



First Financial Review 2022/23

October 2022

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

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

shapingourservices@cheshireeast.gov.uk

Introduction

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

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

Demand for Council services is increasing, with more individuals and families needing support and services than ever before. This reflects an increase in population but also reflects changes in demographics and the national cost of living increases. This demand is resulting in forecast outturn of £340.0m against a net revenue budget of £328.4m, with the most significant impact within the rising complexity of needs in Adult Social Care.

When the 2022/23 budget was set, in February 2022, it was highlighted that the use of reserves was not sustainable in the medium term. Net spending therefore needs to be contained within the estimates of expenditure that form the budget. The forecasts at first review highlight pressures due to demand, inflation and pay negotiations. These will almost certainly affect the medium term finances of the Council. This situation must be addressed now and as part of the MTFS process for 2023 to 2027.

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

The **Financial Stability** section provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2022/23 is being funded, including the positions on overall service budgets, centrally held budgets, council tax and business rates. Further details are contained in the appendices.

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- **Appendix 7** Highways and Transport Committee.
- **Appendix 8** Update to the Treasury Management Strategy.
- **Appendix 9** Update to the Investment Strategy.

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

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2022/23 Outturn Forecast - Financial Position

2022/23 (GROSS Revenue Budget £474.2m)	Revised Budget (NET) £m	Forecast Outturn £m	Forecast Variance £m	For further information please see the following sections
SERVICE DIRECTORATES				
Adult, Health and Integration	120.9	132.6	11.7	Appendix 1 Section 2
Children's Services	74.5	78.0	3.5	Appendix 2 Section 2
Place	81.7	84.3	2.6	Appendix 4, 5 & 7 Section 2
Corporate Services	39.8	40.6	0.8	Appendix 3 Section 2
CENTRAL BUDGETS				
Capital Financing	18.9	18.9	-	Appendix 6 Section 5
Transfer to/(from) Earmarked Reserves	(2.7)	(8.7)	(6.0)	Appendix 6 Section 6
Corporate Contributions / Central Budgets	(4.7)	(5.7)	(1.0)	Appendix 6 Section 2
TOTAL NET EXPENDITURE	328.4	340.0	11.6	
Business Rates Retention Scheme	(49.1)	(49.1)	-	Section 1 - Paragraphs 19-22
Specific Grants	(24.6)	(24.6)	-	Appendix 6 Section 3
Council Tax	(254.7)	(254.7)	-	Section 1 - Paragraphs 8-18
Net Funding	(328.4)	(328.4)	-	
NET (SURPLUS) / DEFICIT	-	11.6	11.6	

Financial Stability

Introduction

1. The Council has a track record of sound financial management. Nevertheless, in common with all UK local authorities the Council finds itself in a position where pressures on the revenue budget are intensifying as a result of rapid inflation, the legacy impact of the Coronavirus pandemic and increasing cost of living pressure on households. These issues have the effect of increasing the demand for services and increasing costs of services.
2. Complexity and market sustainability in Adults' and Children's Social Care remains the most significant financial pressure for the Council in the medium term. Rising inflation in fuel, utilities and wage levels are affecting costs across all services.
3. **Table 1** provides a service summary of financial performance. The current forecast is that services will be £18.6m over budget in the current year. The Action Plans provide further details and changes to service net budgets since the Medium Term Financial Strategy are analysed in the **Appendices 1-7**.
4. Further items impacting on the level of the Council's balances are detailed in **Table 2** below on Central Budgets and Funding.

