowing costs. £4.9m of this increase is required to deal solely with the interest payments attributable to the Dedicated Schools Grant deficit that continues to rise year on year.

Funding

1.23. The Chancellor announced in the Budget on 30 October 2024 that Core Spending Power would increase by 3.2% in real terms (inclusive of assumed average Council Tax increases of 4.8% and taxbase increases of 0.8%), and that this will include an increase of £1.3 billion nationally in grant funding.

1.24. A policy statement was then released in November 2024 which set out further funding information. This was intended to give information ahead of the Local Government Provisional Finance Settlement to help with planning. This resulted in the abolition and reduction of some grants (including the Services Grant) in order to redistribute to other areas (including the new Children's Social Care Preventative Grant and the new Recovery Grant).

1.25. The Provisional Local Government Settlement was then received on 18 December 2024. This resulted in an improvement to the funding envelope when compared to the pre settlement position of £4.5m. This includes a local estimate for the Employers National Insurance grant (£3.0m) that had not been previously included in estimates. This grant sits outside of the specific confirmed funding announcements at this time and the actual grant allocation will be announced as part of the Final Local Government Settlement in February 2025. It will then be included in the Core Spending Power total. It should be noted that the grant is only anticipated to cover around 80% of the estimated additional direct costs (c.£3.7m) and will not cover third party employer national insurance increased costs.

1.26. A new Recovery Grant, allocated using a deprivation index was announced but Cheshire East Council did not receive an allocation from that fund.

1.27. Social Care Grant will increase by £880m, a further £200m higher than was announced in the Policy Statement in November.

1.28. The new Children's Social Care Prevention Grant has been distributed using an interim children's relative needs-based formula. The grant was £250m in the provisional settlement and will be uplifted to £263m in the final settlement.

1.29. New Homes Bonus (NHB) will continue in 2025/26, and there will be no change in the methodology including no future legacy payments. It has been confirmed as the final year that NHB will operate.

1.30. Multiplier freeze cap compensation will be paid to compensate authorities for lost Business Rates income arising from the decision to freeze the small business rating multiplier once again.

1.31. Services Grant has been deleted for 2025/26 onwards and other grants have been rolled into Revenue Support Grant including the Election Integrity Programme New Burden, Extended Rights to Free Transport and the Transparency Code grant.

1.32. Local authorities had already been notified of their Extended Producer Responsibility (EPR) allocations; a national summary of the allocations will not be published. These allocations are not taken into account in the Core Spending Power allocations.

1.33. In terms of Council Tax referendum limits, this was confirmed once again at 2.99% core increase plus an additional 2% Adult Social Care precept for a further year.

1.34. The flexible use of capital receipts will be extended until 2030. Authorities will also be able to capitalise redundancy costs.

Funding Reforms

1.35. The Government also launched its consultation on funding reforms on 18 December 2024 and the consultation will run until 12 February 2025. The Spring Budget will set out further information on funding levels for the sector and additional consultations are due to be published, for example on a reset to the Business Rates Retention Scheme. These will continue during early 2025 in readiness to implement the funding reforms in 2026/27.

1.36. Further funding detail, including specific allocations for Cheshire East Council is set out in Section 1 Key Funding Assumptions and **Annex 3**.

Social Care Reforms

1.37. On 3 January, the government set out reforms to improve adult social care and support the workforce.

1.38. Split over two phases, the commission will set out a vision for adult social care, with recommended measures and a roadmap for delivery.

1.39. The first phase, reporting in 2026, will identify the critical issues facing adult social care and set out recommendations for reform and improvement in the medium term. The second phase, reporting by 2028, will make longer-term recommendations for the transformation of adult social care.

1.40. Separately, the government will shortly publish a new policy framework for the Better Care Fund in 2025 to 2026. The framework has been developed collaboratively between the Department of Health and Social Care (DHSC), NHS England, the Ministry of Housing, Communities and Local Government, and local government and will support local systems to deliver integrated health and social care in a way that supports patients and delivers better outcomes.

Waste Reforms

1.41. In October 2023 reforms to household waste and recycling collections were published through the Simpler Recycling Plan with the aim to boost recycling rates and protect the environment.

1.42. By 31 March 2025 all local authorities will need to collect the required recyclable waste streams: glass; metal; plastic; paper and card; food waste; and garden waste. The government's Simpler Recycling household and business waste collection reforms mandate the collection of a core set of recyclable materials and the collection of food waste on a weekly basis (amongst other proposals).

1.43. The introduction of weekly food waste collections by 31 March 2026 from households (a year earlier for businesses including councils) will require the expansion of the collection fleet and associated resources. The government has allocated some capital funding to councils but the announcement on the value of the new burdens support is awaited. It is likely that the support will not entirely cover the costs.

1.44. The English Resources and Waste Strategy announced that an Extended Producer Responsibility for Packaging would be introduced resulting in payments to councils from the packaging supply chain for the management of packaging that ends up in household waste streams.

1.45. The Council has received notification for its 2025/26 unringfenced allocation which will be paid in instalments from October 2025. A process is in place to notify councils for future years but it should be noted that amounts allocated cannot be precisely forecast and could vary from year to year based on a number of factors (including whether councils are considered to be collecting waste effectively and efficiently).

Dedicated Schools Grant (DSG) "negative" reserve

1.46. The Council holds a reserve to manage DSG balances without impacting on the Council's General Reserves. Growth in the number of pupils with an Education, Health and Care Plan (EHCP) had been reducing the reserve balance and in 2019/20 the reserve moved into a deficit position and became a "negative" reserve. This is a national issue and local authorities were instructed to hold a negative reserve based on a temporary accounting override of accounting treatment approved by MHCLG which means they can be treated as unusable reserves. In December 2022 the override was confirmed for a further three years through to March 2026. The removal of this override would present a significant risk to the financial sustainability of councils and the scale of the deficit already presents a cashflow issue before that point. This specifically impacts on Cheshire East.

Local Context

1.47. Cheshire East Council on the face of it would appear to be better placed than some councils to meet the financial challenges that it faces.

1.48. Strong domestic taxbase growth has seen consistent increases in Council Tax revenue, outside of the percentage increases, and over the last 15 years the taxbase has grown by 23.3% since 2010/11.

1.49. However, Council Tax Band D levels for Cheshire East when compared to nearest statistical neighbouring local authorities is 1.94% lower than the average meaning that for every property in the borough we are collecting less income per house from Council Tax than our comparators.

1.50. Lower reliance on grant means that the impact of government spending reductions has been less than in some other councils over recent years. Revenue Support Grant is almost nil now and the unringfenced grant funding level only makes up 9% of the net funding envelope for 2025/26.

1.51. Therefore any increases in Core Spending Power, as used as a measure of funding increases by the government, means that the local taxbase is likely to be making up the majority of any increase as Council Tax is included in the measure.

1.52. Cheshire East Core Spending Power compared to our statistical nearest neighbours is 5.77% lower than the average meaning we are relatively underfunded by comparison.

1.53. The Cheshire Pension fund is in a positive funding position meaning that future contribution rates on employee costs can be slowly reduced, freeing up more budget to spend on front line services. Assumptions have been built into the MTFS.

1.54. The additional demands on the budget are outweighing any increased funding though, specifically:

- high demand on social care services resulting in budget overspends against forecast levels;
- DSG deficit of £78.6m by 31 March 2024– interest payments on the deficit balance currently c.£4.9m per annum;
- Pay pressure in excess of budgeted levels in 2023/24 and 2024/25;
- low levels of cash balances, meaning relatively low investment income on balances;
- external borrowing increasing (as internal borrowing from excess cash balances erodes) resulting in increased capital financing costs.

1.55. Inflationary pressures can have a significant impact on costs, particularly where these are driven largely by staffing costs, both internally and externally. Whilst we have many contracts in place that can help to mitigate risks around inflation, this can have a significant impact when contracts need to be renewed.

1.56. Interest Rates have a particularly high impact due to the overall level of borrowing for the Council. This impact is exacerbated by the high and increasing level of short-term borrowing, which means that rate rises have an immediate impact on council finances.

1.57. As part of prior years management, a number of vacancies have been held to mitigate over spends. Long-term, there is a significant risk that without this capacity to deliver, the Council will make short term decisions that have unintended financial consequences and can provide a false economy through not being able to deliver savings appropriately. The team may also lack expertise leading to an increased risk of legal or regulatory challenge.

Core Budget Principles

1.58. Cheshire East Council will continue to face considerable financial pressures over the medium term and tight budget and assumption management will be crucial to ensure that future plans, in line with the Transformation Plan, can be achieved in full and on target.

1.59. This section sets out some key principles that the Council needs to continue to follow in the short and medium term to manage the financial uncertainty that it faces.

Principle 1 – build and maintain an adequate level of reserves

1.60. Reserve levels as at the end of the 2023/24 financial year were at historically low levels (£37.9m). The forecast closing balance position for 2024/25 is just £15.2m; of which, the General Fund Reserve is forecast to be only £3.7m instead of the £20m that should be the minimum level held, and Earmarked Reserves (excluding schools balances) are forecast to be £11.5m. This position and rate of reduction over recent years is clearly not sustainable for a further year.

1.61. Adequate reserves balances are required to protect against risks therefore one of the key priorities has to be replenishing reserves to a more sustainable level as a matter of urgency. The target for the General Fund reserve minimum balance is set at £20m. This is based on 5% of funding envelope for 2025/26. For more information see **Annex 8**.

Principle 2 – raise Council Tax in line with the maximum allowable limit

1.62. Council Tax contributes to a large share of the Council's net budget (76%). The Council already faces the need to make further reductions to services and scale back investment. This position will only be made more challenging if it does not increase Council Tax in line with the assumptions in the MTFS.

1.63. The Council should therefore remain committed to increasing Council Tax in line with the maximum limits set by central government including the acceptance, in full, of any further precept flexibilities to increase Council Tax to support Social Care services.

Principle 3 – optimise income generation

1.64. The Council should aim to ensure that its fees and charges are set at levels that are appropriate and proportionate to the costs of the service they are delivering and the market within which they operate. The expectation should be that these will keep pace with inflation, should be appropriately benchmarked with other similar authorities and services, and should be reviewed on an annual basis to ensure that they at least cover the cost of services when appropriate to do so.

Principle 4 – capital investment to maximise return on investment, align to the Council's Cheshire East Plan priorities and its Medium-Term Financial Strategy

1.65. Funding capital investment represents a significant pressure on the revenue budget. It is essential that the Council understands fully the revenue impact of capital investment and the extent to which the investment: -

- meets the Council's policy objectives;
- is self-funding;
- delivers a realistic pay back in the case of invest to save schemes;

- Appropriate external funding routes need to be considered;
- All capital investment should be supported by appropriately detailed business cases with clear measures of return on investments at both a financial and community level.

1.66. In order to reduce the significant pressure on the revenue budget the Council should aim to pay more back to current borrowing commitments in any one year than it adds with new borrowing, so bringing down the overall borrowing burden year on year to a more sustainable level.

1.67. Over time the Council should continue to ensure that it funds more of its ongoing maintenance and equipment replacement from its revenue budget.

Principle 5 – alignment with the Cheshire East Plan aims

1.68. Budget change proposals put forward as part of the usual business planning process, or as part of the transformation programme are assessed against the priority aims as set out in the new Cheshire East Plan 2024/25 as approved at full Council on 17 July 2024 (replacing the former Corporate Plan 2021-2025) to ensure that as far as practical, the council is prioritising budgets in line with the aims of the current aspirations.

Principle 6 – maintain tight financial control of in year budgets and management within budgeted cash envelopes

1.69. The Council has recognised the need to keep tight control of its spending to ensure that the scale of the financial challenge does not worsen even further. During 2024/25 improved and more frequent budget change items monitoring reports to committee meetings have been introduced and this allowed challenge of any spending pressures at an early stage.

1.70. The Council will need to deliver substantial savings to balance the medium-term budget so there needs to be a continued focus on monitoring and control and on delivering planned savings in 2024/25 and beyond in full, or if not, alternative mitigations need to be identified. In addition, any directorate that is identified as being off target by more than 5% is subject to a detailed finance and performance review on a weekly basis through a financial recovery review process. This process has been put in place for Adults Services and Children and Families during 2024/25 and is being chaired by the Section 151 Officer.

Principle 7 – create and maintain central contingency and risk budgets to mitigate against the impact of short term non delivery of savings

1.71. The Finance Sub Committee report from June 2024, set out the aspiration to set aside a central contingency fund and risk against undeliverable savings budget to protect against the risk of underachievement of planned transformation savings and / or unforeseen growth in service budgets.

1.72. The aim is to maintain this annual contingency budget over the medium term at 1.5% of the net revenue budget plus other known risks, e.g. National Living Wage. The Chief Executive and Section 151 Officer must approve any use of the contingency budget with any unapplied funds in any given financial year being transferred into General Fund Reserves or Specific Strategic Reserves at outturn, as set out in the Reserves Strategy (See **Annex 8**) to help bolster the financial resilience of the Council.

1.73. The risk of underachievement of savings targets grows as more and more challenging savings are included in the budget setting scenario. Setting aside a risk budget based on a percentage of the savings identified in any given year is prudent (currently 10%). Any unused risk budget at the end of the financial year will be transferred into General Fund Reserves. A Risk Budget of £3.8m has been introduced from 2026/27 to align with the increased impact of the full year Transformation savings reflected through the MTFS across 2025/26 and 2026/27. Whilst acknowledging that there are also £47.1m of savings reflected through 2025/26 budget, overall affordability of the 2025/26 budget and any risks arising from the 2025/26 in year position will need to be mitigated where possible or considered against the Contingency budget and / or General Fund Reserves.

Key Expenditure Assumptions

1.74. The key financial assumptions over the life of the MTFS have been reviewed and revised where appropriate. Stress testing these is increasingly important in present times given the speed of the economic changes over the last couple of years.

1.75. **Pay**: The assumptions within the MTFS are that the annual pay award will be 2.5% in each of the years 2025/26 to 2028/29 in line with current lower inflation levels. If the actual 2025/26 pay award is greater than the 2.5% included in the MTFS, the in year impact will be met in the first instance from the Contingency budget with future year budgets revised through the next MTFS / Budget for 2026/27 and beyond.

1.76. **National Living Wage**: will increase to £12.21 in April 2025 for workers 21 years and over (an increase of 6.7% on the 2024/25 rate). This could create pressure on our social care budgets.

1.77. **Pension rates** are included for 2025/26 at the latest triennial valuation carried out during 2022, covering the period 1 April 2023 to March 2026. The forecast was for a further reduction for 2025/26 of 1.5% taking the pension payover total to 23.7% for employees in the Local Government Pension Scheme. Future years pension rates are forecast to reduce in line with early estimates for the next triannual valuation. Payover rates are anticipated to drop to 20%/19%/18% respectively for 2026/27 to 2028/29.

1.78. **Debt management –** 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 as at November 2024 was £16.9m, reducing by £1m since the end of September 2024. The total amount of service debt over six months old as at November 2024 is £10.8m; split as £9.3m of Adult Social Care debt and £1.5m of Sundry Debt. A provision of £6.8m was made at year ended 31 March 2024 to cover doubtful debt in the event that it needs to be written off. There is an ongoing review during 2024/25 of the Bad Debt provision which has to date focused on Adult Social Care (ASC) debt, this work has identified a forecast £1m reduction in the provision linked to the ASC debt, reflected in the forecast outturn position for 2024/25 (as at FR3).

1.79. **Inflation:** The Bank of England monetary report (November 2024) has been used to inform the revised MTFS assumptions for our expenditure and income. The report and the following graphs highlight that CPI inflation is close to the 2% target. The current projections are that inflation is likely to rise to around 2.75% over the next year, as household energy prices provide less of a drag on inflation than they have done in recent months. Inflation is expected to fall back to the 2% target after that. Global shocks that keep inflation high cannot be ruled out though, for example, developments in the Middle East could increase inflation by causing oil prices to rise.

Chart 2 – Inflation data

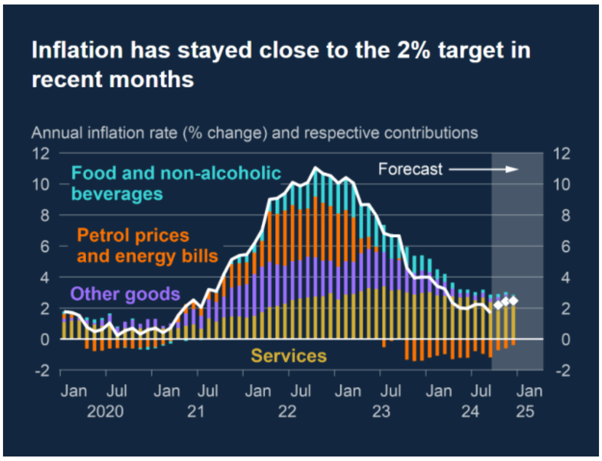


Chart 3 – Inflation projections

Source: Bank of England – November 2024 forecast

1.80. **Energy Costs**: Wholesale energy prices fell in 2024 and further reductions in commodity costs for gas and electricity is forecast in 2025/26, (the overall expectation is 16% reduction on gas and 1% reduction on electricity), although early indications suggest that any significant reductions are likely to be offset by wholesale increases in water charges. The continued adoption of the West Mercia Energy (WME) risk-managed energy procurement contract arrangements resulted in windfall benefit savings of £0.4m to be returned across the whole estate in 2024 and independent analysis suggests that the continued use of this approach will secure the continued benefits of obtaining future competitive public sector energy prices.

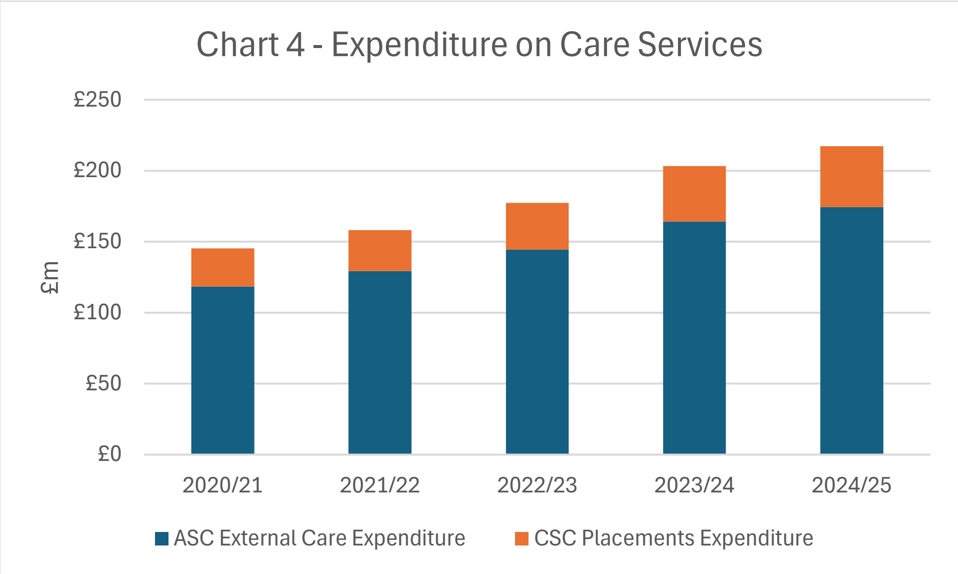
1.81. Additional savings in energy consumption are also forecast, with the reduction of the corporate estate and the continued programme of public sector decarbonisation projects. The closure of the office base Westfields will result in energy and water cost savings of circa £85,000 per annum. Works to decarbonise premises across the estate continues at pace and significant carbon savings and further reductions in gas consumption are forecast, there are consequential increases in electricity consumption, and upgraded power supplies. The introduction of building mounted solar photovoltaic and LED lighting has mitigated the overall impact. 2023/24 consumption fell by 1 GWh to 9.7 GWh and the recent commissioning of further project works will continue to enhance the opportunities for income generation.

1.82. **Contract inflation** The ONS are predicting an inflation increase of approximately 2-3% for the year 2025 which is in line with the BCIS construction price predictions of 3% yearly over the next few years. It remains to be seen, however, if the recent budget will have any further effect on these forecasts. Inflation is still susceptible to labour and material shortages, albeit labour shortages are the current driver. Inflation is also impacted by the geopolitical landscape which remains highly unpredictable. To address contract inflation, the Council has initiated a comprehensive project that focuses on reviewing third-party expenditure. This initiative aims to identify potential efficiencies and explore opportunities for savings within our existing contracts.

1.83. **National Living Wage (NLW)** increases are the main driving factor for the increase in care costs in both Adults and Children's services, with staffing costs making up around 70% of provider rates. Over the last few years large increases in the NLW have resulted in high levels of fee uplifts being requested by providers, and the increase to £12.21 in April 2025 is expected to result in further rate increase requests. The budget includes an assessment of potential cost and is included within the contingency budget.

1.84. **National** Insurance **(NI)** - Alongside the increases in NLW the government has also made changes to National Insurance thresholds and payment for employers for 2025/26, this may put pressure on care providers as they need to cover increasing NI costs.

1.85. Other factors such as demand, market availability, complexity of need, numbers of service users, and the profile of the types of care all have an impact on the overall cost of delivering these statutory services. The overall increasing cost of care over the last few years can be seen in Chart 4 below.



1.86. In order to recognise these factors a central contingency budget has been created in order to mitigate the risks around inflation for the Council. This is alongside growth in the budget for demographic pressures, as well as an adjustment to recognise the existing pressures on the care budget.

1.87. **Interest rates** – forecasts are based on the advice received from our treasury advisors Arlingclose Ltd. Current rates are anticipated to fall to 3.75% by the end of March 2026.

1.88. **New capital schemes** are still subject to review by the Capital Programme Board who will determine which schemes should be recommended to full Council in February 2025. The Capital Programme tables (**Annex 5**, Annex A) currently includes all new proposals at this time.

1.89. **Minimum Revenue Provision** has been calculated based on a change to the accounting policy to bring it more in line with CIPFA guidance. This policy change will take effect in 2024/25 and its impacts have been included in the calculation of the Capital Financing Budget going forward and is also recognised in the Prudential Indicators. (Refer to Capital Strategy - **Annex 5,** Section 3, and Annex C)

Key Funding Assumptions

1.90. Table 2 below outlines the Council's estimated Core Spending Power funding levels in the current year and for 2025/26. Government have not yet set out funding levels for 2026/27 onwards. These funding streams are the items specifically contained with the calculation of the Core Spending Power as announced in the Provisional Local Government Finance Settlement (this is not an exhaustive list of grants, there are other service specific items accounted for directly within service budgets) The majority of funding continues to come from Council Tax and Business Rates, comprising 74% of the total Core Spending Power for 2025/26.

Table 2: Core Funding*	2024/25 £m	2025/26 £m
Council Tax**	287.1	307.3
Business Rates**	56.6	57.1
Revenue Support Grant	0.4	0.8
Social Care Grant	22.6	29.5
New Homes Bonus	4.1	3.0
Services Grant (ceased for 2025/26)	0.3	-
Children's Social Care Prevention Grant (new)	-	0.8
Improved Better Care Fund	8.7	-
Discharge Fund	2.0	-
Local Authority Better Care Grant (sum of above two)	-	10.7
ASC Sustainability and Improvement Fund (renamed)	6.3	6.3
Domestic Abuse Safe Accommodation Grant (previously outside CSP)	-	0.8
TOTAL CORE SPENDING POWER (adjusted)	**388.1** Note 1	**416.3** Note 2

*Funding items listed as contained within Core Spending Power calculation as part of the Provisional Local Government Finance Settlement (LGFS).
** This figure is made up of Settlement Funding Assessment (Business Rates baseline) plus a proportion of S31 Business Rates compensation grants for reliefs brought in after 2013/14.
Note 1 - Figures differ from the LGFS as MHCLG use their own local estimates for Council Tax for publication purposes.
Note 2 – This figure does not match the 2025/26 Revenue Net funding envelope as some items in the table above are ringfenced specifically for service use therefore are included directly with the relevant service budget.

1.91. Cheshire East core spending power per head is £2,173 for 2025/26. This is 5.9% lower when compared to the average of nearest statistical neighbouring authorities (an average of £2,310 per head for 2025/26).

Council Tax

1.92. Locally collected domestic taxes that are directly retained by the Council will provide 76% of the Council's net revenue budget in 2025/26.

1.93. The Provisional Finance Settlement confirmed the referendum limit on base increases is 2.99%, with a further 2% flexibility for an Adult Social Care precept. It is proposed that Council Tax is increased by 4.99% (including 2% ring-fenced for Adult Social Care pressures) on the 2024/25 level to give a Band D charge of £1,882.04 for 2025/26.

1.94. Band D Council Tax for 2025/26 is shown in Table 3. The proposed increases over the medium-term are currently 4.99% each year.

Table 3: Band D Council Tax is calculated after grant and Business Rates allocations		2025/26 £m	2025/26 £m
Total Net Revenue Budget 2025/26			402.4
Less:			
Business Rates Retention Scheme	14.2% [1]	-57.1	
Specific Unring-fenced Grants	9.2% [1]	-37.1	
Revenue Support Grant	0.0% [1]	-0.8	-95.1
Amount to be raised from Council Tax	**76.3%** [1]		**307.3**
No. of Band D Equivalent Properties			**163,261.10**
Band D Council Tax			**£1,882.04**

1 Percentage of Net Revenue Budget

1.95. The impact on each Council Tax band and the number of dwellings in each band is shown in Table 4.

Table 4: Dwelling and Band D per band				
Band	**A**	**B**	**C**	**D**
Council Tax £	1,254.69	1,463.81	1,672.92	1,882.04
No of Dwellings*	31,684	39,145	37,349	28,110
Band	**E**	**F**	**G**	**H**
Council Tax £	2,300.27	2,718.50	3,136.73	3,764.08
No of Dwellings*	23,369	15,363	13,070	1,989

*As per Council Tax Base (CTB) data collection return October 2024

1.96. The Council Taxbase quantifies the number of properties from which the Council can collect Council Tax. The taxbase is presented as an equivalent number of domestic properties in Council Tax Band D terms after adjusting for relevant discounts and exemptions (for example a Band H property counts as two Band D properties, whereas a Band A property counts as two thirds of a Band D). The level of Council Tax multiplied by the taxbase equals the expected income.

1.97. The gross taxbase for 2025/26 (before making an allowance for non-collection) is calculated as 164,910.20. After taking into account current high collection rates, the non-collection rate has been maintained at 1.00% for 2025/26. This results in a final taxbase of 163,261.10 Band D equivalent domestic properties.

1.98. The taxbase reflects an increase of £5.9m (1.9%) on the 2024/25 budgeted position which is £2.7m higher than the £3.2m (1%) forecast increase reported in February 2024. £1.2m of this improvement relates to the introduction of the new 100% premium chargeable on second furnished homes from April 2025. A further £1m income is also being raised from the introduction of the empty homes premium for properties over 1 year which commenced in April 2024 but had not been included in the taxbase calculation for 2024/25. The Council Taxbase was approved by full Council on 11 December 2024.

1.99. Cheshire East has a relatively high Council Taxbase compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands F to H in the

Cheshire East area (16.0% in Cheshire East compared to the England average of 9.3% as per Council Taxbase: Local Authority Level Data 2024 (MHCLG).

1.100. In common with most Billing Authorities, Cheshire East Council charges a Council Tax premium of 100% on property that has been empty for two years or more to encourage homes to be brought back into use. The Local Government Finance Act 1992 (amended) enables Councils to charge a premium on empty properties.

1.101. Additional flexibilities were introduced in subsequent Government budgets and Cheshire East now charges the following premiums for empty properties:

Time empty/unfurnished	Premium
2 to 5 years	100%
5 to 10 years	200%
Over 10 years	300%

1.102. The Government's Levelling Up and Regeneration Bill received royal ascent on 26 October 2023 and included a further discretionary option for the application of Council Tax premiums on furnished second homes subject to a 12 month notice period. This was approved as part of the MTFS 2023-2027 in February 2023 subject to the passing of the Bill. Therefore, the introduction of the 100% premium on furnished second homes will come into effect on 1 April 2025. The additional income due to be raised from the introduction of this premium (subject to some exclusions to the premium) is estimated to be £1.2m and has been included in the calculation of the taxbase for 2025/26.

1.103. From 1 April 2013 the Council Tax benefit system was replaced by a local Council Tax support scheme. Claimants under this scheme receive appropriate discounts to their bills depending on their circumstances. It is important to note that pensioner claimants remain unaffected by this change.

1.104. The taxbase also reflects assumptions around Council Tax Support (CTS) payments. The Cheshire East CTS scheme was introduced in 2013/14 and subsequently amended following consultations in 2016/17, 2020/21 and was amended again for 2022/23 to make the scheme more supportive in the light of funding being provided by central government (£3.3m) to be able to assist the pandemic recovery.

1.105. The funding for this Local Council Tax Support grant was received in 2020/21 and was transferred to the Collection Fund Earmarked reserve. The funding has been used over the last four years to support the revenue budget to compensate for supressed Council Tax levels as a result of higher Council Tax Support payments. This funding has now been used in full and no further funding has been made available.

1.106. No changes are proposed to the Council Tax Support scheme for 2025/26 other than to increase the income bands and non-dependant deductions in line with CPI. This continues the higher levels of support for those on the lowest income. The scheme will be reviewed again during 2025/26.

1.107. The budget for CTS for 2025/26, included within the taxbase calculation, is £21.6m. This will be reviewed in future years to ensure the budget remains aligned with changing need.

Business Rates Retention Scheme (BRRS)

1.108. Locally collected non-domestic taxes, that are directly retained by the Council, will support approximately 14% of the Council's net revenue budget in 2025/26.

1.109. For scale, the Council anticipated collection of approximately £155m (before accounting adjustments) in Business Rates in 2024/25 and was based on the Council's NNDR1 return to Central Government on 31 January 2024.

1.110. Under the BRRS arrangements, 50% of the net rates collected is paid to Government with 49% being retained specifically to support Cheshire East Council services. 1% is paid to the Fire Authority. In addition to this reduction a tariff of £29m must be paid to Government which is used to top-up funding allocations to other local authorities.

1.111. From 2021/22, growth forecasts in Business Rates have been paused due to the overall reduction in the taxbase and uncertainty around growth in future years, in part, due to the residual effects of the Covid-19 pandemic, the current economic forecasts and the potential for a full review of the approach towards Business Rates retention approach by Central Government.

1.112. In October 2023, the Non-Domestic Rating Act 2023 was passed to allow Government to de-couple the business rate multipliers, giving ministers the power to increase the small and standard multipliers by different amounts. For 2025/26, the Government has announced that the Small Business Rate Multiplier will remain frozen again at 49.9p in the pound, but the Standard Business Rate Multiplier will increase in-line with CPI from 54.6p to 55.5p in the pound. This change is intended to increase the annual yield from Business Rates, whilst at the same time protecting smaller businesses.

1.113. Despite the increase in the Standard Multiplier Rate, a large compensation payment will be made to Local Government to mitigate the losses between what the Small Multiplier was capped at compared to September 2024 inflation.

1.114. Since the baseline funding level for Business Rates retention was set back in 2013/14, there have been many policy changes around reliefs for different business types. With each policy change, all local authorities are compensated for their share of Business Rates foregone.

1.115. In 2025/26, £10.6m of this compensation has been included within the Business Rates budget with the remaining compensation being credited to the Collection Fund Earmarked Reserve to continue to support any future risks around business rate funding and cover levy payments on growth (c.£5m per annum) and any deficit positions in the Collection Fund.

1.116. The total Business Rates budget is set to increase from £56.6m in 2024/25 to £57.1m for 2025/26 as a result of the inflation applied to the Settlement Funding Assessment allocations as announced in the Provisional Local Government Settlement.

Collection fund

1.117. Receipts from Council Taxpayers and businesses are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire Authority, Police and Crime Commissioner, Central Government and local Town and Parish Councils).

1.118. A predicted surplus in the Collection Fund can be drawn down to support revenue funding for the following annual budget, and vice versa in the case of a deficit. This can happen if actual changes in the taxbase vary from the predicted changes, or if collection rates vary from the original forecasts.

1.119. The Council Tax collection fund has been forecast to be a £0.073m cumulative surplus as at 31 March 2025. The Cheshire East share of this surplus is £0.061m. This will be payable in 2025/26 and will be managed through the Collection Fund earmarked reserve.

1.120. The Business Rates Collection Fund has been forecast to be a £2.050m cumulative deficit at 31 March 2025. The Cheshire East share of this deficit is £1.004m. This is to be repaid in 2025/26 and will be managed through the Collection Fund earmarked reserve.

Grants

1.121. The detailed funding settlement from Government impacts on longer term financial planning. Key dates for 2025/26 include:

- The Autumn Statement on 30 October 2024.
- The release of the Provisional Settlement on 18 December 2024 confirming the allocation of grants, approach to Council Tax and confirmation of Business Rates baselines.
- Final Settlement announced early February 2025

1.122. These have set out changes to general funding levels – including confirming increases in Social Care grants, and one more year of New Homes Bonus funding. Further details are included at **Annex 3**.

1.123. The Government Grants provided to local authorities can be categorised under several main headings for 2025/26:

- Revenue Support Grant (£0.8m)
- Specific Grants (unring-fenced revenue) (£37.1m)
- Specific Grants (ring-fenced revenue) (£359.1m)
- Capital Grants (main programme) (£99.1m)

1.124. More detail is provided on each of these elements below.

Revenue Support Grant

1.125. Various grants are being rolled into Revenue Support Grant (RSG) in 2025/26 (there will be no change in distributions):

- Electoral Integrity Programme New Burdens grant (worth £4.6m nationally)
- Tenant Satisfaction Measures New Burdens grant (£3.9m nationally)
- Transparency Code New Burdens grant (£3.6m nationally)

1.126. For Cheshire East this has resulting in an increase of RSG from £414,000 in 2024/25 to £849,000 in 2025/26.

Unringfenced Specific Grants

1.127. Separate unring-fenced Specific Grants have been largely retained and increased in some areas and total £37.1m in 2025/26. The detail is shown in **Annex 3** and summarised in Table 5 below. The table shows the original grant budget for 2024/25 and **Annex 3** shows the in-year position including grant received after the budget was set.

1.128. The Provisional Local Government Finance Settlement (December 2024) included unring-fenced funding for 2025/26 totalling £29.5m for Cheshire East social care. This is a national overall increase of £880m compared to 2024/25 and is £200m more than the £680m increase for this grant announced by Government in the policy statement on 28 November 2024.

1.129. The Government also announced £250m of new funding into a new Children's Social Care Prevention Grant. It is being distributed "using a children's needs-based formula, which will allocate funding according to estimated need for children's social care services. Alongside the interim formula, the variation in the cost of delivering services and the ability of local authorities to raise resources locally has also been taken into account to determine the grant allocations". For Cheshire East, this grant is £0.8m for 2025/26.

1.130. The 2025/26 allocation of NHB is again to be paid for one year only (£3.0m) which extends the last few years single year allocations. Legacy payments have now been phased out.

1.131. Services Grant is being repurposed and therefore has been reduced from £0.3m in 2024/25 to nil for 2025/26.

1.132. The government has announced an additional £515m for local authorities, in compensation of National Insurance Contributions as part of the 2025/26 local government finance settlement. The NICs grant will form part of Core Spending Power at the final settlement only therefore the grant allocation for 2025/26 of £3.0m is currently an estimate. The allocation is based on the assumption that MHCLG wants to provide the funding to local authorities based on their share of total expenditure (both direct cost and third-party costs).

1.133. Full details are set out in **Annex 3**.

Table 5: Grant levels are increasing	2024/25 £m	2025/26 £m	1 yr Change £m	1 yr Change %
Social Care Grants	-25.6	-29.5	-3.9	
New Homes Bonus	-4.1	-3.0	+1.1	
Employers National Insurance Grant (estimate)	-	-3.0	-3.0	
Other Grants	-1.9	-1.6	+0.3	
Total Unringfenced Specific Grants	**-31.6**	**-37.1**	**-5.5**	**17.4%**

Ringfenced Specific Grants

Dedicated Schools Grant (DSG)

1.134. The Government announced the allocations of DSG for 2025/26 on 18 December 2024. DSG is a ring-fenced grant provided to the Council to meet certain educational costs.

1.135. Under the National Funding Formula (NFF) arrangements DSG is allocated in four funding blocks, namely the Schools Block, Early Years Block, High Needs Block and Central Schools Services Block.

1.136. The Schools Block allocation to the Council is based on the schools' block NFF. This takes October 2024 pupil data and provides a basic per pupil amount plus additional funding for issues such as deprivation and low attainment. The NFF also applies a minimum per pupil level of funding of £4,955 Primary and £6,465 Secondary in 2025/26. Those values must be used in local formula.

1.137. Local authorities provide funding to schools through a local formula for 2025/26. The Schools' Forum have agreed that a local formula using the NFF values, allocating any additional funding via the basic entitlement and applying a minimum funding guarantee of -0.5% should be submitted for consideration at the 10 February 2025 Children and Families Committee.

1.138. For 2025/26 the Schools' Forum has agreed to a transfer of 0.5% from the Schools Block to High Needs. However, the Council has applied to the DfE to support a higher transfer of 0.7% to match the DSG Management Plan. The reduced funding to be allocated across pupil based criteria where the formula permits due to mirroring existing NFF factors.

1.139. Subject to Children and Families Committee approval that formula will be used to allocate funding to schools for 2025/26. The per pupil figures in Table 6 assume that the formula is approved.

1.140. For 2025/26, the supplementary funding issued to schools in the prior year has been rolled into the baseline DSG grant.

1.141. The Early Years Block mainly comprises:

- Funding for the universal 15-hour entitlement for all three- and four-year-olds.
- Funding for the additional 15 hours for three- and four-year-old children of eligible working parents.
- Funding for the 15-hour entitlement for families of 2-year-olds receiving additional support.
- Funding for the 15-hour entitlement for eligible working parents of two-year-old children (due to be extended to 30 hours from 1 September 2025).
- Funding for 9-to-23-month-old children for eligible working parents to access 15 hours (due to be extended to 30 hours from 1 September 2025).
- Funding for the Disability Access Fund for eligible children accessing the early years entitlements.
- Funding for the Early Years pupil premium for eligible children and looked after children accessing the early years entitlements

1.142. The early years block has increase significantly in 2025/26 due to the extended hours from September 2025 for 2-year-old and entitlements from 15 hours to 30 hours of free childcare for eligible children.

1.143. The High Needs Block is a single block for local authorities' high needs pupils / students aged 0-24. The block includes place funding for pre-16 and post-16 places in appropriate establishments such as mainstream schools, special schools, and the pupil referral unit. The block includes top-up funding for pupils and students occupying places in such settings.

1.144. The high needs block is calculated through the high needs NFF. This is made up of a range of factors and weightings including:

- A basic entitlement
- A historic spend factor
- A population factor
- Measures relating to low attainment and deprivation
- A funding floor
- An area cost adjustment

1.145. The Central Schools Services Block is based on a NFF that includes:

- Historic commitments.
- Ongoing responsibilities.

- An area cost adjustment.

1.146. The historic commitments element of the central block has been subject to a further 20% reduction by the DfE for 2025/26. The Council has approved a growth bid to replace the lost funding where those services cannot be reduced in line with the DfE's reduction. The main issue within the historic commitments is prudential borrowing costs.

1.147. Table 6 shows the DSG received for 2024/25, the indicative DSG for 2025/26, and per pupil funding levels. (This excludes the adjustment for Academy recoupment).

1.148. All the schools block funding is passported directly through to schools.

Table 6: Dedicated Schools Grant is allocated in four notional blocks in 2025/26	**Actual 2024/25 £m**	**Provisional 2025/26 £m**	**Change £m**	**Change %**
Total Dedicated Schools Grant	**389.7**	**437.9**	**48.2**	**12.4**
Comprising:				
Schools Block	285.6	307.4	21.8	**7.6**
Central School Services Block	2.4	2.5	0.1	**4.2**
Early Years Block	43.2	64.6	21.4	**49.5**
High Needs Block	58.5	63.4	4.9	**8.4**
Per Pupil Funding	**£ / pupil 2024/25**	**£ / pupil 2025/26**		
Dedicated Schools Grant:				
Schools Block				
Primary	4,923	5,313		
Secondary	6,275	6,794		
Central Schools Block (ongoing responsibilities)	38.18	42.29		
Early Years Block 3 and 4 hourly rate – minimum rate – maximum rate	5.06 5.80	5.28 6.33		
2-Year-old hourly rate disadvantage children including Early Years Pupil Premium	7.79	8.35		
2-Year-old hourly rate working parents	7.11	7.35		
9 – 23-month hourly rate	9.65	10.95		

Notes:

- These figures are before the academy recoupment and before any High Needs deductions.

- Figures are prior to de-delegation and assumes Growth Funding is removed.

- The calculation of the primary and secondary split for 2025/26 uses census data at this stage rather than the DfE model which was not available at the time of writing.

- The above figures include the early years supplement. There have been no announcements yet on high needs and schools supplements.

Dedicated Schools Grant (DSG) - Academy Funding

1.149. The Department for Education are clear that becoming an academy should not bring about a financial advantage or disadvantage to a school but rather, enable academies to have greater freedom over how they use their budgets.

1.150. The Schools Block funding receivable for the 96 academies which opened before or during 2024/25 has not been removed from the total DSG award to be received (as reflected in Table 6). The funding for these academies of approximately £203m (based on 2024/25 funding) will be deducted from the Authority's DSG as part of the academy recoupment process (see **Annex 3**).

DSG Reserve Forecasts

1.151. The Council holds a reserve to manage DSG balances without impacting on the Council's General Reserves. Growth in the number of pupils with an Education, Health and Care Plan (EHCP) had been reducing the reserve balance and in 2019/20 the reserve moved into a deficit position and became a negative reserve.

1.152. This is a national issue and local authorities are allowed to hold a negative reserve based on a temporary accounting override of accounting treatment approved by Ministry of Housing, Communities and Local Government (MHCLG) (formerly Department of Levelling Up, Housing and Communities at the time of approval) which means they can be treated as unusable reserves.

1.153. In December 2022 the override was confirmed for a further three years through to March 2026. The removal of this override would present a significant risk to the financial sustainability of councils and the scale of the deficit already presents a cashflow issue before that point.

1.154. The estimated impact on the Council's revenue costs, from interest linked to the forecast DSG deficit balance, is that the cost of interest in 2024/25 will be around £4.9m, rising to over £5.6m in 2025/26. This cost will increase annually if the DSG deficit continues to increase.

1.155. These pressures, due to the difference between the level of High Needs funding received and the cost to deliver High Needs support, have continued and are forecast to extend the overall deficit in each financial year in the current DSG Management Plan. Current forecasts suggest the reserve will continue to be in an increasing deficit in the medium-term.

1.156. The Council's DSG Management Plan which sets out the forecasts of spend is approved annually by the Children and Families Committee. The Council continues to work with the DfE but currently have not been accepted to join the Safety Valve program.

1.157. The DSG management plan was approved at Children and Families Committee on 29 April 2024 and further updates are regularly provided throughout the year. The latest forecast that the cumulative DSG deficit override would increase to £209.6m by the end of 2027/28 as a mitigated position which would result in estimated annual interest costs to maintain a deficit balance to be around £7.4m based on an interest rate of 3.75%.

1.158. Table 7 summarises the DSG reserve position for 2024/25. This position is unaffordable and unsustainable. The Council is not in a position to budget for removal of the accounting override which could require the deficit being met from other general funds or useable reserves. This risk will therefore continue to be a feature of ongoing liaison with MHCLG, as well as with the DfE through the Safety Valve program.

Table 7 - Dedicated Schools Grant Reserve is negative	**2024/25 £m**
Brought Forward Position	-78.6
In-Year Forecast Overspend for High Needs	-37.1
Predicted Cumulative Carry Forward	**-115.7**

Sixth Form Funding

1.159. Total sixth form funding of £2.8m is receivable for maintained schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known). In 2024/25 a balance of £85.1m was allocated directly to academies by the Education and Skills Funding Agency. The allocation for 2025/26 is not yet known.

Pupil Premium Grant

1.160. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2024/25 are £1,480 for primary aged pupils and £1,050 for secondary-aged pupils for every eligible child in both maintained schools and academies. All looked after children, adopted children and children with guardians will attract funding of £2,570 and children whose parents are in the armed forces will attract £340 per annum for 2024/25. It is estimated that Cheshire East Council will receive £5.0m in relation to the Pupil Premium for 2025/26.

Physical Education Grant

1.161. The Council expects to receive £1m for 2025/26. This is an estimate after any reduction for academies.

Universal Infant Free School Meals (UIFSM)

1.162. The Council expects to receive £1.8m for 2025/26. This is an estimate for maintained schools. The figure is normally based on a set amount per eligible pupil. The grant is paid directly to local authorities or academies. The Council will comply with the requirement to pass on the grant to maintained schools in full.