Table 1 - Service Revenue Outturn Forecasts

2022/23	Revised Budget	Forecast Outturn	Forecast Variance	FOR INFO COVID Costs Included in Totals
(GROSS Revenue Budget £474.2m)	(NET)			
	£m	£m	£m	£m
SERVICE DIRECTORATES				
Adult Social Care - Operations	117.5	128.5	11.0	4.9
Commissioning	3.4	4.1	0.7	-
Public Health	-	-	-	-
Adult, Health and Integration	120.9	132.6	11.7	4.9
Directorate	1.0	0.9	(0.1)	-
Children's Social Care	46.6	48.5	1.9	0.1
Strong Start, Family Help and Integration	8.3	8.3	-	0.1
Education & 14-19 Skills	18.6	20.3	1.7	0.5
Children's Services	74.5	78.0	3.5	0.7
Directorate	0.8	0.7	(0.1)	-
Environment & Neighbourhood Services	44.3	46.2	1.9	2.3
Growth & Enterprise	22.8	23.1	0.3	0.1
Highways & Infrastructure	13.8	14.3	0.5	1.6
Place	81.7	84.3	2.6	4.0
Directorate	1.9	1.9	-	-
Finance & Customer Services	11.9	12.3	0.4	-
Governance & Compliance Services	11.7	11.2	(0.5)	-
Communications	0.7	0.7	-	-
HR	2.4	2.2	(0.2)	-
ICT	9.3	10.4	1.1	-
Policy & Change	1.9	1.9	-	-
Corporate Services	39.8	40.6	0.8	-
				<i>For Info</i>
TOTAL SERVICES NET EXPENDITURE	316.9	335.5	18.6	9.6

Table 2 – Central Outturn Forecasts

2022/23	Revised Budget	Forecast Outturn	Forecast Variance
(GROSS Revenue Budget £474.2m)	(NET)		
	£m	£m	£m
CENTRAL BUDGETS			
Capital Financing	18.9	18.9	-
Transfer to/(from) Earmarked Reserves	(2.7)	(8.7)	(6.0)
Corporate Contributions / Central Budgets	(4.7)	(5.7)	(1.0)
Central Budgets	11.5	4.5	(7.0)
Business Rates Retention Scheme	(49.1)	(49.1)	-
Specific Grants	(24.6)	(24.6)	-
Council Tax	(254.7)	(254.7)	-
Net Funding	(328.4)	(328.4)	-

Outturn Impact

- The financial impact of the outturn forecast could decrease balances by £11.6m. This is over 75% of the Council's General Reserves balance, so mitigating actions must be taken to reduce the pressure during the year. Any deficit at the end of the year will be drawn down from the Medium-Term Financial Strategy Earmarked Reserve in the first instance, but drawdowns from that reserve are already factored in to the MTFs to manage the effects of variations in spending and income in specific years.
- The Council will continue to manage and review the financial forecasts in response to emerging pressures and how this affects the Council's revenue budget.

Collecting Local Taxes for Local Expenditure

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

Council Tax

- Council tax is set locally and retained for spending locally. Council tax was set for 2022/23 at £1,626.24 for a Band D property. This is applied to the taxbase.
- The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect council tax from (after adjustments for relevant discounts, exemptions and an element of non-collection). The taxbase for 2022/23 was agreed at 156,607.48 which, when multiplied by the Band D charge, means that the expected income for the year is £254.7m.
- In addition to this, Cheshire East Council collects council tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. **Table 3** shows these amounts separately, giving a total budgeted collectable amount of £313.8m.
- This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the amount billed will therefore exceed the budget.
- This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of discounts and exemptions, and changes in numbers and value of properties. The amount billed to date is £314.6m.

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

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

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

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

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

**data not yet available

14. The council tax in-year collection rate for the period up to the end of June 2022 is 29%. This is a small decrease of 0.1% on the previous year, possibly indicating current cost of living pressures. Additionally, significant numbers of council tax staff have been supporting the government's energy rebate

payments which has impacted resource normally involved in collection.

15. Council tax support payments were budgeted at £18.4m for 2022/23 and at the end of June the total council tax support awarded was £19.0m.
16. During 2021/22 there was a consultation and review of the Council Tax Support scheme resulting in some amendments being made. The revised scheme was confirmed by full Council in December 2021.
17. Council tax discounts awarded are £28.3m which are comparable to the same period in 2021/22.
18. Council tax exemptions awarded is £6.9m which is broadly in line with previous years.

Non-Domestic Rates (NDR)

19. NDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes annually in line with inflation and takes account of the costs of small business rate relief.
20. The small business multiplier applied to businesses which qualify for the small business relief was set at 49.9p in 2022/23. The non-domestic multiplier was set at 51.2p in the pound for 2022/23.
21. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.
22. The business rates in-year collection rate for the period up to the end of June 2022 is 32.8%. This is a significant increase

on last year and begins to revert collection rates back to pre pandemic figures. A return to standard collection processes and government support through additional reliefs has assisted the recovery in collection.

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

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

**data not yet available

Appendices to First Financial Review 2022/23

October 2022

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Appendix 1

Adults and Health Committee

1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Adults and Health				
Adult Social Care Operations	115,959	43	1,513	117,515
Commissioning	4,880	-	(1,461)	3,419
Public Health	-	-	-	-
	120,839	43	52	120,934

Note the additional grant funding column includes the expenditure part of centrally held unringfenced grants.

2. Action Plan 2022/23

Adults and Health Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
Adults & Health Committee				Pay Inflation	1.551	3&4	Red (will not achieve)	Represents current estimate of the impact on Committee services in excess of the MTFS, from a nationally negotiated pay award.	1.511
Adult Social Care Operations	148.4	-30.9	117.5	Continuing Healthcare Reviews	-1.000	7	Green (on track and should achieve)	Reviews underway of nursing home placements and complex care packages to identify those people who have a primary health need and are therefore eligible for Continuing Healthcare Funding.	0.000
				Productivity and Efficiency in Adult Social Care	-0.500	30	Red (will not achieve)	Unable to achieve in 2022/23, due to current level of demand upon services. The development of the Integrated Care Partnership (ICP) and integration commissioning will enable staff to work differently. New ways of working and integrated posts will be adopted which will result in more efficient ways of working.	0.500
				Investment in Adult Social Care	4.000	34	Red (will not achieve)	Pressures from care costs base budgets. Mitigation already includes staffing vacancies and a £2m income contribution anticipated from NHS discharge funding.	9.302

Adults and Health Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Care Fee Uplifts in Adult Social Care			Green (on track and should achieve)		0.000
				Learning Disabilities (LD) Future Service Development and Review	-1.000	49	Amber (not on track but may still achieve)	Difficulties identified in providers demanding higher fees or threatening to end contracts. We can evidence gross reductions on LD packages from the base line at the start of the financial year. On this measure it is expected that the saving will be met. However, demand and market pressure will result in an overall net increase to the cost of LD care.	0.000
				Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and	-0.500	36	Red (will not achieve)	This has been unachievable due to the team's commitment to Afghan and Homes for Ukraine and COVID response- savings on tracker. Mitigation from associated grants will need to be determined.	0.500

Adults and Health Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				future cost avoidance					
				Mental Health Services Review	-0.500	37	Amber (on track but may not achieve all)	Working with health colleagues to implement 50/50 approach to section 117 cases.	0.000
				Day Care Review	-0.070	38	Green (on track and should achieve)	2022/23 saving was achieved in 2021/22 by contract variation.	0.000
				Electronic Call Monitoring Reclamation	-0.030	39	Red (will not achieve)	Unable to deliver due to the fragility of the care at home market- this is on covid tracker.	0.030
				Market Sustainability and Fair Cost of Care - Grant Income	-0.979	40	Green (on track and should achieve)	Received.	0.000
				Market Sustainability and Fair Cost of Care - Expenditure	0.979	40	Green (on track and should achieve)	Spent on 6% increase to care at home providers.	0.000

Adults and Health Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Staff Travel and related savings	-0.044	29	Green (on track and should achieve)		0.000
				Care Packages		NEW		Savings in year from reviews of current packages. Includes targeted economies through assistive technology and removing low level support (non-personal care tasks).	-0.400
				Care Costs		NEW		Negotiating unit costs down in line with Fair Cost Of Care.	-0.070
				Public Health (PH) Grants		NEW		Allocating PH grant to relevant preventative expenditure.	-0.110
Commissioning	12.6	-9.2	3.4	Reduce Base budget assigned to Community Grants	-0.100	9	Green (on track and should achieve)		0.000
				In Year pressures		New		£80k children's commissioning due to employment activity. £338k due to demand on community equipment and £378k demand on assistive technology. Partially offset by Ukraine settlement grant £500k.	0.392