Public Health Grant

1.163. Public Health responsibilities cover a wide range of services including sexual health services; children's 0-19 services; NHS health check programmes; substance misuse services, infection control and One You services.

1.164. Public Health grant has been ring-fenced from 2013 and will continue to be so during 2025/26 to ensure expenditure is incurred in line with the public health framework.

1.165. Allocations for 2025/26 are yet to be announced at the time of writing. For 2025/26 the estimate of the grant has been maintained at £18.3m.

Household Support Fund

1.166. The Household Support Fund is distributed by councils through small payments to support vulnerable households to meet daily needs such as food, clothing, and utilities. The allocation for 2025/26 has not yet been published but is expected in the region of £4m.

Holiday Activity Fund

1.167. Allocations for 2025/26 holiday activity fund have not been announced but it is anticipated that funding will continue at a similar level to previous years at £0.9m.

Children and Families Grant

1.168. This is a new grant and brings together the funding from six existing grants: Supporting Families; Leaving Care Allowance Uplift Implementation; Supported Accommodation;

Staying Put Implementation; Extended Personal Adviser Duty; and Extension of the role of Virtual School Heads. The allocation for 2025/26 is £2.1m.

Children’s Social Care Prevention Grant

1.169. This is a new grant for 2025/26 and will be used to rollout mandatory Family Group Decision Making. The allocation for 2025/26 is £0.8m.

Asylum Seekers

1.170. The asylum seekers grant is received in respect to the cost of supporting unaccompanied asylum-seeking children. The grant is based on claims for the number of children so the amount varies. The estimated value for 2025/26 is £2.8m.

Skills & Lifelong Learning

1.171. Allocations for 2025/26 post 18 education have not yet been announced. Based on previous years it is expected to be about £0.9m.

Extended Producer Responsibility Payment

1.172. The first set of announcements regarding the Extended Producer Responsibility payment were released on 28 November 2024. These have set out a figure of £7.5m for 2025/26 and enabled initial estimates to be added to each year of the MTFS. These take account of expected changes to tonnages and the impact of the carbon tax in later years.

Shared Prosperity Grant

1.173. A 2025/26 transition year allocation of the UK Shared Prosperity Fund has been announced as £3.8m for Cheshire East (Capital: £0.7m reported elsewhere, Revenue: £3.1m). The funding is designed to meet local needs and support government priorities, particularly kickstarting economic growth. The funding will provide a transition to a new, future funding framework. Up to 4% of the allocation can, by default, be used to undertake necessary Fund administration. Funding for 2025/26 can be used to support investment in activities from 1 April 2025 to 31 March 2026, including continuations of existing activity where appropriate.

Homelessness Prevention Grant

1.174. In December 2024 the MHCLG announced the allocation of £633.24m in national funding through the Homelessness Prevention Grant that will be made available to local authorities in 2025/26 to deliver services to prevent and respond to homelessness.

1.175. Cash allocations from 2024/25 to all local authorities (£440.36m in total) are being rolled over. This includes £331.3m core funding, alongside £109.1m which was provided as a top up to account for homelessness pressures, including those from Ukraine households. This means all local authorities will receive at least the same amount of funding in 2025/26 as they did in 2024/25.

1.176. Cheshire East is due to receive £1.5m for 2025/26.

Bus Service Improvement Plan – Phase 3

1.177. The DfT have released funding allocations for local transport authorities to provide bus service improvements throughout England, excluding London. The funding for 2025 to 2026 comprises:

- £670m to enable Local Transport Authorities to deliver their bus service improvement plans (BSIPs).

- £285m for the Bus Services Operators Grant (BSOG) to protect existing services and support service delivery.
- £151m to continue the National Bus Fare Cap at £3, beginning in January 2025 through to 31 December 2025.

1.178. Cheshire East Council has been awarded £2.9m from Bus Service Improvement revenue funding.

Use of flexible capital receipts

1.179. The proposals within the Flexible use of Capital Receipts Strategy have been prepared based on a capitalisation direction issued by the Secretary of State under Sections 16(2)(b) and 20 of the Local Government Act 2003: Treatment of Costs as Capital Expenditure.

1.180. The Spending Review in 2015 included a relaxation to the capital regulations by allowing council's to use their capital receipts (income from the sale of assets) for a limited period initially from 2016/17 to 2018/19 to fund revenue expenditure that is designed to transform service delivery and reduce revenue costs. This announcement was implemented by the issuing of regulations in March 2016. The period over which these amended regulations apply has now been extended to the year 2030.

1.181. The current guidance states that qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and / or transform service delivery to reduce costs and / or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. The local authority must decide for itself whether a project qualifies for flexibility.

1.182. Local authorities cannot borrow to finance the revenue costs of the service reforms.

1.183. The type of expenditure that will be allowed under the flexibility are the up-front set up and implementation costs that will generate the future ongoing revenue savings and / or service transformation to reduce revenue costs and improve service delivery.

1.184. In allowing the Council to use this flexibility, the Council must have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of practice – See **Annex 5,** Annex D.

1.185. The Council had several projects that had been identified in 2024/25 that fitted the criteria prescribed in the guidance for transforming and or improving service delivery that will reduce revenue costs by producing efficiency savings for the Council.

1.186. The original amount approved as part of the 2024-28 Medium-Term Financial Strategy was £1m, however since then a further £0.518m of transformational expenditure has been identified. The additional amount is included as a recommendation for approval in the MTFS covering report. The table below details the list of projects and the value of capital receipt to be utilised.

Table 8 Project Name	List of projects funded by flexible capital receipts Project Description and Progress	Expenditure 2023/24 £000s	Expenditure 2024/25 £000s
Adults	Impower - external consultancy engaged to transform Adults services.	420	0
Adults	Extra Care Housing, policy development.	115	0

Table 8 Project Name	List of projects funded by flexible capital receipts Project Description and Progress	Expenditure 2023/24 £000s	Expenditure 2024/25 £000s
Adults	Alternative Futures Group review team - transform approach to Supported Living care support.	100	0
Adults	Care Cubed - digital approach to agreeing packages of care.	35	0
School Transport Transformation Programme	Review of the home-to-school transport (including SEND) in light of increasing costs and SEND demand. This follows the service being brought back in-house from 1 April 2022.	521	200
Children & Families Service Transformation	To increase the levels of staff within Children's Social Care - Create a "Grow Your Own" policy so that it enables the Council to retain more qualified staff and Joint Targeted Area Inspection Improvement.	550	0
New Residential Childrens Home	To bring residential care in-house by setting up and running our own care homes.	56	0
Catering Services Review	Review of provision of catering services to schools, including current offer and alternative options to run the service.	9	0
Childrens	Placements transformation.	30	0
Project Management Office (PMO)	To identify time spent within the PMO on supporting transformational projects across CEC. Based on estimates at FR2 and will be refined. Examples include: digital processes; customer experience; cleaner Crewe, green waste and Adults transformation.	200	0
ICT	New Delivery operating model and further digital investment for Customers.	316	802
Estates Service Review	To enable a review of the Estates service and the optimisation of our property assets, as well as promoting key efficiencies in our Facilities Management programmes. In year objectives include responding to the MEES energy efficiency regulations and implementing improvement to the property information and management system.	20	0
Leisure Services Review	Wholesale review of how leisure services are commissioned by the Council with its appointed provider, aligned to key public health outcomes and in the context of escalating corporate landlord and other costs associated with subsiding the service.	22	0
Library Services Review	Redesign of existing service including reduction of opening hours with the associated changes to staff contracts. This is together with implementation of a commercial strategy to generate new and increased income by utilising the library estate to make the service more financially sustainable.	247	41
Household Waste Recycling Centre Review	Review and implementation of changes to Household Waste Recycling Centre service provision across the borough to ensure that service meets statutory guidance levels.	134	358
Green Spaces Review	New policy and associated maintenance schedules implemented leading to significant rationalisation and standardisation of maintenance regimes to Council owned green spaces.	43	32

Table 8 Project Name	List of projects funded by flexible capital receipts Project Description and Progress	Expenditure 2023/24 £000s	Expenditure 2024/25 £000s
Green Waste Review	Garden Waste Subscription implementation generating an income to the Council to offset direct costs of operating this service - including investment in new systems and significant changes to frontline operational services rolled out and charge implemented from the 15 January 2024.	83	0
ASDV Review	Review of two of the Council's wholly owned companies to ensure that they are achieving the objectives set out in their original and latest business plans i.e. generating a commercial return to the Council to offset its own increasing direct operating costs.	35	35
Planning Review	Improve the planning application process with better lead times and to ensure that the service is adequately staffed where support, training and development opportunities are provided too.	119	0
Community Enforcement New ICT System	To enable service transformation by the introduction of a bespoke IT case management system. This will enable the team to realise key service efficiencies around the back-office functions hence allowing a greater amount of staff time to be spent out on site undertaking key aspects of the enforcement function.	25	0
Transformation of CCTV Service	Full system upgrade to digital wireless to meet technological and security advances, deliver financial savings over time through efficiencies in the delivery of the service, compliance with standards, improved public safety and evidence for enforcement/partners.	67	0
Parking Services Review	To support delivery of changes for car parking that revise operational arrangements and tariffs to provide greater transparency and equity across the borough.	267	50
Total		**3,414**	**1,518**

1.187. As it is the Council's policy not to rely on capital receipts until they are realised, these capital receipts have not been factored into the Council's Capital Financing Requirement (CFR) by way of reducing debt or financing capital expenditure. Consequently, the use of the receipts under this flexibility will have no effect on the Council's Prudential Indicators.

Charges to Local Service Users

1.188. In certain circumstances the Council makes direct charges for access to services. Some prices will be set nationally but prices should always be related to recovering the Council's costs in delivering discretionary services.

1.189. Charges for services represent c.11% of total gross income to Cheshire East Council and the prices are reviewed at least annually. This income is netted off the cost of services before Council Tax levels are calculated.

1.190. The Cheshire East Council pricing structure has over 1,000 different charges. The overall objective is to reduce subsidy from taxation in charged for services. This means some price rises may exceed inflation in the medium-term. In such cases users are consulted and alternative service options are discussed.

1.191. To assist officers and Members to recover full cost, the Council has a Charging and Trading Strategy to provide the relevant guidance to be applied. Lists of fees and charges are available as appropriate on the Council's website.

1.192. Service managers are responsible for reviewing the Charging and Trading Strategies for their particular services, optimising income levels for the Council whilst recognising the cost impacts on service users. As part of the Transformation Programme this year, external consultants have also undertaken a benchmarking exercise against other local authorities resulting in a number of proposals being included in the 2025/26 budget and future years of the MTFS (See Section 2, Fees & Charges proposal (55)).

Transformation Programme

1.193. In the Section 25 report of the MTFS approved by the Council for 2024/25, the Section 151 Officer stated: The Council must transform to create sustainable services and support infrastructure projects that reflect 'whole life' costs. This must cover the medium to long term and be backed by reserves that can manage any emerging risks. It is highly likely that the Council will require additional capacity to manage this programme, in a way that is yet to be determined, but it will inevitably require additional funding, which will need to be met from within existing resource.

1.194. The Council received confirmation from MHCLG that they were minded to approve the Council's request for Exceptional Financial Support. However, there are several conditions that will need to be met prior to formal approval, in summary the Council must:

(a) Undergo an external assurance review on the Council's financial position and financial management policies, and the Council's work to improve its productivity and efficiency.

(b) Produce an improvement and transformation programme within six months (27 August 2024) that is focused on delivering the Council's key objectives and securing the medium-term financial position.

(c) The programme should incorporate any recommendations identified as part of the external review.

1.195. In August 2024, the Corporate Policy Committee considered the Council's Transformation Plan that required submission to the Ministry of Housing, Communities and Local Government (MHCLG) by no later than 27 August 2024, being a formal requirement in order for the Council to access conditional Exceptional Financial Support.

1.196. This Transformation Plan links closely with other improvement work, particularly in Children's services where the Council must respond to the external inspection and the need to improve outcomes for our children and young people. This Transformation programme includes investment across all service areas but is also aligned with the improvement plan following our ILACS (Inspection of Local Authority Children's Services) inspection.

1.197. As stated in previous reports, the Council must transform the way it delivers its services. The reality is that the organisation needs to spend £100m less by 2028.

1.198. To achieve this a robust and deliverable transformation plan working with Inner Circle has been established. The Transformation Plan will support the delivery of approved / proposed savings, cost avoidance, cost mitigation and identify new savings for the coming years.

1.199. There are six programmes within the plan, each containing a range of projects and other initiatives across:

(a) Workforce

(b) Social Care

(c) Place

(d) Early Intervention and Prevention

(e) Digital

(f) Special Projects

1.200. The revenue and capital implications for growth, investment and savings associated with the above initiatives have been reflected in this MTFS 2025/26 – 2028/29.

1.201. The approved Transformation Plan can be accessed here: https://moderngov.cheshireeast.gov.uk/ecminutes/documents/s119439/CPC%20Transformation%20Plan%20V%200.01%20003.pdf

Summary of Budget Change Proposals

1.202. Table 9 below presents a list of changes to the Council's 2024/25 budget, and then further estimated changes through to the 2028/29 financial year. The list shows the proposals related to each of the Council's committees, which ensures ongoing transparency for monitoring and reporting of progress against each proposal. These items are described in more detail in Section 2. Figures represent the change in base budget in each financial year compared to the previous year.

1.203. Summary table of budget change proposals:

Table 9: Summary of Proposed Budget Changes – Committee Budgets	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Adults and Health Committee	+21.494	-2.204	+1.516	+1.480
Children and Families Committee	+8.659	-0.064	-0.201	-0.258
Corporate Policy Committee	+1.078	+4.396	+1.890	+1.485
Corporate Policy Committee - Council-wide Transformation	-13.452	-20.730	-11.030	-
Economy and Growth Committee	+0.534	+0.695	+0.432	+0.328
Environment and Communities Committee	-2.741	+3.269	+0.982	+6.792
Highways and Transport Committee	+1.061	+0.152	+0.068	+0.030
Total Proposed Service Budget Change	**+16.633**	**-14.486**	**-6.343**	**+9.856**
Finance Sub-Committee (Central Budgets)	+35.294	+26.123	+17.082	+13.104
Finance Sub-Committee (Funding Budgets)	-26.664	-15.285	-19.391	-20.515
Funding Position (incremental)	**+8.630**	**+10.838**	**-2.309**	**-7.411**
Exceptional Financial Support (EFS) (capitalisation direction)	**-25.263**			
Funding Position inc. EFS use in 2025/26	**0.000**	**-3.648**	**-8.653**	**+2.445**

Note – table may not add across/down due to roundings

Capital Programme

1.204. The table below presents the proposed capital programme for the next 4 years together with the funding requirement.

1.205. There still remains £135m of borrowing within the programme from 2025/26 through to 2028/29 which is not affordable and further work needs to be done to reduce the level of borrowing and minimise its impact where possible e.g. through reprofiling, finding alternative sources of funding, use of capital receipts etc.

Table 10 – Capital Programme Summary

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2025/26 - 2028/29

	Prior Years £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Total Budget £000
Committed Schemes - In Progress						
Adults and Health	0	389	0	0	0	**389**
Children and Families	43,184	37,723	24,104	20,749	0	**125,760**
Corporate Policy	68,440	6,389	1,173	0	0	**76,003**
Economy & Growth	135,466	35,629	28,723	38,975	39,563	**278,356**
Environment & Communities	14,546	18,383	8,402	3,101	0	**44,432**
Highways & Transport	308,265	58,048	42,163	38,178	109,947	**556,602**
Total Committed Schemes - In Progress	**569,902**	**156,561**	**104,566**	**101,003**	**149,510**	**1,081,542**

CAPITAL PROGRAMME 2025/26 - 2028/29

	Prior Years £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Total Budget £000
New Schemes						
Adults and Health	0	0	0	0	0	0
Children and Families	0	0	0	0	0	**0**
Corporate Policy	0	6,356	3,755	3,754	600	**14,465**
Economy & Growth	0	1,758	3,426	4,395	7,191	**16,770**
Environment & Communities	0	7,580	0	0	0	**7,580**
Highways & Transport	0	8,147	12,960	13,069	11,502	**45,678**
Total New Schemes	**0**	**23,841**	**20,141**	**21,218**	**19,293**	**84,493**
Total Capital Schemes	**569,902**	**180,402**	**124,707**	**122,222**	**168,803**	**1,166,035**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2025/26 - 2028/29

Funding Requirement

	Prior Years £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Total Budget £000
Indicative Funding Analysis:						
Government Grants	236,488	99,122	80,039	33,469	111,051	**560,168**
External Contributions	27,055	16,315	12,705	36,626	29,088	**121,790**
Revenue Contributions	552	6,486	0	0	0	**7,038**
Capital Receipts	1,847	731	1,325	21,853	11,588	**37,344**
Prudential Borrowing (See note 1)	303,960	57,748	30,639	30,273	17,076	**439,695**
Total	**569,902**	**180,402**	**124,707**	**122,222**	**168,803**	**1,166,035**

Note 1:

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.

General and Earmarked Reserves

1.206. The table below provides the forecast four year position on General and Earmarked Reserves.

General Fund

1.207. When the 2024/25 budget was set, in February 2024, it was balanced by the use of £11.6m of General Reserves. This usage is not sustainable in the medium term. Net spending therefore needed to be contained within the estimates of expenditure that form the budget.

1.208. It was also agreed as part of the previous MTFS to transfer all earmarked reserves which have not been identified for use in 2024/25 into the General Fund Reserve. The value of un-ringfenced reserves to be transferred in 2024/25 totals £3.1m.

1.209. At 1 April 2025, it is anticipated that the Council will hold a General Reserves balance of £3.7m (See breakdown in **Annex 8,** Table 2).

1.210. The current balance in the General Fund Reserve does not align to the Cheshire East Plan target of £20m by 2025. For this reason, the Council now plans to increase the General Fund reserve by £5m per annum over the medium term, plus any beneficial financial performance or additional income to reserves in the first instance over the medium-term as an approach to complying with the Plan.

Earmarked Reserves

1.211. In addition, the following Strategic Earmarked Reserves are proposed to be protected and, in some cases, replenished over the 4-year MTFS as part of the Council's approach to improving the robustness of the MTFS and adequacy of Reserves:

- PFI Equalisation Reserve - Extra Care Housing – to meet future payments on the existing PFI contract.
- Public Health unallocated ring-fenced grant – to be invested in areas to improve performance against key targets (subject to annual assurance sign off).
- Insurance Reserve – To settle insurance claims and manage excess costs.
- Transformation Reserve – To fund the Council's transformation programme costs.
- Collection Fund Reserve - To manage cash flow implications as part of the Business Rates Retention Scheme.
- Elections Reserve – To provide funds for Election costs every 4 years.
- Flood Risk Reserve - To help the service manage risks such as the impact of adverse weather, specifically flooding or extensive periods where winter maintenance is required.

1.212. Full details on Reserves are set out in Annex 8.

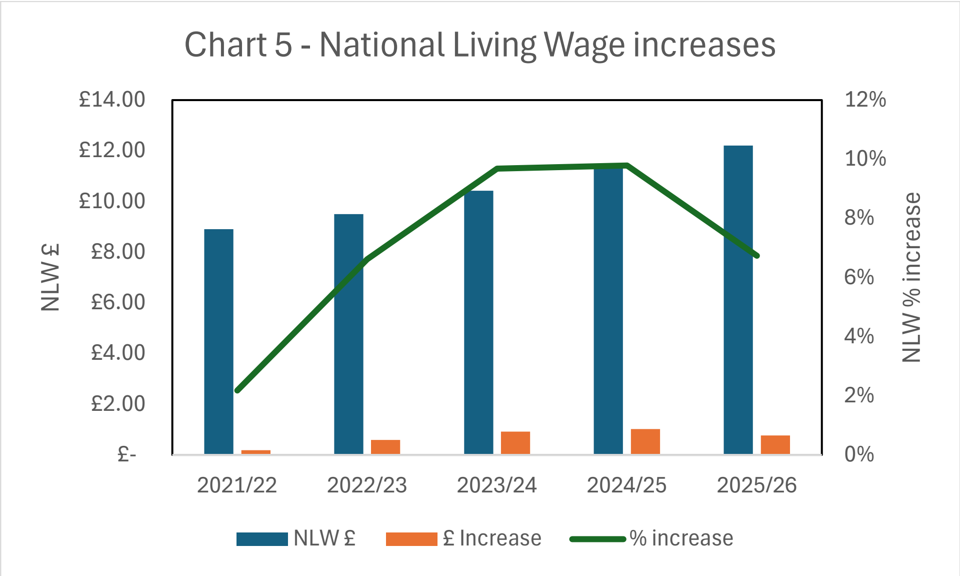
Table 11 Earmarked Reserves	Opening Balance 01 April 2024 £000	Closing Balance Forecast 31 March 2025 £000	Closing Balance Forecast 31 March 2026 £000	Closing Balance Forecast 31 March 2027 £000	Closing Balance Forecast 31 March 2028 £000	Closing Balance Forecast 31 March 2029 £000
Adults and Health	**5,226**	**2,378**	**1,399**	**1,399**	**2,796**	**4,194**
Children and Families	**1,724**	**0**	**0**	**0**	**0**	**0**
Corporate Policy	**20,772**	**7,618**	**7,587**	**5,256**	**7,411**	**11,656**
Economy and Growth	**2,777**	**903**	**0**	**0**	**0**	**0**
Environment and Communities	**870**	**152**	**0**	**0**	**0**	**0**
Highways and Transport	**908**	**488**	**400**	**400**	**400**	**400**
Earmarked Reserves Total	**32,277**	**11,539**	**9,386**	**7,055**	**10,607**	**16,250**
General Fund Reserve	5,580	**3,696**	**5,000**	**10,000**	**15,000**	**20,000**
Total Reserves	**37,857**	**15,235**	**14,386**	**17,055**	**25,607**	**36,250**

Strategic Risks

1.213. The Council assesses the strategic risks to cover the MTFS period as part of its budget setting process. Some of the key risks include:

- **Inflation**: In the past two years inflation has been at an all-time high. In the current year and within the proposed budget the Council has reviewed its inflationary assumptions and taken measures to manage expenditure. Although rates are now forecast in the right trajectory there is still a risk that the reduction slows, or the economy continues to influence costs such as energy or pay.
- **Rising Service Demand**: As mentioned within the report the Council is facing rising demand across a number of services including Adults, Children's and Education. Assumptions for increasing demand have been incorporated within the proposed budget, however there is still a risk demand may outstrip this and put further pressure on the budget.
- **National Living Wage/Employee National Insurance**: National Living Wage (NLW) increases are the main driving factor for the increase in care costs in both Adults and Children's services, with staffing costs making up around 70% of provider rates. Over the last few years large increases in the NLW have resulted in high levels of fee uplifts being requested by providers, and the increase to £12.21 in April 2025 is expected to result in further rate increase requests. NLW increases have been above 5% for the last 4 years, totaling just under 33% over the 4 year period, meaning that Council Tax increases have been unable to keep pace with the increasing cost of the

NLW. Alongside the increases in NLW the government has also made changes to National Insurance thresholds and payment for employers for 2025/26, this will put pressure on care providers as they need to cover increasing NI costs.



- **Funding**: The Council is becoming increasingly reliant on local taxation, with Council Tax and Business Rates now equating to c.90% of the Council's net funding envelope. This means in challenging economic times, where businesses and households are struggling with the cost of living, the Council bears the greater risk of reduced income levels.
- **Funding uncertainty**: There is significant uncertainty around funding with the further single year settlement. There is also the risk that future funding reform will have a detrimental impact on the Council to our perceived self-sufficiency from having a large Council Tax base.
- **NHS integration**: Integrated Care System (ICS) and the risk resulting from health service who are also looking to make savings.
- **Climate Change:** Balancing the need to reduce the Council's carbon footprint and deliver financial sustainability.
- **Interest Rate risk**: The risk of the Council's budget being affected by changes in interest rates when refinancing maturing debt.
- **DSG Deficit**: The risk to the Council remains regarding the High Needs spending from the Dedicated Schools Grant (DSG). The accumulated deficit forecast to be £115.7m by the end of 2024/25. A statutory override was previously extended by a further two years by the previous Government, which means that DSG deficits do not have to be covered from the General Fund i.e. they are not cash backed up to 31 March 2026. The Provisional Settlement announcement by the current Government has delayed any update on the override until proposed reforms of the SEND system are announced. That is expected before the end of February 2025.

1.214. The Council has forecast for the setting aside of two budgets to cover such risks:

- Contingency budget – £145.3m over the medium term to help cover the issues set out above.

- Risk of unachievable savings targets – 10% of savings items identified to be delivered (£6.5m over the medium term) – The risk of underachievement of savings targets grows as more and more challenging savings are included in the budget setting. Setting aside a risk budget based on a percentage of the savings identified in any given year is prudent.

Public Engagement on budget setting approach

1.215. The Medium-Term Financial Strategy has been developed during 2024 and an online budget engagement survey was published on 19 December 2024.

1.216. During the engagement exercise, there were 304 responses, with additional feedback being provided by the Council's service committees. Appendix B provides information on the responses. A summary of feedback is provided below:

1.217. Budget engagement for 2024 to 2025 invited respondents to share their views on six principles that the Council proposed to use to shape its budget and financial strategy for 2025 to 2029.

1.218. Feedback on the principles is summarised below:

1.219. **Principle 1 - Resizing and reshaping the budget to protect services and support for Cheshire East residents who are most in need**. - Many supported funding for services that help the most in need, and recognised that the Council has an obligation to deliver these services. However, some respondents voiced concerns about this being at the expense of universal services for everyone. Some also responded expressing the view that social care should be funded by central government rather than Council Tax payers.

1.220. **Principle 2 – Investing in children's services – for example recruiting to additional posts to deliver the children's services improvement plan**. There was significant support for investment in Children's services and Children's services improvement – however, some respondents voiced similar concerns to those raised in relation to Principle 1 – that the council should set its budget to provide services for everyone equally and not focus on particular groups. Others felt that the budget was big enough, and that efficiencies should be sought before further recruitment was considered.

1.221. **Principle 3 – Investing in adult social care to ensure our budgets reflect the anticipated growth in demand and increasing complexity of need for those who require the most help – including ensuring that growing demands and staffing costs are fully funded in the budget**. People recognised that there is not enough money in the system to sustain social care services at current levels. Respondents also cited the challenge of recruiting to adult social care services. However, some were concerned about staffing costs. Other comments questioned who this support was for, reflecting comments made about Principles 1 and 2 about services for all.

1.222. **Principle 4 – Delivering transformation projects – doing things differently, including better management of grants, fees and charges for services, and focusing on helping people with additional needs to live more independently for longer, helping to put the council on a more sustainable financial footing for the long-term**. There was significant support from many respondents supporting transformation, however, some expressed concerns about the cost of transformation and what is actually deliverable. Some wanted more information in order to form a view. Some respondents, in responding to this and other principles also stated opposition to raising Council Tax.

1.223. **Principle 5 – Addressing new external costs, such as the increase in National Living Wage which can mean that the services the council commissions from external providers, including many adult social care services, cost more**. Respondents raised concerns about expenditure on external providers and ‘unnecessary projects’. Others commented on national government policy in relation to National Insurance and National Living wage.

1.224. **Principle 6 – Looking for other ways to change services to reduce costs, avoid costs, or increase income**. Respondents put forward a number of views and suggestions for other ways to change services to reduce costs, avoid costs, or increase income. These included improving productivity and efficiency, bringing more services back in house, reducing costs and use of consultants and stopping what were considered projects that do not have “measurable (£) benefits”.

1.225. Respondents were also asked how they get information about Council services and their communications preferences. These responses will inform the communications and engagement approach. Some voiced concerns about the Council’s approach to consultation and engagement, with some feeling the Council does not listen to residents.

1.226. The business planning process consisted of a business community survey, mirroring the main public engagement survey, which closed on 2 February 2025. A verbal update on responses to this survey will be provided at the meeting. Full details of the Budget Consultation results can be found in Appendix B to the main covering report.

Section 2 - 2025/26 Budget

Overview

2.1. Setting a budget needs to ensure that it takes into account all known information.

2.2. Over the course of the year, the financial position of the Council continues to be challenging due to the sustained high interest rates and rising demand for key services such as Adults and Children's Social Care.

2.3. A large amount of effort and focus has been placed on managing the risks, pressures and reducing expenditure and agency use. In addition, we are developing savings and transformation plans to best achieve long term sustainability and not just focus on short term savings that create longer term pressures.

2.4. Improvement has been seen in the current year position since the First Financial Review reported in September 2024, with the 2024/25 projected overspend now down to £18.3m (January 2025), and a balanced budget position for 2025/26 being presented, as summarised in Table 12 below by the use of Exceptional Financial Support (for further information see Section 2: Balancing the Budget 2025/26).

Table 12 – Revenue budget summary 2025/26	Revised Net Budget 2024/25 £000	Gross Exp Budget 2025/26 £000	Income Budget 2025/26 £000	Net Exp Budget 2025/26 £000	Change from 2024/25 £000
Adults, Health and Integration	137,955	250,877	-91,428	159,449	+21,494
Children and Families	88,631	107,313	-10,025	97,288	+8,659
Corporate Policy	41,708	108,602	-65,814	42,788	+1,078
Corporate Policy - Council Wide Transformation Savings	-	-12,702	-750	-13,452	-13,452
Economy and Growth	27,908	38,144	-9,703	28,441	+534
Environment and Communities	48,443	68,964	-23,263	45,701	-2,742
Highways and Transport	15,840	28,370	-11,469	16,901	+1,061
Finance Sub (central budgets)	15,226	54,012	-3,492	50,520	+35,294
TOTAL SERVICE EXPENDITURE	**375,710**	**643,580**	**-215,944**	**427,636**	**+51,925**
Finance Sub (funding budgets)	-375,710		-402,373	-402,373	+26,663
Exceptional Financial Support	0	-25,263		-25,263	+25,263
NET POSITION	**0**	**618,317**	**-618,317**	**0**	**+103,851**

Note – table may not add across/down due to roundings

Capital Programme 2025/26 Summary

2.5. The Council recognises it needs to invest in the borough to encourage economic development, provide vital council services and improve the way it works. However, it also recognises the need to reduce the current level of debt and the resulting ongoing cost of borrowing which puts a strain on the revenue budget. The MTFS assumes that capital receipts, third party funding and savings generated because of investment will be used to fund the programme wherever possible. Other than refinancing the maturing of loans, new borrowing will only be undertaken where absolutely necessary over next four years.

Table 13: Capital Programme 2025/26 Summary	£m
Capital Programme	**180.40**
Funding by:	
Government Grants	99.12
External Contributions	16.31
Revenue Contributions	6.49
Capital Receipts	0.73
Prudential Borrowing	57.75
Total Funding	**180.40**

2.6. During 2024/25 all schemes requiring borrowing as part of their funding have been subject to review with a view to reducing their impact on the revenue budget and this has mainly been achieved through reprofiling and some budget reductions.

2.7. There remains a significant amount of borrowing required to fund the programme in 2025/26 and the Capital Programme Board will provide review of and challenge to projects within the programme with a view to reducing the revenue cost impact of the capital programme.

2.8. The Council are actively looking to dispose of surplus assets that do not provide value for money and which are not suitable for repurposing. As a prudent estimate approximately £6.8m will be available to help support the costs of transformation and or borrowing for the capital programme and EFS.

Section 25 (Robustness) Statement

(SUBJECT TO REVISION BEFORE FULL COUNCIL ON 26 FEBRUARY – BASED ON LATEST INFORMATION)

Overview and Context

2.9. Under Section 25(1) of the Local Government Act 2003, I am required to report on the robustness of the estimates in the budget and the adequacy of the proposed reserves. Council must have regard to this report when making decisions on the budget.

2.10. The Council is in a serious financial position and as highlighted in last year's report by the Section 151 Officer at the time, there needs be a continued focus on delivering sustainable change over the medium term and avoid short term decision making that may have longer term consequences.

2.11. It was highlighted last year that the Council must react to the structural financial deficit in the budget and much work has been done over the last financial year to change the future direction of the Council's financial sustainability. This includes detailed reviews of the causes of prior year overspends, considering how the balance sheet of the council can contribute to longer term changes including reviewing potential asset sales, and the development of a Transformation Plan that has changed the trajectory of the Council's finances. At the same point last year, the gap over the medium term was growing from £41m in year 1 of the medium-term financial plan, to £80m by the end of year 4, with a need to replenish General Fund reserves by at least £20m.

2.12. The medium-term plan presented here has altered the trajectory, with a reducing gap over the medium-term, including the replenishment of the general reserves. However, this still leaves the Council with a deficit in 2025/26 and 2026/27 which, if supported by central government, will be addressed through the use of Exceptional Financial Support. This is only a short-term solution and it will be important to continue to try to find additional funding, income and efficiency savings to reduce the need of utilising this support over the coming financial year. Exceptional Financial Support comes at a cost over the medium term.

2.13. For clarity, if the Council is unable to access Exceptional Financial Support then I would have no choice but to issue a Section 114 notice given the current projections on income and expenditure.

2.14. The Council must continue to act to address the financial deficit in this budget as well as delivering on all of the proposed transformation savings included in the budget.

2.15. Whilst change and transformation are important, strong financial management and control to deliver against the budgets is equally as important. There is a history of overspending for at least the last three financial years which had been addressed through the use of one-off sources of funding which has not addressed the underlying needs being experienced in the Council. There is now insufficient reserves to be able to continue the use of one-off monies to deal with unidentified pressures.

2.16. There has been a continued trend of non-delivery of savings targets being achieved by the Council in the past, although some were realised later than planned.

2.17. The level of growth materially exceeded forecasts during 2024/25 and has created in-year overspending in both Adults and Children's Services.

2.18. Cheshire East Council is not alone in facing such a material financial challenge, but this fact does nothing to mitigate the issues. There are several reasons for increasing costs, and these can be summarised under three main headings:

1. **Demand Led Growth**: Given the proportion of our services that are delivered to individuals or families, the Council is sensitive to demographic changes especially in relation to increases in complexity of needs, growth in an aging population and often these services are statutory in nature. These services are also impacted by price inflation in contracts and supplies and services that are often sensitive to national wage inflation. Therefore, the Council has to consider ensuring that it sets aside enough resources to ensure it meets its statutory responsibilities.

2. **Interest Rates**: The Council has debts of £370m accumulated from the spending profile of large-scale infrastructure projects, overspending of budgets and the increasing deficit in high needs (SEND) education expenditure. Repayment of interest on these debts continues to be a material problem due to the higher interest rates in 2024 and 2025.

3. **Other**: During 2024/25 there has been a change in national government and so there are a number of emerging policies that impact on the Council that could have a fundamental impact on our financial sustainability in the future. These include, but are not limited to, delays in decisions on infrastructure funding currently within our Capital programme, reforms for both Children's and Adults Social Care, a recognition that SEND needs reform and the cancelling of the Safety Valve programme with a

replacement yet to be identified. Local Government reorganisation and devolution will also have an impact on Cheshire East and this will need to be considered and built into future iterations of the MTFS.

4. **National funding reform:** Yet again for 2025/26 we have been provided with a one-year financial settlement, but a much stronger narrative around financial reform to come. It is likely that national funding reform will mean that Cheshire East will fare less well in the future with regard to funding. This will need to be addressed in future iterations of the budget once there is more clarity over this reform.

2.19. Over the last 12 months, the Chief Executive has considered the outcomes of external assessments in regard to the performance of the organisation including the LGA peer review, the results of the inspection of Children's Services and in his role as the Head of Paid Service, has considered the need to redesign the shape of the organisation to meet the challenges identified. This is included as part of the transformation programme, and has started with a restructure and ongoing live restructure of the senior structure within the Council. The financial impacts of this are included within the MTFS.

2.20. The transformation programme that has driven the savings in this MTFS has been supported with an external partner. This has so far been funded through reserves and it is recommended to set aside monies from the identification of in-year savings relating to an accounting policy change on Minimum Revenue Provision (MRP) in 2024/25 to support ongoing transformation work. It is appropriate to use one off sources of funding for this, given this is not permanent resource, and supports the delivery of significant savings over the life of the MTFS.

2.21. Given that funding from central government to the Council is unlikely to address the significant pressures the Council is facing, the Council must take the responsible step of ensuring local income is increased and costs reduced to support essential services. Income from service users, customers and local tax payers is particularly important to ensure that we are able to sustain services beyond just the bare minimum.

2.22. Financial performance has been reported regularly to committees throughout 2024/25, with new style financial reporting and all committees receiving financial information for the whole Council, to ensure that decisions are made with full knowledge of total impact on the Council and not just specific areas of responsibilities for each committee. Whilst reporting has been strengthened, further improvements will be made in 2025/26 to ensure there is more clarity on delivery against the transformation programme and including more detailed performance information alongside finance and risk information.

2.23. The single greatest financial risk to the Council remains the substantial and growing deficit on High Needs spending from the Dedicated Schools Grant (DSG). This has been highlighted as the biggest risk for several years with the accumulated deficit forecast to be £115.7m by the end of 2024/25. A statutory override was previously extended by a further two years by the previous Government, which means that DSG deficits do not have to be covered from the General Fund i.e. they are not cash backed up to 31 March 2026.

2.24. The Provisional Settlement announcement by the current Government has delayed any update on the override until proposed reforms of the SEND system are announced. That is expected before the end of February 2025.

2.25. At this stage it is assumed there will be no draw on council revenue reserves relating to the DSG High Needs deficit as Government will either, for all local authorities, extend the statutory override, or fund the ongoing and cumulative deficits. If a resolution to this is not forthcoming (in this financial year) then the financial viability of the Council would need to be reconsidered and reported back to Full Council for further consideration.

Robustness of Estimates

2.26. Expenditure on services exceeded budget by £8.5m in 2023/24, despite an overall increase of £25.4m in net budget. In 2024/25 the increase in net budget was £22.6m with a forecast overspend currently at £18.3m as per Third Financial Review. The planned spending increase of 6.4% was not excessive compared to national inflation. This is further explained when local government spending is influenced by increased population, demands and complexity, and not just increased prices. But the pattern of spending in excess of budget must be addressed.

2.27. Net expenditure in 2025/26, net of savings proposals, is forecast to increase by a further £52.0m, however income from increased funding is only forecast to increase by £26.7m, creating a budget deficit of £25.3m. In recognition of this forecast, as reported through the various MTFS updates through 2024/25, the Council in December 2024, submitted a further request for Exceptional Financial Support for 2025/15 and 2026/27 to fund the deficit as part of setting a budget for 2025/26.Having identified that the use of one-off monies can no longer be a continued trend, the implementation of sustained change and the right-sizing of those areas that have seen the greatest pressures in recent years has been addressed as part of this proposed budget.

2.28. Where services have been right-sized, estimates for growth are based on the latest available information on actual service delivery. These consider growth trends over the last few years and modelling, where available, for future likely growth. This is an area where future trend modelling is being strengthened, using local and nationally available data, and this will need to continue into the future. The level of Council funding for 2024/25 has therefore been subject to adequate scrutiny and allocations have been approved by members based on appropriate advice.

2.29. The MTFS strategy relies on the closing balances and performance within the 2024/25 financial year. In-year reporting to members has identified the service areas that require the most urgent financial support to create a robust set of estimates for 2025/26 and beyond and committees have had up to date reports throughout the year on the development of the MTFS

2.30. In more detail, the following areas have been considered and addressed:

- Following the ILACS inspection of Children's services during 2024, an improvement plan has been developed. This identified the need to invest in our workforce to help drive improvement and ensure we have sufficient levels of staffing. In addition, we needed to right-size placement and other service budgets. Investment has been made in these areas to ensure adequate levels of resources. It should be noted that there is a specific transformation programme running in Children's social care and the financial implications of these are identified within this area. We are also holding centrally in a contingency budget, some inflationary growth that may be attributable to this area. This will not be distributed to service budgets until fully agreed and identified so this means there is likely to be some additional growth in Children's budgets during the year.

- The most significant area of growth is in Adults Social Care where significant right-sizing has been required. In previous financial years, a significant amount of one-off funding and use of reserves helped to mitigate pressures in this area. The gross level of expenditure did not increase as much as the budget appears to indicate, but we do need to recognise that ongoing funding is required as it is not appropriate to use one-off funding for ongoing commitments. Just like Children's services there is a specific transformation programme running in this area and the financial implications of these are identified within this area. We are also holding centrally in a contingency budget, for inflationary growth that may be attributable to this area and will be distributed in-year.

- Place based services saw significant changes during 2024/25 due to changes in the way some universal services were delivered. The financial implications of these are included in the MTFS, with full year impacts of some of those changes now embedded in the budget. This area includes many universal services, delivery of large scale regeneration and infrastructure changes. It also has the most significant part of the Capital programme within its remit. A key challenge this year has been to ensure that the profiling of capital expenditure is properly forecast, including the way in which schemes are funded. This has implications in terms of the costs of borrowing on the revenue budget and therefore this has been an important focus this year. Whilst there are some transformation savings directly attributable to this area, there are also "cross-cutting" transformation savings currently held at the Corporate level that will be identified and delivered in this area during 2025/26. There will be a need to ensure these are fully reflected against appropriate service lines during the financial year.

- One area of focus will be for the Council to consider is the need to make significant and sustained investment in its own infrastructure to avoid failure, including highways. We currently ensure that we maintain funding to keep the network safe and comply with its statutory duty to do so. We do need to consider how we move to more proactive resurfacing over time. Whilst there is significant capital investment (£21m up to 2030) to keep the network safe, how we can identify ways to move to a more proactive approach will be a focus during 2025.

- Resources and other Corporate services are largely driven by people and contract spend. This area also holds "cross-cutting" transformation savings that will be distributed to appropriate service lines during the year. A significant theme of this relates to digital change, with capital investment required to support revenue savings in the future. Whilst led from this area, the benefits of these will be seen across other council departments and like with other transformation savings these will be moved to the appropriate area as soon as these can be fully categorised.

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2.31. As identified in the main body of the MTFS report, there are a number of assumptions that are made throughout budgets relating to inflation and other drivers. Section 1 of the MTFS details the assumptions that have been used.

2.32. The Capital programme remains ambitious with £0.6bn forecast expenditure in the next four years. If spent evenly this would equal over £150m expenditure in each of the next four years. At the Third Financial Review, the Council was forecasting capital spending of £144.7m in 2024/25, but the final Outturn position is likely to be far less than that figure at £120m based on current spending levels. The Council must refine this profile of spending to ensure it is reduced or delayed to ease the pressure on the capital financing budget and avoid the risk of over-borrowing.

2.33. Net revenue budget gross growth is forecast at £99.1m (+26% on the 2024/25 net budget of £375.7m). £48.6m relates to social care, with £3.4m relating to MRP and interest payments. Additional growth is forecast in Adult Social Care, Children's Social Care, Environmental Services, asset maintenance, highway maintenance, local bus plus as reflected elsewhere in the report, the creation of a Contingency Budget to manage in year risk. This level of growth is consistent with a robust approach to reflecting potential costs, rather than taking a risky approach of simply reflecting affordable growth.

2.34. This level of growth necessitates Council Tax increases in-line with government expectations on Core Spending Power. Continued uncertainty in local government funding structures presents a risk to the forecasts within the MTFS and changes in national policy will all have potentially material implications for the Council's finances and therefore it remains an imperative that the Council remains up-to-date in its understanding of any national change in policy. Financially, the Council must do all it can to strengthen it's own funding, especially the Council Tax base, as this remains the main source of funding that we have control over, and unaffected by national funding awards which are subject to significant change in the future.

2.35. Changes to service levels are therefore appropriate to retain local sustainability during this period of national uncertainty. £47.1m of savings and mitigation are planned in 2025/26. Implementing this level of change will be challenging but based on professional judgement they are feasible and achievable. Such changes will rely on appropriate governance, as well as clear and timely decision making and a collective effort to both monitor and manage any actions that are off track for delivery at the earliest opportunity.

2.36. For clarity, the Council must maintain a tight control and grip on the management of its finances given its financial fragility.

2.37. The assumptions within the MTFS are based on appropriate up to date information and have been subject to stakeholder engagement and professional assessment. As such they present a robust set of financial proposals, but the recent track record of over-spending must continue to be addressed. The right-sizing of budgets whilst being able to support this will only work if there is continued focus on strong financial grip.

2.38. It is also important to address the longer-term sustainability of the Council over the medium term. Having right-sized budgets in a number of demand led budgets, the Council will need to address how to become more focused on preventative measures for the future across all service areas and build in the ability to try to move away from reactive spending to better longer term planning.