Adults and Health Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
Public Health	17.7	-17.7	0.0	Public Health		NEW		Review use of Public Health grant across wider network of local authorities to test best practice.	
Total	178.7	-57.8	120.9		1.807				11.655

3. Corporate Grants Register (Adults and Health Committee extract)

Table 1 – Corporate Grants Register

Grants 2022/23	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2022/23 £000	2022/23 £000	2022/23 £000	Notes 2 - 5
ADULTS & HEALTH				
Specific Use (Held within Services)	30,739	54,245	23,506	
General Purpose (Held Corporately)				
Social Care Support Grant	11,341	11,341	0	
Independent Living Fund	818	861	43	SRE
Local Reform & Community Voices	213	213	0	
Social Care in Prisons	71	71	0	
War Pension Scheme Disregard	56	56	0	
TOTAL ADULTS & HEALTH	43,238	66,787	23,549	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

4 Reserves - transfer to reserves at year end.

5 Balances - amount will be included as a variance to budget.

- 3.1 Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. Specific use grants are held within the relevant service with a corresponding expenditure budget. Whereas general purpose grants are held in central budgets with a corresponding expenditure budget within the allocated service area.
- 3.2 The increase in specific grants relates mainly to Early Assessment funding, Journey First and Parents First grant, and increases in Public Health grants. Requests for the

allocation of the additional specific grants received are detailed in **Table 2, Table 3 and Table 4.**

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

3.4 **Table 5** shows additional general purpose grants that are approved by the Finance Sub-Committee.

3.5 **Table 6** shows general purpose grant approvals resulting from urgent decisions.

Table 2 – Recommend to Service Committee to Approve Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) over £500,000 up to £1m

Adults and Health	Early assessment funding allocation Part 1 (Specific Purpose)	585	This grant is from the Department of Health and Social Care with a national allocation of £2.1m. Funding to enable trailblazer local authorities to conduct additional needs and financial assessments of their local population. The funding set out for early assessments in this grant determination represents 50% of the total funding trailblazers would receive under the 2014 formula in the financial year 2022 to 2023. Trailblazer funding grant determination letter - GOV.UK (www.gov.uk)
Total Specific Purpose Allocation for Service Committee Approval		585	

Table 3 – Note that Council will be asked to Approve Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) Over £1m

Committee	Type of Grant	£000	Details
Adults and Health	Journey First and Parents First (Specific Purpose)	2,500	This grant is from the Department for Work and Pensions. Cheshire East Council is the Accountable Body for the delivery of three separate lots of former European Social Fund money (now administered by the Department for Work and Pensions). Two of these lots are under the Journey First banner with the third being Parents First. They aim to break down barriers for hard to reach groups to successfully become part of the employment market. These sub regional projects run over a number of financial years through to 2023/24.
Total Specific Purpose Allocation for Council Approval		2,500	

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

Adults and Health	DHSC Additional drug and alcohol treatment funding allocations: 2022 to 2023 (Specific Purpose)	347	This grant is from the Department of Health and Social Care with a national allocation of £101.2m. As part of its Public Health responsibilities, Cheshire East Council commissions drug and alcohol treatment and recovery services. This additional grant is to fund improvements to these services in line with the government's drug strategy (launched in 2021). Additional drug and alcohol treatment funding allocations: 2022 to 2023 - GOV.UK (www.gov.uk)
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Adults and Health	ChaMPs Marmot Place Funding - encourage pregnant women to stop smoking (Specific Purpose)	22	This grant is from the Cheshire and Merseyside Health partnership (ChaMPs) to fund a smoking cessation scheme. The trial scheme will aim to incentivise pregnant women and others in their household to quit smoking.
Adults and Health	ChaMPs SMS - inpatient detox (Specific Purpose)	30	This grant is from the ChaMPs Public Health Collaborative with a national allocation of £9.7m to fund substance misuse treatment scheme. The grant will be used to commission enhanced in-patient treatment provision.
Adults and Health	ChaMPs Mouth Care Matters programme (to be confirmed) (Specific Purpose)	15	This grant is from the ChaMPs Public Health Collaborative to support the delivery of the 'Mouth Care Matters in the Community (Cheshire and Merseyside)' programme. This will offer training and a sample pack of mouth care products to residential and nursing homes in Cheshire East.
Adults and Health	PHE grant for HIV pre-exposure prophylaxis (PrEP) drug (Specific Purpose)	59	This grant is from Public Health England. Grant to fund the routine commissioning of pre-exposure prophylaxis. Pre-Exposure Prophylaxis (PrEP) involves the use of an anti-retroviral (ARV) drug, which may be prescribed to HIV negative people who are at high risk of contracting HIV. Using PrEP can prevent them from becoming infected.
Specific Purpose Allocations less than £500,000		473	