Adequacy of Reserves

2.39. The issue of having low levels of reserves has to be urgently addressed and so the Reserves Strategy (Annex 8) set out in the MTFS must be adhered to. That means that the building back of reserves has been included in the budget but also there must be an expectation that where underspends are identified, that the building back of reserves be considered as a priority, alongside reducing the need for Exceptional Financial Support.

2.40. The Reserves Strategy sets out the impact of the budget on the Council's reserves. When considering if reserves are adequate, I have reflected on ongoing work by CIPFA to produce a resilience index as well as considering local and national risks.

2.41. Inflation has again been one driver in the overspends across the Council, especially in Adults and Children's services and interest payments have caused further financial pressures on borrowing. The fact that one-off funding had been used to reduce the 2024/25 budget was designed to deal with some inflationary pressures, but not enough, and inflation and interest rates continue to be issues.

2.42. Spending since in 2022/23 has eroded total reserves to an unacceptable level, but this MTFS includes contributions across the life of the MTFS to bring these back to at least minimum levels. Any action that can be taken to identify additional contributions to reserves earlier in the MTFS should be considered at the earliest opportunity.

2.43. Decisions were taken in the last financial year to roll earmarked reserves that mitigated against longer term risks relating to Private Finance Initiative (PFI), Insurance and Flood Management into general reserves to deal with the most urgent pressures. It is important that alongside replenishing the general reserves to a minimum level of £20m, that the rebuilding back of these reserves are also built into future modelling. If these risks materialised the general fund would have to be used and that creates additional risk. It is therefore my view that this overall strengthening and mitigating against these risks must be built in from now, but spread over the medium term. Reserves should be reviewed on an annual basis for their suitability and appropriateness.

2.44. Given our low level of reserves, some additional revenue protections have been built into the MTFS. This includes a contingency budget set aside to manage likely in-year pressures from inflation and other contractual change that will have on-ongoing implications. If any of this is unused at the end of the relevant financial year the priority for this should be to consider whether earlier replenishment of reserves would be financially beneficial in the medium-term.

2.45. Additionally, a risk budget to mitigate against non-delivery of any savings or delay in delivery has been included from 2026/27.

2.46. Members must recognise that risks to all proposals within the MTFS must be mitigated. Delays or changes in proposals being implemented will not have adequate financial cover from reserves. In which case such changes would be considered outside of the budgetary framework requiring further decisions to restore the balanced budget that is a legal requirement.

Conclusion and Exceptional Financial Support

2.47. The Council is required to produce a balanced budget and must demonstrate adequate levels of financial management to maintain this position.

2.48. Several councils in England have been subject to Section114 notices, particularly where financial controls have been inadequate. Such action restricts spending and usually requires government intervention and associated reductions in local decision making. This is an indication of the financial challenges being faced by local authorities. Achieving the proposals within this budget would provide ongoing evidence that the required levels of financial management are in place at Cheshire East Council.

2.49. Based on my engagement and observations of the process to manage in-year spending and determine a balanced budget for 2025/26, I can report that the budget presents a robust set of forecasts, but that the Council must address the current trend of overspending. This requires further engagement of the Committees alongside enhanced controls associated with adherence to the CIPFA Financial Management Code.

2.50. Based on my assessment of the risks that the Council can currently value I am not satisfied that the Reserves Strategy presents an adequate level of reserves to support the MTFS.

2.51. To mitigate the risk of financial failure, and the consequential impact on local services, I have been in regular contact with the Exceptional Financial Support Team at MHCLG, alongside the Council’s Chief Executive. Cheshire East Council is not an isolated case in this regard. In 2024/25 we were able to successfully apply for Exceptional Financial Support in the form of a Capitalistion Direction.

2.52. The MTFS presented clearly demonstrates the ongoing need for that support in the short-term, despite a much improved position in future. The process has required analysis of the causes of financial stress on Cheshire East Council, and a submission of our analysis to support our application.

2.53. Any final decision on Exceptional Financial Support, by the Secretary of State is currently outstanding but for the purposes of this report I have made the assumption that this will be supported. The revenue costs associated with this are built into the MTFS.

2.54. I will monitor the impact of ongoing financial controls and work with the Chief Executive to assess the achievement of in-year financial performance. Achievement of the proposals in the MTFS is crucial to avoid potentially significant future changes to service levels.

Detailed Revenue Services Budgets: Breakdown of Budget Changes

1.1. Budget changes in this document are expressed as **incremental changes** to the Council's Approved Budget for 2024/25.

1.2. Each proposed change is included in a table as described below:

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Committee	**+/- Total change**	**+/- Total change**	**+/- Total change**	**+/- Total change**
x	**Title of budget change item** Narrative to describe what the proposal is.	+/-x.xxx	+/-x.xxx	+/-x.xxx	+/-x.xxx
All proposals are sequentially numbered for ease of reference. Also cross referenced in Annex 2	Revenue expenditure is incurred on the day-to-day running of the Council. Examples include salaries, energy costs, and consumable supplies and materials. Capital expenditure is incurred on the acquisition of an asset, or expenditure which enhances the value of an asset	Figures here represent an increase or decrease in spending compared to the 2024/25 Approved Budget. Each subsequent year then represents a change from the previous year. Negative numbers represent a budget saving or additional income. Positive numbers represent budget growth or reduced income.			

Adults and Health Committee

Responsibilities of the Committee: Membership: 13 Councillors

1.3. The Adults and Health Committee will be responsible for community welfare, public health and adult social care services with a view to enabling all people to live fulfilling lives and to retain their independence. When discharging its functions the Committee shall recognise the necessity of promoting choice and independence.

1.4. The Committee's responsibilities include:

- Promotion of the health and well-being of residents and others;
- Determination of policies and making decisions in relation to people aged 18 and over (some young people up to the age of 25 may still be within Children's services as care leavers or with a Special Educational Needs and Disability) with eligible social care needs and their carers including:
- Adult safeguarding, adult mental health, physical health, older people and learning disabilities and lifelong learning;
- Determination of policies and making decisions in relation to Public Health in coordination with the Health and Wellbeing Board and the Scrutiny Committee;
- Oversight of the Communities Strategy;
- Provision and commissioning of domestic violence support services and quality assurance; and

- Prevent reporting and Channel Panel counter terrorism oversight.

1.5. Oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management of the Directorates of Adult Social Care Operations; Commissioning and Public Health including: Public Health, lifelong learning, health improvement and intelligence, Adult social care and safeguarding, Adult Mental Health and Learning Disability, Adult social care operations, Care4CE and commissioning of support for adults.

(Extract from Cheshire East Council Constitution - Dec 2024)

Overview

1.6. The 2024-28 MTFS report of 27 February 2024, highlighted several extraordinary challenges facing adult social care. These challenges have persisted throughout 2024/25 and will continue into 2025/26. Complexity of need continues to increase both amongst younger adults in need of care or support with autism or a learning disability transitioning from children's services, and amongst older people where there is an increasing demand for dementia services. Price inflation is also a significant driver of cost pressures in adult social care primarily due to the increase in the national living wage over the past three years. Finally, the need to support the NHS with hospital discharge continues to drive higher levels of activity in adult social care.

1.7. Throughout 2024/25 the whole Council has been focused on the urgent action necessary to reduce a significant projected budget overspend. As of November 2024, adult social care is forecast to overspend by £20m, this is the major variance within the Council's overall position. The budget variance in 2024/25 is partially due to a higher level of commitment than originally planned when setting the MTFS in February 2024, this is the consequence of the full year impact of activity levels identified at the 2023/24 year-end outturn and the ceasing of one-off mitigations which alleviated the budget gap in the previous year.

1.8. In the face of these challenges, Cheshire East remains committed to delivering high-quality adult social care services that meet the increasing needs of our residents and recognises the vital role played by both internally and externally commissioned providers. The response to the challenges has been two-fold:

- Enhanced management processes have been introduced to ensure robust oversight and budgetary control. This improvement is enabling expenditure pressures to be managed more effectively, further promoting value for money with the necessity of safeguarding the long-term viability of our services.
- The programme of transformation, which adult social care is focused on:
- Prevent, Reduce, Enable - work to ensure we continue to promote wellbeing, prevention, independence, and self-care for people across Cheshire East.
- Learning Disability service transformation - revision of the housing support model for adults with a learning disability to maximise value for money.
- Preparing for Adulthood - developing new service models for young adults transitioning from children's social care services to adult social care services.
- Brokerage and Commissioning – reforming the approach to purchasing care placements.

- Partnership working – developing alternative approaches to commissioned long-term care and support for people with a learning disability, in partnership with other local authorities and the NHS as appropriate.

1.9. Consolidating the savings made to-date alongside the rollout of the transformation programme form the MTFS proposals for adult social care. They build on the work of the past two years which have included the development and implementation of a new direct payments policy, reduction in the usage of short-term beds to aid hospital discharge and expansion of the reablement services and the occupational therapy service to support greater independence amongst older people. The service has also successfully implemented a new charging policy, and the full-year financial benefit of the policy are also built into the MTFS for 2025/26.

1.10. In preparing the 2025/26 gross budget growth of £33.3m has been provided, being funded through a mix of additional grant income, the increase in the adult social care precept and core Council Tax. This will address the full year impact of projected overspends for 2024/25 on externally commissioned care and staffing. It also includes a provision of £5m for growth arising from demographic changes including an ageing population and increased levels of need for care and support for adults of a working age, during 2025/26. Further work is being undertaken to produce a model of forecast demand through to 2030.

1.11. To support long-term strategic direction of the service and the next stage of transformation the service will be working to produce business cases for the development of and extra care housing and the expansion of supported living, which will require capital investment to stabilise the social care revenue position.

1.12. The risks for adult social care and therefore the overall Council budget are not immaterial. Further inflationary pressures, driven by the National Living Wage and National Insurance changes, are significant whilst there is no indication that demand pressures associated with hospital discharge will abate in 2025. Issues of complexity as described above will also continue.

1.13. Finally, it should be noted that government grants for adult social care are allocated using the Adult Social Care Relative Needs Formula. However, when adjusted for full Council Tax Equalisation, Cheshire East will experience the largest grant reduction in the north of England. Council Tax equalisation is a mechanism that recognises that Council Tax yields different amounts of income in different local authorities and adjusts grant allocations to take account of that difference. We do not yet know the financial consequence of government decisions in respect of grant allocations.

1.14. Full list of change proposals for this committee are noted in the table below.

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Adults and Health	**+21.494**	**-2.204**	**+1.516**	**+1.480**
1	**Client Contributions** Increase in income from client contributions arising from the inflation increase for pensions and benefits paid to individuals, the full-year effect of charging policy changes and the additional	-5.182	-0.879	-1.654	-1.706

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	income arising from an increase in placement costs. This is offset against expenditure growth proposals.				
2	**Revenue Grants for Adult Social Care** Increase to income budget for the 'Market Sustainability and Investment Funding' grant. To match the value of confirmed allocation.	-0.220			
3	**Pensions Cost Adjustment** This item relates to pension contributions funded by the Council. This results from a successful financial strategy to secure stability in the funding of future pension liabilities. The effect is a reduction in overheads in pay cost budgets following a change in the employer's contribution rate confirmed by the Cheshire Pension Fund.	-0.517	-1.019	-0.171	-0.184
4	**Demand in Adult Social Care** Forecast growth, arising from demographic changes including an ageing population and increasing complexity of need for care and support for adults of a working age.	+5.000	+5.000	+5.000	+5.000
5	**Pay Inflation** The pay deal agreed for 2024/25 included a pay increase for individuals of the greater of £1,290 or 2.5%. This growth in budget reflects the shortfall compared to the flat percentage budget increase of 3% within original MTFS for 2024/25 now included in 2025/26 budget increase. Plus 2.5% inflation rate for 2025/26 onwards. National Insurance increase for 2025/26 onwards also included (to be offset in part by a grant from central government).	+2.251	+1.142	+1.171	+1.200
6	**Funding the staffing establishment** Increases in the number of social care staff to maintain safe services and to meet increasing demands.	+3.800			
7	**Fully Funding current care demand levels 2024/25** Growth, recognising the full year effect of current pressures on the externally commissioned care budget	+24.500			
8	**Remodel extra care housing catering service** Remodelling the catering offer in extra care facilities to remove the funding subsidy.	-0.270			
9	**Prevent, Reduce, Enable - Older People** Continue the work to promote wellbeing, prevention, independence, and self-care for people across Cheshire East improving outcomes and reducing costs.	-1.500	-2.830	-2.830	-2.830
10	**Learning Disability service transformation** Revision of the housing support model for adults with a learning disability to maximise value for money.	-2.500	-2.500		

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
11	**Commissioning and brokerage transformation** Reforming the approach to purchasing care placements	-0.500	-0.250		
12	**Preparing for Adulthood** Developing new service models for young adults transitioning from children's social care services to adult social care services.	-0.868	-0.868		
13	**Health and Social Care Partnership Case Review** Developing alternative approaches to commissioned long-term care and support for people with a learning disability, in partnership with other local authorities and the NHS as appropriate.	-2.500			

*Values represent a +/- variation to the Cheshire East Council approved budget for 2024/25. Subsequent years are the incremental change from the previous year. Negative numbers represent a budget saving or additional income. Positive numbers represent budget growth or reduced income.

Children and Families

Responsibilities of the Committee: Membership: 13 Councillors

1.15. The Children and Families Committee will be responsible for those services which help keep children and young people safe and enable them to achieve their full potential. The responsibility incorporates matters in relation to schools and attainment, early help and family support and social care for children and families. The Committee will oversee the work of the Cared for Children and Care Leavers Committee (formerly the Corporate Parenting Committee), which focuses on those children who are cared for by the local authority and for whom the Council has corporate parenting responsibility.

1.16. The Committee's responsibilities include:

- Determining policies and making decisions in relation to the delivery of services to children and young people in relation to their care, well-being, education and health;
- Discharging the Council's functions in relation to children in need and child protection including safeguarding and youth justice;
- Discharging the Council's functions and powers in relation to the provision of education and Schools Forum;
- Support to and maintenance of relationships with schools in relation to raising standards of attainment;
- The Council's role as Corporate Parent;
- Discharging the Council's functions in relation to Special Educational Needs and/or Disability (SEND);
- Discharging the Council's functions in relation to early help and family support;
- Provision and commissioning of domestic violence support services and quality assurance.

1.17. Oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management of the Directorates of Prevention and Support, Education and 14-19 Skills and Children's Social Care including: Children's mental health, Prevention and early help, Children's transport, Children Service Development and Children's Partnerships, Commissioning of support for children, Cared for Children and Care Leavers, Children in Need and Child Protection, Children with Disabilities and Fostering, Children's Safeguarding, Education Infrastructure and Outcomes, Education Participation and Pupil Support, Inclusion and SEND.

(Extract from Cheshire East Council Constitution - Dec 2024)

Overview

1.18. The Children and Families Directorate is responsible for delivering the Council's statutory duties and responsibilities in respect of children in need of help, support and protection and ensuring that all children have access to high-quality early years' provision, education and learning experience. The directorate is responsible for services and support to children with Special Educational Needs. These duties are spread across two directors for: Family Help and Children's Social Care, and Education, Strong Start and Integration. The directorate brings together the Council's duties in relation to children identified and assessed to need help, support, protection, cared for by the Council and young people with care experience (leaving care service). It includes a range of targeted services to support families and help to avoid the need for children to become 'looked after', together with Youth Justice Services and Adoption services.

1.19. These services are now supported by a third directorate designed to ensure the Quality Assurance functions that ensure plans and assessments are suitably safe and effective across the wider partnership for which the Local Authority is the lead partner.

1.20. Approximately 45% of the overall children's revenue budget is committed to meeting the costs of care for our cared for children linked to the cost of providing homes for these children.

1.21. The Education budget represents the Council's responsibilities for education and learning funded by the Dedicated Schools Grant (DSG) and Council's revenue budget. The Council budget funds services including school admissions, place planning, home to school transport and school improvement.

1.22. Transport services make up 17% of the overall children's revenue budget. The remaining budget is for services such as additional responsibilities including new responsibilities in relation to school attendance and a wider remit for the Virtual School to include all children with a social worker and education psychology. The service also supports inclusion and other groups of vulnerable children.

1.23. Despite growth allocated within the MTFS process, significant in year pressures are evident. These are primarily a result of systemic deficits in the staffing structure unforeseen inflationary impacts and increases in demand in children's placements, and school transport budgets.

1.24. Whilst in-year mitigations and activity to avoid spend and reduce costs are in place, the forecast for the end of year is a deficit position. All indications are that demand, complexity and cost will continue to increase and therefore it has been vital to revisit the MTFS and ensure that the children services budget is right sized.

1.25. The Children's Directorate is committed to increasing the pace of implementing reforms and service improvements to make financial savings by reducing demand for expensive, reactive services by providing high quality support to children young people and their families at the earliest point.

1.26. Implementing the new children policy Keeping Children Safe Helping Families Thrive [Keeping children safe, helping families thrive - GOV.UK] will be embedded with our Improvement and Transformation Plans in the following ways:

- A review of commissioned services - a review of delivery models across SEND, Family Hubs and wider commissioning of services.
- A redesign of our services in line with new legislation and policy will see a wider range of practitioners integrated with multi agency colleagues working closely with our communities at a very local level.
- A refreshed sufficiency strategy for children's homes – led by Right Child, Right Home, an ambitious programme to support children within their families where it is safe to do and to ensure a wider range of family based care locally.
- A refreshed service offer for young people who are care experienced – offering a wider range of expertise and support within the Care Leaver service.

1.27. We will look to create an enhanced service that supports children and young people (from birth to 25 years of age) with complex needs or who are disabled as they grow into adults. This is so that our young people can progress smoothly at key stages of development in their life, rather than those changes being dictated by age.

1.28. In addition to the £93.0m Council revenue budget for the Children's Directorate (2024/25 revised budget as at Third Financial Review) the service also oversees the £389.7m DSG budget of which £203.3m is given to academies and £79.9m is earmarked for Council-maintained schools. £106.5m is used by the Council and settings for education services such as admissions, early years education and special educational needs placements. The Council spend on High Needs does not match the funding received due to the growth in the number of pupils with an Education Health and Care Plan and the costs in particular of Independent Special School places. This has resulted in a significant deficit DSG reserve which is permitted by a temporary accounting override announced by the Department for Levelling Up, Housing and Communities. This override has been extended to 31 March 2026. The DSG deficit is forecast to be £115.7m at the end of 2024/25.

1.29. Full list of change proposals for this committee are noted in the table below.

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Children and Families	**+8.659**	**-0.064**	**-0.201**	**-0.258**
14	**Pension costs adjustment** This item relates to pension contributions funded by the Council. This results from a successful financial strategy to secure stability in the funding of future pension liabilities. The effect is a reduction in overheads in pay cost budgets following a change in the employer's contribution rate confirmed by the Cheshire Pension Fund.	-0.537	-0.923	-0.155	-0.167
15	**Growth to deliver statutory Youth Justice service, and meet Safeguarding Partnership duties** Partnerships are reviewed regularly to ensure that partners, including the Council, are contributing at the right levels to ensure service performance and delivery in line with increased need. These increases in budget are to ensure that we are meeting our statutory duties through the partnerships.	+0.203	+0.167	+0.031	+0.034
16	**Growth in School, SEND and Social Care Transport budget** The cost and number of children and young people eligible for free school transport is continuing to increase. The main growth and higher costs relate to transport for those with special educational needs and disabilities (SEND), particularly in rural areas.	+1.501	+1.548	+0.476	
17	**Pay Inflation** The pay deal agreed for 2024/25 included a pay increase for individuals of the greater of £1,290 or 2.5%. This growth in budget reflects the shortfall compared to the flat percentage budget increase of 3% within original MTFS for 2024/25 now included in 2025/26 budget increase. Plus 2.5% inflation rate for 2025/26 onwards. National Insurance increase for 2025/26 onwards also included (to be offset in part by a grant from central government).	+2.624	+1.096	+1.124	+1.152
18	**Fully Funding current care demand levels 2024/25** Growth, recognising the full year effect of current pressures on the placements budget.	+3.295			

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
19	**Court Progression Improvement** Improvement is required in this area of work to ensure there are not delays for children and young people when planning for their futures, in the context of court work. This budget growth will allow an increased focus on this important area of work.	+0.023			
20	**Growth for annual contribution to the Regional Adoption Agency** Regional Adoption Agencies bring together adoption professionals from councils across a region, providing expertise and support at every stage of the adoption journey. This increase in budget is to enable us to continue to deliver quality adoption services for vulnerable children.	+0.213	+0.048	+0.048	+0.048
21	**Growth for Unaccompanied Asylum Seeking Children due to emerging pressures** There is an expectation made by central Government that local authorities will care for Unaccompanied Asylum Seeking Children. This growth reflects this duty and the increases in unit costs of placements.	+0.500			
22	**Reversal of a one year policy change for traded services** In 2024/25, Council agreed a 3% levy for traded services in education to ensure that service delivery is not compromised. This growth in net budget is the result of removing that levy. A full review of traded services in education is taking place to ensure the services delivered have a full cost recovery in future years.	+0.120			
23	**Schools Improvement** This growth is to secure the full base funding of staff delivering school improvement functions, within the education department. The roles support schools and identify areas for improvement, support the development of a strategic plan and provide consultation on the school's journey to improving the quality of education in schools.	+0.175			
24	**Funding the staffing establishment** The staffing structure had (over recurrent recent years) been underfunded due to savings being allocated against it and no subsequent restructure plan coming forward. A review of requirements has been undertaken, and this investment sees these deficits eradicated. A full base build of service design will begin in 2025.	+2.739		-1.000	-0.600
25	**Safe Walking Routes to School** Building on 2023/24 MTFS savings proposals, we are identifying a robust portfolio of potential Safe Walking Routes to school and bringing new routes forward for delivery within 2025/26 and future years, (We will adopt a cross-directorate, coordinated approach and access potential grant funding opportunities, if possible, to off-set costs).	-0.250			
26	**New accommodation with support offer for 16-25 young people**	-1.100	-0.700		

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	This reduction in expenditure relates to commissioning work that has identified lower cost accommodation for this group of young people. Savings will be achieved through accessing lower unit cost places.				
27	**Birth to Thrive** These savings will result from redesign of the end-to-end pathway for young people transitioning between Children's and Adult's services, co-designed with users and partners and, developing a new transitions function across both Children's and Adult services that will bring changes through Council governance and drive activities and ongoing service improvement.	-0.500			
28	**Right Child, Right Home** This saving refers to work that actively reviews placements for cared for children and young people and agrees actions that meet the identified needs of children and young people but at a lower unit cost, and also identifies alternatives to being 'in care'.	-1.320	-1.300	-0.725	-0.725
29	**Extended Rights to Free Transport** The 'extended rights' grant, which is a contribution towards the cost of arranging home to school travel for children eligible on the grounds of low-income will be included in the Local Government Finance Settlement in future years. This budget alignment is to receive permanent budget for this area of expenditure.	+0.388			
30	**Children's Social Care Prevention Grant – Expenditure** A new Children's Social Care Prevention Grant was announced by the Government in the 2025/26 financial settlement. This will be used to rollout mandatory Family Group Decision Making.	+0.835			
31	**Children's Social Care Prevention Grant – Grant Income** A new Children's Social Care Prevention Grant was announced by the Government in the 2025/26 financial settlement. This will be used to rollout mandatory Family Group Decision Making.	-0.835			
32	**Foster4** Foster4 is a collaboration between eight Local Authorities in Cheshire and Merseyside which aims to increase the number of foster carers in the region.	+0.114			
33	**Foster Carers uplift of National Minimum Allowance (NMA)** The NMA is routinely uplifted annually, considering changes in inflation and affordability of local government. The NMA has been uplifted for the 2025/26 financial year by 3.55%.	+0.471			

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Corporate Policy Committee

Responsibilities of the Committee: Membership: 13 Councillors

1.30. The Corporate Policy Committee will provide strategic direction to the operation of the Council by developing and recommending the Corporate Plan to full Council and making decisions on policies and practice where such decisions are not reserved to full Council.

1.31. The Committee's responsibilities include:

- Formulation, co-ordination and implementation of the Corporate Plan and;
- corporate policies and strategies, alongside the medium term financial plan (budget) which is the responsibility of the Finance Sub-Committee. In the discharge of those responsibilities the Committee shall determine such matters to the extent that they are not reserved to full Council;
- Human Resources, Organisational Development and Health and Safety matters affecting the Council; including adopting HR policies and practices and assurance in relation to staffing related matters;
- making recommendations to full Council in relation to the annual Pay Policy Statement and any amendments to such statement;
- making recommendations to full Council in relation to decisions affecting the remuneration of any new post where the remuneration is or is proposed to be or would become £100,000 p.a. or more;
- making decisions in relation to proposed severance packages with a value of £95,000 or more as appropriate (excluding contractual and holiday pay), subject to the need to obtain a approval from full Council and central Government if required;
- exercising the functions relating to local government pensions, so far as they relate to Regulations made under sections 7, 12, or 24 of the Superannuation Act 1972 or subsequent equivalent legal provisions;
- determining key cross-cutting policies and key plans that impact on more than one service committee;
- determining policy matters not otherwise allocated to any other Committee;
- determining any matter of dispute or difference between any Committees;
- a coordinating role across all other committees and exercising a corporate view of outcomes, performance, budget monitoring and risk management;
- determining any matter that has a major impact on a number of Council services or the Council as a whole;
- oversight and monitoring of the Councillors' Allowances budget and keeping under review the scheme for the payment of allowances to Councillors through the appointment of an Independent Remuneration Panel (IRP) to advise full Council on the adoption and any proposed amendments to such scheme.
- considering amendments to the Council's Constitution and the recommendation of any changes to full Council for approval except where specifically delegated to the Monitoring Officer;
- considering recommendations and an Annual Report of the Council's involvement in ASDVs;

- appointing representatives to serve on outside bodies and organisations (including education bodies and establishments) and reviewing the process for considering appointments to outside organisations;
- appointing Lay Members (who shall not be Councillors) to serve on the Independent Admissions and Exclusion Appeals Panel as required under the relevant legislation; and
- approving the payment of a reasonable and proper allowances and expenses for the work undertaken by the Council's Independent Persons.

1.32. Oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management of the Directorates of Finance and Customer Services; Governance and Compliance Services and Transformation including the following functions: Legal, Governance and Compliance; Audit and Risk; Transactional Services; Transformation; Business Change; B4B/ERP; Human Resources, ICT; together with Strategic Partnerships and shared services.

1.33. The Corporate Policy Committee shall be entitled to exercise: any function of the full Council not otherwise allocated; as well as the functions of all other Committees and Sub-Committees, particularly where plans, strategies or activities straddle a number of Committees.

(Extract from Cheshire East Council Constitution - Dec 2024)

Overview

1.34. The proposals seek to address the underlying financial pressures in Corporate Services. These relate to the impact of pay inflation and increases in demand for enabling support services. The proposed approach seeks to absorb demand pressures where possible and to offset employee costs through vacancy management.

1.35. The Corporate Services area includes the new Resources Directorate as well as the Assistant Chief Executive and the Governance, Compliance and Monitoring Officer areas of responsibility. These are all important to the smooth running of the Council and ensuring that the Council governance is strong and supports sound decision-making.

1.36. This area also encompasses important resident focused areas of the Council including customer services and engagement, our welfare and collections services including Revenues and Benefits and is the place where Council Tax and Business Rates are collected as efficiently as possible to provide the necessary finances to support the rest of the Council. This area also contains the strategic leadership around our staff, and so is fundamental to the smooth running of all our services.

1.37. As was highlighted in the 2024/25 budget setting, the only way this Council will become financially sustainable over the medium term is through transforming the way we work and deliver services, so a transformation plan has been developed and overall leadership of transformation sits within this area too.

1.38. Key proposals include investment in ICT to enable the delivery of cross Council digital savings and recognising unavoidable cost increases where budget changes are required. The project to achieve a new model for ICT shared services remains on track. This project is jointly run with Cheshire West and Chester Council and regularly reviewed by the Shared Services Committee.

1.39. There will be further across the board efficiencies and reductions in non-essential spending. In some cases, pressures will need to be managed in the short term given the Council's financial position.

1.40. Full list of change proposals for this committee are noted in the table below.

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Corporate Policy	**+1.078**	**+4.396**	**+1.890**	**+1.485**
34	**Enforce prompt debt recovery and increase charges for costs** Increase charges to debtors to ensure this reflects actual costs of the debt collection process, thereby further reducing net costs to the Council.	-0.077			
35	**Pension costs adjustment** This item relates to pension contributions funded by the Council. This results from a successful financial strategy to secure stability in the funding of future pension liabilities. The effect is a reduction in overheads in pay cost budgets following a change in the employer's contribution rate confirmed by the Cheshire Pension Fund.	-0.396	-0.685	-0.115	-0.124
36	**Pay Inflation** The pay deal agreed for 2024/25 included a pay increase for individuals of the greater of £1,290 or 2.5%. This growth in budget reflects the shortfall compared to the flat percentage budget increase of 3% within original MTFS for 2024/25 now included in 2025/26 budget increase. Plus 2.5% inflation rate for 2025/26 onwards. National Insurance increase for 2025/26 onwards also included (to be offset in part by a grant from central government).	+1.494	+1.531	+1.570	+1.609
37	**Shared Services Review - Move to Hybrid Model for ICT** Reversal of temporary resource in 24/25 within the shared ICT service.	-0.733			
38	**The achievement of additional Registration Service income, over and above that which is currently identified as required** Recognising the additional performance of the Registration service income in the budget.	-0.350			
39	**Recognising the annual receipt of £45k of Police and Crime Panel grant income** An adjustment to service income budget for this grant.	-0.045			
40	**Remove unspent element of phones budgets in corporate services** Taking the underspend on phones in corporate services (mobiles and rental) compared to budget	-0.060			
41	**Digital Acceleration Revenue Growth** Investment in the acceleration of the Council's digital programme to maximise the use of digital technology to provide end-to-end service improvement and efficiencies through the accelerated use of emerging technologies. This includes the use of Artificial Intelligence and robotics capabilities to enhance on-line offering for		+1.150		

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	customers, automated business processing improved reporting and case management.				
42	**Digital Blueprint Revenue Growth** Investment in the new business cases identified that will accelerate the Council's digital portfolio through fast-track validation and delivery of 30 plus targeted options. This will provide financial and business improvement opportunities across a diverse range of Cheshire East services. Solutions will be council-wide and maximise the use of digital technology solutions		+2.400	+0.435	
43	**Transactional Shared Services stabilisation plan** Staffing budget increase to enhance capacity and improve service quality standards, pending review of system and operational service support models.	+0.270			
44	**Additional cost of External Audit Fees** Adjusting budget to reflect the latest estimate of external audit fees in 2025/26.	+0.265			
45	**Reduce Members Allowances budget** Reduce Members Allowances budget for excess budget relating to a previous year's pay award that was not taken.	-0.100			
46	**Additional Cost of Bank Charges from 2025/26** Adjusting budget to reflect the latest estimate of bank charges in 2025/26.	+0.120			
47	**Reverse reduction in leadership and management costs as posts are being retained** Reversal of 2024/25 budget saving, as superseded by senior management structure and future Target Operating Model savings.	+0.540			
48	**Reinstatement of a one-off saving of £150,000 from election budgets, for the 2024/25 year** Planned reversal of a one-off reduction in 2024/25.	+0.150			

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MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Corporate Policy – Council-wide Transformation	**-13.452**	**-20.730**	**-11.030**	**-**
49	**Digital Customer Enablement Invest to Save** The Digital Enablement Framework is a key enabler for the delivery of the Customer Experience Strategy, putting customer considerations at the centre of service delivery. It also provides transformational capabilities for continuous improvement providing efficiencies and improvement opportunities within the end-to-end service delivery processes. These savings will be validated and allocated to individual service areas based on business cases agreed with each service manager or Transformation Board.	-0.750	-0.750	-0.700	
50	**Digital Acceleration Invest to Save** Acceleration will maximise the use of emerging Digital technologies to transform ways of working across the entire range of council services. The benefits realised will be council-wide and enabled through the adoption of AI solutions by service operations across the Council including Adults, Health and Integration, Children's Services, Place, Resources (inc Customer Services) directorates, and Chief Executive's Office. These savings will be validated and allocated to individual service areas based on business cases agreed with each service manager or Transformation Board.	-0.600	-6.250	-5.250	
51	**Digital Blueprint - Invest to Save** The Digital Blueprint initiative will provide financial and quality improvements across Cheshire East services. Benefits realised will be council-wide and enabled through developing priority propositions across several dimensions including: • Improved quality of service outcomes, • Cheshire East operations and customer experience, and • Improved efficiency in service delivery, reducing friction and transactional costs These savings will be validated and allocated to individual service areas based on business cases agreed with each service manager or Transformation Board.	-4.000	-6.000	-4.500	
52	**Target Operating Model (TOM)** Design and implementation of a new target operating model for the Council, setting a framework and principles for how the Council functions linked to the LGA's Peer Challenge and Decision Making Accountability (DMA) assessment.	-3.000	-7.000		
53	**Agency Staffing** Decrease reliance on agency workers through recruitment, potential changes to delivery models, in-house resourcing services / external partnership. Decrease overall expenditure on agency workers through on-going review of agency recruitment, hours worked and rates paid (more closely aligned to job evaluated rate for the job role).	-0.352			

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
54	**Workforce Productivity** Reduction in sickness absence rates and lost opportunity costs. Reduction in staff turn over Implement improved recruitment and selection processes / practices, enhanced and consistent performance management from start of employment lifecycle. Review of terms and conditions of employment. Review of staffing structures aligning with the target operating model.	-1.000			
55	**Fees and Charges** As part of the Transformation Programme, a review of service fees and charges will compare our existing prices with those of other councils across the country, to identify opportunities to maximise income and fully recover costs of delivery. As specific areas of additional income are identified, the related service income budget will be increased.	-0.750	-0.040	-0.040	
56	**Third Party Spend** As part of the Transformation Programme, a review of spend with suppliers will realise savings and drive increased value for money. As specific areas of saving are identified, the related service income budget will be increased.	-3.000	-0.690	-0.540	

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Economy and Growth Committee

Responsibilities of the Committee: Membership: 13 Councillors

1.41. The Economy and Growth Committee will be responsible for developing policies and making decisions on matters relating to delivering inclusive and sustainable economic growth.

1.42. The Committee's responsibilities include:

- Determination of policies and making of decisions in relation to housing management and delivery;
- Determination of policies and making of decisions in relation to economic development, regeneration, skills and growth;
- Development and delivery of the Council's estates, land and physical assets policies;
- Determination of policies and making decisions in relation to the rural and cultural economy; and
- Compulsory purchase of land to support the delivery of schemes and projects promoted by the Committee.

1.43. Oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management of the Directorate of Growth and Enterprise including: Facilities Management; Assets; Farms; Economic Development; Housing; Rural and Cultural Management; Tatton Park; Public Rights of Way; Cultural Economy; Countryside; and the Visitor Economy.

(Extract from Cheshire East Council Constitution - Dec 2024)

Overview

1.44. The proposals seek to address the continuing and challenging financial pressures in the Place Directorate.

1.45. These focus on seeking to address and contain increasing prices and cost inflation as much as possible, and by rationalising the property estate, reducing the energy burden and to reduce and control Facilities Management costs including non-essential maintenance throughout the Council's building portfolio.

1.46. In response to the impact of pay inflation and continuing the savings made to offset it, the focus will continue to address existing employee costs through proactive vacancy management, prioritising statutory services and income generating roles.

1.47. Going forward there is a clear opportunity to address through a restructure plan to better align the related services and management across all of Place, as well as further continuing to explore and identify core efficiencies and restricting aspects of non-essential spend and seek to continue to review contracts.

1.48. Following the decision made by Committee around the future of the Westfields office, Sandbach, the Directorate will continue to progress consolidation and reprofiling of the Council's core property portfolio, and to engage opportunities for additional income regeneration.

1.49. Managing capacity with the prioritisation of resources across all of the Growth and Enterprise department will enable existing capacity to be sustained and seek to provide focus to maximise access to external funding options and programmes such as UK Shared Prosperity Funding

1.50. Full list of change proposals for this committee are noted in the table below.

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Economy and Growth	**+0.534**	**+0.695**	**+0.432**	**+0.328**
57	**Office estate rationalisation** This item relates to rationalisation of the Council's office space buildings to reflect increased hybrid working, and to secure reduction of Business Rates and holding costs. Surplus assets will be considered for alternative use to generate income through rental or a capital receipt. Westfields, Sandbach and Municipal Offices, Crewe have been closed in 24/25. Savings will be generated from reduction of expenditure, and income generated from alternative use.	-0.150			
58	**Pension Costs Adjustment** This item relates to pension contributions funded by the Council. This results from a successful financial strategy to secure stability in the funding of future pension liabilities. The effect is a reduction in overheads in pay cost budgets following a change in the employer's contribution rate confirmed by the Cheshire Pension Fund.	-0.164	-0.313	-0.053	-0.057
59	**Tatton Park ticketing and EPOS upgrade** This relates to maintenance and support of the new electronic point of sale (EPOS) system at Tatton Park which was introduced in September 2024. The new system will future proof both revenue collection, management and financial analysis, and provide better customer insight and targeting capabilities. Streamlining customer transactions will better enable us to maximise revenue at all customer interaction points.	+0.001	+0.001	+0.001	+0.001
60	**CEC Archives** This growth represents the ongoing revenue costs of the new Archives facility being developed in Crewe which is expected to open in late 2026.	+0.014	+0.093	+0.004	
61	**Rural and Visitor Economy Electricity costs** This provides additional funding to manage increased costs. This reflects inflation in the price of materials and the staffing required to maintain a statutory standard of upkeep to existing public rights of way, and to maintain heritage buildings within Tatton Park.	-0.021			
62	**Minimum energy efficiency standards (MEES) - Estates - Revenue Adjustment** All the Council's leased out properties will be required to meet new / phased Energy Efficiency Legislation from 1 April 2023 up to 1 April 2030. This means that to continue to lease out properties the Estates Service will need to improve the energy performance certificate (EPC) rating in line with the Government recommendations. After assessment, and in order to obtain a certificate, identified improvements will need carrying out prior to properties being leased out. Cost estimates are based on average current improvement costs, the list of identified properties requiring	+0.023		-0.055	-0.047

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	new EPC certificates, and phasing as determined by the legislation.				
63	**Pay Inflation** The pay deal agreed for 2024/25 included a pay increase for individuals of the greater of £1,290 or 2.5%. This growth in budget reflects the shortfall compared to the flat percentage budget increase of 3% within original MTFS for 2024/25 now included in 2025/26 budget increase. Plus 2.5% inflation rate for 2025/26 onwards. National Insurance increase for 2025/26 onwards also included (to be offset in part by a grant from central government).	+1.064	+0.429	+0.440	+0.450
64	**Maintenance and operation of new assets in Crewe town centre** New revenue budgets are required to ensure that new facilities / assets / spaces being created in Crewe town centre can be operated and maintained to a reasonable standard to meet user expectations, ensure compliance with statutory requirements and ensure that they are operable for their expected lifespan without the need for closure / removal / replacement.	+0.205	+0.279	+0.118	+0.006
65	**Land Fill Site Assessments Revenue Adjustment - Estates – Review and Risk Assessment of Council owned Landfill sites (53 sites) Review and Risk Assessment completions** The Council must demonstrate safe monitoring and compliance across its property portfolio. The CE Contaminated Land Officer has recommended options following risk assessments on c.53 landfill sites owned by the Council. Essential improvements/ monitoring/management works are essential to understanding and managing risk and demonstrating compliant management.	+0.010			
66	**Tatton Park Estate Dwellings Refurbishment** The current 5-year quinquennial plan for the conservation of Tatton Park covers the upkeep of the residents' dwellings on site but there is no provision for response maintenance issues. Each of the dwellings (8 in total) are in continuing need of attention to rectify problems and additional funding is critical to ensuring these properties meet standards required as part of tenancy agreements and the National Trust lease.	+0.015			
67	**Improving Crewe Rented Housing Standards** To achieve a well-functioning private rented sector that supports the health and wellbeing of Cheshire East residents through improved living standards, it is necessary to carry out targeted activity to inspect homes and carry out enforcement action. This 12-month project will enable us to evidence whether this is sufficient action to avoid the need for a selective licensing scheme.	+0.188	-0.188		
68	**Maximise potential of Countryside Access Management System** Transform the current desk-based system to a digital mobile application and Asset Management database. This will enable cost savings through more efficient planning of works, budget control and Public Rights of Way officer resource. Additional	+0.020	-0.018		

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	environmental benefits will be realised through reduction in officer car usage and printing.				
69	**Assets - building and operational – Energy** A reduction in energy budgets is proposed. A budget increase was requested when energy prices were at peak rates, alongside significantly high inflation rates. The unit price rates for gas and electricity have now stabilised and the Council has been able to mitigate the overall impact, particularly on gas, using green, low carbon technologies energy solutions, as well as an overall reduction in the portfolio as properties are being vacated / sold.	-0.860			
70	**Assets - building and operational – Maintenance** The cost of managing and maintaining the Council's property portfolio continues to rise, with the residual impact of high inflation rates, shortages of skilled labour, availability of key components and material prices, increase the costs of undertaking works. Balancing the condition of premises and overall backlog of maintenance, against available budgets remains a challenge. Cost increases cannot be avoided entirely, and mitigation measures are in place currently to ensure the Council will only spend on maintenance where there is a specific Health and Safety risk that must be mitigated.	+0.465	+0.533		
71	**Tatton Park - Increase Fees and Charges** These planned savings result from income generated through ongoing review and investment in the facilities at Tatton Park, which will improve the visitor experience and reduce the overall subsidy the Council makes to Tatton Park.	-0.126	-0.021	-0.023	-0.025
72	**Corporate Landlord Model Refresh** A review / refresh of the existing corporate landlord operational model is proposed as one of the Council's transformation projects to deliver additional benefits through efficiency savings on a phased programme approach.	-0.050			
73	**Asset Strategy Refresh** A review / refresh of the existing approach to strategic asset management of the Council's land and property assets is proposed as one of the Council's transformation projects. An estimated target of revenue savings is proposed based on a list identified as part of the Capital disposals programme and the repurposing of sites for SEN / Housing framework provisions.	-0.100	-0.100		

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Environment and Communities Committee

Responsibilities of the Committee: Membership: 13 Councillors

1.51. The Environment and Communities Committee is responsible for developing policies and making decisions on matters relating to the delivery of inclusive and sustainable growth, improving the quality of the environment and delivering improvement in key front-line services.

1.52. The Committee’s responsibilities include:

- Development and delivery of the Council’s strategic objectives for Environmental Management, sustainability, renewables and climate change;
- The development and delivery of the Council's Environment Strategy and Carbon Neutral Action Plan;
- Development and delivery of the Local Development Framework including the Local Plan, Supplementary Planning Documents, Neighbourhood Plans, the Brownfield Land Register, Conservation Areas, Locally Listed Buildings, the Community Infrastructure Levy, and Statement of Community Involvement;
- Regulatory functions including external health and safety good practice and enforcement including instituting proceedings and prosecutions;
- Determination of policies and making decisions, in relation to waste collection and disposal, recycling, fly tipping, parks and green spaces, community strategy and community hub, leisure, libraries and sports development, bereavement services, trading standards, environmental health, emergency planning, CCTV, nuisance and anti-social behaviour, public space protection orders, community enforcement, animal health and welfare, food safety, licensing, pest control, contaminated land and air quality;
- Compulsory purchase of land to support the delivery of schemes and projects promoted by the Committee.

1.53. Oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management of the Directorate of Environment and Neighbourhood, including: the Planning Service; Environmental Services; Regulatory Services; Neighbourhood Services and Emergency Planning.

(Extract from Cheshire East Council Constitution - Dec 2024)

Overview

1.54. The past year has been one of considerable decision and change in Environment and Communities, where significant pressures are further being experienced in a number of areas across the departmental budget.

1.55. Financial pressure continues to be a challenge:

- Waste collection and disposal costs – this is due to inflation across both internal and externally procured prices, uncertainty caused by the lack of clarity around the National Waste Strategy and also the continued high cost of fuel duty which has had a significant impact on fleet running costs.
- Pay inflation – the nationally negotiated pay awards as well as being applicable to Council staff also apply across the wholly owned companies which collectively have large staffing establishments in their own right.

- Planning income – Increased costs of financing development in multiple sectors, has seen an impact on the number of planning applications generating key income. Of applications that are received each year, currently a high percentage of these are not major applications and therefore this impacts through the shortfall of income against target.