Table 5 – Note Allocation of Additional Grant Expenditure from General Purpose Grants Held in Central Budgets

Committee	Type of Grant	£000	Details
Adults and Health	Independent Living Fund (ILF) (General Purpose)	43	Increase on MTFS 2022-26 estimate. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC) with a national allocation of £160.6m. Following the closure of the Independent Living Fund (ILF) in June 2015, the government agreed to continue funding pre-existing ILF arrangements until the end of 2019 to 2020, through the former ILF recipient grant. Government have confirmed that that the former ILF recipient grant will continue to be paid to local authorities in 2022 to 2023. Former Independent Living Fund Grant 2022 to 2023 - GOV.UK (www.gov.uk)
General Purposes Allocations less than £500,000		43	

Table 6 – Note Urgent decisions made following Member consultation (Specific Purpose)

Summary of Decision	Decision on behalf of	Members, MO/S151 consulted/ content?	Status
Implementation Support Grant: This grant is from the Department of Health and Social Care with a national allocation of £15.5m. A supplementary revenue estimate for the 2022/23 financial year of £98,230 be approved. Associated with the Adult Social Care charging reform. This is the first tranche of funding to support local authorities in preparation for the charging reforms. It has been provided to	Council	Yes	Decision made and Members notified

Summary of Decision	Decision on behalf of	Members, MO/S151 consulted/ content?	Status
<p>support recruitment activities of assessment staff and the development of IT systems.</p> <p>Adult social care charging reform: implementation support funding grant determination 2022 to 2023 - GOV.UK (www.gov.uk)</p>			
<p>Trailblazer support funding: This grant is from the Department of Health and Social Care with a national allocation of £0.8m. A supplementary revenue estimate for the 2022/23 financial year of £162,211 be approved. As a “Trailblazer”, Cheshire East will implement the adult social care charging reforms 9 months earlier than other local authorities. This funding recognises costs associated with implementing the reforms in an accelerated timeframe and the obligations to work closely with the Department of Health and Social Care in reporting our learning.</p> <p>Trailblazer funding grant determination letter - GOV.UK (www.gov.uk)</p>	Council	Yes	Decision made and Members notified

4. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Adults and Health Committee		
Adults, Public Health and Communities	8,438	4,931

5. Capital Strategy

Adults and Health											CAPITAL		
CAPITAL PROGRAMME 2022/23 - 2025/26													
Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing	
Committed Schemes												0	
Adults Services													
Electronic Call Monitoring System	389	0	389	0	0	0	389			389			389
People Planner System	94	38	56	0	0	0	56	56					56
Replacement Care4CE Devices	93	65	28	0	0		28	28					28
Total Adults Services Schemes	576	103	473	0	0	0	473	84	0	389	0	0	473

6. Reserves Strategy (Adults and Health Committee Extract)

Adults and Health Committee

Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Adult Social Care Operations				
Adults Directorate	1,020	(450)	570	To support a number of widespread projects within the Adults and Health Directorate. Connected Community Strategy Developments activity has been delayed due to community team focussing on resettlement schemes. Transformation and Improvement of ASC and Care4ce New Model of Care anticipate phasing of appropriation will match the original business case.
DOL's Assessments	397	(397)	0	Reserve required due to delays in DOLs assessment processing. Anticipated to be fully utilised in 2022/23.
Public Health (LAC funding for 3 years/ Investment in Outcome 5 activities - Adults)	162	(162)	0	Reserve will be fully utilised by the end of 2022-23, matched off against LAC staff as per the original business case.
Adults Social Care Commissioning				
PFI Equalisation - Extra Care Housing	2,715	80	2,795	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009, and the anticipated gap at the end of the agreement.
NHB Community Grants Staffing	132	0	132	To support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects.
Public Health				
Public Health	3,220	(488)	2,732	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues. Anticipated that the carry forward ringfenced grant will be spent across 2022/23 and 2025/26.
ADULTS AND HEALTH TOTAL	7,646	(1,417)	6,229	