1.56. The budget strategy for this area continues to focus on containing prices and cost inflation as much as possible, through amongst other things enhanced financial monitoring, robust procurement activities and alternative ways of working.

1.57. There will be continued alignment to other areas of the Place directorate in providing the response to the impact of pay inflation, the focus will be to seek to offset existing employee costs through proactive vacancy management, prioritising statutory services and ensuring that income generation opportunities are maximised.

1.58. Opportunities through restructuring will continue and seek to address further improvement and alignment of related services and management across all of Place, as well as continuing to explore and identify operational efficiencies in how key frontline services interface.

1.59. The key areas of focus for Environment and Communities will be:

- Continuing to deliver on current MTFS budget commitments such as delivery of stage 2 of the Strategic Leisure Review;
- Development and implementation of a Libraries Strategy;
- Returning existing wholly owned companies;
- Rationalising the increasing costs of waste collection, disposal and treatment and;
- Work to continue to expand commercialisation opportunities to generate additional income for the Council.

1.60. Where appropriate, advance opportunities to work with communities, and specifically Town and Parish Councils to explore options to support, supplement, and contribute to, the delivery of services at a local level.

1.61. Full list of change proposals for this committee are noted in the table below.

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Environment and Communities	**-2.741**	**+3.269**	**+0.982**	**+6.792**
74	**Strategic Leisure Review (Stage 2)** The second stage of the Strategic Leisure Review will focus on the medium-term financial sustainability of the commissioned leisure services. This includes, but is not limited to: reviewing pricing for leisure services across the borough; reduction in corporate landlord costs via asset transfer; exploring potential invest to save capital schemes; removing all current programme allocations that cannot be delivered on an invest to save basis; removal of historical subsidies relating to free car parking; use of public health and other one off grants; and partnership working with Town Councils to secure contributions towards safeguarding provisions in their local area.	+0.403	-0.203	-0.166	

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
75	**Libraries Strategy - Stage 1** The ongoing impact of the stage 1 review. As part of the Strategy approved by E&C Committee on 27th November 2024, implementation now ongoing with revised opening hours at Tier 3 sites going live from January 2025 and Tier 2 sites as of 1st April 2025**.**	-0.100			
76	**Reduce revenue impact of carbon reduction capital schemes** Capital financing costs of capital schemes to reduce carbon emissions.	+0.171			
77	**Pay Inflation** The pay deal agreed for 2024/25 included a pay increase for individuals of the greater of £1,290 or 2.5%. This growth in budget reflects the shortfall compared to the flat percentage budget increase of 3% within original MTFS for 2024/25 now included in 2025/26 budget increase. Plus 2.5% inflation rate for 2025/26 onwards. National Insurance increase for 2025/26 onwards also included (to be offset in part by a grant from central government).	+2.270	+1.380	+1.409	+1.436
78	**Pension Costs Adjustment** This item relates to pension contributions funded by the Council. This results from a successful financial strategy to secure stability in the funding of future pension liabilities. The effect is a reduction in overheads in pay cost budgets following a change in the employer's contribution rate confirmed by the Cheshire Pension Fund.	-0.159	-0.315	-0.053	-0.057
79	**Explore a Trust delivery model for Libraries and other services** Reverse of growth item to cover one off costs relating to implementation of alternative delivery model(s) for libraries service. Aligned to development of Libraries Strategy.	-0.150			
80	**Land Charge Income Adjustment** Due to national legislative changes where some land charges services will be delivered by HM Land Registry, there will a reduction in income to the Council.	+0.147			
81	**Local Plan Review** It is a statutory requirement to review the Local Plan within prescribed timescales. This will determine amongst other things the amount and location of future housing and other economic development in the Borough. It is highly complex requiring significant technical evidence, significant public consultation and three stages of formal examination by Government inspectors.	+0.315	-0.090	+0.005	-0.005
82	**Review of CCTV service - service efficiencies and income generation from existing services** Opportunities for additional income generation – the £40,000 saving in 2025/26 is a current estimate subject to additional service improvements / investment.	-0.040			

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
83	**Environmental Services Growth 2025/26 onwards** This line recognises the pressures expected within the service from waste volumes, varying recycling income rates, increased costs of service change relating to weekly food waste collections, increased costs of operating the Environmental Hub, fleet etc.	+3.041	+1.882	+0.690	+0.710
84	**Environmental Services Savings 2025/26 onwards** This growth recognises the savings expected within the service from annual increases in income e.g. green waste, expected transition grants for weekly food waste, efficiencies due to the change of delivery model for currently commissioned services	-2.366	-2.580	-1.181	-0.549
85	**Environmental Services Growth - Pensions** This item is to bring the service budgets for all staffing up to the same point regarding pension contributions. This has a net nil impact for the Council as a whole.	+0.727	-0.395	-0.066	-0.071
86	**Environmental Services – expected income from Extended Producer Responsibility for packaging** Estimated grant income from the new scheme which tapers out over the life of the MTFS as the scheme is expected to evolve and waste tonnages change. The detail is based on the announcements made at the end of November 2024 and a detailed forecast model of potential future years impacts, to be regularly reviewed. At this stage the allocation of £7.5m has been split between this line and the "Environmental Services Savings 2025/26 onwards" line above.	-7.000	+3.590	+0.344	+5.328

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Highways and Transport Committee

Responsibilities of the Committee: Membership: 13 Councillors

1.62. The Highways and Transport Committee shall be responsible for developing policies and making decisions on matters relating to highways and transport as they affect the area of the Council taking into account regional and national influences.

1.63. The Committee's responsibilities include:

- Formulation, co-ordination and implementation of corporate policies and strategies in connection with all car parking, transport and accessibility matters;
- Determination of any matter affecting the Council's interests in relation to national infrastructure matters, for example HS2, Northern Powerhouse Rail and the National Road Network;
- Discharge of the Council's responsibilities as Highway Authority; local transport authority; parking authority; and lead local flood authority;
- Determination of policies and making decisions in relation to flooding and accessibility, in co-ordination with the Scrutiny Committee;
- Compulsory purchase of land to support the delivery of schemes and projects promoted by the Committee; and
- In respect of public rights of way:
  - discharge all the functions of the Council in relation to public rights of way (except the determination of non-contentious Public Path Order applications which has been delegated to the Executive Director – Place);
  - discharge of Commons and Town and Village Greens functions;
  - being apprised of, approve, and comment on a range of policies, programmes and practices relating to Rights of Way, Commons, Town and Village Greens and countryside matters including:
  - progress reports on implementation of the Rights of Way Improvement Plan (part of the Annual Progress Review for the Local Transport Plan);
  - Statement of Priorities;
  - Enforcement Protocols;
  - Charging Policy for Public Path Order applications.

1.64. Oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management of the Directorate of Highways and Infrastructure including: Transport Policy; Transport Commissioning; Carparking; Highways; Infrastructure and HS2.

(Extract from Cheshire East Council Constitution - Dec 2024)

Overview

1.65. The proposals identified in this area provide an ongoing response to seek to address the continuing financial pressures in the Place Directorate.

1.66. The Highways and Transport department has responsibility for a number of key service areas with the overall aim of providing a safe, available, integrated and sustainable transport network across Cheshire East and the wider region. Delivering this meets the Council's statutory duties to manage and maintain transport infrastructure, supports the economic growth of the borough and contributes to the Council's net zero climate commitment.

1.67. Highway maintenance services are almost entirely either statutory or essential to delivering statutory obligations. The service is significantly affected by the revenue impact of a shortfall in capital investment; reductions to either revenue or capital will have downstream consequences in revenue costs and may risk statutory compliance. The proposed business cases therefore go towards ensuring that those revenue implications are met.

1.68. In response to the impact of pay inflation and continuing the savings made last year to offset it, the focus will continue to address existing employee costs through proactive vacancy management, prioritising statutory services and income generating roles.

1.69. Going forward there is a clear opportunity to address through a restructure plan to better align the related services and management across all of Place, as well as further continuing to explore and identify core efficiencies and restricting aspects of non-essential spend and seek to continue to review contracts.

1.70. To support the Council's underlying financial pressures a number of cost saving proposals are being consulted upon, which aim to provide the financial base to enable the continued support and retention of core local services

1.71. Full list of change proposals for this committee are noted in the table below.

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Highways and Transport	**+1.061**	**+0.152**	**+0.068**	**+0.030**
87	**Increase parking charges** This item relates to the extension of parking charges to formerly free car parks and the adoption of a policy to increase parking tariffs annually in line with inflation.	-0.450	-0.186	-0.191	-0.197
88	**Safe Haven outside schools (Parking)** This items relates to the annual cost of licences for the enforcement of Keep Clear zones at school gates using ANPR cameras.	+0.010			
89	**Parking PDA / Back Office System contract - fall out of one off set up cost** This saving relates to the cost efficiencies arising from procurement of a new system to manage the electronic payments for parking and the processing of Penalty Charge Notices.	-0.030			
90	**Parking - Part-year effect of strategy changes** This item relates to the impact (part year) of recent changes to the arrangements for Pay and Display car parking in formerly "free towns" across the borough.	-0.720			
91	**Parking - Staff and member parking** The Council expects to achieve savings in the costs of staff and member parking permits through changes to the policies on	-0.250			

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	issuing permits to provide better alignment with the Corporate Travel Plan.				
92	**Transport and Infrastructure Strategy Team – Restructure** This item relates to the saving arising from changes to the Strategy Teams, which fill existing staff vacancies and reduce reliance on agency consultancy staff. The approach is intended to improve organisational capacity for transport planning, improving responsiveness and resilience.		-0.150		
93	**Local Bus** This growth relates to the expected changes in the Councils costs of procuring contracts for local supported bus routes, which are expected to be impacted by cost inflation arising from higher operating costs, staff and fuel. The expected pressure is £1.5m above existing budgets of £2.8m.	+1.545			
94	**FlexiLink Service Improvement Plan - invest to save** This item relates to the Council's plans to extend and modernise its demand-responsive transport service – FlexiLink. Investment is needed to adopt a new digital booking system, a dynamic route planning system and modern customer information and publicity. Introduction of fares will lead to the new services generating income in future years.	+0.592	+0.294	-0.003	-0.135
95	**Advertising Income. Initial project scoping work being undertaken to understand scale/complexity and resourcing needs** Maximise opportunities to sell targeted advertising through use of Council assets, focusing on high value opportunities. This includes Bus Stop advertising.	-0.025	-0.075	-0.050	
96	**Pension Costs Adjustment** This item relates to pension contributions funded by the Council. This results from a successful financial strategy to secure stability in the funding of future pension liabilities. The effect is a reduction in overheads in pay cost budgets following a change in the employer's contribution rate confirmed by the Cheshire Pension Fund.	-0.055	-0.108	-0.018	-0.020
97	**Pay Inflation** The pay deal agreed for 2024/25 included a pay increase for individuals of the greater of £1,290 or 2.5%. This growth in budget reflects the shortfall compared to the flat percentage budget increase of 3% within original MTFS for 2024/25 now included in 2025/26 budget increase. Plus 2.5% inflation rate for 2025/26 onwards. National Insurance increase for 2025/26 onwards also included (to be offset in part by a grant from central government).	+0.228	+0.111	+0.114	+0.117
98	**Flood and Water Management Act 2010 SuDS and SABs Schedule 3 Implementation** The introduction of Schedule 3 mandates local authorities in England to establish SuDS (Sustainable Drainage Systems) Approval Bodies (SABs) for approving and adopting sustainable		+0.050	+0.050	+0.100

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	drainage systems. To prepare, the Council, as Lead Local Flood Authority (LLFA) needs to grow and train the team and other services staff in preparation for the additional duties, responsibilities and processes this will bring.				
99	**Highways: Revenue Service** This provides investment in highway infrastructure that will arrest the deterioration of the asset. This will reduce costs of reactive maintenance, improve safety and reduce risks of significant incidents. It will also control revenue budget pressures and work towards addressing customer dissatisfaction. Subject to capital investment being available.	+0.216	+0.216	+0.216	+0.216
100	**Highways: Depots** The highways depots need investment to reduce the risk that facilities could be unusable for reactive and winter maintenance. Investment will enable some operational efficiencies, providing winter service resilience and a reduction in highways depots from 3 to 2, delivering a capital receipt.			-0.050	-0.051

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Finance Sub Committee (central budgets)

Responsibilities of the Committee: Membership: 8 Councillors

1.72. The Finance Sub-Committee will co-ordinate the management and oversight of the Council's finances, performance and corporate risk management arrangements. The Sub-Committee will make recommendations to the Corporate Policy Committee regarding the development of the Medium-Term Financial Strategy and the setting and monitoring of the Capital and Revenue Budgets in accordance with the Corporate Plan and the Policy Framework.

1.73. The Sub-Committee's responsibilities include:

- Determination of finance issues, including but not limited to Treasury Management, Insurance, Procurement, debt write off, settlement payments and virements in line with the constitution.
- Establishment of a Procurement Forward Plan.
- Oversight of the Investment Strategy.
- Grant awards for sums in excess of £50,000.
- Property transactions including buying selling and appropriation of land and property (including compulsory purchase where required).
- Management of the Council's involvement in ASDVs and overseeing the production of an Annual Report on performance.
- Making decisions as Shareholder or owner, reviewing and approving Business plans, including risk registers and commissioning services.

1.74. Oversight, scrutiny and budgetary review of the following functions: Land and Property; Central Budgets; Pensions; Grants; Council Tax; Business Rates; Reserves; and Other Funding.

(Extract from Cheshire East Council Constitution - Dec 2024)

Overview

1.75. Central budgets and general Council funding are not specifically related to services that residents use but are important in resourcing the overall budget. The following proposals in the next two tables relate to Council borrowing, investments and forecast income from general grants and local taxation.

1.76. Full list of change proposals for this committee are noted in the tables below.

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Finance Sub (central budgets)	**+35.294**	**+26.123**	**+17.082**	**+13.104**
101	**Capital Financing - Minimum Revenue Provision** The revenue impact of capital spending also results in annual spending. Inflation, high interest rates on borrowing, including the	+3.387	+3.719	+3.102	+1.388

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	interest that the Council is paying for holding the Dedicated Schools Grant deficit on the balance sheet (£5.6m) and an ambitious capital programme results in increased need for annual revenue.				
102	**Creation of Contingency Budget** The aim is to maintain this annual contingency budget over the medium term at 1.5% of the net revenue budget plus other known risks.	+15.953	+14.908	+11.922	+12.926
103	**Risk of unachievable budget savings or growth demands exceeding estimates** The risk of underachievement of savings targets grows as more and more challenging savings are included in the budget setting. Setting aside a risk budget based on a percentage of the savings identified in any given year is prudent (currently 10%).		+3.800	-1.840	-1.210
104	**Pension adjustment – linked to E&C growth item** This item is to bring the service budgets for all staffing up to the same point regarding pension contributions. This has a net nil impact for the Council as a whole.	-0.727			
105	**Use of Earmarked Reserves (reversal of 2024/25 one off use of central EMRs)** Reversal of the planned one-year use of central earmarked reserves budgeted to be used in 2024/25.	+3.723			
106	**Top up of Earmarked Reserves** Top up of the Insurance and PFI earmarked reserves each year from 2027/28. See **Annex 8** Reserves Strategy for further information.			+3.898	
107	**Use of General Reserves (reversal of one off use in 2024/25)** Reversal of the planned one-year use of General Reserves budgeted to be used in 2024/25.	+11.654			
108	**Top up General Reserves** This is a planned annual contribution to General Reserves to replenish up to a minimum target of £20m by the end of the medium term.	+1.304	+3.696		

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Finance Sub Committee (funding budgets)

MTFS Ref No	Detailed List of Proposed Budget Changes (incremental)	2025/26 £m*	2026/27 £m	2027/28 £m	2028/29 £m
	Finance Sub (funding budgets)	**-26.664**	**-15.285**	**-19.391**	**-20.515**
109	**Council Tax increase % growth**. Council Tax currently provides 76% of the net funding for Council services and is paid by occupiers and owners of domestic property within the borough. The MTFS includes increases of 4.99% in every year from 2025/26 to 2028/29.	-14.326	-15.290	-16.204	-17.214
110	**Council Tax increase base growth**. The Council Taxbase is increasing each year due to ongoing housing development. The calculation of additional Council Tax from the growth in the taxbase also reflects any changes in discounts, exemptions, premiums and Council Tax Support. The increase in housing numbers in the MTFS is currently forecast to be 2,000 in 2025/26 and 1,800 each year thereafter to fall back in line with the Local Plan estimates.	-5.852	-3.037	-3.187	-3.301
111	**Business Rates Retention** This value relates to the inflationary increase due to be received as part of the Settlement Funding Assessment (part of the Provisional Local Government Finance Settlement December 2024).	-0.495			
112	**Unringfenced general grants change**. See **Annex 3** for detailed breakdown of all unringfenced general purpose grants.	-3.012	+3.042		
113	**National Insurance increase contribution**. Grant income estimated to help towards the direct costs associated with the increase in employers National Insurance from April 2025. Final allocations will be announced as part of the Final Local Government Settlement in February 2025. Direct costs have been estimated to be c.3.7m	-2.979			

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Balancing the Budget 2025/26

1.77. An urgent report was received by full Council on 11 December 2024, which was necessitated following a request from the Ministry of Housing, Communities and Local Government (MHCLG) received on 4 December 2024 to submit a formal request and supporting evidence for any Exceptional Finance Support (EFS) for future years by Friday 13 December 2024. At the same time, any revisions to previous in-principle decisions also needed to be submitted for the current year. The ask at that time was £31.4m for 2025/26.

1.78. The revised gap for 2025/26 of £25.3m contained in Table 1 Section 1 now revises the Exceptional Financial Support required for 2025/26 down by £6.1m. The paper also gave delegated permission to the Section 151 Officer to liaise with MHCLG on any changes following the finance settlement and other funding announcements which she will continue to do to advise them of the changes.

1.79. The use of Exception Financial Support is included within this report based on it being in the form of a capitalisation direction.

1.80. However, as well as being in the form of a capitalisation direction, Exceptional Financial Support could also take the form of increased Council Tax above the current referendum limit of 4.99%.

1.81. As part of the recent Policy Statement from central government, it was announced that, where a council is in need of Exceptional Financial Support and views additional Council Tax increases as critical to maintaining their financial sustainability, the government will continue to consider requests for bespoke referendum principles. Local proposals will be considered on a case-by-case basis. In considering any requests, the government will take account of councils' specific circumstances, for example their existing levels of Council Tax relative to the average, the potential impact on local taxpayers, and the strength of plans to protect vulnerable people.

1.82. Cheshire East Council wrote to the Ministry of Housing, Communities and Local Government on 14 January requesting permission to propose the option of increasing Council Tax above the referendum limit set by government.

1.83. The Council is asking for permission, under arrangements for Exceptional Financial Support, to propose an increase of up to 9.99%. This is 5% higher than the 4.99% increase or 'referendum limit', as set out by government in the local government finance policy statement 2025 to 2026.

1.84. This option, if granted, will be considered by full Council at the meeting on 26 February 2025.

1.85. Further balancing options during 2025/26:

- Use of available Capital Receipts – consideration will be given to the available capital receipts, over and above the £1m already included in the budget for 2025/26, and their utilisation to support either Transformational activities (revenue or capital) and/or to fund the costs of Exceptional Financial Support.
- Further identification of savings or generation of income to further reduce the forecast requirement for use of EFS in 2025/26 and 2026/27.

Capital Budget 2025/26

1.86. Summary Capital Programme for 2025/26:

Table 14

CAPITAL PROGRAMME 2025/26			
	Committed Schemes Budget 2025/26 £000	**New Scheme Proposals Budget 2025/26 £000**	**Total Budget 2025/26 £000**
Adults and Health	389	0	389
Children and Families	37,723	0	37,723
Corporate Policy	6,389	6,356	12,745
Economy & Growth	35,629	1,758	37,387
Environment & Communities	18,383	7,580	25,963
Highways & Transport	58,048	8,147	66,195
	98,513	**15,694**	**114,207**
Indicative Funding Analysis:			
Government Grants	91,140	7982	99,122
External Contributions	14,832	1483	16,315
Revenue Contributions	389	6097	6,486
Capital Receipts	731	0	731
Prudential Borrowing	49,469	8,279	57,748
	156,561	**23,841**	**180,402**

1.87. The above table includes new scheme proposals which will be reviewed by the Capital Programme Board in early February and may alter before going forward to full Budget Council on 26 February 2025.

1.88. The spend profile for Carbon Neutral schemes will also be updated prior to Budget Council to align with the Council's Carbon Neutral target of 2030.

1.89. A Summary Table of the new scheme proposals by Committee will be added here for the versions for Full Budget Council version – The schemes are currently included in **Annex 5, Annex A** for reference.

Capital Receipts Forecast

1.90. The table below sets out the latest prudent forecast for future year capital receipts based on the disposal programme. It allows for some slippage /timing differences around actual receipts and adjustments for receipts already included in the currently approved MTFS 2024/25 either within the Capital programme or as part of the Capital Financing Budget. As part of the strategic approach to balancing the 2025/26 budget and MTFS for 2025/26-2028/29, consideration will be given to the available capital receipts and their utilisation to support.

- Investment of transformational activities (e.g. revenue growth)
- Funding Exceptional Financial Support costs – instead of additional borrowing – as set out in the Recommendations in the cover report.
- Invest to save capital projects (e.g. Transformation)

Table 15 Forecast – Prudent View	2025/26 £m	2026/27 £m	2027/28+ £m
Forecast (Prudent view)	9.07	10.94	12.75
Already included in MTFS / Capital Programme	(2.25)	(2.75)	(5.0)
Additional Receipts Forecast	**6.82**	**8.19**	**7.75**

Annex 1 – Cheshire East Plan 2024/25

Vision		
An open, fairer, greener Cheshire East		
Aims		
Aim 1 - An open and enabling organisation	Aim 2 - A council which empowers and cares about people	Aim 3 - A thriving and sustainable place
We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition in Cheshire East.	We aim to reduce inequalities, promote fairness and opportunity for all and support our most vulnerable residents.	We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development.
Priorities		
P1.1) Ensure that there is transparency in all aspects of council decision making P1.2) Listen, learn and respond to our residents, promoting opportunities for a two-way conversation P1.3) Support a sustainable financial future for the council, through service development, improvement and transformation P1.4) Look at opportunities to bring more income into the borough P1.5) Support and develop our workforce to be confident, motivated, innovative, resilient and empowered P1.6) Promote and develop the services of the council through regular communication and engagement with all residents	P2.1) Work together with residents and partners to support people and communities to be strong and resilient P2.2) Reduce health inequalities across the borough P2.3) Protect and support our communities and safeguard children, adults at risk and families from abuse, neglect and exploitation P2.4) Be the best Corporate Parents to our children in care P2.5) Support all children to have the best start in life P2.6) Increase opportunities for all children and young adults with additional needs P2.7) Ensure all children have a high quality, enjoyable education that enables them to achieve their full potential P2.8) Reduce the reliance on long term care by improving services closer to home and providing more extra care facilities, including dementia services	P3.1) A great place for people to live, work and visit P3.2) Welcoming, safe and clean neighbourhoods P3.3) Reduce impact on the environment P3.4) A transport network that is safe and promotes active travel P3.5) Thriving urban and rural economies with opportunities for all P3.6) Be a carbon neutral council by 2027

Annex 2 – Financial Summary Tables (Revenue)

The 2024/25 Budget, shown as the starting point for the following tables, takes account of any permanent changes made during the 2024/25 financial year to date. There may be differences from the budget position in the 2024/25 Third Financial Review Update which includes both permanent and temporary one year budget changes. The table below summarises these changes. Further details are available on request.

	2024/25 Net Revised Budget £000	Less 2024/25 Temporary Grant Budgets £000	Other Budget Amendments £000	2025/26 Base Budget £000
ADULTS AND HEALTH				
Adult Social Care - Operations	138,260	(14)		138,245
Commissioning	(290)			(290)
Public Health	-			-
	137,969	(14)	-	137,955
CHILDREN AND FAMILIES *				
Directorate	440			440
Children's Social Care	57,197	(8)		57,189
Prevention & Early Help	8,871		(1,593)	7,278
Education & 14-19 Skills	26,539	(324)	(2,491)	23,724
	93,047	(332)	(4,084)	88,631
CORPORATE POLICY *				
Directorate	1,488			1,488
Finance & Customer Services	12,138		(20)	12,118
Governance and Compliance Services	10,866	(39)		10,827
Communications	689			689
HR	2,394			2,394
ICT	12,364		(123)	12,241
Policy and Change	1,952			1,952
	41,891	(39)	(143)	41,708
ECONOMY AND GROWTH				
Directorate	705		(419)	286
Growth & Enterprise	27,575		47	27,621
	28,280	-	(373)	27,908
ENVIRONMENT AND COMMUNITIES				
Environment & Neighbourhood Services	48,401		41	48,443
	48,401	-	41	48,443
HIGHWAYS AND TRANSPORT				
Highways & Infrastructure	16,005		(165)	15,840
	16,005	-	(165)	15,840
TOTAL SERVICE BUDGET	365,593	(386)	(4,723)	360,484

*This table reflects the structure at the Third Financial Review for Children and Families and Corporate Policy Committee. These has now been revised and the budgets have been reallocated over the areas set out in the tables below

	2024/25 Net Revised Budget £000	Less 2024/25 Temporary Grant Budgets £000	Other Budget Amendments £000	2025/26 Base Budget £000
FINANCE SUB CENTRAL BUDGETS				
Capital Financing	31,652			31,652
Capital Receipts	(1,000)			(1,000)
Other Income/Expenditure	(5)		6	1
Credit Losses	(50)			(50)
Contribution to / from Reserves	(17,151)		1,774	(15,377)
	13,446	-	1,780	15,226
TOTAL BUDGET	**379,039**	**(386)**	**(2,944)**	**375,710**
FINANCE SUB CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(64,611)		7,984	(56,627)
Specific Grants	(32,382)	386		(31,997)
Council Tax	(282,046)		(5,040)	(287,086)
TOTAL CENTRAL BUDGETS FUNDING	(379,039)	386	2,944	(375,710)
FUNDING POSITION	**-**	**-**	**-**	**-**

CHESHIRE EAST COUNCIL - Summary REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Directorate	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Adults and Health Committee	250,877	-91,428	**159,449**	**157,245**	**158,761**	**160,241**
Children and Families Committee	107,313	-10,025	**97,288**	**97,224**	**97,023**	**96,765**
Corporate Policy Committee	108,602	-65,814	**42,788**	**47,184**	**49,074**	**50,559**
Corporate Policy Committee - Council Wide Transformation Savings	-12,702	-750	**-13,452**	**-34,182**	**-45,212**	**-45,212**
Economy and Growth Committee	38,144	-9,703	**28,441**	**29,136**	**29,568**	**29,896**
Environment and Communities Committee	68,964	-23,263	**45,701**	**48,970**	**49,952**	**56,744**
Highways and Transport Committee	28,370	-11,469	**16,901**	**17,053**	**17,121**	**17,151**
Total Service Budgets	**589,568**	**-212,452**	**377,116**	**362,630**	**356,287**	**366,144**
Finance Sub Committee	54,012	-3,492	**50,520**	**76,643**	**93,725**	**106,829**
Total Cost of Service	**643,580**	**-215,944**	**427,636**	**439,273**	**450,012**	**472,973**

	Policy Proposals included above					
Policy Proposals						
Adults and Health Committee	26,896	-5,402	**21,494**	**-2,204**	**1,516**	**1,480**
Children and Families Committee	9,374	-715	**8,659**	**-64**	**-201**	**-258**
Corporate Policy Committee	1,550	-472	**1,078**	**4,396**	**1,890**	**1,485**
Corporate Policy Committee - Council Wide Transformation Savings	-12,702	-750	**-13,452**	**-20,730**	**-11,030**	
Economy and Growth Committee	660	-126	**534**	**695**	**432**	**328**
Environment and Communities Committee	5,978	-8,720	**-2,742**	**3,269**	**982**	**6,792**
Finance Sub Committee	35,294		**35,294**	**26,123**	**17,082**	**13,104**
Highways and Transport Committee	2,496	-1,435	**1,061**	**152**	**68**	**30**
Financial Impact of Policy Proposals	**69,546**	**-17,620**	**51,926**	**11,637**	**10,739**	**22,961**

ADULTS and HEALTH COMMITTEE - Summary — REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate	515	-8,379	**-7,864**	**-7,863**	**-7,851**	**-7,839**
Adult Social Care Operations	214,610	-47,056	**167,554**	**165,325**	**166,644**	**167,924**
Commissioning	17,407	-17,648	**-241**	**-217**	**-32**	**156**
Public Health	18,345	-18,345	**0**			
Total Cost of Service	**250,877**	**-91,428**	**159,449**	**157,245**	**158,761**	**160,241**

	Policy Proposals included above					
Policy Proposals						
Directorate	20	-220	**-200**	**1**	**12**	**12**
Adult Social Care Operations	26,827	-5,182	**21,645**	**-2,229**	**1,319**	**1,280**
Commissioning	49		**49**	**24**	**185**	**188**
Public Health			**0**			
Financial Impact of Policy Proposals	**26,896**	**-5,402**	**21,494**	**-2,204**	**1,516**	**1,480**

ADULTS and HEALTH - Directorate — REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate	515	-8,379	**-7,864**	**-7,863**	**-7,851**	**-7,839**
Pay Inflation			**0**			
Total Cost of Service	**515**	**-8,379**	**-7,864**	**-7,863**	**-7,851**	**-7,839**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Pay Inflation (5)	26		**26**	**13**	**14**	**14**
Pensions Cost Adjustment (3)	-6		**-6**	**-12**	**-2**	**-2**
Revenue Grants for Adult Social Care (2)		-220	**-220**			
Financial Impact of Policy Proposals	**20**	**-220**	**-200**	**1**	**12**	**12**

ADULTS and HEALTH - Adult Social Care Operations REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Care4CE	22,261	-4,343	**17,918**	**17,970**	**18,399**	**18,836**
Community Care – Locality Teams	118,388	-36,254	**82,134**	**80,714**	**81,229**	**81,715**
Community Care – Short Term Intervention	2,840	-22	**2,818**	**2,826**	**2,894**	**2,963**
Adult Social Care Operations	446	-1,284	**-838**	**-836**	**-825**	**-814**
Mental Health and Learning Disability	69,057	-5,102	**63,955**	**63,080**	**63,346**	**63,593**
Adult Safeguarding	1,618	-51	**1,567**	**1,570**	**1,600**	**1,630**
Pension Costs Adjustment			**0**			
Total Cost of Service	**214,610**	**-47,056**	**167,554**	**165,324**	**166,643**	**167,923**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Funding the staffing establishment (6)	3,800		**3,800**			
Pay Inflation (5)	1,811		**1,811**	**918**	**941**	**965**
Pensions Cost Adjustment (3)	-416		**-416**	**-821**	**-138**	**-149**
Demand in Adult Social Care (4)	5,000		**5,000**	**5,000**	**5,000**	**5,000**
Fully Funding current care demand levels 2024/25 (7)	24,500		**24,500**			
Prevent, Reduce, Enable - Older People (9)	-1,500		**-1,500**	**-2,830**	**-2,830**	**-2,830**
Learning Disability service transformation (10)	-2,500		**-2,500**	**-2,500**		
Commissioning and brokerage transformation (11)	-500		**-500**	**-250**		
Preparing for Adulthood (12)	-868		**-868**	**-868**		
Health and Social Care Partnership Case Review (13)	-2,500		**-2,500**			
Client Contributions (1)		-5,182	**-5,182**	**-879**	**-1,654**	**-1,706**
Financial Impact of Policy Proposals	**26,827**	**-5,182**	**21,645**	**-2,230**	**1,319**	**1,280**

ADULTS and HEALTH - Commissioning REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Communities and Integration	3,380	-160	**3,220**	**3,230**	**3,308**	**3,387**
Integrated Commissioning - MH, LD & Families	833		**833**	**836**	**857**	**877**
Integrated Commissioning - Thriving & Prevention	2,897	-1,474	**1,423**	**1,427**	**1,457**	**1,488**
Integrated Urgent Care	10,297	-16,014	**-5,717**	**-5,710**	**-5,654**	**-5,596**
Total Cost of Service	**17,407**	**-17,648**	**-241**	**-217**	**-32**	**156**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Pay Inflation (5)	414		**414**	**210**	**216**	**221**
Pensions Cost Adjustment (3)	-95		**-95**	**-186**	**-31**	**-33**
Remodel extra care housing catering service (8)	-270		**-270**			
Financial Impact of Policy Proposals	**49**	**0**	**49**	**24**	**185**	**188**

ADULTS and HEALTH - Public Health | REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Health Improvement	394		**394**	**394**	**394**	**394**
Infection Prevention & Control	354		**354**	**354**	**354**	**354**
Joint Strategic Needs Assessment	246		**246**	**246**	**246**	**246**
Public Health	17,351	-18,345	**-994**	**-994**	**-994**	**-994**
Total Cost of Service	**18,345**	**-18,345**	**0**	**0**	**0**	**0**

	Policy Proposals included above					
Policy Proposals						
Financial Impact of Policy Proposals	**0**	**0**	**0**	**0**	**0**	**0**

CHILDREN and FAMILIES COMMITTEE - Summary — REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate	6,321	-1,055	**5,266**	**5,439**	**5,408**	**5,793**
Family Help and Children's Social Care	61,865	-1,448	**60,417**	**58,632**	**57,986**	**57,343**
Education, Strong Start and Integration	36,365	-7,491	**28,874**	**30,422**	**30,898**	**30,898**
Commissioning, QA and Partnerships	2,762	-31	**2,731**	**2,731**	**2,731**	**2,731**
Total Cost of Service	**107,313**	**-10,025**	**97,288**	**97,224**	**97,023**	**96,765**

	Policy Proposals included above					
Policy Proposals						
Directorate	5,661	-835	**4,826**	**173**	**-31**	**385**
Family Help and Children's Social Care	1,894		**1,894**	**-1,785**	**-646**	**-643**
Education, Strong Start and Integration	1,814	120	**1,934**	**1,548**	**476**	
Commissioning, QA and Partnerships	5		**5**			
Financial Impact of Policy Proposals	**9,374**	**-715**	**8,659**	**-64**	**-201**	**-258**

CHILDREN and FAMILIES - Directorate — REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Directorate	660	-220	**440**	**440**	**440**	**440**
Children's Social Care Prevention Grant	835	-835	**0**			
Funding the staffing establishment	2,739		**2,739**	**2,739**	**1,739**	**1,139**
Pension Costs Adjustment	-537		**-537**	**-1,460**	**-1,615**	**-1,782**
Pay Inflation (17)	2,624		**2,624**	**3,720**	**4,844**	**5,996**
Total Cost of Service	**6,321**	**-1,055**	**5,266**	**5,439**	**5,408**	**5,793**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Children's Social Care Prevention Grant - Expenditure (30)	835		**835**			
Children's Social Care Prevention Grant - Grant Income (31)		-835	**-835**			
Funding the staffing establishment (24)	2,739		**2,739**		**-1,000**	**-600**
Pension Costs Adjustment (14)	-537		**-537**	**-923**	**-155**	**-167**
Pay Inflation (17)	2,624		**2,624**	**1,096**	**1,124**	**1,152**
Financial Impact of Policy Proposals	**5,661**	**-835**	**4,826**	**173**	**-31**	**385**

CHILDREN and FAMILIES - Family Help and Children's Social Care

REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Cared for Children	9,725	-788	**8,937**	**8,985**	**9,033**	**9,081**
Children in Need, Child Protection and Children with Disabilities	11,621	-633	**10,988**	**10,988**	**10,988**	**10,988**
Children Social Care	2,081		**2,081**	**2,248**	**2,279**	**2,313**
Preventative Services	3,440		**3,440**	**3,440**	**3,440**	**3,440**
Provider Services and Fostering	33,523	-27	**33,496**	**32,796**	**32,796**	**32,796**
Fully Funding current care demand levels 2024/25	3,295		**3,295**	**3,295**	**3,295**	**3,295**
Birth to Thrive	-500		**-500**	**-500**	**-500**	**-500**
Right Child, Right Home	-1,320		**-1,320**	**-2,620**	**-3,345**	**-4,070**
Total Cost of Service	**61,865**	**-1,448**	**60,417**	**58,632**	**57,986**	**57,343**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Growth to deliver statutory Youth Justice service, and meet Safeguarding Partnership duties (15)	198		**198**	**167**	**31**	**34**
Fully Funding current care demand levels 2024/25 (18)	3,295		**3,295**			
Court Progression Improvement (19)	23		**23**			
Growth for annual contribution to the Regional Adoption Agency (20)	213		**213**	**48**	**48**	**48**
Growth for Unaccompanied Asylum Seeking Children due to emerging pressures (21)	500		**500**			
New accommodation with support offer for 16-25 young people (26)	-1,100		**-1,100**	**-700**		
Birth to Thrive (27)	-500		**-500**			
Right Child, Right Home (28)	-1,320		**-1,320**	**-1,300**	**-725**	**-725**
Foster4 (32)	114		**114**			
Foster Carers uplift of National Minimum Allowance (NMA) (33)	471		**471**			
Financial Impact of Policy Proposals	**1,894**	**0**	**1,894**	**-1,785**	**-646**	**-643**

CHILDREN and FAMILIES - Education, Strong Start and Integration

REVENUE BUDGET

Service Area	Budget including Policy Proposals 2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
Children Prevention and Support	5,475	-5,300	**175**	**175**	**175**	**175**
Early Start	1,876	-87	**1,789**	**1,789**	**1,789**	**1,789**
Education and 14-19 Skills	3,009	-1,200	**1,809**	**1,809**	**1,809**	**1,809**
Education Infrastructure and Outcomes	1,066	-670	**396**	**396**	**396**	**396**
Education Participation and Pupil Support	19,544	-159	**19,385**	**20,933**	**21,409**	**21,409**
Educational Psychologists	1,766	-75	**1,691**	**1,691**	**1,691**	**1,691**
Special Educational Needs and Disabilities	3,629		**3,629**	**3,629**	**3,629**	**3,629**
Total Cost of Service	**36,365**	**-7,491**	**28,874**	**30,422**	**30,898**	**30,898**

Policy Proposals included above	Expenditure	Income	Net	2026/27	2027/28	2028/29
Policy Proposals (Reference relates to Section 2 of MTFS)						
Growth in School, SEND and Social Care Transport budget (16)	1,501		**1,501**	**1,548**	**476**	
Reversal of a one year policy change for traded		120	**120**			
Schools Improvement (23)	175		**175**			
Safe Walking Routes to School (25)	-250		**-250**			
Extended Rights to Free Transport (29)	388		**388**			
Financial Impact of Policy Proposals	**1,814**	**120**	**1,934**	**1,548**	**476**	**0**

CHILDREN and FAMILIES - Commissioning, QA and Partnerships

REVENUE BUDGET

Service Area	Budget including Policy Proposals 2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
Childrens Improvement and Development	394		**394**	**394**	**394**	**394**
Childrens Social Care - Safeguarding	2,148	-31	**2,117**	**2,117**	**2,117**	**2,117**
Improvement & Quality Assurance	220		**220**	**220**	**220**	**220**
Total Cost of Service	**2,762**	**-31**	**2,731**	**2,731**	**2,731**	**2,731**

Policy Proposals included above	Expenditure	Income	Net	2026/27	2027/28	2028/29
Policy Proposals (Reference relates to Section 2 of MTFS)						
Growth to deliver statutory Youth Justice service, and meet Safeguarding Partnership duties (15)	5		**5**			
Financial Impact of Policy Proposals	**5**	**0**	**5**	**0**	**0**	**0**

CORPORATE POLICY COMMITTEE - Summary — REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Resources (Finance)	58,887	-47,831	**11,056**	**11,296**	**11,680**	**12,074**
Governance and Compliance Services	15,499	-4,155	**11,344**	**11,623**	**12,073**	**12,532**
Resources (People)	6,022	-461	**5,561**	**5,662**	**5,854**	**6,050**
Resources (Digital)	24,414	-12,719	**11,695**	**15,398**	**16,122**	**16,417**
Assistant Chief Executive	3,980	-848	**3,132**	**3,205**	**3,345**	**3,486**
Total Cost of Service	**108,802**	**-66,014**	**42,788**	**47,184**	**49,074**	**50,559**

	Policy Proposals included above					
Policy Proposals						
Resources (Finance)	1,440	-77	**1,363**	**240**	**384**	**394**
Governance and Compliance Services	393	-395	**-2**	**279**	**450**	**459**
Resources (People)	176		**176**	**101**	**192**	**196**
Resources (Digital)	-570		**-570**	**3,703**	**724**	**295**
Assistant Chief Executive	111		**111**	**73**	**140**	**141**
Financial Impact of Policy Proposals	**1,550**	**-472**	**1,078**	**4,396**	**1,890**	**1,485**

CORPORATE POLICY - Resources (Finance) — REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Finance	6,927	-707	**6,220**	**6,370**	**6,589**	**6,814**
Financial Management			**0**			
Procurement	649	-42	**607**	**623**	**651**	**680**
Customer Services			**0**			
Revenues and Benefits	51,178	-47,064	**4,114**	**4,183**	**4,314**	**4,447**
Executive Director of Corporate Services	133	-18	**115**	**120**	**126**	**133**
Total Cost of Service	**58,887**	**-47,831**	**11,056**	**11,296**	**11,680**	**12,074**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Revs & Bens - Enforce Prompt Debt Recovery (34)		-77	**-77**			
Finance - Transactional Services Stabilisation Plan (43)	270		**270**			
Finance - Additional Cost of External Audit Fees (44)	265		**265**			
Finance - Additional Bank Charges (46)	120		**120**			
Executive Director - Remove unspent phone budgets (40)	-60		**-60**			
Executive Director - Reverse Reduction in management costs (47)	540		**540**			
Pension Cost Adjustment - Finance (35)	-45		**-45**	**-77**	**-13**	**-14**
Pension Cost Adjustment - Procurement (35)	-9		**-9**	**-15**	**-3**	**-3**
Pension Cost Adjustment - Revenues & Benefits (35)	-40		**-40**	**-70**	**-12**	**-13**
Pension Cost Adjustment - Executive Director (35)	-2		**-2**	**-4**	**-2**	**-1**
Pay Inflation - Finance (36)	201		**201**	**227**	**232**	**239**
Pay Inflation - Procurement (36)	34		**34**	**31**	**31**	**32**
Pay Inflation - Revenues & Benefits (36)	161		**161**	**139**	**143**	**146**
Pay Inflation - Executive Director (36)	5		**5**	**9**	**8**	**8**
Financial Impact of Policy Proposals	**1,440**	**-77**	**1,363**	**240**	**384**	**394**

CORPORATE POLICY - Governance and Compliance Service REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Governance and Democratic Services	6,665	-2,471	**4,194**	**4,353**	**4,576**	**4,803**
Legal Services	4,797	-575	**4,222**	**4,308**	**4,470**	**4,635**
Audit and Risk	4,037	-1,109	**2,928**	**2,962**	**3,027**	**3,094**
Total Cost of Service	**15,499**	**-4,155**	**11,344**	**11,623**	**12,073**	**12,532**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Governance & Democratic Services - Additional Registration Income (38)		-350	**-350**			
Governance & Democratic Services - Police & Crime Commissioner Income (39)		-45	**-45**			
Governance & Democratic Services - Member Allowances Reduction (45)	-100		**-100**			
Governance & Democratic Services - Reinstatement of Elections Saving (48)	150		**150**			
Pension Cost Adjustment - Governance and Democratic Services (35)	-39		**-39**	**-68**	**-11**	**-12**
Pension Cost Adjustment - Legal Services (35)	-50		**-50**	**-86**	**-14**	**-16**
Pension Cost Adjustment - Audit and Risk (35)	-20		**-20**	**-35**	**-6**	**-6**
Pay Inflation - Governance and Democratic Services (36)	216		**216**	**227**	**234**	**239**
Pay Inflation - Legal Services (36)	160		**160**	**172**	**176**	**181**
Pay Inflation - Audit and Risk (36)	76		**76**	**69**	**71**	**73**
Financial Impact of Policy Proposals	**393**	**-395**	**-2**	**279**	**450**	**459**

CORPORATE POLICY - Resources (People) REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Human Resources	3,025	-460	**2,565**	**2,610**	**2,696**	**2,784**
Customer Services	2,997	-1	**2,996**	**3,052**	**3,158**	**3,266**
Total Cost of Service	**6,022**	**-461**	**5,561**	**5,662**	**5,854**	**6,050**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Pension Cost Adjustment - Human Resources (35)	-26		**-26**	**-46**	**-8**	**-8**
Pension Cost Adjustment - Customer Services (35)	-32		**-32**	**-56**	**-9**	**-10**
Pay Inflation - Human Resources (36)	101		**101**	**91**	**94**	**96**
Pay Inflation - Customer Services (36)	133		**133**	**112**	**115**	**118**
Financial Impact of Policy Proposals	**176**	**0**	**176**	**101**	**192**	**196**

CORPORATE POLICY - Resources (Digital) — REVENUE BUDGET

Service Area	2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
	Budget including Policy Proposals					
ICT - Strategy	11,355	-201	**11,154**	**14,751**	**15,274**	**15,365**
ICT - Shared Service	12,608	-12,518	**90**	**188**	**373**	**561**
Digital Online Services	451		**451**	**459**	**475**	**491**
Total Cost of Service	**24,414**	**-12,719**	**11,695**	**15,398**	**16,122**	**16,417**

Policy Proposals (Reference relates to Section 2 of MTFS)	2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
	Policy Proposals included above					
Shared Services Review - Move to Hybrid Model for ICT (37)	-733		**-733**			
Digital Acceleration Revenue Growth (41)			**0**	**1,150**		
Digital Blueprint Revenue Growth (42)			**0**	**2,400**	**435**	
Pension Cost Adjustment - ICT Strategy (35)	-27		**-27**	**-47**	**-8**	**-8**
Pension Cost Adjustment - ICT Shared Service (35)	-57		**-57**	**-98**	**-16**	**-18**
Pension Cost Adjustment - Digital Online Services (35)	-5		**-5**	**-8**	**-1**	**-1**
Pay Inflation - ICT Strategy (36)	72		**72**	**94**	**96**	**99**
Pay Inflation - ICT Shared Service (36)	147		**147**	**196**	**201**	**206**
Pay Inflation - Digital Online Services (36)	33		**33**	**16**	**17**	**17**
Financial Impact of Policy Proposals	**-570**	**0**	**-570**	**3,703**	**724**	**295**

CORPORATE POLICY - Assistant Chief Executive — REVENUE BUDGET

Service Area	2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
	Budget including Policy Proposals					
Policy & Performance	2,916	-838	**2,078**	**2,132**	**2,235**	**2,339**
Communications	805	-10	**795**	**809**	**837**	**865**
Chief Executive	259		**259**	**264**	**273**	**282**
Total Cost of Service	**3,980**	**-848**	**3,132**	**3,205**	**3,345**	**3,486**

Policy Proposals (Reference relates to Section 2 of MTFS)	2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
	Policy Proposals included above					
Pension Cost Adjustment - Policy & Performance (35)	-32		**-32**	**-55**	**-9**	**-10**
Pension Cost Adjustment - Communications (35)	-9		**-9**	**-15**	**-2**	**-3**
Pension Cost Adjustment - Chief Executive (35)	-3		**-3**	**-5**	**-1**	**-1**
Pay Inflation - Policy & Performance (36)	118		**118**	**109**	**112**	**114**
Pay Inflation - Communications (36)	31		**31**	**29**	**30**	**31**
Pay Inflation - Chief Executive (36)	6		**6**	**10**	**10**	**10**
Financial Impact of Policy Proposals	**111**	**0**	**111**	**73**	**140**	**141**

CORPORATE POLICY - Council-wide Transformation Savings   REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Transformation Programme	-12,702	-750	**-13,452**	**-34,182**	**-45,212**	**-45,212**
Total Cost of Service	**-12,702**	**-750**	**-13,452**	**-34,182**	**-45,212**	**-45,212**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Digital Customer Enablement Invest to Save (49)	-750		**-750**	**-750**	**-700**	
Digital Acceleration Invest to Save (50)	-600		**-600**	**-6,250**	**-5,250**	
Digital Blueprint - Invest to Save (51)	-4,000		**-4,000**	**-6,000**	**-4,500**	
Target Operating Model (TOM) (52)	-3,000		**-3,000**	**-7,000**		
Agency Staffing (53)	-352		**-352**			
Workforce Productivity (54)	-1,000		**-1,000**			
Fees and Charges (55)		-750	**-750**	**-40**	**-40**	
Third Party Spend (56)	-3,000		**-3,000**	**-690**	**-540**	
Financial Impact of Policy Proposals	**-12,702**	**-750**	**-13,452**	**-20,730**	**-11,030**	**0**

ECONOMY and GROWTH COMMITTEE - Summary — REVENUE BUDGET

Service Area	2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
	Budget including Policy Proposals					
Directorate	303		**303**	**301**	**305**	**309**
Growth and Enterprise	37,841	-9,703	**28,138**	**28,835**	**29,263**	**29,587**
Total Cost of Service	**38,144**	**-9,703**	**28,441**	**29,136**	**29,568**	**29,896**
	Policy Proposals included above					
Policy Proposals						
Directorate	17		**17**	**-2**	**4**	**4**
Growth and Enterprise	643	-126	**517**	**697**	**428**	**324**
Financial Impact of Policy Proposals	**660**	**-126**	**534**	**695**	**432**	**328**

ECONOMY and GROWTH - Directorate — REVENUE BUDGET

Service Area	2025/26 Expenditure £000	2025/26 Income £000	2025/26 Net £000	2026/27 Net £000	2027/28 Net £000	2028/29 Net £000
	Budget including Policy Proposals					
Directorate	625		**625**	**625**	**625**	**625**
Sub Regional	80		**80**	**80**	**80**	**80**
Restructuring	-419		**-419**	**-419**	**-419**	**-419**
Pay Inflation	17		**17**	**15**	**19**	**23**
Total Cost of Service	**303**	**0**	**303**	**301**	**305**	**309**
	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Pay Inflation (63)	20		**20**	**4**	**5**	**5**
Pension Costs Adjustment (58)	-3		**-3**	**-6**	**-1**	**-1**
Financial Impact of Policy Proposals	**17**	**0**	**17**	**-2**	**4**	**4**

ECONOMY and GROWTH - Growth and Enterprise — REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Assets	3,078	-2,587	**491**	**391**	**336**	**289**
Growth and Enterprise Management	147		**147**	**147**	**147**	**147**
Facilities Management	17,702	-270	**17,432**	**17,965**	**17,965**	**17,965**
Farms	437	-785	**-348**	**-348**	**-348**	**-348**
Economic Development	1,985	-551	**1,434**	**1,713**	**1,831**	**1,837**
Housing	3,996	-414	**3,582**	**3,394**	**3,394**	**3,394**
Rural and Cultural Management	165		**165**	**165**	**165**	**165**
Tatton Park	5,653	-4,445	**1,208**	**1,188**	**1,166**	**1,142**
Green Infrastructure	2,124	-302	**1,822**	**1,804**	**1,804**	**1,804**
Cultural Economy	1,113		**1,113**	**1,206**	**1,210**	**1,210**
Visitor Economy	558	-349	**209**	**209**	**209**	**209**
Pay Inflation	883		**883**	**1,001**	**1,384**	**1,773**
Total Cost of Service	**37,841**	**-9,703**	**28,138**	**28,835**	**29,263**	**29,587**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Office estate rationalisation (57)	-150		**-150**			
Pension Costs Adjustment (58)	-161		**-161**	**-307**	**-52**	**-56**
Tatton Park ticketing and EPOS upgrade (59)	1		**1**	**1**	**1**	**1**
CEC Archives (60)	14		**14**	**93**	**4**	
Rural and Visitor Economy Electricity costs (61)	-21		**-21**			
Minimum energy efficiency standards (MEES) - Estates - Revenue Adjustment (62)	23		**23**		**-55**	**-47**
Pay Inflation (63)	1,044		**1,044**	**425**	**435**	**445**
Maintenance and operation of new assets in Crewe town centre (64)	205		**205**	**279**	**118**	**6**
Land Fill Site Assessments Revenue Adjustment - Estates – Review and Risk Assessment of Council owned Landfill sites (53 sites) Review and Risk Assessment completions (65)	10		**10**			
Tatton Park Estate Dwellings Refurbishment (66)	15		**15**			
Improving Crewe Rented Housing Standards (67)	188		**188**	**-188**		
Maximise potential of Countryside Access Management System (68)	20		**20**	**-18**		
Assets - building and operational – Energy (69)	-860		**-860**			
Assets - building and operational – Maintenance (70)	465		**465**	**533**		
Tatton Park - Increase Fees and Charges (71)		-126	**-126**	**-21**	**-23**	**-25**
Corporate Landlord Model Refresh (72)	-50		**-50**			
Asset Strategy Refresh (73)	-100		**-100**	**-100**		
Financial Impact of Policy Proposals	**643**	**-126**	**517**	**697**	**428**	**324**

ENVIRONMENT and COMMUNITIES COMMITTEE - Summary REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Environment and Neighbourhood Services	68,964	-23,263	**45,701**	**48,970**	**49,952**	**56,744**
Total Cost of Service	**68,964**	**-23,263**	**45,701**	**48,970**	**49,952**	**56,744**

	Policy Proposals included above					
Policy Proposals						
Environment and Neighbourhood Services	5,978	-8,720	**-2,742**	**3,269**	**982**	**6,792**
Financial Impact of Policy Proposals	**5,978**	**-8,720**	**-2,742**	**3,269**	**982**	**6,792**

ENVIRONMENT and COMMUNITIES - Environment and Neighbourhood Services REVENUE BUDGET

	Budget including Policy Proposals					
	2024/25			2025/26	2026/27	2027/28
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Director of Environmental & Neighbourhood Services	143		**143**	**143**	**143**	**143**
Development Management	4,471	-2,767	**1,704**	**1,704**	**1,704**	**1,704**
Building Control	1,222	-918	**304**	**304**	**304**	**304**
Local Land Charges and Planning Support	748	-407	**341**	**341**	**341**	**341**
Strategic Planning	1,436		**1,436**	**1,346**	**1,351**	**1,346**
Neighbourhood Planning	283	-220	**63**	**63**	**63**	**63**
Environmental - Commissioning ANSA*	45,037	-1,745	**43,292**	**42,651**	**42,291**	**42,588**
Environmental - Commissioning Orbitas*	2,094	-2,927	**-833**	**-890**	**-1,021**	**-1,157**
Environmental - Management Services	2,207	-12,290	**-10,083**	**-6,493**	**-6,149**	**-821**
Regulatory Services	4,050	-1,228	**2,822**	**2,822**	**2,822**	**2,822**
Libraries	3,329	-297	**3,032**	**3,032**	**3,032**	**3,032**
Leisure Commissioning	948	-420	**528**	**325**	**159**	**159**
Emergency Planning	237	-61	**176**	**176**	**176**	**176**
Head of Neighbourhood Services & ASB/CEO	648	17	**665**	**665**	**665**	**665**
Pay Inflation	2,111		**2,111**	**2,781**	**4,071**	**5,379**
Total Cost of Service	**68,964**	**-23,263**	**45,701**	**48,970**	**49,952**	**56,744**

* The companies are coming back in house in 2025/26 therefore the commissioning budgets will be realigned to the correct service areas.

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Strategic Leisure Review (Stage 2) (74)	403		**403**	**-203**	**-166**	
Libraries Strategy - Stage 1 (75)	-100		**-100**			
Reduce revenue impact of carbon reduction capital schemes (76)	171		**171**			
Pay Inflation (77)	2,270		**2,270**	**1,380**	**1,409**	**1,436**
Pension Costs Adjustment (78)	-159		**-159**	**-315**	**-53**	**-57**
Explore a Trust delivery model for Libraries and other services (79)	-150		**-150**			
Land Charge Income Adjustment (80)		147	**147**			
Local Plan Review (81)	315		**315**	**-90**	**5**	**-5**
Review of CCTV service - service efficiencies and income generation from existing services (82)	-40		**-40**			
Environmental Services Growth 2025/26 onwards (83)	3,163	-122	**3,041**	**1,882**	**690**	**710**
Environmental Services Savings 2025/26 onwards (84)	-622	-1,745	**-2,367**	**-2,580**	**-1,181**	**-549**
Environmental Services Growth - Pensions (85)	727		**727**	**-395**	**-66**	**-71**
Environmental Services – expected income from Extended Producer Responsibility for packaging (86)		-7,000	**-7,000**	**3,590**	**344**	**5,328**
Financial Impact of Policy Proposals	**5,978**	**-8,720**	**-2,742**	**3,269**	**982**	**6,792**

HIGHWAYS and TRANSPORT COMMITTEE - Summary REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Highways and Infrastructure	28,370	-11,469	**16,901**	**17,053**	**17,121**	**17,151**
Total Cost of Service	**28,370**	**-11,469**	**16,901**	**17,053**	**17,121**	**17,151**
	Policy Proposals included above					
Policy Proposals						
Highways and Infrastructure	2,496	-1,435	**1,061**	**152**	**68**	**30**
Financial Impact of Policy Proposals	**2,496**	**-1,435**	**1,061**	**152**	**68**	**30**

HIGHWAYS and TRANSPORT - Highways and Infrastructure REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Car Parking	2,266	-7,446	**-5,180**	**-5,366**	**-5,557**	**-5,754**
Strategic Transport	8,700	-503	**8,197**	**8,341**	**8,338**	**8,203**
ANSA Transport Commissioning (Management Fee)*	1,235		**1,235**	**1,235**	**1,235**	**1,235**
Highways	14,625	-2,820	**11,805**	**11,996**	**12,162**	**12,427**
Integrated Rail and Transport (formerly HS2)	450		**450**	**450**	**450**	**450**
Highways & Infrastructure Director	145		**145**	**145**	**145**	**145**
Infrastructure	776	-700	**76**	**76**	**76**	**76**
Pay Inflation	173		**173**	**176**	**272**	**369**
Total Cost of Service	**28,370**	**-11,469**	**16,901**	**17,053**	**17,121**	**17,151**

* The companies are coming back in house in 2025/26 therefore the commissioning budgets will be realigned to the correct service areas.

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Increase parking charges (87)		-450	**-450**	**-186**	**-191**	**-197**
Safe Haven outside schools (Parking) (88)		10	**10**			
Parking PDA / Back Office System contract - fall out of one off set up cost (89)	-30		**-30**			
Parking - Part-year effect of strategy changes (90)		-720	**-720**			
Parking - Staff and member parking (91)		-250	**-250**			
Transport and Infrastructure Strategy Team Restructure (92)			**0**	**-150**		
Local Bus (93)	1,545		**1,545**			
FlexiLink Service Improvement Plan - invest to save (94)	592		**592**	**294**	**-3**	**-135**
Advertising Income (95)		-25	**-25**	**-75**	**-50**	
Pension Costs Adjustment (96)	-55		**-55**	**-108**	**-18**	**-20**
Pay Inflation (97)	228		**228**	**111**	**114**	**117**
Flood and Water Management Act 2010 SuDS and SABs Schedule 3 Implementation (98)			**0**	**50**	**50**	**100**
Highways: Revenue Service (99)	216		**216**	**216**	**216**	**216**
Highways: Depots (100)			**0**		**-50**	**-51**
Financial Impact of Policy Proposals	**2,496**	**-1,435**	**1,061**	**152**	**68**	**30**

FINANCE SUB COMMITTEE - Central Items | REVENUE BUDGET

	Budget including Policy Proposals					
	2025/26			2026/27	2027/28	2028/29
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
Capital Financing	37,531	-2,492	**35,039**	**38,758**	**41,860**	**43,248**
Income from Use of Capital Receipts		-1,000	**-1,000**	**-1,000**	**-1,000**	**-1,000**
Pension Cost adjustment	-727		**-727**	**-727**	**-727**	**-727**
Contingency Budget	15,953		**15,953**	**30,861**	**42,783**	**55,709**
Risk Budget			**0**	**3,800**	**1,960**	**750**
Transfer to/(from) Reserves	1,304		**1,304**	**5,000**	**8,898**	**8,898**
Bad Debt Provision adjustment	-50		**-50**	**-50**	**-50**	**-50**
Other Income / Expenditure	1		**1**	**1**	**1**	**1**
Total Cost of Service	**54,012**	**-3,492**	**50,520**	**76,643**	**93,725**	**106,829**

	Policy Proposals included above					
Policy Proposals (Reference relates to Section 2 of MTFS)						
Capital Financing - Minimum Revenue Provision (101)	3,387		**3,387**	**3,719**	**3,102**	**1,388**
Pension Cost Adjustment (108)	-727		**-727**			
Transfer to/(from) Reserves (102-105)	16,681		**16,681**	**3,696**	**3,898**	
Contingency Budget (106)	15,953		**15,953**	**14,908**	**11,922**	**12,926**
Risk Budget (107)			**0**	**3,800**	**-1,840**	**-1,210**
Financial Impact of Policy Proposals	**35,294**	**0**	**35,294**	**26,123**	**17,082**	**13,104**

Annex 3 – Revenue Grants

Corporate Grants Register 2025-29 Summary	Revised Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
Specific Use					
Adults and Health Committee	43,400	40,993	39,557	39,557	39,557
Children and Families Committee	207,388	232,392	223,197	223,197	223,197
Corporate Policy Committee	74,107	70,653	67,741	68,645	69,582
Economy and Growth Committee	11,690	4,369	91	71	71
Environment and Communities Committee	1,400	7,500	3,410	3,066	0
Highways and Transport Committee	6,488	3,228	0	0	0
Total Specific Use Grants	**344,474**	**359,134**	**333,996**	**334,536**	**332,407**
General Purpose					
Adults and Health Committee	16,763	19,251	19,251	19,251	19,251
Children and Families Committee	9,746	10,560	10,560	10,560	10,560
Corporate Policy Committee	6,163	8,135	5,135	5,135	5,135
Economy and Growth Committee	0	0	0	0	0
Environment and Communities Committee	0	0	0	0	0
Highways and Transport Committee	0	0	0	0	0
Total General Purpose Grants	**32,672**	**37,946**	**34,946**	**34,946**	**34,946**
Total Grant Funding	**377,147**	**397,080**	**368,941**	**369,482**	**367,353**

Corporate Grants Register 2025-2029	Revised Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
SPECIFIC PURPOSE (Held within Services)					
Adults and Health Committee					
Additional Better Care (for Adult Social Care)	8,706	8,706	8,706	8,706	8,706
Market Sustainability and Fair Cost of Care Fund	979	979	979	979	979
Market Sustainability and Fair Cost of Care Fund - top-up	4,268	5,368	5,368	5,368	5,368
Market Sustainability and Fair Cost of Care Fund - Workforce Element	1,100				
Discharge Fund	2,034	2,034	2,034	2,034	2,034
Shared Property Fund - Supported Employment	536	566			
Asylum Dispersal Scheme	352	280			
Asylum Dispersal Scheme - brought forward	344				
Afghan - Wrap Around support - brought-forward	431				
Afghan - Resettlement support - brought-forward	404				
Afghan - Resettlement support	144				
Afghan - Integration Support	90				
Homes for Ukraine Scheme - brought-forward	211				
Private Finance Initiative (PFI) credits (Note 1)	4,125	4,125	4,125	4,125	4,125
Supporting Independent through Technology project - Brought forward	65				
Total	**23,789**	**22,058**	**21,212**	**21,212**	**21,212**
Adults and Health Committee - Public Health					
Public Health Grant	18,345	18,345	18,345	18,345	18,345
OHID SSMTR Supplementary Substance Misuse Treatment & Recovery Grant	525				
North West Probation Service funding for SMS rehabilitative and resettlement interventions	123				
CHAMPS Marmot Place Funding - encourage pregnant women to stop smoking - brought-forward	22				
CHAMPS SMS - inpatient detox	159	159			
Reducing cardio-vascular disease in Cheshire East	6				
Local stop smoking services and support	432	432			
Total	**19,612**	**18,935**	**18,345**	**18,345**	**18,345**
GENERAL USE (Held Corporately)					
Adults and Health Committee					
Social Care Support Grant	16,428	18,911	18,911	18,911	18,911
Local Reform & Community Voices	208	207	207	207	207
Social Care in Prisons	68	73	73	73	73
War Pension Scheme Disregard	59	60	60	60	60
Total	**16,763**	**19,251**	**19,251**	**19,251**	**19,251**
Total Adults and Health Committee	**60,163**	**60,244**	**58,807**	**58,807**	**58,807**

(1) In respect of Private Finance Initiatives (PFI), Cheshire East Council are currently reflecting the total PFI grant monies received, even though Beechmere Extra Care Housing building in Crewe, which was destroyed in a fire, no longer stands. No agreement has been reached with the HM Treasury on any possible reduction of grant income and Cheshire East Council continues to pay the residual unitary charge excluding Beechmere to Avantage. Discussions are continuing with the private sector partner, along with other relevant stakeholders, for example Central Government and the Nationwide Building Society, about the reinstatement of Beechmere scheme.

Corporate Grants Register 2025-2029	Revised Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
	£000	£000	£000	£000	£000
SPECIFIC PURPOSE (Held within Services)					
Children and Families Committee - Schools					
Dedicated Schools Grant	389,727	437,917	437,917	437,917	437,917
Less Academy Recoupment and High Needs Deductions	213,070	229,093	229,093	229,093	229,093
Dedicated Schools Grant Cheshire East	176,658	208,824	208,824	208,824	208,824
Pupil Premium Grant	4,958	4,958	4,958	4,958	4,958
Pupil Premium Plus - Post 16 Funding	46	46	46	46	46
Sixth Forms Grant	2,815	2,815	2,815	2,815	2,815
Universal Infant Free School Meals (UIFSM)	1,832	1,832	1,832	1,832	1,832
Primary Physical Education Sports Grant	981	981	981	981	981
Teachers Pay Additional Grant	1,645				
Teachers Pension Grant	2,393				
COVID-19 Recovery Premium	245				
School Led Tutoring Grant	221				
School Improvement Monitoring & Brokering Grant 2023/24	364				
Milk Subsidy	21	21	21	21	21
Senior Mental Health Lead Training Grant	2				
Delivering Better Value in SEND	408				
National Professional Qualification Grant	16				
Early Years Supplementary Grant	46				
Total	**192,651**	**219,477**	**219,477**	**219,477**	**219,477**
Children and Families Committee					
Asylum Seekers	2,811	2,810	2,810	2,810	2,810
Asylum Seekers - difference between estimated grant income relating to 2023/24 and actual	112				
Family Help		1,195			
Children and Families Grant - Leaving Care Allowance Uplift Implementation (New Burdens)		72			
Children and Families Grant - Supported Accommodation		620			
Children and Families Grant - Staying Put Implementation		130			
Children and Families Grant - Extended Personal Adviser Duty		57			
Children and Families Grant - Extension of the role of Virtual School Heads		61			
Children's Social Care Prevention Grant		835			
Supporting Families (previously Tackling Troubled Families) Payment By Results (Note 3)	410				
Supporting Families Upfront Grant (Note 3)	785				
Reducing Parental Conflict Grant	30				
Adoption Support Fund	62				
KS2 Moderation & KS1 Phonics	11	10	10	10	10
Independent Support Grant (CEIAS) 2023/24	12				
Skills & Lifelong Learning 2024/25	944	900	900	900	900
Skills & Lifelong Learning 2023/24	1				
Supporting Families; Investing in Practice programme (Mockingbird Family Model)	99				
Remand Grant	120				
Domestic Abuse Safe Accommodation	676	842			
Domestic Abuse Safe Accommodation - brought forward	149				
Holiday Activities & Food Programme Grant	906	900			
S31 Kinship Grant	20				
S31 Extension of the Role of Virtual School Heads to children with a social worker Implementation 2024/25	118				
S31 Extension of the Role of Virtual School Heads to children with a social worker Implementation 2023/24	118				
S31 Extension of the Role of Virtual School Heads to children with a social worker Implementation 2022/23	100				
Household Support Fund	4,400	3,967			
Hong Kong UK Welcome Programme (British Nationals)	7				
Early Years - Delivery Support Fund - Carried forward from 2023/24	90				
Early Years - Delivery Support Fund 2025/26	-90				
Early Years - Wraparound Childcare Programme	580	278			
Early Years - Professional Development Programme	55				
Early Years - Experts and Mentors Programme	5				
Family Hubs Transformation Funding - Carried forward from 2023/24	492				
Family Hubs Transformation Funding 2024/25	90	238			
Leaving Care Allowance Uplift Implementation Grant (Note 3)	72				
Staying Close Award	602				
Supported Accommodation New Burdens Grant (Note 3)	620				
Enhance Programme Funding	330				
Total	**14,738**	**12,915**	**3,720**	**3,720**	**3,720**

Corporate Grants Register 2025-2029	Revised Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
GENERAL USE (Held Corporately)					
Children and Families Committee					
Social Care Support Grant	9,174	10,560	10,560	10,560	10,560
Staying Put Implementation Grant (Note 3)	130				
Extended Rights to Free Transport (Home to School Transport) (Note 2)	324				
Extended Personal Adviser Duty Implementation (Note 3)	57				
Extension of the role of Virtual School Heads (Note 3)	61				
Total	**9,746**	**10,560**	**10,560**	**10,560**	**10,560**
Total Children and Families Committee	**217,135**	**242,952**	**233,757**	**233,757**	**233,757**
SPECIFIC PURPOSE (Held within Services)					
Corporate Policy Committee					
Housing Benefit Subsidy	49,832	49,726	49,726	49,726	49,726
Discretionary Housing Payments Grant	349	349	349	349	349
Housing Benefit (HB) Award Accuracy Initiative	27	26	25	24	23
LADS - VEP (RTI) funding	8	7	7	7	7
LADS - Internet Protocol Access	0				
New Burdens: Universal Credit, maintenance & natural migration	24	21	18	15	12
Local Authority Data Sharing (LADS)	1				
LADS - New Burdens - Discretionary Housing Payments (DHP)	59	60	60	60	60
LADS - New Burdens - Benefit Cap					
LADS - New Burdens - Welfare Reform Changes (S4/2022)					
LADS - New Burdens - Single Fraud Investigation	1	1			
LADS - New Burdens - Single Housing Benefit Extract Automation	13	10	10	10	
Democratic Services:					
Police and Crime Commissioner's Panel grant	65	65	65	65	65
Finance and Customer Services:					
Redmond Review	51				
Cyber Support Grant	3				
Business Rates Relief Grant	23,674	20,388	17,481	18,389	19,340
Total	**74,107**	**70,653**	**67,741**	**68,645**	**69,582**
GENERAL USE (Held Corporately)					
Corporate Policy Committee					
Housing Benefit Administration Subsidy	707	720	720	720	720
NNDR Administration Allowance	578	587	587	587	587
Revenue Support Grant	414	849	849	849	849
New Homes Bonus	4,085	3,000			
Services Grant	297	2,979	2,979	2,979	2,979
Employers National Insurance Grant					
Electoral Integrity New Burdens (Note 2)	82				
Total	**6,163**	**8,135**	**5,135**	**5,135**	**5,135**
Total Corporate Policy Committee	**80,270**	**78,788**	**72,876**	**73,780**	**74,717**

(2) Grant rolling into Revenue Support Grant from 2025/26

(3) Grants rolling into relevant Children and Families ringfenced grant

Corporate Grants Register 2025-2029	Revised Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
SPECIFIC PURPOSE (Held within Services)					
Economy and Growth Committee					
Rough Sleeping Initiative - Brought forward	10				
Rough Sleeping Initiative	222	222			
Rough Sleeping Winter Pressure	37				
Homelessness Prevention Grant - Brought Forward	1,029				
Homelessness Prevention Grant	1,054	1,471			
Local Authority Housing Fund	3				
Shared Prosperity Fund - brought-forward	1,065				
Shared Prosperity Fund	5,868	2,524			
Enterprise Cheshire & Warrington (ECW): Core Funding	234				
Enterprise Cheshire & Warrington (ECW): Growth Hub Funding	261				
Enterprise Cheshire & Warrington (ECW): Skills Bootcamp	1,717				
Towns Fund - Ice Cream Van	15				
Natural England - Stewardship scheme	2	2	2	2	2
Natural England - Stewardship scheme	7	6	6	6	6
Apprentice Incentive Scheme	1				
Natural England - Stewardship scheme	64	63	63	63	63
ACE Place Partnership	100	80	20		
Total	**11,690**	**4,369**	**91**	**71**	**71**
Total Economy and Growth Committee	**11,690**	**4,369**	**91**	**71**	**71**
SPECIFIC PURPOSE (Held within Services)					
Environment and Communities Committee					
Extended Producer Responsibility Grant		7,500	3,410	3,066	
Bikeability Grant	264				
Planning Skills Delivery Fund - brought forward	100				
Enforcement Grant (Planning) - brought-forward	30				
Neighbourhood Planning (Referendums)	30				
High Speed 2 (HS2) Ltd	850				
Air Quality Grant (Cycling) - brought-forward	6				
Air Quality - Smoke control areas new burdens funding - brought forward	23				
Offensive weapons	29				
Cosmetic fillers - brought-forward	15				
Food Standards Agency	1				
Section 31 grant - Biodiversity net gain	43				
Mobile Home Fit and Proper Person Test grant - brought forward	1				
XL Bully Ban Implementation Fund	7				
Total	**1,400**	**7,500**	**3,410**	**3,066**	**0**
Total Environment and Communities Committee	**1,400**	**7,500**	**3,410**	**3,066**	**0**
SPECIFIC PURPOSE (Held within Services)					
Highways and Transport Committee					
Bus Capacity Grant - brought-forward	159				
Bus Recovery Grant - brought-forward	150				
Bus Capability Grant - brought-forward	147				
Local Transport Fund	219				
Bus Support Grant	348	348			
Active Travel Capability Fund - brought-forward	196				
Local Electric Vehicle Infrastructure (LEVI) - brought forward	230				
Local Electric Vehicle Infrastructure (LEVI) - 2024/25	159				
Bus Service Improvement Plan+ (BSIP+) - brought forward	1,178				
Bus Service Improvement Plan+ (BSIP+) Phase 2	1,188				
Bus Service Improvement Plan+ (BSIP+) - Phase 3	2,268	2,880			
Bus Fare Cap Grant - brought forward	1				
Bus Fare Cap - Mikro	1				
Bus Fare Cap 2024/25	2				
Rural Mobility Fund - brought-forward	242				
Total	**6,488**	**3,228**	**0**	**0**	**0**
Total Highways and Transport Committee	**6,488**	**3,228**	**0**	**0**	**0**

Annex 4 – Capital Grants

Capital Grants Summary	Expected Receipt 2025/26 £000	Application of Grants in 2025/26 £000	Expected Receipt 2026/27 £000	Application of Grants in 2026/27 £000	Expected Receipt 2027/28 £000	Application of Grants in 2027/28 £000	Expected Receipt 2028/29 £000	Application of Grants in 2028/29 £000
SPECIFIC PURPOSE (Held Corporately)								
ADULTS & HEALTH								
TOTAL ADULTS & HEALTH	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CHILDREN & FAMILES								
Basic Need Grant	2,442	13,112	2,500	7,391	0	2,050	0	0
Crewe Towns Funding	0	1,559	0	0	0	0	0	0
Childcare Capital Expansion	0	300	0	0	0	0	0	0
Devolved Formula Capital Grant	330	330	310	310	0	0	0	0
Early Years	0	79	0	0	0	0	0	0
Family Hubs Transformation	0	105	0	0	0	0	0	0
High Needs/Special Educational Needs Grant	0	11,607	0	8,248	0	3,000	0	0
School Condition Grant	2,000	2,563	2,000	2,311	0	0	0	0
TOTAL CHILDREN & FAMILIES	**4,772**	**29,655**	**4,810**	**18,260**	**0**	**5,050**	**0**	**0**
ECOMOMY & GROWTH								
Crewe Towns Funding	0	3,106	0	0	0	0	0	0
Connecting Cheshire Digital 2020 - Super Fast Broadband	0	0	0	0	0	0	2,985	2,985
Disabled Facilities Grant	2,555	2,664	2,800	2,800	2,800	2,800	2,800	2,800
Green Homes Grant	0	339	0	339	0	0	0	0
Handforth Heat Network	0	50	0	450	0	1,424	0	0
Homes England Grant - North Cheshire Garden Village	1,369	1,369	13,675	13,675	0	0	0	0
Home Upgrade Grant	1,669	1,669	0	0	0	0	0	0
Local Authority Housing Fund	309	309	0	0	0	0	0	0
Department of Transport - Culture & Tourism	0	29	0	0	0	0	0	0
Public Sector Decarbonisation Fund - 3B - Lot 1	124	124	0	0	0	0	0	0
Public Sector Decarbonisation Fund - 3C	1,159	1,159	0	0	0	0	0	0
Schools Condition Grant - FM	1,044	1,044	0	0	0	0	0	0
UK Shared Prosperity Fund	700	700	0	0	0	0	0	0
Homes England Grant - South Macclesfield Development Area	0	0	0	0	0	0	10,000	10,000
TOTAL ECONOMY & GROWTH	**8,929**	**12,562**	**16,475**	**17,264**	**2,800**	**4,224**	**15,785**	**15,785**
ENVIRONMENT & COMMUNITIES								
Crewe Towns Funding	0	2,857	0	0	0	0	0	0
Simpler Recycling Transitional Funding	2,132	2,132	500	500	0	0	0	0
TOTAL ENVIRONMENT & COMMUNITIES	**2,132**	**4,989**	**500**	**500**	**0**	**0**	**0**	**0**
HIGHWAYS & TRANSPORT								
Department for Transport S31 Grant - A500	950	2,505	0	0	0	0	73,075	73,075
Department of Transport Incentive Fund	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Department of Transport Integrated Transport Grant	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003
Department of Transport Maintenance Grant	5,799	5,799	5,799	5,799	5,799	5,799	5,799	5,799
Department of Transport Pothole Funding	5,799	5,799	5,799	5,799	5,799	5,799	5,799	5,799
Department of Transport S31 Grant - Middlewich Eastern Bypass	22,140	22,140	21,603	21,603	2,004	2,004	0	0
Department of Transport Highway maintenance allocations-Additional	7,982	7,982	6,597	6,597	6,597	6,597	6,597	6,597
Department of Transport Highway Traffic Signal Maintenance Fund	0	260	0	0	0	0	0	0
Department of Transport Maintenance Grant - Prior Years	0	1,190	0	222	0	0	0	0
Future High Street Funding	0	309	0	0	0	0	0	0
Local Growth Fund - Congleton Link Road	316	316	0	0	0	0	0	0
LEVI Capital Fund 23/24	0	543	0	543	0	543	0	543
Active Travel England	0	1,420	0	0	0	0	0	0
Local Growth Fund - Sustainable Travel Access Programme	0	200	0	0	0	0	0	0
TOTAL HIGHWAYS & TRANSPORT	**46,439**	**51,916**	**43,251**	**44,016**	**23,652**	**24,195**	**94,723**	**95,266**
TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING	**62,272**	**99,122**	**65,035**	**80,039**	**26,452**	**33,469**	**110,508**	**111,051**

Annex 5 – Capital Strategy

Overview and Comment from the Section 151 Officer

5.1. The Capital Strategy forms a key part of the Council's Medium-Term Financial Strategy (MTFS) alongside the Treasury Management and Investment Strategies. Each of these strategies is reviewed each year and supports the opinion on the robustness of the Council's financial plans. This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It provides an overview of how associated risk is managed alongside future financial sustainability.

5.2. The capital strategy:

- Provides a framework for the management and monitoring of the capital programme.
- Creates the process for bidding for capital resources.
- Sets out the approach to funding capital expenditure.
- Takes account of the significant revenue implications associated with capital investment.

5.3. The Strategy also sets out the Council's processes for:

- Setting the financial parameters for capital expenditure in the medium-term.
- Confirming the flexible use of capital receipts in the medium-term.
- The option appraisal of capital project proposals.
- Deciding on the prioritisation of capital projects.
- Monitoring and evaluating approved schemes.

5.4. The Strategy incorporates confirmation of the Council's Minimum Revenue Provision and gives details of the Prudential Indicators.

5.5. Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

5.6. 2024/25 has proven to be a difficult year for Cheshire East Council financially and the continued higher interest rates and the Dedicated Schools Grant (DSG) deficit the Council is carrying has heavily impacted on the Capital Financing Budget.

5.7. Interest costs are anticipated to be in the region of £17.8m in 2025/26 and rising to £18.8m in the following year. With significant borrowing still funding elements of the capital programme during 2024/25 and the associated future Minimum Revenue Provision costs, which start to impact revenue from 2025/26, as well as the interest cost of borrowing, the revised Capital Financing Budget required for 2025/26 is £35.0m, an increase of £6.5m from 2024/25.

5.8. The revenue implications of financing EFS through borrowing also start to impact in 2025/26 and this has been included in the increased budget requirement.

5.9. Continuing to fund capital programmes with large amounts of borrowing is not affordable and not prudent.

5.10. A new Capital Programme Board has been set up and it will be within their remit to develop the overall Capital Strategy and annual programme in accordance with the priorities set out in the Council's corporate plan and with due consideration of financial implications to ensure it is affordable, financially prudent and sustainable.

5.11. The new Capital Programme Board is both streamlined and made up of very senior officers, including Section 151 Officer, Executive Director of Place and the Assistant Chief Executive, to ensure due diligence with regard to finance, policy, and investment in assets.

5.12. The Board will be responsible for appraisal and recommendation of any new schemes to be included within the programme or any amendments to the programme, and to provide a forum for establishing and delivering robust challenge and debate around the Capital Programme.

5.13. It will be for the Capital Programme Board to assess best use of limited Council resources. Given affordability challenges the Board will use prioritisation criteria (detailed under Prioritisation of Capital Expenditure at section 2 below) to inform their considerations and recommendations to Council.

5.14. All schemes in the capital programme will be subject to spending controls to ensure that only essential expenditure is being incurred in 2025/26. Project Managers when procuring contracts should make sure that the Council's resources are being used efficiently and ensuring value for money principles are adopted. Adequate contingency/risk allocations should already be built into the projects to reduce the requirement to request further budget increases during the year that require funding from Cheshire East resources.

Five Principles

5.15. Five Principles underpin the Capital Strategy:

1. Capital expenditure is priority based and is aligned with the Council's Corporate Plan priorities.
2. The financial implications of capital projects are aligned with the Medium-Term Financial Strategy and the longer-term impactions taken account of.
3. Capital projects will be focused on achieving the best return on investment.
4. Decisions will follow a clear framework.
5. There will be a corporate approach to generate and apply capital resources.

5.16. The overarching aim of the Capital Strategy is to provide a framework within which the Council's capital investment plans will be achieved. The plans are driven by the Corporate Plan.

Adele Taylor

Adele Taylor FCPFA

Interim Director of Finance and Customer Services

(Section 151 Officer)

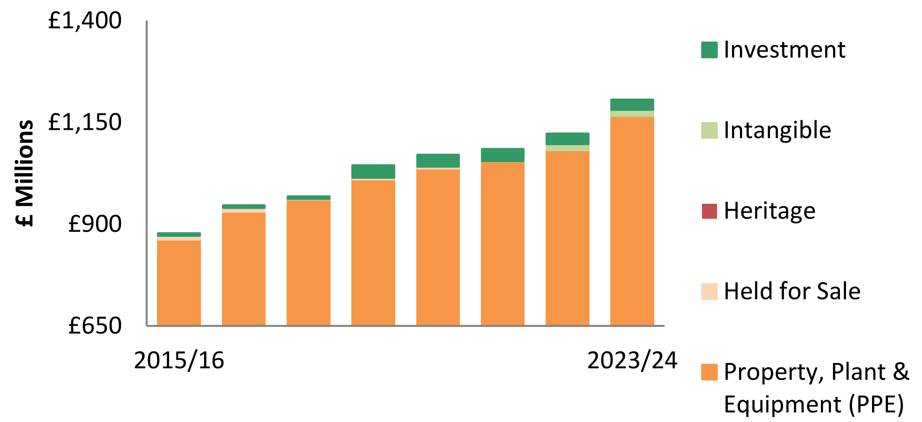
1. Introduction

5.17. As a public sector organisation, with assets valued in excess of £1 billion, Cheshire East Council is committed to maintaining a robust capital strategy that is clearly related to the priorities within the Corporate Plan, is linked with infrastructure and asset planning; and has consistent approaches to investment.

Chart 1: Total Asset Values held by the Council

Property, Plant and Equipment is the most significant category of assets for the Council.

Asset Net Book Value



Source: Cheshire East Council: Statement of Accounts 2014 to 2024.

5.18. The capital programme, which is developed in line with the Strategy, is the list of capital projects that the Council plans to undertake within a given timeframe.

5.19. The programme is approved in line with the Council's Constitution and covers a minimum period of four years and is reviewed annually by Council.

5.20. Any new proposals to be added to the Capital Programme will first be reviewed by the Capital Programme Board who will then make recommendations to Council.

5.21. The Chartered Institute of Public Finance and Accountancy (CIPFA) definition of capital expenditure is:

Definition of Capital Expenditure

"An expenditure on assets that will provide a benefit to the organisation beyond the current financial year including expenditure on purchase of new assets, creation of new assets and enhancing and/or extending the useful life of existing assets."

5.22. A more detailed definition of capital expenditure, as it applies to UK local authorities, is contained in *Practitioners' Guide to Capital Finance in Local Government* (CIPFA, 2019).

5.23. Accounting treatment of capital is compliant with International Accounting Standard 16 Property, Plant and Equipment.

5.24. Capital investment is subject to due process, and assurance is provided that plans are prudent, affordable and sustainable in accordance with the Prudential Framework (the

Prudential Framework being an umbrella term for several statutory provisions and professional requirements that allow authorities largely to determine their own plans).

5.25. Non-capital expenditure normally falls outside the scope of the framework and is charged to revenue in the year that it occurs. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

5.26. The capital strategy is the foundation of long-term planning of capital investment and how it is to be delivered. Robust processes are relied upon to ensure projects are evaluated and prioritised and approved to the programme along with the resources to fund it. This requires clear parameters to be set at the beginning of the process. Clarity must be supplied via supporting information on the project proposal and clear criteria, related to the organisation's corporate objectives, for prioritising projects.

5.27. In determining how much capital investment to undertake, the Council will consider the long-term impact of borrowing and other forms of capital funding on revenue budgets. The same principle applies to leases, public–private partnerships and outsourcing arrangements to procure public assets.

5.28. Delivering the capital programme requires efficient programme management, project management and procurement, as well as appropriate systems for monitoring, control and scrutiny.

Capital Strategy Principles

5.29. Five Principles underpin the Cheshire East Council Capital Strategy. The principles will be adhered to by Members and employees of the Council and the Section 151 Officer will determine the framework for administering and monitoring the effective application of the principles.

5.30. These principles will be achieved through a process of prioritisation, setting financial parameters, asset management and managing risk as set out in the following chapters.

The Five Principles of the Capital Strategy

1.	Capital expenditure is priority based and is aligned with the Council's priorities.
2.	The financial implications of capital projects are aligned with the Medium-Term Financial Strategy and the Asset Management Plan and the longer term implications are taken account.
3.	Capital projects will be focused on delivering the best return on investment. This will be demonstrated through: - Capital Projects will be externally funded or supported by private sector investment in a way that maximises the Council's financial interest in the asset. - Borrowing will be appropriate based on the lifetime benefits of a scheme and all investments will be subject to strong control arrangements and risk analysis. - The impact of financing capital expenditure will be reviewed annually to ensure it remains appropriate in terms of the expected return on the overall investment.

	- Capital investment will follow an agreed set of prudential limits and indicators in order to demonstrate that plans and borrowing are affordable, prudent and sustainable.
4.	Decisions in relation to the programme will follow a clear framework with an appropriate gateway review and robust management of risk relating to capital projects.
5.	There will be a corporate approach to generating and applying capital resources.

2. Prioritisation of Capital Expenditure

5.31. Capital Projects will be approved for inclusion in the Capital Programme based on how they meet the needs of the Corporate Plan and adherence with the Capital Strategy.

5.32. Capital ambitions may exceed the potential capital resources, particularly given recent funding cuts and demand pressures in the public sector. The Council manages this issue through prioritisation on a variety of factors.

5.33. The Capital Strategy stands above operational strategies that are needed for key services such as housing, transport, education and other spending areas.

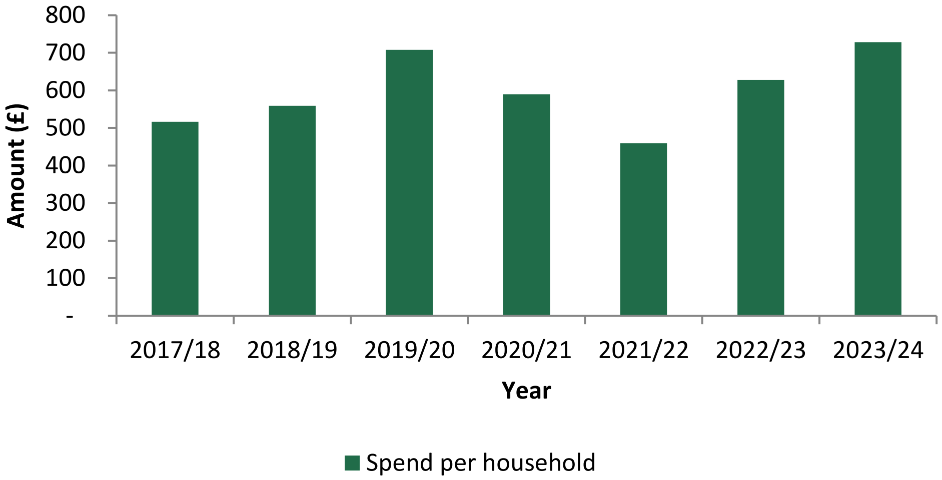
5.34. The first step is to align the capital programme to ensure that we are maximising the capital investment to address the pressures in the revenue budget and remove any projects that do not in the first instance benefit the Medium-Term Financial Strategy.

5.35. The next step is alignment with the Corporate Plan and identification of capital investment that will help to achieve the Council's key vision:

- **Open:** An open and enabling organization.
- **Fair**: A Council which empowers and cares about people.
- **Green**: A thriving and sustainable place.

5.36. The capital programme includes investment in education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services; all of which contribute to achieving these priorities.

Chart 2: Capital Spend per Household



5.37. The Council requires the submission of a High-Level Business Case, that assesses all aspects of a scheme and the impact on stakeholders is identified. Therefore, the Council can gain understanding on how a scheme impacts on the overall strategy, the local economy, officers, and resources of the Council.

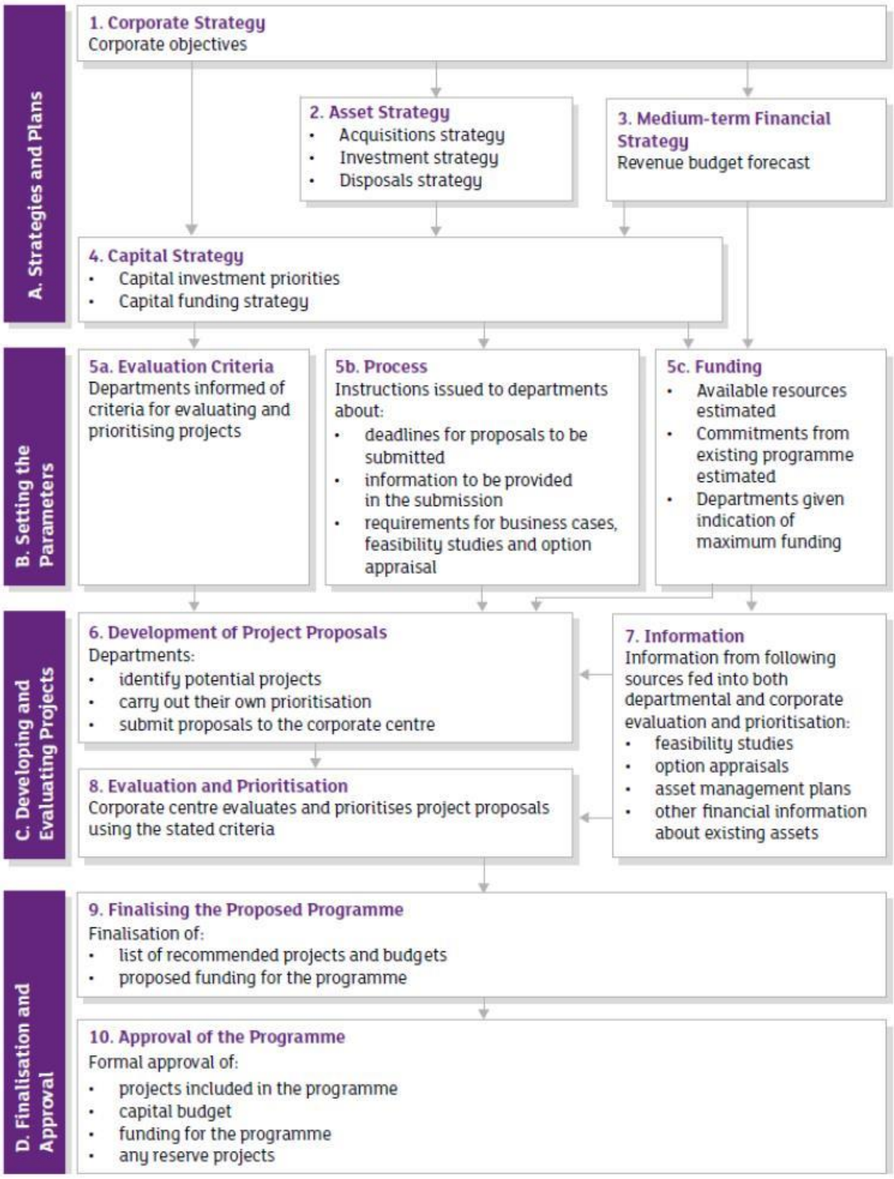
5.38. The 'full' business case model is required for major infrastructure projects. A lighter touch version is sufficient for some projects and the Capital Financing Team will determine the approach as necessary to achieve appropriate approval.

5.39. Business Case annexes provide benefits realisation, risks, constraints and dependencies, contractual arrangements, costs and funding, governance arrangements and key milestones.

5.40. High Level Business Cases are submitted to the Capital Programme Board as part of the Business Planning process. The Capital Programme Board considers each case to grade them as High, Medium or Low in accordance with the following table and will then recommend schemes for inclusion in the programme.

Priority	Description
High likely to be recommended for approval within the capital programme.	Schemes that help reduce the on-going financial pressures and have a positive impact on the MTFS. An agreed service provision within the MTFS. Required compliance and legislative needs. Fully funded by external sources. Self-funding projects with high financial returns and short-term initial outlay. Projects essential to the core operating capability of the Council (e.g. essential ICT and corporate building-related).

Medium recommended only if funding is available within the parameters of the MTFS.	Cost effective replacement and enhancement. Projects with positive financial returns. Part funded projects of strategic importance to Council priorities.
Low unlikely to be recommended for approval, unless specific strategic importance is associated with the project, or public demand is significant.	Unfunded projects without financial returns.



5.41. **Annex A** provides the current Capital Programme for the Council.

3. Financial Controls

Setting Financial Parameters

5.42. The Medium-Term Financial Strategy (MTFS) provides the basis for budget forecasts and annual budget planning for revenue and capital expenditure. This describes the activities to be carried out over the next four years to achieve the corporate priorities alongside the revenue and capital resources which will be needed to deliver those improvements.

5.43. As part of the revenue budget setting process, the estimated financing costs for the capital programme and for existing debt are calculated to update the Capital Financing budget (CFB).

5.44. The Section 151 Officer will invite bids for Capital Expenditure and present a capital programme at each Budget Council meeting. The Capital programme Board will determine the prioritisation (see Section 2) and the financial implications to assess whether bids are affordable and will then report to Members for approval in line with the Constitution.

5.45. Strategic management of the capital programme allows schemes to be added throughout the financial year. These will be reported to Committees on a regular basis.

5.46. If the CFB varies from the strategy the Section 151 Officer will consider options to top-up or draw down from a Financing Earmarked Reserve (if available) and will report this approach to Members.

5.47. Underspends on the CFB due to programme slippage will automatically be transferred to the Financing Reserve.

5.48. Current forecast for 2025/26 is that the CFB is 8.7% of the Net Revenue budget, that is due to the requirement to increase the budget by £6.5m to cover the increase in borrowing to cover the repayments for EFS, the growth in the DSG deficit and the increase in Capital Financing Requirement (CFR) from the capital programme.

5.49. Table 1 below shows Capital Financing budgets which have increased significantly since the 2024-28 MTFS to take account of the increase in the cost of financing. These increases consider not only the capital financing cost of the capital programme but also the capital financing costs of the rising DSG deficit as well as the estimated costs of financing EFS through borrowing. These figures are after taking account of the betterment from the change in accounting policy.

Table 1: Financial Parameters for 2024/25 to 2027/2028

Parameter	Value (£m) 2024/25	Value (£m) 2025/26	Value £m) 2026/27	Value £m) 2027/28
Repayment of Borrowing				
Minimum Revenue Provision*	14.9	18.9	22.5	24.4
External Loan Interest	18.8	20.1	20.9	22.3
Investment Income	(4.0)	(2.3)	(2.1)	(2.1)
Contributions from Services Revenue Budgets	(1.3)	(1.7)	(2.5)	(2.7)
Total Capital Financing Costs	**28.4**	**35.0**	**38.8**	**41.9**
Use of Financing EMR	(2.1)	(0)	(0)	(0)
Total Costs after use of reserve	**26.3**	**35.0**	**38.8**	**41.9**
Actual CFB in MTFS	**(28.5)**	**(35.0)**	**(38.8)**	**(41.9)**
Variance to Budget (Underspend)**	**(2.2)**	**0**	**0**	**0**
***Capital Receipts targets**	**1.0**	**1.0**	**1.0**	**1.0**
Flexible Use of Capital Receipts	**1.0**	**1.0**	**1.0**	**1.0**

* Anticipated MRP based on new accounting policy calculation and achieving capital receipts target

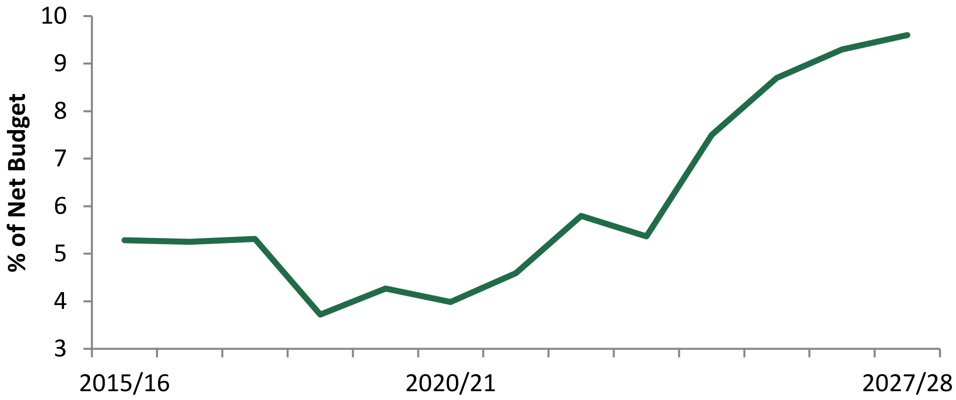
** Underspend has arisen due to the proposed change in the accounting policy for calculation of MRP with effect from 1st April 2024

Repayment of Borrowing

5.50. 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.

5.51. 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 costs of repaying debt are spread over the life of the asset, similar to depreciation.

Chart 3: Capital Financing as a percentage of Net Budget



Accounting Policy Change for Calculation of MRP

5.52. Since 2017 the MRP calculation has been based upon a 2% Annuity rate. CIPFA Guidance states that "the rate chosen should fairly represent the circumstances as they are likely to apply over the life of a particular project." It is now felt that applying 2% annuity does not accurately reflect the current conditions and it is proposed that this is changed with effect from 1st April 2024.

5.53. The proposed change is to use the opening PLWB Annuity rate each year, from 1st April 2024, and use that to calculate the MRP for expenditure in that year. This will better reflect the actual cost of borrowing at the time the expenditure is incurred. By applying the opening rate greater certainty can be provided for outturn forecasting and longer-term trends will be incorporated with the opening rate changes year on year.

5.54. Using an annuity calculation seeks to charge an overall equivalent amount to revenue year on year for a project. This is partly the interest cost of the borrowing and partly the MRP. In early years when the principal amount of borrowing outstanding is higher the interest cost is higher, but the amount of capital repayment is lower (MRP). In later years, the principal outstanding is lower so the associated interest cost is less and the capital repayment, or MRP, should therefore be higher.

5.55. At present the revenue account is being charged with the higher interest costs (due to increased interest rates over the last couple of years) but the MRP element (on 2% annuity) has not been reduced to match. By moving to more current PWLB annuity rates the higher interest costs in the earlier years of borrowing are better recognised and the MRP reduces. As time progresses the interest cost for that project borrowing will reduce and the MRP will increase. This maintains an overall more even total charge to the revenue for a project year on year

5.56. The impact of this change in accounting policy overall will be to reduce our MRP charges in 2024-25 and throughout the term of the MTFS (and indeed up until 2036/37) on amounts already committed to and in the proposed MTFS 2025-29. The beneficial effect on the 2024/25 position will be reported as part of the 2024/25 outturn report.

5.57. The reduced MRP repayments does mean that the total Capital Financing Requirement remains higher for longer, but will fall more quickly in later years, and there is a greater interest cost than previously forecast across the MTFS but the net effect is an overall reduction to the Capital Financing Budget. See Table 2 below.

Table 2 Impact to CFB of accounting policy change	2024/25	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
MRP Change	(3.83)	(4.36)	(4.42)	(4.00)	(3.57)
Interest rate change	0	0.19	0.36	0.54	0.69
Net Change to Capital Financing Budget required	**(3.83)**	**(4.17)**	**(4.06)**	**(3.46)**	**(2.89)**

5.58. The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is shown in **Annex B**. This includes the change to accounting policy and 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.

5.59. 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.

5.60. The Council's current strategy is to use available cash balances, known as 'internal borrowing' and to borrow short-term loans where possible. As interest rates are expected to fall over the next 12 to 24 months it is likely to be more cost effective over the medium to long term to continue with this strategy through 2025-26.

Investment Income

5.61. The Treasury Management Strategy determines the approach and financial limits associated with providing a financial return on the Council's investment portfolio.

5.62. The Section 151 Officer, with advice from treasury management advisors, is responsible for considering the prudent level of available balances in any year and then assessing risk against potential financial returns to determine a level of income to be achieved from investments.

5.63. The Council's strategy is to utilise the net financial returns from investments to reduce the overall Capital Financing Budget.

Contributions from Services

5.64. 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.

5.65. When including any scheme in the Council's Capital Programme the Section 151 Officer and Capital Programme Board 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.

5.66. 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.

5.67. The Council's strategy is to use revenue contributions to the Capital Programme to reduce the overall Capital Financing Budget.

Use of Financing Earmarked Reserve

5.68. To allow a longer-term approach to setting the Financial parameters of the Capital Strategy the Council maintains an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.

5.69. As the Financing Earmarked Reserve will be fully drawn in 2024/25, any underspend against the Capital Financing Budget will be returned to the Capital Financing Reserve to support future years.

Capital Receipts from Asset Disposals

5.70. The Council has a substantial land and property estate, mainly for operational service requirements and administrative buildings.

5.71. Council Plans, such as the Local Plan, Local Transport Plan, Farms Strategy and Asset Management Plans, set the strategic framework for significant land and property asset disposals and acquisitions associated with these key areas. In each financial year the net impact of these plans will allow the Section 151 Officer, in consultation with the Executive Director for Place, to determine the net impact of disposals and acquisitions on the CFB.

5.72. Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment or offset future debt or transitional costs, included within the new flexibilities provisions, as and when received.

5.73. The Council will continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas unless a suitable business case is made available, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities. Capital receipts have been an important source of finance in previous financial years.

5.74. The Council's current strategy is to realise net receipts of £4.0m for the period 2025/26 to 2028/29 and that these receipts will reduce the overall Capital Financing Budget.

5.75. The Council is looking to rationalise assets over this period with a view to bringing in additional capital receipts. These additional capital receipts will be utilised at the discretion of the Section 151 Officer to best support the Council's revenue position. Options that will be considered include supporting the transformation programme as flexible capital receipts, repayment of EFS to reduce annual borrowing and MRP costs, repayment of borrowing for the capital programme, particularly short-term high-cost items (e.g. ICT).

5.76. Following the current period of transformation the intention is that first use of additional capital receipts will always be to support the capital financing budget to bring the overall capital financing requirement down to a long term affordable and sustainable position.

Flexible use of Capital Receipts

5.77. Following the 2015 Spending Review, in March 2016 DLUHC (formerly MHCLG) published statutory guidance on the flexible use of capital receipts initially for a three-year period covering 2016/17 to 2018/19. The guidance has been updated a number of times since then and most recently in December 2023 which has allowed the flexibility to continue to use Capital Receipts to fund transformational programmes within councils now extends to March 2030.

5.78. The MTFS includes plans to utilise £1.0m of capital receipts to offset the cost of transformational projects each year over the period 2025/26 to 2028/29. The Strategy for 2025/26 is shown at **Annex D**. A wider disposal programme is under way which is forecast to generate larger capital receipts but decisions on use of any additional capital receipts has not yet been taken and will be within the remit of Section 151 Officer to determine best use in managing the Councils finances.

Government Grants

5.79. Government capital grants are generally allocated by specific Government departments to fund projects either as part of a block allocation or following a specific application process. The Council must therefore allocate such funding to support the spending programmes for which they are specifically approved.

5.80. Overall Government funding has reduced in recent years, but the Council still receives Government grants including:

- DfT Local Transport Plan
- Housing Infrastructure Fund
- Disabled Facilities Grants
- DfE Devolved Formula Capital; Schools Condition, Basic Needs and High Needs / SEN Allocations

5.81. The Council's strategy is to ring-fence capital grants to the service that they are allocated to.

Developer Contributions

5.82. Developer contributions will be sought to ensure that the necessary physical, social, public realm, economic and green infrastructure is in place to deliver development. Contributions will be used to mitigate the adverse impacts of development and to help facilitate the infrastructure needed to support sustainable development.

5.83. Development proposals will be expected to provide a contribution to the cost of infrastructure including initial design, capital costs and ongoing revenue such as the maintenance of services and facilities.

5.84. The Council's strategy has been to forward fund anticipated Section 106 contributions for major infrastructure and education schemes. However, given the current financial burden of the capital programme future forward funding for schemes will not be undertaken except in exceptional circumstances.

Community Infrastructure Levy (CIL)

5.85. The Community Infrastructure Levy (CIL) is a planning charge on new development which became operational in Cheshire East on 1 March 2019. The Levy allows the Council to raise financial contributions from certain chargeable development in the borough such as housing (except affordable housing, self-build housing and apartments) and retail development at the Crewe Grand Junction and Handforth Dean retail parks. The CIL regulations require councils to spend the monies raised on the infrastructure needed to support the development of their area. The definition of infrastructure allows a broad range of facilities to be funded such as play areas, open spaces, parks and green spaces, cultural and sports facilities, as well as those relating to transport, health and education. CIL monies can be used in conjunction with S106 contributions and other monies to deliver infrastructure.

5.86. The Council passes on either 15% or 25% of its CIL receipts to the town or parish council where the CIL chargeable development has taken place, with the higher amount being paid to those councils with a Neighbourhood Plan. The Council will use the MTFS process to allocate the remaining CIL receipts and this will be done within the general framework detailed below:

- Up to 5% of the receipts will go towards the costs of administering CIL and the rest will be used to deliver the Council’s planned infrastructure priorities;
- The Council’s infrastructure priorities will be identified in its annual Infrastructure Funding Statement (IFS) which will be published on the Council’s website by the end of December each year. This will also contain details on the amount of CIL receipts received, spent and remaining unspent in the previous financial year;
- CIL monies will only be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of Cheshire East;
- The Capital Programme Board will review requests for spend of receipted CIL monies to ensure that they are in accordance with CIL regulations and for the delivery of infrastructure priorities.

Funding Capital Expenditure

5.87. The inclusion of schemes within the Council’s capital budget is intrinsically linked with the way schemes can be financed. This ensures that the affordability of the capital programme reflects the organisation’s long-term objectives rather than short-term expedience.

5.88. The Council’s strategy is to fund capital expenditure in the first instance from sources other than the Council’s Capital Financing Revenue Budget.

5.89. Capital expenditure may be funded directly from revenue, but not vice-versa. Overall financial pressure on the Council makes returns on capital investment a key element of the overall financial stability of the Medium-Term Financial Strategy.

5.90. Capital budgeting differs from revenue budgeting because:

- The need for capital investment tends to fluctuate year on year to a much greater degree than the need for revenue spending.
- There is usually significant discretion over how or when to make use of the capital funding that is potentially available, such as determining the level of borrowing and the use made of capital receipts in a particular period.
- There is usually significant discretion over when particular capital projects take place. Capital budgets, unlike revenue budgets, can usually be carried forward from one year to another.
- Many public sector organisations are able to fund capital expenditure from sources that they are not permitted to use to fund revenue expenditure, such as borrowing.

5.91. The Section 151 Officer will therefore use judgement, as part of the medium-term financial planning process, to determine how schemes can be accommodated within the overall programme, depending on the organisation's overall financial position and its capital investment priorities.

5.92. The Council will ensure every effort is made to provide value for money from capital expenditure, and to maximise the local benefits from capital projects the Council will always target alternative funding sources before committing to contributions from the funding parameters set within the MTFS. All high-level business cases will therefore contain reference to benefits realisation.

5.93. All high-level business cases will include information on how alternative funding sources have been considered. All capital scheme budget managers will also provide regular updates on the status of all funding sources, as required by the Section 151 Officer. Funding sources will be categorised as either 'received', 'contractually committed' or 'in negotiation'.

Contingencies in the Capital Programme

5.94. In the initial stages of development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views / interest of stakeholders who must be consulted, ground conditions, or the costs of rectifying or demolishing existing buildings (for example the cost of asbestos removal).

5.95. For this reason, the Council will develop a structured process of identifying and managing risk. In the initial stages of a project these are necessarily broad estimates due to the number of unknown factors. As projects progress the unknown factors will become clearer and project managers will focus on managing these in the most effective way possible, utilising contingencies to do so as needed.

5.96. The process of identifying risk will be two stage, firstly at the project development stage with further refinement at the contract award stage.

5.97. As part of the Capital Programme Review all project contingencies will be assessed to ensure they are appropriate. Approval to access any contingency element must have clear written controls as to when they can be accessed and who has authority to release the contingent funds.

4. Investment and Risk Strategy

5.98. The Council is faced with diminishing capital finance and reduced access to grants and external funding. Spend will need to be monitored effectively against available funds. The Council has seen an increase in costs for a number of its key projects due to inflationary pressures being experienced nationwide. This pressure is likely to continue in the forthcoming years.

5.99. A risk management framework is in place and the core of this framework is set out in the Corporate Risk Management Strategy. Each directorate has its own operational risk register which integrates the relevant directorate Performance Strategy, improvement plans and budgets. In accordance with the HM Treasury Five Case model, a detailed Risk Assessment must be completed for each capital scheme.

5.100. Supporting the Council's budget with adequate reserves is a key element to creating financial resilience and a flexible approach to transferring money from general and earmarked reserves provides protection for Council Taxpayers against year on year fluctuations in expenditure.

5.101. The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of this strategy. Effective procurement is therefore essential, and the Council seeks to apply rigorous procurement standards in the selection of suppliers and contractors throughout the life of a project.

5.102. The Capital Programme should be kept under review having regard to the prevailing economic climate, property market and Government policy. Capital receipts estimates should therefore be kept under review with any significant changes reflected in reporting.

5. Governance

5.103. It is important given the risks surrounding Capital Projects that the appropriate governance arrangements are in place:

- The Capital Strategy, including the overall Capital Programme to be approved annually as part of the Medium-Term Financial Strategy at full Council.
- Updates to the capital programme will be reported to the relevant Committee on a regular basis.
- Committees will review progress against the capital programme and monitor levels of slippage against reported profiled spend.
- Management of Committee work programmes provides the opportunity for Members to consider how scrutiny and amendment of the capital programme ensures alignment to the Council's ambitions.
- Proposals for inclusion in the Capital programme can be made throughout the year. All schemes are subject to approval in accordance with the Finance Procedure Rules before inclusion in the programme.
- The Capital Programme Board will have oversight of the Capital Programme and will develop the overall Capital Strategy and annual programme in accordance with the priorities set out in the Council's corporate plan and with due consideration of financial implications to ensure it is affordable, financially prudent and sustainable.
- An officer group, the Assets Board, meets monthly and is chaired by the Director of Growth & Enterprise. The Board has a key role in the development and implementation of the strategy and reviews performance of the programme.
- The board has strategic oversight of land and property assets and reports on acquisition, disposal, development and management strategies.

Knowledge and Skills

5.104. The Capital Strategy and Treasury Management and Investment Strategies are managed by a team of professionally qualified accountants with extensive local government finance experience between them. They all follow a Continuous Professional Development plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

5.105. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities. She is a professionally qualified accountant and follows an ongoing CPD programme.

5.106. The Senior Responsible Officers and Project Managers who manage a capital project receive training which provides up to date information on the CIPFA Code of Practice, the Prudential Code, principles of capital accounting including eligible capital expenditure, capital funding and the capital financing budget.

Background Papers

Cheshire East Reports –

- Statement of Accounts
- Medium-Term Financial Strategy
- Quarterly Review of Finance Reports
- Financial Resilience - Value for Money
- Finance Procedure Rules

Arlingclose Ltd, Independent Treasury Management Advisors –

- Capital Strategy Template

Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (CIPFA)

Local Authority Capital Accounting: A Reference Manual for Practitioners (CIPFA, 2019)

The Prudential Code for Capital Finance in Local Authorities (CIPFA, 2019 and 2021)

Annex A: Capital Programme

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2025/26 - 2028/29

	Prior Years £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Total Budget £000
Committed Schemes - In Progress						
Adults and Health	0	389	0	0	0	**389**
Children and Families	43,184	37,723	24,104	20,749	0	**125,760**
Corporate Policy	68,440	6,389	1,173	0	0	**76,003**
Economy & Growth	135,466	35,629	28,723	38,975	39,563	**278,356**
Environment & Communities	14,546	18,383	8,402	3,101	0	**44,432**
Highways & Transport	308,265	58,048	42,163	38,178	109,947	**556,602**
Total Committed Schemes - In Progress	**569,902**	**156,561**	**104,566**	**101,003**	**149,510**	**1,081,542**

CAPITAL PROGRAMME 2025/26 - 2028/29

	Prior Years £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Total Budget £000
New Schemes						
Adults and Health	0	0	0	0	0	0
Children and Families	0	0	0	0	0	**0**
Corporate Policy	0	6,356	3,755	3,754	600	**14,465**
Economy & Growth	0	1,758	3,426	4,395	7,191	**16,770**
Environment & Communities	0	7,580	0	0	0	**7,580**
Highways & Transport	0	8,147	12,960	13,069	11,502	**45,678**
Total New Schemes	**0**	**23,841**	**20,141**	**21,218**	**19,293**	**84,493**
Total Capital Schemes	**569,902**	**180,402**	**124,707**	**122,222**	**168,803**	**1,166,035**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2025/26 - 2028/29

Funding Requirement

	Prior Years £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Total Budget £000
Indicative Funding Analysis:						
Government Grants	236,488	99,122	80,039	33,469	111,051	**560,168**
External Contributions	27,055	16,315	12,705	36,626	29,088	**121,790**
Revenue Contributions	552	6,486	0	0	0	**7,038**
Capital Receipts	1,847	731	1,325	21,853	11,588	**37,344**
Prudential Borrowing (See note 1)	303,960	57,748	30,639	30,273	17,076	**439,695**
Total	**569,902**	**180,402**	**124,707**	**122,222**	**168,803**	**1,166,035**

Note 1:

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.

Adults and Health

CAPITAL

CAPITAL PROGRAMME 2025/26 - 2028/29

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
		Forecast Expenditure						Forecast Funding					
Committed Schemes													
Adult Social Care													
Electronic Call Monitoring System	389	0	389	0	0	0	**389**	0	0	389	0	0	**389**
Total Adults Social Care Schemes	**389**	**0**	**389**	**0**	**0**	**0**	**389**	**0**	**0**	**389**	**0**	**0**	**389**

CAPITAL PROGRAMME 2025/26-2028/29													
		Forecast Expenditure						Forecast Funding					
Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Childrens Social Care													
Children's Home Sufficiency Scheme	1,404	904	500	0	0	0	**500**	0	0	0	0	500	**500**
Crewe Youth Zone	4,826	2,420	2,406	0	0	0	**2,406**	1,559	0	0	0	847	**2,406**
Family Hubs Transformation	236	131	105	0	0	0	**105**	105	0	0	0	0	**105**
Foster Carer Capacity Scheme	534	484	50	0	0	0	**50**	0	0	0	0	50	**50**
Total Children's Social Care	**7,001**	**3,940**	**3,061**	**0**	**0**	**0**	**3,061**	**1,664**	**0**	**0**	**0**	**1,397**	**3,061**
Strong Start, Family Help & Integration													
Childcare Capital Expansion	749	449	300	0	0	0	**300**	300	0	0	0	-	**300**
Early Years Sufficiency Capital Fund	1,036	957	79	0	0	0	**79**	79	0	0	0	-	**79**
Total Strong Start, Family Help & Integration	**1,785**	**1,406**	**379**	**0**	**0**	**0**	**379**	**379**	**0**	**0**	**0**	**0**	**379**
Education and 14-19 Skills													
Adelaide Academy	904	155	748	0	0	0	**748**	578	0	0	0	170	**748**
Basic Need Grant Allocation	7,570	5,127	2,442	0	0	0	**2,442**	2,442	0	0	0	0	**2,442**
Congleton Planning Area - Primary (1)	2,209	179	2,030	0	0	0	**2,030**	764	1,266	0	0	0	**2,030**
Congleton Planning Area - Primary (3)	7,504	54	0	2,200	5,250	0	**7,450**	4,250	3,200	0	0	0	**7,450**
Devolved Formula Grant - Schools	1,533	893	330	310	0	0	**640**	640	0	0	0	0	**640**
Energy Efficiency Grant - Schools	672	672	0	0	0	0	**0**	0	0	0	0	0	**0**
Gainsborough Primary - Flooring	304	50	254	0	0	0	**254**	254	0	0	0	0	**254**
Handforth Planning Area - New School	13,003	103	400	4,000	8,499	0	**12,899**	126	12,773	0	0	0	**12,899**
Macclesfield Planning Area - Secondary New	731	5	725	0	0	0	**725**	725	0	0	0	0	**725**
Macclesfield Planning Area - New School	4,001	1	0	0	4,000	0	**4,000**	0	4,000	0	0	0	**4,000**

CAPITAL PROGRAMME 2025/26-2028/29

Scheme Description	Total Approved Budget £000	Forecast Expenditure: Prior Years £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Forecast Funding: Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Education and 14-19 Skills (continued)													
Malbank High School	1,922	1,922	0	0	0	0	**0**	0	0	0	0	0	**0**
Mobberley Primary School	1,208	37	609	561	0	0	**1,170**	870	0	0	300	0	**1,170**
Nantwich Planning Area (Primary Schools - 210	9,061	1,233	7,328	500	0	0	**7,828**	5,308	2,520	0	0	0	**7,828**
New Satellite school - 2	9,000	50	950	5,000	3,000	0	**8,950**	8,950	0	0	0	0	**8,950**
New SEN places - Springfields Wilmslow /Dean Row	1,089	339	750	0	0	0	**750**	750	0	0	0	0	**750**
New SEN Free School	998	5	745	248	0	0	**993**	993	0	0	0	0	**993**
Poynton Planning Area	1,500	113	1,387	0	0	0	**1,387**	584	803	0	0	0	**1,387**
Provision of Sufficient School Places - SEND (Springfield Crewe)	7,182	6,861	322	0	0	0	**322**	0	0	0	0	322	**322**
Schools Condition Capital Grant	7,828	3,828	2,000	2,000	0	0	**4,000**	4,000	0	0	0	0	**4,000**
SEN/High Needs Capital Allocation	5,327	327	2,500	2,500	0	0	**5,000**	5,000	0	0	0	0	**5,000**
Shavington Planning Area - New Primary School	8,040	256	1,000	6,784	0	0	**7,784**	5,449	2,335	0	0	0	**7,784**
Springfield Satellite Site - Middlewich	6,000	500	5,500	0	0	0	**5,500**	5,500	0	0	0	0	**5,500**
Tytherington High School	2,800	272	2,528	0	0	0	**2,528**	2,528	0	0	0	0	**2,528**
Wheelock Primary School	2,411	1,201	1,210	0	0	0	**1,210**	1,210	0	0	0	0	**1,210**
Wilmslow High School BN	14,179	13,654	525	0	0	0	**525**	0	477	0	0	48	**525**
Total Education & 14-19 Skills	**116,975**	**37,838**	**34,284**	**24,104**	**20,749**	**0**	**79,137**	**50,923**	**27,374**	**0**	**300**	**540**	**79,137**
													0
Total Committed Schemes	**125,760**	**43,184**	**37,723**	**24,104**	**20,749**	**0**	**82,577**	**52,966**	**27,374**	**0**	**300**	**1,937**	**82,577**
New Schemes													
Education and 14-19 Skills													
	0	0	0	0	0	0	**0**	0	0	0	0	0	**0**
Total New Schemes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Children and Families Schemes	**125,760**	**43,184**	**37,723**	**24,104**	**20,749**	**0**	**82,577**	**52,966**	**27,374**	**0**	**300**	**1,937**	**82,577**

Corporate Policy

CAPITAL

CAPITAL PROGRAMME 2025/26 - 2028/29

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
		Forecast Expenditure						Forecast Funding					
Committed Schemes													
ICT Services													
Accelerate Digital	1,460	760	700	0	0	0	**700**	0	0	0	0	700	**700**
Care Act Phase 2	6,314	5,234	1,080	0	0	0	**1,080**	0	0	0	0	1,080	**1,080**
ICT Device Replacement	1,912	1,412	500	0	0	0	**500**	0	0	0	0	500	**500**
IADM (Information Assurance and Data Management)	19,465	18,065	1,400	0	0	0	**1,400**	0	0	0	0	1,400	**1,400**
Infrastructure Investment Programme (IIP)	34,429	31,796	1,804	830	0	0	**2,634**	0	0	0	0	2,634	**2,634**
Vendor Management	1,006	788	218	0	0	0	**218**	0	0	0	0	218	**218**
Total ICT Services Schemes	**64,586**	**58,054**	**5,702**	**830**	**0**	**0**	**6,532**	**0**	**0**	**0**	**0**	**6,532**	**6,532**
Finance & Customer Services													
Core Financials	11,317	10,362	662	293	0	0	**955**	0	0	0	0	955	**955**
Vendor Management - Phase 2	99	24	25	50	0	0	**75**	0	0	0	0	75	**75**
Total Finance & Customer Services Schemes	**11,417**	**10,386**	**687**	**343**	**0**	**0**	**1,030**	**0**	**0**	**0**	**0**	**1,030**	**1,030**
Total Committed Schemes	**76,003**	**68,440**	**6,389**	**1,173**	**0**	**0**	**7,562**	**0**	**0**	**0**	**0**	**7,562**	**7,562**
New Schemes													
Finance & Customer Services													
Core Business Systems	1,826	0	334	492	800	200	**1,826**	0	0	0	0	1,826	**1,826**
ICT Services													
Accelerate Digital – (Digital efficiencies) Capital	4,259	0	1,532	1,350	1,377	0	**4,259**	0	0	0	0	4,259	**4,259**
Digital Blueprint - Capital	6,530	0	3,490	1,663	1,377	0	**6,530**	0	0	0	0	6,530	**6,530**
ICT Device Replacement		0	1,000	250	200	400	**1,850**	0	0	0	0	1,850	**1,850**
Total New Schemes	**12,615**	**0**	**6,356**	**3,755**	**3,754**	**600**	**14,465**	**0**	**0**	**0**	**0**	**14,465**	**14,465**
Total Corporate Policy	**88,618**	**68,440**	**12,745**	**4,928**	**3,754**	**600**	**22,027**	**0**	**0**	**0**	**0**	**22,027**	**22,027**

CAPITAL PROGRAMME 2025/26 - 2028/29

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
		Forecast Expenditure						Forecast Funding					
Committed Schemes													
Culture & Tourism													
Countryside Vehicles	1,579	790	355	217	217	0	**789**	0	0	0	0	789	**789**
Culture & Tourism S106 Schemes	509	97	385	5	5	17	**412**	0	412	0	0	0	**412**
Green Infrastructure Structures Investment	384	0	271	113	0	0	**384**	0	0	0	0	384	**384**
New Archives Premises CTC1	7,115	442	6,433	240	0	0	**6,673**	0	0	0	0	6,673	**6,673**
PROW CMM A6 MARR	104	74	29	0	0	0	**29**	29	0	0	0	0	**29**
Tatton Park Investment Phase 2	2,844	1,434	684	725	0	0	**1,409**	0	0	0	0	1,409	**1,409**
Total Culture & Tourism Committed Schemes	**12,534**	**2,837**	**8,158**	**1,300**	**222**	**17**	**9,697**	**29**	**412**	**0**	**0**	**9,255**	**9,697**
Economic Development													
Crewe Towns Fund - Mill Street Corridor	4,027	3,229	798	0	0	0	**798**	798	0	0	0	0	**798**
Crewe Towns Fund - Crewe Youth Zone non-grant costs	351	188	163	0	0	0	**163**	163	0	0	0	0	**163**
Crewe Towns Fund - Repurposing Our High Streets	1,132	625	507	0	0	0	**507**	507	0	0	0	0	**507**
Crewe Town Centre Regeneration	32,293	31,293	1,000	0	0	0	**1,000**	0	0	0	0	1,000	**1,000**
Connecting Cheshire Phase 3	8,000	928	2,000	2,200	2,000	872	**7,072**	0	7,072	0	0	0	**7,072**
Connecting Cheshire 2020	9,250	6,265	0	0	0	2,985	**2,985**	2,985	0	0	0	0	**2,985**
Handforth Heat Network	13,219	680	50	450	12,039	0	**12,539**	1,924	7,428	0	0	3,187	**12,539**
History Centre Public Realm & ICV (Crewe Towns Fund)	580	210	370	0	0	0	**370**	370	0	0	0	0	**370**
Leighton Green	2,096	1,618	478	0	0	0	**478**	0	0	0	0	478	**478**
South Macclesfield Development Area	34,630	3,359	100	0	0	31,171	**31,271**	10,000	10,000	0	11,271	0	**31,271**
Macclesfield Indoor Market Refurbishment (MIMR)	2,213	1,713	500	0	0	0	**500**	500	0	0	0	0	**500**
Nantwich Town Centre Public Realm Improvements	100	0	100	0	0	0	**100**	0	100	0	0	0	**100**
North Cheshire Garden Village	57,866	12,287	6,588	17,285	21,706	0	**45,579**	15,044	0	0	21,700	8,835	**45,579**
Handforth Garden Village s106 Obligations	6,841	0	0	2,740	0	4,101	**6,841**	0	0	0	0	6,841	**6,841**
UK Shared Prosperity Fund - Core	1,150	950	200	0	0	0	**200**	200	0	0	0	0	**200**
Total Economic Development Committed Schemes	**173,748**	**63,345**	**12,854**	**22,675**	**35,744**	**39,129**	**110,402**	**32,491**	**24,600**	**0**	**32,971**	**20,341**	**110,402**

Economy and Growth CAPITAL

CAPITAL PROGRAMME 2025/26 - 2028/29													
		Forecast Expenditure						Forecast Funding					
Scheme Description	**Total Approved Budget £000**	**Prior Years £000**	**Forecast Budget 2025/26 £000**	**Forecast Budget 2026/27 £000**	**Forecast Budget 2027/28 £000**	**Forecast Budget 2028/29 £000**	**Total Forecast Budget 2025-29 £000**	**Grants £000**	**External Contributions £000**	**Revenue Contributions £000**	**Capital Receipts £000**	**Prudential Borrowing £000**	**Total Funding £000**
Committed Schemes													
Facilities Management													
PSDS - 3B - Lot 1	1,028	904	124	0	0	0	**124**	124	0	0	0	0	**124**
PSDS - 3C	1,672	324	1,349	0	0	0	**1,349**	1,159	0	0	0	189	**1,349**
Septic Tanks	636	310	75	251	0	0	**326**	0	0	0	0	326	**326**
Schools Capital Maintenance	8,315	7,271	1,044	0	0	0	**1,044**	1,044	0	0	0	0	**1,044**
Premises Capital (FM)	39,691	36,053	2,488	1,149	0	0	**3,637**	0	0	0	0	3,637	**3,637**
Poynton Pool Spillway	1,380	744	636	0	0	0	**636**	0	0	0	0	636	**636**
Total Facilities Management Committed Schemes	**52,722**	**45,606**	**5,716**	**1,400**	**0**	**0**	**7,116**	**2,327**	**0**	**0**	**0**	**4,789**	**7,116**
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	777	583	0	0	0	**583**	0	0	0	0	583	**583**
Farms Strategy	2,910	1,744	331	209	209	417	**1,166**	0	0	0	1,166	0	**1,166**
Total Estates Committed Schemes	**5,606**	**2,521**	**2,250**	**209**	**209**	**417**	**3,085**	**0**	**0**	**0**	**1,166**	**1,919**	**3,085**
Housing													
Crewe Towns Fund - Warm and Healthy Homes	2,126	858	1,268	0	0	0	**1,268**	1,268	0	0	0	0	**1,268**
Disabled Facilities	22,025	13,761	2,664	2,800	2,800	0	**8,264**	8,264	0	0	0	0	**8,264**
Green Homes Grant	3,105	2,427	339	339	0	0	**678**	678	0	0	0	0	**678**
Home Repairs Vulnerable People	1,338	936	402	0	0	0	**402**	0	0	0	0	402	**402**
Home Upgrade Grant Phase 2	4,409	2,740	1,669	0	0	0	**1,669**	1,669	0	0	0	0	**1,669**
Local Authority Housing Fund	742	433	309	0	0	0	**309**	309	0	0	0	0	**309**
Total Housing Committed Schemes	**33,746**	**21,156**	**6,651**	**3,139**	**2,800**	**0**	**12,590**	**12,188**	**0**	**0**	**0**	**402**	**12,590**
Total Committed Schemes	**278,356**	**135,466**	**35,629**	**28,723**	**38,975**	**39,563**	**142,890**	**47,035**	**25,012**	**0**	**34,136**	**36,706**	**142,890**
New Schemes													
Culture & Tourism													
Green Structures investment (Public Rights of Way)	512	0	0	126	195	191	**512**	0	0	0	0	512	**512**
Housing													
Disabled Facilities	6,136	0	936	800	800	3,600	**6,136**	2,800	0	0	0	3,336	**6,136**
Facilities Management													
Septic Tanks	949	0	0	149	400	400	**949**	0	0	0	0	949	**949**
Premises Capital	9,173	0	822	2,351	3,000	3,000	**9,173**	0	0	0	0	9,173	**9,173**
Total Economic Development New Schemes	**16,770**	**0**	**1,758**	**3,426**	**4,395**	**7,191**	**16,770**	**2,800**	**0**	**0**	**0**	**13,970**	**16,770**
Total Economy and Growth Schemes	**295,126**	**135,466**	**37,387**	**32,149**	**43,370**	**46,754**	**159,660**	**49,835**	**25,012**	**0**	**34,136**	**50,676**	**159,660**

CAPITAL PROGRAMME 2025/26 - 2028/29

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
		Forecast Expenditure						Forecast Funding					
Committed Schemes													
Environment Services													
Booth Bed Lane, Goostrey	140	40	100	0	0	0	**100**	0	100	0	0	0	**100**
Bosley Village Play Area	20	10	10	0	0	0	**10**	0	10	0	0	0	**10**
Carbon Offset Investment	568	268	300	0	0	0	**300**	0	0	0	0	300	**300**
Carnival Fields	42	0	42	0	0	0	**42**	0	42	0	0	0	**42**
Closed Cemeteries	152	50	102	0	0	0	**102**	0	0	0	0	102	**102**
Fleet EV Transition	6,897	1,596	3,301	2,000	0	0	**5,301**	0	0	0	0	5,301	**5,301**
Fleet Vehicle Electric Charging	585	305	140	140	0	0	**280**	0	0	0	0	280	**280**
Green Investment Scheme (Solar Farm)	3,950	3,944	6	0	0	0	**6**	0	0	0	0	6	**6**
Household Waste Recycling Centres	860	270	590	0	0	0	**590**	0	0	0	0	590	**590**
Jim Evison Playing Fields	161	0	161	0	0	0	**161**	0	161	0	0	0	**161**
Litter and Recycling Bins	208	136	25	25	22	0	**72**	0	0	0	0	72	**72**
Macclesfield Chapel Refurbishment	429	29	400	0	0	0	**400**	0	0	0	0	400	**400**
Park Development Fund	846	723	36	87	0	0	**123**	0	0	0	0	123	**123**
Review of Household Waste Recycling Centres	1,000	100	900	0	0	0	**900**	0	0	0	0	900	**900**
Solar Energy Generation	14,180	101	6,000	5,000	3,079	0	**14,079**	0	0	0	0	14,079	**14,079**
The Carrs Improvement Project	61	15	46	0	0	0	**46**	0	46	0	0	0	**46**
Weekly Food Waste Collections	2,712	80	2,132	500	0	0	**2,632**	2,632	0	0	0	0	**2,632**
Woodland South of Coppice Way, Handforth	89	73	16	0	0	0	**16**	0	16	0	0	0	**16**
Wybunbury St Chad's Closed Cemetery	219	0	219	0	0	0	**219**	0	0	0	0	219	**219**
Total Environment Services Schemes	**33,120**	**7,741**	**14,525**	**7,752**	**3,101**	**0**	**25,379**	**2,632**	**375**	**0**	**0**	**22,371**	**25,379**
Neighbourhood Services											0		
Crewe Towns Fund - Valley Brook Green Corridor	3,339	1,699	1,640	0	0	0	**1,640**	1,640	0	0	0	0	**1,640**
Crewe Towns Fund - Cumberland Arena	3,093	2,268	825	0	0	0	**825**	825	0	0	0	0	**825**
Crewe Towns Fund - Pocket Parks	1,481	1,088	393	0	0	0	**393**	393	0	0	0	0	**393**
Strategic Leisure Review	3,400	1,750	1,000	650	0	0	**1,650**	0	0	0	0	1,650	**1,650**
Total Neighbourhood Services	**11,313**	**6,805**	**3,858**	**650**	**0**	**0**	**4,508**	**2,858**	**0**	**0**	**0**	**1,650**	**4,508**
Total Committed Schemes	**44,432**	**14,546**	**18,383**	**8,402**	**3,101**	**0**	**29,886**	**5,489**	**375**	**0**	**0**	**24,021**	**29,886**
New Schemes													
Environment Services													
Weekly Food Waste Collections - Additional Capital Requirement	5,497	0	5,497	0	0	0	**5,497**	0	0	5,497	0	0	**5,497**
Macclesfield Cemetery Second Chapel	600	0	600	0	0	0	**600**	0	0	600	0	0	**600**
Parks	1,483	0	1,483	0	0	0	**1,483**	0	1,483	0	0	0	**1,483**
Total New Schemes	**7,580**	**0**	**7,580**	**0**	**0**	**0**	**7,580**	**0**	**1,483**	**6,097**	**0**	**0**	**7,580**
Total Environment and Communities Schemes	**52,012**	**14,546**	**25,963**	**8,402**	**3,101**	**0**	**37,466**	**5,489**	**1,858**	**6,097**	**0**	**24,021**	**37,466**

CAPITAL PROGRAMME 2025/26- 2028/29

Scheme Description	Total Approved Budget £000	Prior Years £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
		Forecast Expenditure						Forecast Funding					
Committed Schemes													
Strategic Infrastructure													
A500 Dualling scheme	89,456	11,131	950	0	0	77,375	**78,325**	74,025	4,300	0	0	0	**78,325**
A500 Corridor OBC Update	1,705	150	1,555	0	0	0	**1,555**	1,555	0	0	0	0	**1,555**
A50 / A54 Holmes Chapel	603	100	0	0	0	503	**503**	0	503	0	0	0	**503**
A54 / A533 Leadsmithy Street, Middlewich	563	176	0	0	0	387	**387**	0	387	0	0	0	**387**
A6 MARR Technical Design	473	280	194	0	0	0	**194**	70	124	0	0	0	**194**
A556 Knutsford to Bowdon	504	417	87	0	0	0	**87**	0	87	0	0	0	**87**
Peacock Roundabout Junction	750	52	500	0	0	198	**698**	0	698	0	0	0	**698**
Congleton Link Road	83,991	72,837	1,254	1,279	1,000	7,621	**11,154**	316	10,838	0	0	0	**11,154**
Crewe Green Roundabout	7,500	7,057	443	0	0	0	**443**	0	443	0	0	0	**443**
Future High Street Funding - Flag Lane Link	1,558	1,249	309	0	0	0	**309**	309	0	0	0	0	**309**
Highways & Infrastructure S106 Funded Schemes	4,702	1,791	1,179	494	0	1,238	**2,911**	107	2,804	0	0	0	**2,911**
Transport & Infrastructure Development Studies	350	60	290	0	0	0	**290**	290	0	0	0	0	**290**
Middlewich Eastern Bypass	96,600	27,268	22,140	22,876	19,849	4,467	**69,332**	45,748	14,611	0	0	8,973	**69,332**
Mill Street Corridor - Station Link Project	1,534	992	542	0	0	0	**542**	0	242	0	0	300	**542**
North-West Crewe Package	51,366	50,166	300	300	300	300	**1,200**	0	1,200	0	0	0	**1,200**
Old Mill Road / The Hill Junction	1,325	187	1,137	0	0	0	**1,137**	0	1,137	0	0	0	**1,137**
Poynton Relief Road	54,848	48,906	1,096	1,146	1,435	2,265	**5,942**	0	2,751	0	1,000	2,191	**5,942**
Sydney Road Bridge	10,501	10,137	200	165	0	0	**364**	0	364	0	0	0	**364**
Total Strategic Infrastructure Schemes	**408,330**	**232,957**	**32,176**	**26,260**	**22,584**	**94,353**	**175,373**	**122,420**	**40,490**	**0**	**1,000**	**11,464**	**175,373**
Highways													
Alderley Edge Bypass Scheme Implementation	60,611	60,384	227	0	0	0	**227**	0	0	0	0	227	**227**
Integrated Block - LTP	8,012	0	2,003	2,003	2,003	2,003	**8,012**	8,012	0	0	0	0	**8,012**
Incentive Fund - LTP	5,800	0	1,450	1,450	1,450	1,450	**5,800**	5,800	0	0	0	0	**5,800**
Maintenance Block - LTP	25,275	0	7,878	5,799	5,799	5,799	**25,275**	23,196	0	0	0	2,079	**25,275**
Managing and Maintaining Highways	4,712	0	4,712	0	0	0	**4,712**	0	0	0	0	4,712	**4,712**
Pothole Funding	23,196	0	5,799	5,799	5,799	5,799	**23,196**	23,196	0	0	0	0	**23,196**
Programme Management	1,547	1,515	33	0	0	0	**33**	33	0	0	0	0	**33**
Road Safety Schemes Minor Wks	6,423	6,323	100	0	0	0	**100**	0	0	0	0	100	**100**
Traffic Signal Maintenance	1,095	835	260	0	0	0	**260**	260	0	0	0	0	**260**
Ward Members Local Highway Measures	872	357	515	0	0	0	**515**	139	0	0	0	376	**515**
Winter Service Facility	958	771	97	89	0	0	**186**	0	0	0	0	186	**186**
Total Highways Schemes	**138,501**	**70,185**	**23,074**	**15,140**	**15,051**	**15,051**	**68,316**	**60,636**	**0**	**0**	**0**	**7,680**	**68,316**

CAPITAL PROGRAMME 2025/26- 2028/29

Scheme Description	Total Approved Budget £000	Forecast Expenditure: Prior Years £000	Forecast Expenditure: Forecast Budget 2025/26 £000	Forecast Expenditure: Forecast Budget 2026/27 £000	Forecast Expenditure: Forecast Budget 2027/28 £000	Forecast Expenditure: Forecast Budget 2028/29 £000	Total Forecast Budget 2025-29 £000	Forecast Funding: Grants £000	Forecast Funding: External Contributions £000	Forecast Funding: Revenue Contributions £000	Forecast Funding: Capital Receipts £000	Forecast Funding: Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Strategic Transport & Parking Services													
Active Travel Fund	3,100	1,679	1,420	0	0	0	**1,420**	1,420	0	0	0	0	**1,420**
LEVI Capital Fund 23/24	2,172	0	543	543	543	543	**2,172**	2,172	0	0	0	0	**2,172**
Sustainable Travel Access Prog	2,438	2,238	200	0	0	0	**200**	200	0	0	0	0	**200**
Local Access - Crewe Transport Access Studies	400	188	212	0	0	0	**212**	212	0	0	0	0	**212**
Local Access - Macclesfield Transport Access Studies	300	161	139	0	0	0	**139**	139	0	0	0	0	**139**
LTP Development & Monitoring Studies	900	480	200	221	0	0	**421**	421	0	0	0	0	**421**
Digital Car Parking Solutions	140	113	27	0	0	0	**27**	0	0	0	0	27	**27**
Car Parking Improvements (including residents parking)	322	266	56	0	0	0	**56**	0	0	0	0	56	**56**
Total Strategic Transport & Parking Services Schemes	**9,771**	**5,124**	**2,797**	**764**	**543**	**543**	**4,647**	**4,563**	**0**	**0**	**0**	**83**	**4,647**
Total Committed Schemes	**556,602**	**308,265**	**58,048**	**42,163**	**38,178**	**109,947**	**248,336**	**187,619**	**40,490**	**0**	**1,000**	**19,228**	**248,336**
New Schemes													
Highways													
Highways Maintenance Capital	41,845	0	7,340	11,502	11,502	11,502	**41,845**	27,772	0	0	0	14,073	**41,845**
Highways: Depots (Macclesfield)	2,387	0	411	750	1,226	0	**2,387**	0	0	0	0	2,387	**2,387**
Highways: Depots (Wardle)	697	0	146	458	92	0	**697**	0	0	0	60	637	**697**
Total Highways	**44,928**	**0**	**7,897**	**12,710**	**12,820**	**11,502**	**44,928**	**27,772**	**0**	**0**	**60**	**17,097**	**44,232**
Strategic Transport & Parking Services													
Strategic Transport Model	750	0	250	250	250	0	**750**	0	0	0	0	750	**750**
Total Strategic Transport & Parking Services	**750**	**0**	**250**	**250**	**250**	**0**	**750**	**0**	**0**	**0**	**0**	**750**	**750**
Total New Schemes	**45,678**	**0**	**8,147**	**12,960**	**13,070**	**11,502**	**45,678**	**27,772**	**0**	**0**	**60**	**17,847**	**44,982**
Total Highways & Transport Schemes	**602,280**	**308,265**	**66,195**	**55,123**	**51,248**	**121,449**	**294,015**	**215,390**	**40,490**	**0**	**1,060**	**37,075**	**293,318**

Annex B: Prudential Indicators revisions to: 2024/25 and 2025/26 – 2028/29

Background

5.107. 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. There is a requirement to monitor and report the performance of the indictors on a quarterly basis during the financial year.

5.108. The following indicators have been prepared based on the assumption that the accounting policy change to the calculation of MRP, effective from 1st April 2024, is adopted.

Estimates of Capital Expenditure

5.109. In 2025/26, the Council is planning capital expenditure of £180.4m as summarised below:

Capital Expenditure	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
	144.7	180.4	124.7	122.2	168.8

Source: Cheshire East Finance

Capital Financing

5.110. 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	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Receipts	0.1	0.7	1.3	21.9	11.6
Government Grants	88.8	99.1	80.1	33.4	111.0
External Contributions	14.3	16.3	12.7	36.6	29.1
Revenue Contributions	0.5	6.5	0.0	0.0	0.0
Total Financing	**103.7**	**123.4**	**94.1**	**91.9**	**151.7**

Capital Financing	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Prudential Borrowing	41.0	57.7	30.6	30.3	17.1
Total Funding	**41.0**	**57.7**	**30.6**	**30.3**	**17.1**
Total Funding and Financing	**144.7**	**180.4**	**124.7**	**122.2**	**168.8**

Source: Cheshire East Finance

Replacement of debt finance

5.111. 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	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total	**14.9**	**18.9**	**22.5**	**24.4**	**25.9**

Source: Cheshire East Finance

5.112. The Council's full MRP Statement is available in **Annex C**.

Estimates of Capital Financing Requirement

5.113. 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 is expected to increase by £27m during 2024/25. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Capital Financing Requirement	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total	**488**	**501**	**568**	**598**	**613**

Source: Cheshire East Finance

Asset disposals

5.114. 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 for example. The Council is currently also permitted to spend capital receipts on service transformation project until 2024/25. Repayments of capital grants, loans and investments also generate capital receipts. The MTFS includes plans for the Council to receive £4.8m of capital receipts in the coming financial years as follows.

5.115. In addition to this £4.8m there is further work being carried out to achieve a greater level of capital receipts. The best use of those receipts to support the financial position of the Council will be at the discretion of the Section 151 Officer.

Capital Receipts	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Asset Sales	1.5	1.0	1.0	1.0	1.0
Loans Repaid	0.2	0.2	0.2	0.2	0.2
Total	**1.7**	**1.2**	**1.2**	**1.2**	**1.2**

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

5.116. 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 short-term loans (currently available at around 5.0% but expected to fall over next 12 to 18 months) and long-term fixed rate loans where the future cost is known (currently 4.7% – 4.8%).

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

Gross Debt and the Capital Financing Requirement	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Borrowing	337	368	465	527	565
PFI Liabilities	17	17	15	14	14
Total Debt	**354**	**385**	**480**	**541**	**579**
Capital Financing Requirement	**488**	**501**	**568**	**598**	**613**

Source: Cheshire East Finance

5.118. 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

5.119. 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 £331m and is forecast to rise to £479m over the next four years.

Borrowing and the Liability Benchmark	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Outstanding Debt	337	368	465	527	565
Liability Benchmark	331	351	424	466	479

Source: Cheshire East Finance

5.120. The table shows that the Council currently expects borrowing to exceed its liability benchmark over the period of the MTFS and therefore strategies that will reduce our total borrowing level in future years should be a priority.

Affordable borrowing limit

5.121. 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.

	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m	2027/28 Limit £m
Authorised Limit for Borrowing	570	590	590	590	590
Authorised Limit for Other Long-Term Liabilities	17	18	15	14	14
Authorised Limit for External Debt	**587**	**607**	**605**	**604**	**604**
Operational Boundary for Borrowing	560	580	580	580	580
Operational Boundary for Other Long-Term Liabilities	17	17	15	14	14
Operational Boundary for External Debt	**577**	**597**	**595**	**594**	**594**

Source: Cheshire East Finance

Investment Strategy

5.122. 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.

5.123. 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	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Short-term	20	20	20	20	20
Long-term	20	20	20	20	20
Total Investments	**40**	**40**	**40**	**40**	**40**

Source: Cheshire East Finance

5.124. Further details on treasury investments are in the Treasury Management Strategy, **Annex 7**.

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

5.126. Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Annex 6**.

Revenue budget implications

5.127. 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, or in other words, the amount funded from Council Tax, Business Rates and general Government grants.

Ratio of Financing Costs to Net Revenue Stream	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Financing Costs (£m)	28.4	35.0	38.8	41.9	43.2
Proportion of net revenue stream (%)	7.5%	8.7%	9.3%	9.6%	9.5%

Source: Cheshire East Finance

5.128. Further details on the revenue implications of capital expenditure are included within Section 2 of this report.

5.129. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Council must refine this profile of capital spending to ensure it is reduced or delayed to ease the pressure on the capital financing budget and avoid the risk of over-borrowing.

Annex C: Minimum Revenue Provision

5.130. Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Levelling Up, Housing and Communities' *Guidance on Minimum Revenue Provision* (the DLUHC Guidance) most recently issued in 2018.

5.131. The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

5.132. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year for calculating a prudent amount of MRP.

5.133. Following a Balance Sheet review undertaken by our Treasury Advisors, Arlingclose Ltd, a recommendation is being made to Council that the accounting policy for the calculation of MRP is updated with effect from 1st April 2024 to bring the Council more in line with current CIPFA guidance and to better recognise the actual cost of borrowing over the useful life of an asset (see **Annex 5**, 3. Financial Controls)

5.134. The following statement incorporates the changes to the accounting policy.

- For capital expenditure incurred before 31st March 2024, MRP will be charged at the PWLB annuity rate at 1st April 2024 on the remaining CFR outstanding over the remaining useful life of the asset.
- For supported capital expenditure incurred before 31st March 2008, MRP will be charged at the PWLB annuity rate at 1st April 2024 for the remaining CFR outstanding over the remainder of the original 50-year period.
- For capital expenditure incurred after 1 April 2024 MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, as the principal repayment on an annuity rate equivalent to the opening PWLB annuity rate for the year expenditure incurred, and charged after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

5.135. Capital expenditure incurred during 2025/26 will not be subject to an MRP charge until 2026/27.

Annex D: Flexible Capital Receipts Strategy

5.136. The proposals within this Flexible use of Capital Receipts Strategy have been prepared based on a capitalisation direction issued by the Secretary of State under Sections 16(2)(b) and 20 of the Local Government Act 2003: Treatment of Costs as Capital Expenditure.

5.137. The Spending Review in 2015 included a relaxation to the capital regulations by allowing councils to use their capital receipts (income from the sale of assets) for a limited period initially from 2016/17 to 2018/19 to fund revenue expenditure that is designed to transform service delivery and reduce revenue costs. This announcement was implemented by the issuing of regulations in March 2016. The period over which these amended regulations apply have now been extended to the financial year 2030.

5.138. The guidance states that qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and / or transform service delivery to reduce costs and / or transform service delivery in a way that reduces costs or demand for services in future years for any of the public.

5.139. Local authorities cannot borrow to finance the revenue costs of the service reforms.

5.140. The type of expenditure that will be allowed under the flexibility are the up-front set up and implementation costs that will generate the future ongoing revenue savings and / or service transformation to reduce revenue costs and improve service delivery.

5.141. In allowing the Council to use this flexibility, the Council must have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of practice.

5.142. There are a wide range of projects that could generate qualifying expenditure, and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies.
- Investment in service reform feasibility work, e.g. setting up pilot schemes.
- Collaboration between local authorities and central government departments to free up land for economic use.
- Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others), and
- Integrating public facing services across two or more public sector bodies (for example children’s social care or trading standards) to generate savings or to transform service delivery.

5.143. The Council has a number of projects that have been identified in 2025/26 that fit the criteria prescribed in the current guidance for transforming and or improving service delivery that will reduce revenue costs by producing efficiency savings for the Council. The table below details the lists of projects and the value of capital receipt to be utilised.

Table 1: List of projects funded by flexible capital receipts

Project Name	Project Description	Expenditure Prior Years £000s	Expenditure 2025/26 £000s
ICT Hybrid Model	This project is to update the delivery of the ICT Shared Service Model which should make efficiency savings and improve service delivery for both Councils.	802	440
Cheshire East Service Transformation Programme	This programme is a group of projects across the Council's four Directorates to deliver improved service delivery through efficiency and revenue savings.	716	560
Total		**1,518**	**1,000**

5.144. As it is the Council's policy not to rely on capital receipts until they are realised, these capital receipts have not been factored into the Councils Capital Financing Requirement (CFR) by way of reducing debt or financing capital expenditure. Consequently, the use of the receipts under this flexibility will have no effect on the Council's Prudential Indicators.

Annex 6 – Investment Strategy

1. Purpose

6.1. 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.

6.2. 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.

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

1. 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**),
2. to support local public services by lending to or buying shares in other organisations (**service investments**), and
3. to earn investment income (known as **commercial investments** where this is the main purpose).

6.4. 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.

6.5. 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.

6.6. 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.

2. Investment Indicators

6.7. 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.

6.8. **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

Table 1 Total investment exposure	31/03/24 Actual	31/03/25 Forecast	31/03/26 Forecast
Treasury management investments	41,940	40,000	40,000
Service investments: Loans	26,722	26,637	26,567
Service investments: Shares	3,270	3,270	3,270
Commercial investments: Property	22,295	21,815	21,815
Commercial Investments: Loans	3,491	3,147	3,106
TOTAL INVESTMENTS	**97,718**	**94,869**	**94,758**
Commitments to lend	6,013	6,013	6,013
TOTAL EXPOSURE	**103,731**	**100,882**	**100,771**

6.9. The Council has total investments exposure estimated at £101m by March 2025 (£61m excluding treasury management), of which £22m relates to property investment backed by physical assets with an income stream and alternative use. Other investments are loans for economic development purposes; and due to their nature, they are not a material element of our budgeting for interest income within the MTFS.

6.10. **How investments are funded:** Currently 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	31/03/24 Actual	31/03/25 Forecast	31/03/26 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	20,089	19,353	18,602
Commercial Investments: Loans	3,491	3,147	3,106
TOTAL FUNDED BY BORROWING	**23,580**	**22,500**	**21,708**

6.11. **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 Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	5.21%	5.00%	4.30%
Service investments: Loans	-2.40%	0.05%	0.00%
Service investments: Shares	NIL	NIL	NIL
Commercial investments: Property	3.20%	3.30%	3.50%
Commercial Investments: Loans	3.13%	3.13%	3.13%

6.12. The return for Service Investments: Loans is not a true return but is instead based largely on the % fluctuation in the underlying value of the new assets within the Life Science Fund. As such they do not reflect actual cashflows. In addition there are a number of non-interest bearing loans.

6.13. Typically, a return on a share would be based upon the dividend yield and there have been no dividends paid. Therefore, this has been shown as Nil. There has been a downward revaluation of property assets at Alderley Park which has impacted the underlying asset value that we show in Table 5 below. We will continue to monitor for signs of recovery, but the underlying asset value remains more than the Authority paid for the shares.

6.14. The major assets included within Commercial Investments: Properties, representing over 90% of the value in that classification, are two commercial retail properties. 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.

6.15. From the perspective of the Council one of the tenants affected is a home improvements retailer and the second is a national supermarket retailer. Both tenants have thus far weathered the local economic effects of recent years though we have experienced further reductions in asset value in the last financial year. As the lease term reduces this may continue until the leases are renewed.

6.16. 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 need to 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.

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

3. Treasury Management Investments

6.18. 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.

6.19. 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.

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

6.21. **Further details:** Full details of the Authority's policies and plans for 2025/26 for treasury management investments are covered in the separate Treasury Management Strategy (**Annex 7**).

4. Service Investments: Loans

6.22. **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth. These are shown below in Table 4. No new loans were issued in the year though there were movements on existing loans and write offs of historic balances.

6.23. 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 led by ECW and is non-interest bearing for the Council.

6.24. 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. These are accrued at a rate of Bank of England base rate plus 4%.

6.25. 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 (Section 5).

6.26. 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 (now ECW) 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.

6.27. The loan does 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 crystallise when funds are extracted.

6.28. The Council may consider making further Service Investment Loans in 2025/26, 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.

6.29. **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 Category of borrower	**31/03/24 Actual £000**	**31/03/25 Forecast £000**	**31/03/25 Forecast £000**	**31/03/25 Forecast £000**	**2025/26 £000**
		Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Subsidiaries	0	0	0	0	2,000
Suppliers	23	0	0	0	500
Local businesses	26,470	26,531	61	26,470	30,000
Local charities	158	106	11	95	2,500
TOTAL	**26,651**	**26,637**	**72**	**26,565**	**35,000**

6.30. 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.

6.31. **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.

6.32. As Accountable Body for Enterprise Cheshire & Warrington Ltd (ECW), 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 effectively "owned" by the ECW; 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

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

6.34. As noted above, the Authority has invested in Alderley Park Holdings Limited to maintain and stimulate this key strategic site 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).

6.35. 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 multi-user campus. There is a lag between the forecasts used for the Investment Strategy and finalisation of the Council's accounts. Consequently, the value fell from a forecast of £4,460K to an actual of £3,270K, a fall in value of £1,190K, or 26%.This fall, followed a rise which was predated by several years of falls. This highlights the fluctuating nature of this valuation and suggests the longer term trend since Covid-19 is downward. However, there is a significant plan in place for investment in the site that should improve the valuation though this will be monitored.

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

6.37. 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. As it is a long-term strategic asset there is ample time for the sector to grow.

6.38. 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.

6.39. 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.

6.40. **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 **Category of company**	**31/03/24 actual** **£000**	**31/03/25 actual** **£000**	**31/03/25 forecast** **£000**	**31/03/25 forecast** **£000**	**2025/26** **£000**
	Value in accounts	**Amounts invested**	**Total Gains/ (Losses)**	**Value in accounts**	**Approved Limit** **(at cost)**
Local businesses	3,270	1,070	2,200	3,270	10,000
TOTAL	**3,270**	**1,070**	**2,200**	**3,270**	**10,000**

6.41. **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.

6.42. **Liquidity:** With regard to the existing equity stake in Alderley Park, it was deemed to be a long-term investment, supporting a long term business and site development plan. 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).

6.43. 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 and / or the market in which it operates).

6.44. **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

6.45. For the purpose of this Strategy, it should be noted that property is defined as 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.

6.46. 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.

6.47. 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.

6.48. **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.

6.49. 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.

6.50. The value of properties is updated annually. The most recent valuation is from March 2024 and saw continuing falls to commercial property valuations. The most significant correction came with retail property, and this category is now valued at less than purchase cost. 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 is expected to continue in 2025 until a new tenancy agreement is agreed. No revised valuation for 2025 is currently available. The figures will be updated in future reports. There has also been a disposal of office property in the year.

Table 6 Property held for investment purposes Property	Actual Purchase cost	31/03/24 actual Gains or (losses) in-year	31/03/24 actual Value in accounts (includes gains/ (losses) to date	31/03/25 expected Gains or (losses)	31/03/25 expected Value in accounts
Industrial Units	1,492	122	1,740	-	1,740
Enterprise Centres	245	20	345	-	345
Retail	23,300	(2,358)	19,730	-	19,730
Office	240	(26)	480	(480)	-
Total	**25,277**	**(2,242)**	**22,295**	**(480)**	**21,815**

6.51. **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.

6.52. **Where value in accounts is at or above purchase cost:** The ideal scenario is that a fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying asset values provide security for capital investment. This has not yet happened for the 2024/25 year and so the figures above have been based upon the 2024 figures with no gains or losses reflected.

6.53. **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 mitigating actions are required 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. However, it should be noted that these are not liquid assets. It would take time to process a disposal. 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 but further mitigations are required to arrest the fall in value. This will be reviewed again once the 2024/25 valuation has been undertaken.

6.54. **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.

6.55. 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 Council under the advice of 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.

6.56. This Investment Strategy acknowledges that with the introduction of the committee system 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.

6.57. 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.

6.58. **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

6.59. **Contribution:** The Authority has worked alongside Cheshire West and Chester Council and Warrington Borough Council to each provide Enterprise Cheshire & Warrington Ltd with a £10m loan facility to be used to invest in economic development schemes across the Enterprise Zones in the sub-region.

6.60. There is currently one loan in place and has been used to fund development of Alderley Park. 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. Whilst the balance of the facility is still available there are no imminent plans to draw down further amounts.

Table 7 Loans for commercial purposes Category of borrower	31/03/24 Actual	As at 31/03/25 Forecast Balance owing	As at 31/03/25 Forecast Loss allowance	As at 31/03/25 Forecast Net figure in accounts	2025/26 Approved Limit
Partner Organisations	3,351	3,147	145	3,002	10,000
TOTAL	**3,351**	**3,147**	**145**	**3,002**	**10,000**

6.61. 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).

6.62. 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.

6.63. **Risk assessment:** The Authority assesses the risk of loss before entering into commercial loans thorough a 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.

6.64. Each loan application is considered on a case-by-case basis and requires a detailed business case. No further loans are currently envisaged.

8. Loan Commitments and Financial Guarantees

6.65. As Accountable Body for Enterprise Cheshire & Warrington, the Council is acting as Entrusted Entity to a £20m European Regional Development Fund 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.

6.66. 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

6.67. A major concern for external governing bodies is the extent to which Authorities are dependent upon investment income to fund services. Proportionality forms a key component of the Prudential Code.

6.68. Historically, the Authority has not been materially dependent on return-generating investment activity to achieve a balanced revenue budget. 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

6.69. 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

6.70. **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.

6.71. The Finance Sub-Committee comprising 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.

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

6.73. 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.

6.74. **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.

6.75. **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.

6.76. The MHCLG 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.

Annex 7 – Treasury Management Strategy

1. Background

7.1. 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.

7.2. 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 2021 Edition* (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.

7.3. In preparing this strategy the Council has had regard to the advice received from its appointed Treasury Management advisors, Arlingclose Ltd who have helped shape the content of this strategy. The current contract for advice is for four years expiring on 31 December 2025.

7.4. Investments held for service purposes or for commercial profit are considered in the Investment Strategy (see **Annex 6**).

2. External Context

7.5. **Economic background:** The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

7.6. The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced Bank Rate to 4.75% at its meeting in November 2024, having previously cut by 25bp from the 5.25% peak at the August MPC meeting.

7.7. The November quarterly Monetary Policy Report (MPR) is forecasting Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be 0.5% between April and June 2024, a downward revision from the 0.6% rate previously reported by the Office for National Statistics (ONS)

7.8. Office for National Statistics (ONS) figures reported the annual Consumer Price Index (CPI) inflation rate at 1.7% in September 2024, down from 2.2% in the previous month and lower than the 1.9% expected. Core CPI also declined further than expected to 3.2% against a forecast of 3.4% and the previous month's 3.6%. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

7.9. The labour market appears to be easing slowly. However, the data still requires treating with some caution. The latest figures reported that unemployment increased slightly to 4.3% in the three months to September 2024. Pay growth for the same period was reported at 4.8% for regular earnings (excluding bonuses) and 4.3% for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

7.10. The US Federal Reserve has also been cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its November 2024 monetary policy meeting to a range of 4.5%-4.75%. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an annual rate of 2.8% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

7.11. Eurozone inflation fell below the European Central Bank (ECB) 2% target in September 2024, the first time in over three years. This allowed the ECB to continue its rate cutting cycle and reduce its three key policy rates by 0.25% in October. Inflation is expected to rise again in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

7.12. **Credit outlook:** Credit default swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

7.13. Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

7.14. Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

7.15. **Interest rate forecast:** The Authority's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates during 2024 and through 2025, taking Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

7.16. Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

7.17. A more detailed economic and interest rate forecast provided by Arlingclose Ltd is attached at **Annex A** to this strategy.

7.18. For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 4.30%, which takes into account strategic fund investments, and that new borrowing in the form of short-term loans will be borrowed at an average of 4.10%.

3. Local Context

7.19. As at 30 November 2024 the Authority has borrowings of £370m and treasury investments of £50m. 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**.

Table 1: Balance Sheet Summary and Forecast	**31/03/25 Estimate £m**	**31/03/26 Estimate £m**	**31/03/27 Estimate £m**	**31/03/28 Estimate £m**	**31/03/29 Estimate £m**
General Fund CFR	518	585	613	627	614
Less: Other long-term liabilities *	(17)	(17)	(15)	(14)	(14)
Loans CFR	**501**	**568**	**598**	**613**	**600**
Less: External borrowing **	(303)	(128)	(123)	(119)	(111)
Internal (over) borrowing	**198**	**440**	**475**	**494**	**489**
Less: Usable reserves	(122)	(113)	(103)	(103)	(114)
Less: Working capital	(47)	(50)	(50)	(51)	(52)
(Treasury Investments) or New borrowing	**29**	**277**	**322**	**340**	**323**

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

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

7.20. 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.

7.21. The Authority has an increasing CFR due to the capital programme and EFS and will therefore be required to borrow up to an additional £99m over the forecast period.

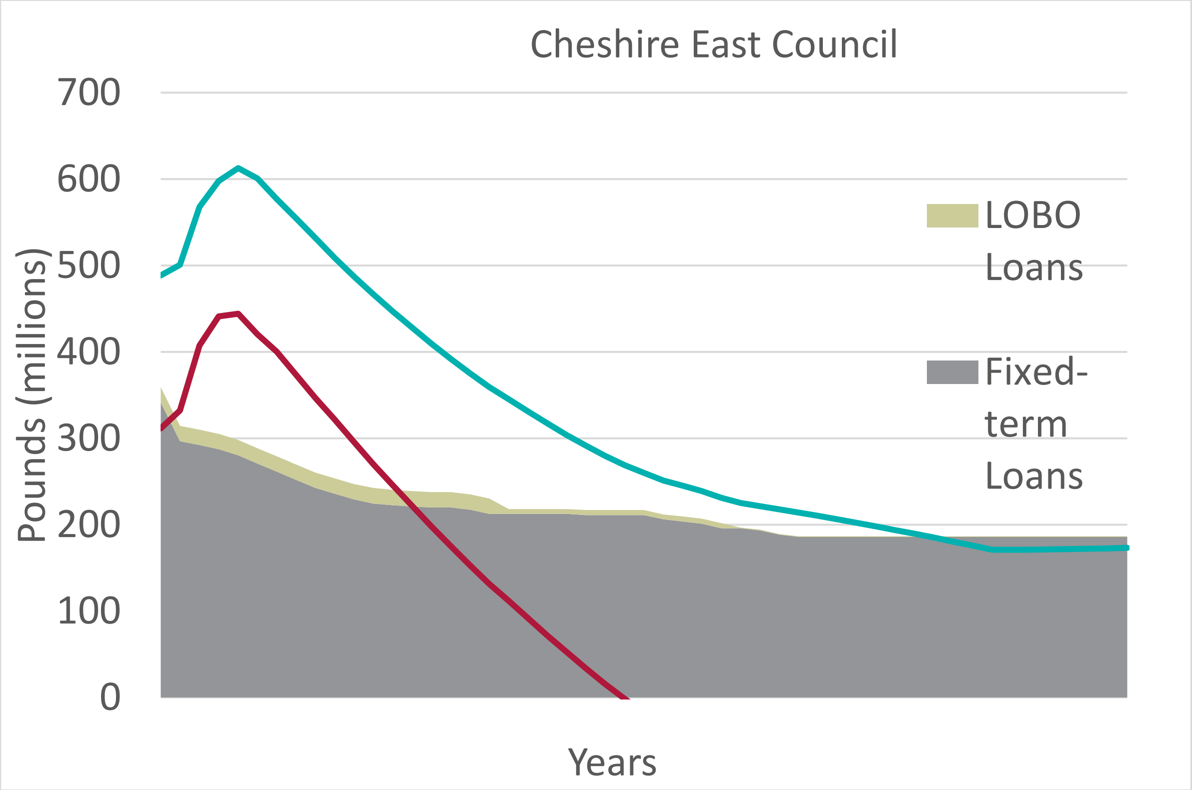
7.22. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. **Table 1** shows that the Authority expects to comply with this recommendation during 2025/26.

7.23. **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	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m	31/03/29 Estimate £m
Loans CFR	500	568	598	613	601
Less: Usable reserves	(123)	(114)	(102)	(103)	(114)
Less: Working capital	(47)	(50)	(50)	(51)	(52)
Plus: Minimum investments	20	20	20	20	20
Liability Benchmark	**351**	**424**	**466**	**479**	**455**

7.24. 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

7.25. The Authority currently holds loans of £370m. Cash flow shortfalls arising from past debt repayments and capital spending are currently being funded through short-term borrowing. The Authority may also borrow additional sums to pre-fund future years' requirements providing this does not exceed the authorised limit for borrowing although at the present time we are not expecting to do this.

7.26. The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

7.27. Given the significant shortfalls in Local Government funding compared to the cost of service provision, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach are chiefly around liquidity so a blend of short-term and medium-term borrowing is likely to be adopted to create a balance between interest rate and liquidity risks.

7.28. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates could rise modestly. Our treasury advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

7.29. The Authority will consider sources other than PWLB when raising long-term loans including banks, pension funds and local authorities and will investigate the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

7.30. Alternatively, the Authority may arrange forward starting loans during 2025/26, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

7.31. In addition, the Authority may borrow further short-term loans to cover unexpected or planned temporary cash flow shortages.

7.32. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB Lending facility (formerly the Public Works Loan Board).
- National Wealth Fund (formerly UK Infrastructure Bank).
- Any UK public sector body.
- Any institution approved for investments (see below).
- Any other bank or building society authorised to operate in the UK.
- UK public and private sector pension funds (except Cheshire Pension Fund).
- Capital market bond investors.

- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
- Salix Finance Ltd energy efficiency loans.

7.33. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

7.34. **Municipal Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

7.35. **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 LOBO's have options during 2025/26, and with interest rates having risen recently, there is now a reasonable chance that the lender will exercise their option. If they do, the Authority will take the option to repay the LOBO loans to reduce refinancing risk in future years.

7.36. **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

7.37. **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or reduction in risk.

5. Treasury Investment Strategy

7.38. The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £24m and £108m with peaks in cash associated with receipts of grants in advance of expenditure and earlier borrowing decisions based on anticipated levels of expenditure which did not materialise. Levels of around £40m are expected to be maintained in the forthcoming year.

7.39. The CIPFA Code requires the Authority to invest its treasury 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. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

7.40. As demonstrated by the liability benchmark above, the Authority expects to be a long-term borrower and new treasury investments will, therefore, be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of £20m strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

7.41. The CIPFA code does not permit local authorities to both borrow and invest long-term for cash flow management. However, the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

7.42. **ESG Policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and, therefore, the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

7.43. **Business Models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

7.44. The Authority may invest its surplus funds with any of the counterparties in **Table 3** below, subject to the cash limits (per counterparty) and time limits shown.

Table 3: Treasury Investment Counterparties and Limits Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	3 years	Unlimited	n/a
Local Authorities and other Government Entities	3 years	£12m	Unlimited
Secured Investments*	3 years	£12m	Unlimited
Banks (unsecured)*	13 months	£6m	Unlimited
Building Societies (unsecured)*	13 months	£6m	£12m
Registered Providers (unsecured)*	3 years	£6m	£25m
Money Market Funds*	n/a	£12m	Unlimited
Strategic Pooled Funds	n/a	£12m	£50m
Real Estate Investment Trusts	n/a	£12m	£25m
Other investments*	3 years	£6m	£12m

This table must be read in conjunction with the notes below.

7.45. ***Minimum Credit Rating:** Treasury Investments in sectors marked with an Asterix will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

7.46. **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts.

7.47. **Local Authorities and Other Government Entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

7.48. **Secured Investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

7.49. **Banks and Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

7.50. **Registered Providers (unsecured):** Loans to, and bonds issued or guaranteed by registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving Government support if needed.

7.51. **Money Market Funds:** Pooled funds that offer same day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risk, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

7.52. **Strategic Pooled Funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short-term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

7.53. **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

7.54. **Other Investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

7.55. **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept to the lowest practical levels per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

7.56. **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,

- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

7.57. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

7.58. **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential Government support, reports in the quality financial press and analysis and advice from the Authority’s treasury management advisor. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

7.59. **Reputational Aspects:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

7.60. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This may cause investment returns to fall but will protect the principal sum invested.

7.61. **Investment Limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £123m on 31 March 2025. In order that no more than 5% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £6m. Secured investments will have a higher limit of £12m per organisation. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional Investment Limits Type of Counterparty	Cash Limit
Any group of pooled funds under the same management	£25m per manager
Investments held in a broker's nominee account	£25m per broker
Foreign countries	£12m per country

7.62. **Liquidity management:** The Authority maintains a cash flow forecasting model to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

6. Treasury Management Indicators

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

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

Table 5 Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% **rise** in interest rates	£2,786,000
Upper limit on one-year revenue impact of a 1% **fall** in interest rates	£0

7.65. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. The Council is expected to remain a net borrower in 2025/26 so a fall in rates would lead to savings rather than incurring additional cost.

7.66. **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 6 Refinancing rate risk indicator	Upper	Lower
Under 12 months	75%	0%
12 months and within 24 months	75%	0%

Table 6 Refinancing rate risk indicator	Upper	Lower
24 months and within 5 years	75%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

7.67. 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 the shorter periods is relatively high as there is no shortage of liquidity in the market and short-term funding remains cheaper than alternatives. This will enable the Council to finance temporary cashflow shortfalls at year-end more economically. This will be kept under review as it does increase the risk of higher financing costs in the future.

7.68. **Long-Term Treasury Management Investments:** 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 prudential limits on the long-term treasury management investments will be:

Table 7 Price Risk Indicator	2025/26	2026/27	2027/28	No Fixed Date
Limit on principal invested beyond year-end	£25m	£15m	£10m	£30m

7.69. Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

7. Other Items

7.70. The CIPFA code requires the Authority to include the following in its treasury management strategy.

7.71. **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (for example, interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (such as LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (meaning those that are not embedded into a loan or investment).

7.72. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.73. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

7.74. In line with the CIPFA code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.75. **External Funds:** The Authority acts as the accountable body for Enterprise Cheshire & Warrington (ECW) and for the Cheshire & Warrington Development Ltd Partnership (Evergreen Fund). The Council holds significant cash balances on their behalf prior to expenditure which is either invested short-term or has reduced the need for external borrowing. For ECW, the Authority shares the interest benefit based on an agreed method for each fund which is either the average rate achieved on the Council's in-house (non-strategic) investments or an agreed market indicator rate. Surplus Evergreen Fund balances are required to be invested by the fund so the Council acts as a borrower with an agreed variable interest rate based on the average rate achieved on the Council's in-house (non-strategic) investments.

7.76. **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services including advisers, banks, brokers and fund managers, allowing it to access a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this seems to be the most appropriate status.

Annex A: Economic and Interest Rate Forecast

Underlying assumptions:

- As expected, the Bank of England Monetary Policy Committee (MPC) cut Bank Rate to 4.75% in November in an 8-1 vote. However, the outlook for monetary policy has changed following the new government's fiscal plans, as delivered in the recent Budget.
- The Budget contained measures that will boost demand, in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects of the Budget require a change to our Interest Rate Forecast.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth appears relatively subdued. However, the Budget will significantly boost government spending over the short-term, with few offsetting measures to subdue household demand, so GDP growth is likely to rise relatively steeply.
- Private sector wage growth has eased to 4.8% yet remains high, while services inflation continues to hold above pre-pandemic levels. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation was below the 2% target in September but will rise a little by year-end as energy price declines from the previous year fall out of the annual comparison. The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% by year end 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back to and then below target by this point.
- The MPC re-emphasised the gradual move to easing monetary policy, and we now believe the Budget measures have both reduced the pace of Bank Rate cuts and increased the low for this loosening cycle (although downside risks remain in the medium term).
- The increase in borrowing, rise in inflation and shallower path for Bank Rate projected by the Office for Budget Responsibility (OBR) raised gilt yields. The material change in rate expectations means that yields will be generally higher in the post-Budget world.
- US government yields have risen following Donald Trump's and Republican victories in the US elections. Trump has run on a platform of policies that appear inflationary, calling into question the extent of policy loosening required from the Federal Reserve (which was already uncertain given continued solid US growth data). Higher US yields could also support higher UK yields.

Forecast:

- In line with the Arlingclose forecast, Bank Rate was cut to 4.75% in November 2024.
- The MPC will continue to lower Bank Rate to reduce the restrictiveness of monetary policy, but more slowly and to a higher level. We see another rate cut in February 2025, followed by one cut per quarter, in line with Monetary Policy Report publication, to a low of 3.75%.

- Long-term gilt yields have to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility is likely to remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may lead to Arlingclose making more frequent changes to their forecast than has been the case in the past.
- Upside risks to inflation over the next 12 months could limit the extent of monetary easing, but we see the risks as broadly balanced over the medium term.

Treasury Advisor, Arlingclose Ltd, 3 Year Interest Rate Forecast

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.95	4.80	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.30	4.20	4.10	4.05	3.95	3.90	3.90	3.90	3.95	4.00	4.05	4.05	4.05
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.41	4.40	4.35	4.35	4.35	4.30	4.30	4.30	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.84	4.80	4.75	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.35	4.50	4.45	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65

PWLB certainty rate = relevant gilt yield + 0.80%

Annex B: Existing Investment and Debt Portfolio Position

	30/11/2024 Actual Portfolio £m	30/11/2024 Average Rate
External Borrowing:		
Local Authorities	174	5.38%
PWLB - Fixed Rate	157	4.79%
LOBO Loans	17	4.63%
Other	4	4.92%
Total External Borrowing	**352**	**5.03%**
Other Long-Term Liabilities:		
PFI	18	-
Total Gross External Debt	**370**	**-**
Treasury Investments:		
Managed in-house		
Short-term investments		
Instant Access	10	4.78%
Fixed Term Deposits	20	4.95%
Managed externally		
Property Fund	8	5.06%
Multi Asset Fund	5	5.82%
Equity Fund	2	6.80%
Global Income Fund	4	5.95%
Corporate Bond Fund	1	4.11%
Total Investments	**50**	**5.17%**
Net Debt	**320**	**-**

Annex 8 – Reserves Strategy

1. Introduction

Types of Reserves

8.1. When reviewing medium-term financial plans and preparing annual budgets the Council considers the management of reserves. Three types of Reserves will be held:

General Reserves

8.2. This represents the non-ring-fenced balance of funds. There are two main purposes of General Reserves: to operate as a working balance to manage the impact of uneven cash flows and avoid unnecessary temporary borrowing; and to provide a contingency against emerging events or emergencies.

8.3. Increasing General Reserves

- Planned repayment as set out in the Medium-Term Financial Strategy, usually to recover to an adequate level in relation to a detailed risk assessment, or to prepare in advance for future risks or investment.
- Allocation of an operating surplus at the close of the financial year, or movement from Earmarked Reserves based on priorities.

8.4. Decreasing General Reserves

- Planned draw-down of reserves to create investment, and to counteract the possibility of over-taxing in any financial year.
- Allocation of an operating deficit at the close of the financial year, or movement to Earmarked Reserves based on priorities.

Earmarked Reserves

8.5. These provide a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives. Discipline is required around setting up and maintaining earmarked reserves and this Strategy sets out the Council’s approach to this. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on specific intended purposes

Unusable Reserves

8.6. These arise out of a requirement under legislation and proper accounting practice either to accumulate revaluation gains, or as adjustment accounts to comply with statutory accounting requirements. These reserves are not backed by resources and therefore cannot be used for any other purpose. Hence, these reserves are not available to fund expenditure. These will generally be excluded from any discussion where the Council talks about its level of reserves.

Assessing the Adequacy of Reserves

8.7. To assess the adequacy of General Reserves, the Section 151 Officer will take account of the strategic, operational and financial risks facing the Authority. The Council therefore adopts formal risk management processes. The Audit Commission Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks are assessed against the Authority's overall approach to risk management.

8.8. There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts. The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control, as required by professional standards.

8.9. Setting the level of General Reserves is just one of several related decisions in the formulation of the Medium-Term Financial Strategy and the budget for a particular year. Account will also be taken of the key financial assumptions underpinning the budget alongside a consideration of the Authority's financial management arrangements.

8.10. **Table 1** sets out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow.

8.11. These factors can only be assessed properly at a local level. A considerable degree of professional judgement is required. The Section 151 Officer can express advice on the level of balances in cash and / or as a percentage of budget, so long as that advice is tailored to the circumstances of the Authority for that particular year. A general assumption for many local authorities over the years has been to allow for 5% of Net Revenue Expenditure.

8.12. Advice will be set in the context of the Authority's process to manage medium-term financial stability and not focus on short-term considerations, although balancing the annual budget by drawing on General Reserves may be a legitimate short-term option. However, where reserves are to be deployed to finance recurrent expenditure, this should be made explicit and will occur only to pump prime investment and not to regularly support such costs. Advice will be given on the adequacy of reserves over the lifetime of the Medium-Term Financial Strategy.

8.13. The current guidance requires the purpose, usage and the basis of transactions of earmarked reserves to be identified clearly. A review of the levels of earmarked reserves is undertaken as part of annual budget preparation.

Table 1: **Holding adequate reserves will depend on key Budget Assumptions**
• The treatment of inflation and interest rates • Estimates of the level and timing of capital receipts • The treatment of demand led pressures • The treatment of planned efficiency savings / productivity gains • The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments • The availability of other funds to deal with major contingencies and the adequacy of provisions

Financial Standing and management
• The overall financial standing of the Authority (including: level of borrowing, debt outstanding and Council Tax collection rates) • The Authority's track record in budget and financial management including the robustness of the medium-term plans • The Authority's capacity to manage in-year budget pressures • The strength of the financial information and reporting arrangements • The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level • The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

Source: CIPFA – LAAP Bulletin 55, 2003

2. General Fund Reserves (Revenue)

Purposes

8.14. The purpose of General Reserves is to manage the possible financial impacts to the Authority from:

- Emergencies.
- In-year emerging financial issues.
- Reacting to investment opportunities.

8.15. The Finance Procedure Rules set the parameters for the use of General Reserves.

8.16. The in-year use of General Reserves requires approval in accordance with the Constitution parameters set by Council. Any use of General Reserves must consider the medium-term impact of the decision and how this will align to the robustness of the MTFS, and to the Reserves Strategy.

8.17. In all cases the use of reserves should be approved by the Section 151 Officer.

8.18. During 2019 CIPFA published a financial management code designed to support the Local Government sector as it faces continued financial challenge, the Code recognises 'that using the financial reserves to finance a deficit or to avoid difficult decisions around spending cuts provides temporary relief, but is not sustainable in the long-term.'

8.19. This guidance from CIPFA follows the National Audit Office (NAO) report on financial sustainability in local authorities. This indicated that there is a heightened risk of more Council's over the coming years falling into special measures as a result of not reconciling the pressure on budgets.

Opening Balances

8.20. The Council held General Reserves as at 1 April 2024 of £5.6m.

Estimated Movement in Reserves

8.21. When the 2024/25 budget was set, in February 2024, it was balanced by the use of £11.6m of General Reserves. This usage is not sustainable in the medium term. Net spending therefore needed to be contained within the estimates of expenditure that form the budget.

8.22. The in-year forecast overspend for 2024/25 is £18.3m (as at Third Financial Review), which cannot be drawn down from General Reserves and will be funded by the use of £17.6m of conditional Exceptional Financial Support.

8.23. At 1 April 2025, it is anticipated that the Council will hold a General Reserves balance of £3.7m, as shown below.

8.24. It was also agreed as part of the previous MTFS to transfer all earmarked reserves which have not been identified for use in 2024/25 into the General Fund Reserve. The value of un-ringfenced reserves to be transferred in 2024/25 totals £3.1m.

Table 2 General Fund Reserve	£000
General Fund Reserve Opening Balance at 1 April 2024	**5,580**
2024/25 In-year Movements	
Transfers from un-ringfenced Earmarked Reserves - MTFS 24-28	**10,603**
To support 2024/25 projected budget deficit - MTFS 24-28	**(11,654)**
2024/25 Transformation Costs	**(4,066)**
Top-up General Fund Reserve	**100**
Transfers from un-ringfenced Earmarked Reserves Feb 2025	**3,133**
General Fund Reserve Closing Balance at 31 March 2025	**3,696**
2025/26 In-year Movements	
Top-up General Fund Reserve	**1,304**
General Fund Reserve Closing Balance at 31 March 2026	**5,000**

8.25. There is currently an insufficient balance available in the General Fund Reserve to adequately protect the Council against current and future risks.

8.26. The current balance in the General Fund Reserve does not align to the Cheshire East Plan target of £20m by 2025. For this reason, the Council now plans to increase the General

Fund reserve by £5m per annum over the medium term, plus any beneficial financial performance or additional income to reserves in the first instance over the medium-term as an approach to complying with the Plan.

8.27. The risks facing each local area will vary. In the case of Cheshire East, the impact of rising demand for services, the economic climate including very high inflation and interest rate levels, emerging and delayed Government policies (particularly in relation to Business Rates and fair funding), and pressure on public services to reduce overall expenditure are relevant, and these present the potential for significant emerging risk.

8.28. Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume an appropriate level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year, thereby smoothing the impact on residents.

8.29. As referred to in the MTFS Section 1. The Council has set out some key principles that it needs to continue to follow in the short and medium term to manage the financial uncertainty that it faces.

8.30. **Principle 7 – to create and maintain a central contingency and risk of undelivered savings budgets.** This recognises the aspiration of the Finance Sub Committee as reported in June 2024, to set aside a central contingency fund and risk against undeliverable savings budget to protect against the risk of underachievement of planned transformation savings and / or unforeseen growth in service budgets.

8.31. **Contingency Budget** - The aim is to maintain this annual contingency budget over the medium term at 1.5% of the net revenue budget plus other known risks, for example, around National Living Wage on care costs.

8.32. **Risk Budget** - The risk of underachievement of savings targets grows as more and more challenging savings are included in the budget setting. Setting aside a risk budget based on a percentage of the savings identified in any given year is prudent (currently 10%). A Risk Budget of £3.8m has been introduced from 2026/27 to align with the increased impact of the full year Transformation Savings reflected through the MTFS. Whilst acknowledging that there are also £47.1m of savings reflected through 2025/26 budget, due to the forecast overall affordability of the 2025/26 budget any risks arising from the 2025/26 in year position will need to be mitigated where possible or considered against the Contingency budget and/or General Fund Reserves.

8.33. Any proposed use of these two Strategic Budgets in-year will require the approval from both the Chief Executive and Section 151 Officer and will be determined against the criteria when creating the budgets as set out above.

8.34. Any unapplied funds in any given financial year from either budget is to be transferred into General Fund Reserves or other agreed Specific Strategic Reserves (see below) at outturn to help bolster the financial resilience of the Council.

8.35. In addition, the following Strategic Earmarked Reserves are proposed to be protected and, in some cases, replenished over the 4-year MTFS as part of the Council's approach to improving the robustness of the MTFS and adequacy of Reserves:

- PFI Equalisation Reserve - Extra Care Housing – to meet future payments on the existing PFI contract.
- Public Health unallocated ring-fenced grant – to be invested in areas to improve performance against key targets (subject to annual assurance sign off).
- Insurance Reserve – To settle insurance claims and manage excess costs.
- Transformation Reserve – To fund the Council's transformation programme costs.

- Collection Fund Reserve - To manage cash flow implications as part of the Business Rates Retention Scheme.
- Elections Reserve – To provide funds for Election costs every 4 years.
- Flood Risk and Adverse Weather Events Reserve - To help the service manage risks such as the impact of adverse weather, specifically flooding or extensive periods where winter maintenance is required.

8.36. Risks are considered and managed using the following basic principles:

- The risk may impact within the medium-term.
- Risks are potential one-off events.
- The risk will have genuine financial consequences.
- Mitigating actions will be in place to minimise the potential requirement for financial support.
- If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate revenue budget estimates – as reflected in the MTFS with the creation of a specific Contingency and Risk budget (as per para 8.31-8.32 above).
- Emerging risks will be addressed from in-year surplus or virement before any request to allocate from the Risk Budget or General Reserves.

8.37. As covered earlier in the Reserves Strategy, financial risks are managed, for example, through estimating variations, demand led budgets, provisions in the Capital Strategy, limits within the Treasury Management Strategy. In terms of Financial Reporting and Management, financial and budgetary matters are reported regularly to the Corporate Policy Committee, with the Audit and Governance Committee providing strategic oversight.

8.38. Through a combination of a target General Fund Reserve balance over the medium term of £20m, together with identified specific Contingency and Risk Budgets, plus the protection and replenishment of other Strategic Earmarked Reserves, it should be noted that these are proposed to reflect the net effect of issues relating to sustainable performance against the 2025/26 revenue budget and MTFS 2025/26 – 2028/29 which are:

- The capacity of the organisation to deliver proposed Transformation proposals plus other growth or achieve the proposed level of savings entirely.
- Potential underachievement of cost reduction targets following approval and any necessary consultation processes.
- Demand for services a risk rising above estimated trends.
- Inflation staying at current levels or increasing further.
- Changes to Government settlements.

Adequacy of General Reserves

8.39. The Local Government Finance Act 1988 and 1992 and the Local Government Act 2003 emphasise the importance of sound and effective financial management in England and Wales by the statutory duty of the Section 151 Officer to report to the Authority, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves.

8.40. CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their Section

151 Officer. There is no statutory or recommended minimum level of reserves as they are established by the Section 151 Officer making judgements on such matters taking into account all the relevant known and expected local circumstances. Imposing a statutory minimum would therefore be against the promotion of local autonomy and would conflict with the financial freedoms offered to local authorities.

8.41. The Secretary of State in England has reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the Section 151 Officer. The Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently and disregards the advice of its Section 151 Officer.

3. Earmarked Reserves (Revenue)

Purpose

8.42. The purpose of an earmarked reserve is:

- To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
- To set aside amounts for projects which extend beyond one year.

8.43. Once earmarked reserves have been established by Cheshire East Council, it is the responsibility of Chief Officers, in consultation with the Section 151 Officer, to ensure balances are spent in line with their purpose.

8.44. **Table 2** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

8.45. For each earmarked reserve held by Cheshire East Council there will be a clear protocol setting out:

- the purpose of the reserve,
- how and when the reserve can be used,
- procedures for the reserve's management and control,
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy,
- clear indication of payback periods and approach (if applicable).

Table 3 Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future accounting periods, it is prudent to build up resources in advance.
Insurance reserves	An Insurance Fund has been established to meet the potential costs of insurance excesses arising from claims in respect of fire and consequential loss, public and employer liability, and vehicles relating to both Cheshire East Council and the former Cheshire County Council.
Reserves of trading and business units	Surpluses arising from in-house trading may be retained or may have to be retained by statute to cover potential losses in future years, or to finance capital expenditure.
Reserves retained for service departmental use	Increasingly, authorities have internal protocols that permit year-end surpluses at departmental level to be carried forward.
School Balances	These are unspent balances of budgets delegated to individual schools.

Source: CIPFA – LAAP Bulletin 55, 2

8.46. When establishing reserves, Cheshire East Council will ensure that it complies with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions.

8.47. The protocol for Cheshire East Council earmarked reserves is set out below. The Section 151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.

8.48. Earmarked Reserves will be:

- Set up by Full Council, on recommendation by the Section 151 Officer,
- Supported by a business case,
- Normally held for a maximum of 3 years, except where the business case justifies a longer retention,
- Be reviewed at least annually.

8.49. Services may also carry forward balances in accordance with Financial Procedure Rules.

8.50. Earmarked reserves have the effect of transferring the tax burden across financial years as current taxpayers' funds are being used to support future years' spending. It is therefore recommended that Cheshire East Council's earmarked reserves are subject to annual review, at least as part of the budget setting process, to ensure that they are still appropriate, relevant and adequate for the intended purpose.

8.51. As part of the previous budget setting in February 2024, £10.6m of earmarked reserves that had not been identified for use in 2024/25 have been drawdown to the General Fund Reserve to balance the budget.

8.52. Net movements of earmarked reserves totaling £7.0m has been drawdown to support service expenditure in 2024/25, as shown in Section 4.

8.53. It was also agreed as part of the previous MTFS to transfer all earmarked reserves which have not been identified for use in 2024/25 into the General Fund Reserve. The value of un-ringfenced reserves to be transferred in 2024/25 totals £3.1m as noted in Section 2.

8.54. Other service proposals within this MTFS will utilise earmarked reserves where necessary and will be noted accordingly (see Section 1 of the MTFS report).

8.55. At 1 April 2025, it is anticipated that the remaining balances on Earmarked Reserves will be £11,5m, of which, £2.4m is ring-fenced for specific use.

8.56. By 1 April 2026, the balance on Earmarked Reserves is anticipated to reduce further to £9.4m, of which, £1.4m is ring-fenced for specific use.

4. Earmarked Reserve Balances at 31 March 2026

Table 4 Adults and Health Committee Reserve Account	Opening Balance 01 April 2024	Transfers to General Fund - MTFS Feb 2024	24/25 Net Movement on Reserve	Transfers to General Fund Feb 2025	Closing Balance Forecast 31 March 2025	25/26 Net Movement on Reserve	Closing Balance Forecast 31 March 2026
	£000	£000	£000	£000	£000	£000	£000
PFI Equalisation - Extra Care Housing	**2,857**	(2,795)	0	(62)	**0**	46	**46**
Public Health Reserve	**2,369**	0	9	0	**2,378**	(1,025)	**1,353**
Adults and Health Reserves Total	**5,226**	**(2,795)**	**9**	**(62)**	**2,378**	**(979)**	**1,399**

Table 5 Children and Families Committee Reserve Account	Opening Balance 01 April 2024	Transfers to General Fund - MTFS Feb 2024	24/25 Net Movement on Reserve	Transfers to General Fund Feb 2025	Closing Balance Forecast 31 March 2025	25/26 Net Movement on Reserve	Closing Balance Forecast 31 March 2026
	£000	£000	£000	£000	£000	£000	£000
Domestic Abuse Partnership	**131**	0	(131)	0	**0**	0	**0**
Troubled Families Initiative	**1,593**	0	(1,593)	0	**0**	0	**0**
Children and Families Reserves Total	**1,724**	**0**	**(1,724)**	**0**	**0**	**0**	**0**

Table 6 Corporate Policy Committee and Central Reserves Reserve Account	Opening Balance 01 April 2024	Transfers to General Fund - MTFS Feb 2024	24/25 Net Movement on Reserve	Transfers to General Fund Feb 2025	Closing Balance Forecast 31 March 2025	25/26 Net Movement on Reserve	Closing Balance Forecast 31 March 2026
	£000	£000	£000	£000	£000	£000	£000
Corporate Directorate Reserve	**1,164**	(935)	0	(229)	**0**	0	**0**
Collection Fund Management	**8,154**	(1,235)	(2,933)	0	**3,986**	3,469	**7,455**
Capital Financing Reserve	**4,530**	0	(4,530)	0	**0**	0	**0**
MTFS Reserve	**2,914**	(741)	255	(2,428)	**0**	0	**0**
2025/26 Transformation	**0**	0	3,500	0	**3,500**	(3,500)	**0**
Brighter Futures Transformation Programme	**490**	(470)	(20)	0	**0**	0	**0**
Section 31 Revenue Grants	**14**	0	0	(14)	**0**	0	**0**
Insurance Reserve	**3,098**	(3,098)	0	0	**0**	0	**0**
Elections General	**132**	0	0	0	**132**	0	**132**
Brexit Funding	**13**	(13)	0	0	**0**	0	**0**
HR	**59**	(59)	0	0	**0**	0	**0**
Pay Structure	**54**	0	0	(54)	**0**	0	**0**
Digital Solutions Architect	**150**	0	(150)	0	**0**	0	**0**
Corporate Policy and Central Reserves Total	**20,772**	**(6,551)**	**(3,878)**	**(2,725)**	**7,618**	**(31)**	**7,587**

Table 7 Economy and Growth Committee Reserve Account	Opening Balance 01 April 2024	Transfers to General Fund - MTFS Feb 2024	24/25 Net Movement on Reserve	Transfers to General Fund Feb 2025	Closing Balance Forecast 31 March 2025	25/26 Net Movement on Reserve	Closing Balance Forecast 31 March 2026
	£000	£000	£000	£000	£000	£000	£000
Place Directorate Reserve	**1,164**	0	(612)	(306)	**246**	(246)	**0**
Investment (Sustainability)	**610**	0	(21)	(40)	**549**	(549)	**0**
Legal Proceedings	**212**	0	(104)	0	**108**	(108)	**0**
Investment Portfolio	**534**	(534)	0	0	**0**	0	**0**
Homelessness & Housing Options - Revenue Grants	**129**	0	(129)	0	**0**	0	**0**
Tatton Park Trading Reserve	**128**	(128)	0	0	**0**	0	**0**
Economy and Growth Reserves Total	**2,777**	**(662)**	**(866)**	**(346)**	**903**	**(903)**	**0**

Table 8 Environment and Communities Committee Reserve Account	Opening Balance 01 April 2024	Transfers to General Fund - MTFS Feb 2024	24/25 Net Movement on Reserve	Transfers to General Fund Feb 2025	Closing Balance Forecast 31 March 2025	25/26 Net Movement on Reserve	Closing Balance Forecast 31 March 2026
	£000	£000	£000	£000	£000	£000	£000
Strategic Planning	**568**	(281)	(287)	0	**0**	0	**0**
Trees / Structures Risk Management	**139**	(55)	(30)	0	**54**	(54)	**0**
Air Quality	**36**	0	(5)	0	**31**	(31)	**0**
Licensing Enforcement	**8**	0	0	0	**8**	(8)	**0**
Flood Water Management (Emergency Planning)	**2**	0	(2)	0	**0**	0	**0**
Neighbourhood Planning	**82**	(41)	0	0	**41**	(41)	**0**
Spatial Planning - revenue grant	**13**	(13)	0	0	**0**	0	**0**
Street Cleansing	**22**	0	(4)	0	**18**	(18)	**0**
Environment and Communities Reserve Total	**870**	**(390)**	**(328)**	**(0)**	**152**	**(152)**	**0**

Table 9 Highways and Transport Committee Reserve Account	Opening Balance 01 April 2024	Transfers to General Fund - MTFS Feb 2024	24/25 Net Movement on Reserve	Transfers to General Fund Feb 2025	Closing Balance Forecast 31 March 2025	25/26 Net Movement on Reserve	Closing Balance Forecast 31 March 2026
	£000	£000	£000	£000	£000	£000	£000
Rail and Transport Integration	**385**	(185)	(200)	0	**0**	0	**0**
Flood Risk and Adverse Weather Events	**400**	0	0	0	**400**	0	**400**
Highways Procurement Project	**104**	(20)	(15)	0	**69**	(69)	**0**
LEP-Local Transport Body	**19**	0	0	0	**19**	(19)	**0**
Highways and Transport Reserve Total	**908**	**(205)**	**(215)**	**0**	**488**	**(88)**	**400**

5. Capital Reserves

8.57. Capital receipts received in-year are ordinarily applied to finance the capital programme. As set in **Section 2** – *Balancing the Budget*, based on the latest disposal forecast for future years as part of the strategic approach to balancing the 2025/26 budget and MTFS for 2025/26-2028/29, as supported by the Capitalisation Direction, consideration will be given to the available capital receipts and their utilisation to support funding Exceptional Financial Support borrowing costs and transformation spend, subject to Recommendations as set out in the covering report. Any excess small amount of capital receipts are otherwise held in reserve to cover future commitments where receipts are to be used flexibly to fund transformational projects.

8.58. Where revenue contributions are used to finance capital expenditure these will be held in reserve until such time as the expenditure is incurred.

8.59. As per the Capital Strategy (**Annex 5,** Section 3 Financial Controls), if the Capital Financing Budget (CFB) varies from the strategy, the Section 151 Officer will consider options to top-up or draw down from a Financing Earmarked Reserve (if available) and will report this approach to Members. Underspends on the CFB due to programme slippage will automatically be transferred to the Financing Reserve.

6. Reserves Strategy Conclusion

8.60. Overall, by the close of 2025/26, Cheshire East Council will not have an adequate level of reserves to protect the Council from future overspending or potential financial risks.

8.61. The full report setting out the work being undertaken to address the reserve levels and future financial security of the authority is set out in the Section 25 statement in Section 2, of the MTFS.

Background Papers

CIPFA Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves and Balances (2003).

CIPFA Financial Management Code 2019.

Cheshire East Draft Statement of Accounts 2023/24.

Annex 9 – Financial Authorisation Limits

9.1. Financial control is achieved through the mechanism of the Financial Procedures Rules (Chapter 3, Part 3 and Part 4 of the Constitution) and the Financial Schemes of Delegation.

9.2. This Annex provides details of the financial authorisation limits for the year 2025/26 to be approved at Budget Council. The financial limits ensure decisions are made at the right level, are formally delegated and involve appropriate consultations with Senior Management, Statutory Officers and Members.

9.3. It is appropriate to review these limits on an annual basis to reflect the most up to date financial framework, following a review this Annex confirms the current levels are appropriate for 2025/26.

9.4. These limits are in line with the approved Constitution and for 2025/26 apply for the net revenue budget of £402.4m and the capital budget of £180.4m.

1. Scheme of Virement

9.5. Approval limits for virements are as follows:

Virements between budget heads

(Excluding Reserves / Contingencies)

Virement Amount	Approval Level
Up to and including £100,000	Relevant Heads of Service
In excess of £100,000 up to and including £500,000	Chief Finance Office in consultation with the Relevant Member(s) of CLT
In excess of £500,000 up to and Including: • £1,000,000 revenue; or • £5,000,000 capital	Relevant Member(s) of CLT and Chief Finance Officer in consultation with Chair of the relevant Committee and the Chair of Finance Sub-Committee
Over • £1,000,000 revenue; or • £5,000,000 capital (where virement is within budget and policy framework)	Finance Sub-Committee

Virements from Reserves or Contingencies

Virement Amount	Approval Level
Up to and including £250,000	Chief Finance Officer
In excess of £250,000 up to and including £500,000	Chief Finance Officer in consultation with the Relevant Member of CLT
In excess of £500,000 up to and including £1,000,000	Finance Sub-Committee
Over £1,000,000	Council with recommendation from Finance Sub-Committee

9.6. Council may approve that specific earmarked reserves for contingencies are allocated within the Budget Control Total of a committee. The committee may vire such funds only in consultation with the Chief Finance Officer.

2. Supplementary Estimates

9.7. Approval limits for fully funded revenue and capital supplementary estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £250,000	Relevant Member of CLT
In excess of £250,000 up to and including £500,000	Relevant Member of CLT in consultation with the Chair of the relevant committee, Chair of Finance Sub-Committee and Chief Finance Officer
In excess of £500,000 up to and including £1,000,000	Committee
Over £1,000,000	Council

3. Asset Disposal / Write-off

9.8. The Chief Finance Officer may authorise the write-off of losses up to £25,000, or disposals, of obsolete or surplus equipment, materials, vehicles or stores up to a disposal value of £25,000. Where the value exceeds £25,000, but is less than or equal to £100,000 this should be done in consultation with the Finance Sub-Committee Chair. Write-offs over £100,000 will be the responsibility of the Finance Sub-Committee or Corporate Policy Committee.

9.9. Any write-off which arises as a result of theft or fraud must be notified to the Head of Audit and Risk immediately.

4. Early Retirement / Severance

9.10. The Chief Executive or Executive Director (Corporate Services) in consultation with the Chair of the Corporate Policy Committee must approve all requests up to £95,000 (excluding pay in lieu of notice and accrued holiday pay). All such requests in excess of £95,000 must be approved by the Corporate Policy Committee or a waiver sought from full Council and Central Government.

5. Grants and Donations

9.11. Grants, donations and contributions will be paid by the Council in accordance with the policies determined under paragraph 6.26 of the Financial Procedure Rules, subject to there being adequate provision in service budgets and the appropriate approvals being sought.

Approval level	Amount
Officers	Up to and including £50,000 (where grant is within approved grant policy and fully funded)
Relevant Corporate Leadership Team member in consultation with the Chair of the relevant committee and Chair of Finance Sub-Committee	Between £50,000 and £100,000 (where grant is within approved grant policy and fully funded)
Committee	All Grants of £100,000 or more. All grants which do not fall within existing approved grant policy require Corporate Policy Committee approval

6. Bad Debts

9.12. Bad Debts may be written off as follows:

Approval level	Amount
Chief Finance Officer	Up to and including £5,000
Chief Finance Officer in consultation with the Monitoring Officer	Over £5,000

9.13. The Corporate Leadership Team is responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year-end and that contributions to this provision are included in budgetary projections and outturn.

9.14. A record must be maintained for all debts written off. The appropriate accounting adjustments must be made following approval to write-off a debt. The Chief Finance Officer may provide written delegation to other officers to approve the write-off of debt up to and including £5,000.

Annex 10 – Whole Budget Equality Impact Assessment

Cumulative Equalities Impact Assessment

Purpose of assessment

10.1. This cumulative equality impact assessment of the proposals set out in the Council's Budget for 2025/26 and Medium-Term Financial Strategy 2025-29, provides an assessment of the potential impacts upon residents, stakeholders and employees; who share one or more protected characteristics, as defined by the Equality Act 2010.

Our commitment to fairness and equality

10.2. The current Cheshire East Council vision is to create a Borough that is Open, Fair and Green. The Council provides many essential services to its residents and stakeholders, such as Social Care, Education, Highways, Economic Development and Waste. Council services are funded mostly from Council Tax, with additional contributions from Business Rates and government grants and managing these resources appropriately will enable our plans to be sustainable over the medium term.

10.3. The vision can be achieved by being a transparent organisation, that cares for the people who need our support, as we develop a locally sustainable place. The Cheshire East Plan 2024/25, that articulates the vision and how we will make it a local reality, was developed through consultation and evidences our strategic direction until 2025. A new plan for 2025-29 aligned to the MTFS reflects a commitment to being an effective and enabling Council.

10.4. Equality Impact Assessments (or EIA) are an important part of ensuring our services are responsive to the needs of our diverse communities and help tackle inequalities, creating a fairer borough for all.

10.5. Each of the proposals set out in the budget will be considered through an equalities lens and, where there is a potential or perceived negative impact, a full Equalities Impact Assessment will be undertaken, prior to implementation, and actions will be identified to mitigate any impacts.

10.6. These individual assessments will be undertaken to establish the impact of our budget savings proposals on residents, stakeholders and employees who share one or more protected characteristic.

Our principles

10.7. The principles that the Council is using to shape its budget and financial strategy are:

- Resizing and reshaping the budget to protect services and support for Cheshire East residents who are most in need.
- Investing in children's service.

- Investing in adult social care to ensure our budgets reflect the anticipated growth in demand and increasing complexity of need for those who require the most help.
- Delivering transformation projects.
- Addressing new external costs, such as the increase in National Living Wage which can mean that the services the Council commissions from external providers, including many adult social care services, cost more.
- Looking for other ways to change services to reduce costs, avoid costs, or increase income.

Our legal duties

10.8. Under Section 149 of the Equalities Act, the Council has a legal duty to have “due regard” to the need to:

- eliminate unlawful discrimination, harassment and victimisation
- advance equality of opportunity and
- foster good relations between different groups.

10.9. We are required to demonstrate fulfilment of our duty to pay ‘due regard’ in the decision-making process and, as such, we need to understand the effect our policies and practices have on equality. Although the Council is not legally obligated to reject savings or growth proposals that could have negative impacts on any particular groups, it must carefully and with rigour consider the impact of its proposals on the PSED, take a reasonable and proportionate view about the overall impact on particular groups, and seek to mitigate negative impacts where possible.

Our diverse population

10.10. Our borough is home to almost 400,000 (406,500) residents and 190,000 households. It contains the major towns of Crewe, Macclesfield, Congleton and Wilmslow (with populations above 20,000). There are also a number of other significant centres of population (over 10,000) in Sandbach, Poynton, Nantwich, Middlewich, Knutsford and Alsager.

10.11. Whilst the population is predominantly White British (94.5%), Cheshire East is becoming an increasingly diverse borough due to its proximity and continually improving transport links to Manchester, Birmingham and London. It is also the home of choice for many migrant communities from across the world:

10.12. **Population**: The total population of Cheshire East is 406,500. Residents aged under 25 represent 25% of this total population, which is significantly lower than figures for both the North West (29%) and England (28%). There are more residents over the age of 65 in Cheshire East (23%) compared to both the North West (19%) and England (18%). There is little difference in gender between the age groups shown, with the exception of residents aged over 65 where the female population (54%) is notably higher than the male population (46%) partly reflecting differences in life expectancy between females and males.

10.13. **Race**: The proportion of the population in Cheshire East that were born outside the UK is 8.3%, significantly lower than the figure for both the North West (11.7%) and

England overall (17.4%). The highest proportion of residents born outside the UK was in the Crewe Central South (34.7%) followed by Crewe Central (30.9%).

10.14. **Ethnicity**: The most reliable source for data on ethnicity remains the 2021 Census. This is an 18 category self-report measure with an 'any other' write in option. Cheshire East has a high proportion of 'White' residents at 98% of the population, higher than the national (87%) and regional average (89%). The figure for 'White: other' population is included above as this represents the largest minority group population in Cheshire East (3.9%) but is hidden due to the way 'White' is considered a single homogenous group when reported.

10.15. **Disability**: The term 'disability' is used to refer to a limiting long term illness, health problem or disability (LLTI) which limits a person's day-to-day activities. This is usually captured using the decennial Census. In Cheshire East, in 2021, a smaller proportion but larger number of people were disabled (17.0%, 67,819), compared with 2011 (17.5%, 64,831). A further 7.8% of usual residents (31,165) had a long term physical or mental health condition but day-to-day activities were not limited by it. The five LSOA's with the highest disability rate (more than 25% of all usuals residents) were: Crewe (E01018476), Nantwich (E01018451), Alsager (E01018388), and Macclesfield (E01018645 and E01018620).

10.16. **Religion**: The religion question in the 2021 Census is voluntary; 94.5% (376,955) of usual residents answered the question in 2021, in line with the national average of 94.0% and an increase from 93.3% (345,486) in 2011. Just over half of the population in Cheshire East described themselves as "Christian" at 54.3% of usual residents (216,629), however this has fallen 14.6% from the figure in 2011 in which 68.9% (254,940) of usual residents described themselves as "Christian." While the proportion of residents describing themselves as "Christian" in Cheshire East is higher than the national average (46.2%) the decrease between census years was larger than the national decline (13.1%). "No religion" was the second most common response, increasing by 15.0% percentage points to 37.7% (150,257) from 22.7% (83,973) in 2011. There were small increases (0.1%) in the proportion of usual residents in Cheshire East responding as "Buddhist" (0.3%, 1314), "Hindu" (0.5%, 2046) and "Muslim" (1.0%, 4140).

10.17. **Sexual Orientation**: Sexual orientation is an umbrella concept, which includes sexual identity, behaviour and attraction. The 2021 Census question on sexual orientation was a voluntary question asked of those aged 16 years and over. In total, 309,493 (93.9% of the population aged 16 years and over) answered the question. Around 301,391 (91.5%) identified as straight or heterosexual. Around 8102 (2.5%) identified with an LGB+ orientation ("Gay or Lesbian", "Bisexual" or "Other sexual orientation"). The remaining 19,981 (6.1%) did not answer the question.

10.18. **Pregnancy and maternity**: In 2021 there were 4,798 conceptions to women in Cheshire East. This equates to conception rate of 71.9 per 1,000.

10.19. **Marriage and Civil Partnership**: At the time of the 2011 Census, 49.5% of adult residents were married and a further 0.2% were registered in a civil partnership.

10.20. **Gender Reassignment**: The Census 2021 question on gender identity was a voluntary question asked of those aged 16 years and over. The question asked "Is the gender you identify with the same as your sex registered at birth?". Overall, 329,474 (95.0% of the population aged 16 years and over) answered the question.

In total, 312,882 (95.0%) answered "Yes" and 1,387 (0.4%) answered "No". The remaining 15,205 (4.6%) did not answer the question.

The scale of the challenge

10.21. The Council is dealing with an increasing demand for services, at a time of ongoing uncertainty around the future of Local Government funding from Central Government beyond the 2025/26 financial year. We have therefore updated the Medium-Term Financial Strategy to focus on locally predictable resources funding locally provided services that are sustainable.

10.22. This year, as in previous years, we have made every endeavour to protect those in greatest need and at most risk. Where possible, savings focus on optimising efficiencies in service delivery. However, some reductions in services have been unavoidable. Where this is the case, we will assess the potential impact on groups with protected characteristics.

10.23. Consultation on the overall budget proposals is not a substitute for consultation or undertaking an EIA before implementing individual elements of the proposed budget. Having set the budget, this will not preclude making changes following detailed consultation as long as changes are in accordance with the Council's Constitution and Financial Regulations.

10.24. Inevitably the budget is a plan and there will be variations arising during the year. These variations are reported through the in-year budget monitoring.

10.25. Budget planning for the medium term continues being set against the most uncertain economic and fiscal context. Our services continue to be impacted by rising inflation and the need to address the deficit between spending to support children with Special Educational Needs and Disabilities (SEND) and the funding available within the High Needs Block of the Dedicated Schools Grant (DSG). This uncertainty affects both spending plans and income sources.

10.26. Feedback received during consultation and during implementation will continue to inform our medium-term planning. Working with residents and our partners, we will explore and monitor the cumulative impacts that emerge as our proposals are implemented. This information will be used to help us develop and shape mitigation initiatives and to inform future decisions going forward.

Equalities Impacts: overall cumulative impact

10.27. Given the significant financial challenges the Council faces it is likely the budget will have some proposals which will have a high or medium negative impact on some protected groups – at this stage it is too early to say who will be impacted and what the impact might be, however, the principles used in setting the budget are intended to protect services and support for Cheshire East residents who are most in need.

10.28. The proposals will also include some transformation savings. These are where we aim to provide services in a different and improved way at less overall cost to the Council. It is possible that some of these will have a positive impact on service users although it's far too early to provide any detail.

Impacts on all residents

10.29. There are likely to be a small number of changes to universal services and charges, and these have the potential to affect all residents.

10.30. Residents can expect to see an increase in their Council Tax and some may also be impacted by increases in other charges made by the Council. However, the most vulnerable residents will continue to be protected where possible. The Council provides a Council Tax Support Scheme, which can provide a reduction on Council Tax bills for those on a low income.

Impacts on specific service users

10.31. Proposals which relate to changes in services, which support specific groups of residents and their families, including services for vulnerable adults, disabled people, and those with learning disabilities or mental health problems, and children and young people, are expected to be new providers where services are being recommissioned to achieve savings, or reviews of support packages to focus more upon a person's strengths, resources and ability to access help in their community (strengths-based approach), rather than automatically assigning the highest level of care, regardless of needs or abilities.

10.32. Efforts will be made to ensure that there are no negative impacts on vulnerable groups and services which support residents assessed and to receive the level of support required to meet their needs. Indeed, there may be a positive impact as people are empowered and supported to access help in their community and retain their independence for longer.

10.33. However, there is a risk that service users, families and carers could be unsettled by any change in the normal support arrangements and feel worried that the revised offer will not meet their needs. It will therefore be essential for services to ensure that service users and their families and carers are involved in any review of the support offer, and that the offer is reviewed on a regular basis to identify and respond to any change in needs and tailor the offer accordingly.

Impacts on staff

10.34. As part of the Transformation Plan, a new target operating model for the Council has been developed through engagement with staff across the Council at all levels. The principles within the operating model will be used to help inform changes to the way the Council works including the way teams and roles are organised in the future.

10.35. Some staff savings and efficiencies are likely to come from deleting / not recruiting to vacant posts, so there will be no or limited direct impact on staff or specific protected characteristics.

10.36. Any proposals relating to reconfiguring or consolidating teams or bringing common functions together to achieve staff efficiencies, will be considered and assessed using an equality impact assessment. It is not possible at this stage to assess the overall impacts on any specific protected characteristics but as numbers are low and spread across a number of services / types of roles there are unlikely to be any groups disproportionately impacted.

10.37. Any restructures will be subject to staff and staff union consultation, in accordance with the Council's reorganisation policy and procedures. Where redundancies are necessary, affected staff will be offered support and prioritised for any new jobs being advertised within the Council.

10.38. The impacts of proposals on staff with protected characteristics cannot yet be fully determined, but as numbers are expected to be low and spread across a number of services / types of roles, there are unlikely to be any protected groups disproportionately impacted. Any changes to staffing structure will require consultation with staff unions in accordance with the Council's reorganisation policy and procedures.

10.39. Our established organisational change process ensures we support all of our staff through this change. Where restructures are proposed we carry out an assessment that identifies the implications for those with protected characteristics and finds ways to mitigate accordingly.

10.40. Where a redundancy situation is possible, we will take a number of steps including:

- not filling vacancies in advance of a restructure so as many opportunities as possible are available to our existing staff
- using our redeployment process to help staff at risk find suitable alternative employment within the Council
- considering alternative options to redundancy such as early retirement, flexible working or other 'working differently' options.
- stress management support and counselling services will be offered to staff through the Employee Assistance Programme to help them cope with the additional pressures that structural change may bring.

10.41. We have an ongoing commitment to making Cheshire East Council an employer of choice and are supporting flexible working opportunities available where possible, including condensed hours, flexible start and end times and part time working.

10.42. The Council is committed to a workforce that is representative of the borough at all levels and will continue to look for new ways to improve progression routes for staff and equip them to be senior managers of the future. We will continue to promote our staff equality forums as a way of engaging with, and listening to, staff and working together to continually improve their experience of working in Cheshire East.

Human Rights

Human Rights

10.43. It is unlawful for the Council to act in a way that is incompatible with a European Convention right (unless the Council could not have acted differently as a result of a statutory provision).

10.44. An interference with a qualified right (e.g. the right to respect for private and family life) is not unlawful if the Council acts in accordance with the law and the interference is necessary in a democratic society.

10.45. In deciding whether the interference is necessary, the law applies a proportionality test, including whether a fair balance has been struck between the rights of the individual and the interests of the community.

Safeguarding

Implications for safeguarding in Adult Social Care

10.46. Proposals outlined in this document aim to build upon the Council's work on Making Safeguarding Personal (MSP). MSP is enshrined in the Care Act (2014) and our Local Safeguarding Adults Policies and Procedures.

10.47. MSP puts the person at risk of harm or abuse at the centre of decisions and actions about them. MSP respects that adults often bring ideas and solutions which will work best for them and the outcomes they need support in achieving.

10.48. This means that safeguarding adults continues to be integral in the work we are undertaking to really embed strengths-based practice. Ensuring vulnerable adults are safe and focusing on wellbeing is a core element of strengths-based practice and ensures there is consistency in approach whether we are working with a vulnerable person on a support plan or a safeguarding plan.

Implications for safeguarding in Children's Services

10.49. Safeguarding children is about protecting them from maltreatment, preventing their health and development being impaired, ensuring that they grow up in environments which provide safe and effective care and taking action to enable all children to have the best outcomes.

10.50. The mitigation identified for each proposal reduces very significantly the risk of poor safeguarding practice. The Council's mitigation should include not adopting any policy where safeguarding practice is adversely affected.

10.51. The proposals put forward have been tested against effective safeguarding practice. A broad range of quality assurance measures are already in place and will continue to be monitored and responded to robustly.

Monitoring

10.52. This is an overall indicative assessment and there is a need to continue to monitor this. Each individual proposal will continue to be reviewed and updated as required. Consultation will be carried out where required to seek the views of residents and service users. The lead officer for each proposal will be responsible for ensuring that equality considerations remain at the forefront of decision making as each of these proposals are progressed.

Appendix A: Public Sector Equality Duty

Section 149 of the Equality Act 2010 provides that:

(1) A public authority must, in the exercise of its functions, have due regard to the need to —

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

(2) A person who is not a public authority but who exercises public functions must, in the exercise of those functions, have due regard to the matters mentioned in subsection (1).

(3) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to —

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

(4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

(5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to —

- (a) tackle prejudice, and
- (b) promote understanding.

(6) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

(7) The relevant protected characteristics are —

Age	Disability
Gender reassignment	Marriage and civil partnership
Pregnancy and maternity	Race
Religion or Belief	Sex
Sexual Orientation	

Annex 11 – Abbreviations

This Annex provides details of the abbreviations used in the Report in alphabetical order.

Term	Meaning
ASC	Adult Social Care
ASDV	Alternative Service Delivery Vehicles – part of the Council’s commissioning approach to funding services
BCF	Better Care Fund
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1 April 2013
CAG	Corporate Assurance Group
CDRP	Crime and Disorder Reduction Partnership
CDS	Credit Default Swap
CEC	Cheshire East Council
CEFS	Cheshire East Family Support
CERF	Cheshire East Residents First
CFB	Capital Financing Budget
CFR	Capital Financing Requirement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CSC	Children's Social Care
CTS	Council Tax Support
DfE	Department for Education
DSG	Dedicated Schools Grant – grant received from Government to fund schools
EqIA	Equality Impact Assessment
EIP	Early Intervention and Prevention
ERP	Enterprise Resource Platform
ESG	Education Support Grant
FTE	Full Time Equivalent
FR	Financial Review – in-year financial monitoring report estimating the projected end of year spend
GDP	Gross Domestic Product
GP	General Practitioner
GVA	Gross Value Added
HLBC	High Level Business Case

Term	Meaning
HM	His Majesty's
HR	Human Resources – one of the Council’s corporate service areas
ICT	Information and Communication Technology – the service responsible for computers, networks, software, hardware and phones
IFS	Infrastructure Funding Statement
LA	Local Authority
LED	Light Emitting Diode
LGA	Local Government Association
LOBO	Lenders Option Borrows Option
LSCB	Local Safeguarding Children's Board
LUF	Levelling Up Fund
MARS	Mutually Agreed Resignation Scheme
MHCLG	Ministry of Housing, Communities and Local Government – formerly Department for Levelling Up, Housing and Communities (DLUHC)
MPC	Monetary Policy Committee
MRP	Minimum Revenue Provision
MTFS	Medium-Term Financial Strategy
NEETs	Not in Education, Employment or Training
NFF	National Funding Formula
NHB	New Homes Bonus Grant
NHS	National Health Service
NJC	National Joint Council
NNDR	National Non-Domestic Rates – the contribution to general local authority costs by businesses. The rate is set by Central Government
PHE	Public Health England
PiP	Partners in Practice
PMI	Purchasing Managers Index
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works
RPI	Retail Price Index
RSG	Revenue Support Grant
RV	Rateable Value
S151	Section 151 (Officer)
SBRR	Small Business Rate Relief
SCIES	Safeguarding Children in Education Settings
SEN	Special Educational Needs

Term	Meaning
SEND	Special Educational Needs and Disabilities
SLA	Service Level Agreement
SLE	Separate Legal Entity – a delivery model for delivering services in a different way
SOS	Signs of Safety
SSB	Supporting Small Business
TC	Town Centre
TUPE	Transfer of Undertakings (Protection of Employment) regulations
VIC	Visitor Information Centres
VCFSE	Voluntary, Community, Faith and Social Enterprise
WOC	Wholly Owned Company