Appendix 2 : Children and Families Committee

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6. Reserves Strategy (Children and Families Committee Extract)

Appendix 2

Children and Families Committee

1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Children and Families				
Directorate	899	-	107	1,006
Children's Social Care	46,464	187	-	46,651
Education & 14-19 Skills	18,197	311	24	18,532
Strong Start, Family Help and Integration (Previously Prevention & Early Help)	8,217	-	91	8,308
	73,777	498	222	74,497

2. Action Plan 2022/23

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
C&F Committee				Pay Inflation	1.548	3&4	Red (will not achieve)	Represents current estimate of the impact on Committee services in excess of the MTFS, from a nationally negotiated pay award.	1.368
				Use of EMRs		New		Additional use of earmarked reserves above MTFS level.	-0.208
				Transformation		New		Flexible use of Capital Receipts.	-1.000
Directorate	1.3	-0.3	1.0						
Strong Start, Family Help and Integration	14.7	-6.3	8.3	A redesign of Early Help Services into a Locality model	-0.424	48	Green (on track and should achieve)	A restructure is scheduled for March 2023. A significant amount of vacancies have been held in the service pending the restructure and they allow the saving to be delivered in 2022/23.	0.000
				Staff Travel and related savings	-0.062	29	Red (will not achieve)	At this stage the service is working to resume pre COVID-19 delivery levels and is not able to deliver savings from less travel or a reduced mileage rate. To be considered as part of wider recruitment and retention issue.	0.050
				Development and		50	Amber (not on track but	Under discussion to confirm any required changes.	0.000

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Partnerships service			may still achieve)		
				Revenue costs for Crewe Youth Zone		43	Green (on track and should achieve)		0.000
				Restructure Early Help budget to fund Crewe Youth Zone (CYZ)		44	Green (on track and should achieve)	Ringfenced reserves from the Supporting Families Programme (SFP) will be used to fund the Crewe youth zone. This will enable shared outcomes from the SFP programme with the outcomes of the Crewe youth zone. This will prevent any need to restructure within the early help budget. Depends on progress of the CYZ.	0.000
				P&S use of Troubled families		New			-0.300
				Use of COMF grant		New		Activity within Strong Start that may be funded from the ringfenced Contain Outbreak Management Fund.	-0.013
				In Year pressures		New		Difference from policy proposals and team plan related to other ongoing mitigation proposals.	-0.080

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
Education and 14-19 Skills	61.3	-42.7	18.6	Establish a traded service for non-statutory elements of Attendance Service	-0.035	22	Green (on track and should achieve)	Income is being generated and using it to fund a single post - broadly net nil.	0.000
				Establish an Education Psychologist traded service to enable a proactive early support and intervention offer	-0.025	23	Green (on track and should achieve)	Income is being generated. Need to confirm position related to team capacity.	0.000
				Increase capacity to support Statutory SEND service	0.400	42	Amber (on track but may not achieve all)	Legal costs continue to highlight pressure in this area.	0.000
				Increase capacity to support Statutory Education Psychology Service	0.125	47	Amber (on track but may not achieve all)	Growth is not sufficient to match pressures in 2022/23, but procurement activity has to continue to meet demand. Expectation is that financial pressure could increase.	0.531

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				School Transport	1.200	62	Red (will not achieve)	MTFS identified there might be £1m further pressure to be funded from the MTFS reserve, which is being utilised. Independent review has completed (July 22) with recommendations for potential cost savings. These need to be considered and decisions reached to determine whether growth needs to be built in for future years. Expectation that the SEND growth is increasing each year so additional pressures likely. Need to establish what the transport review outcome will recommend.	1.537
				Staff Travel and related savings	-0.050	29	Red (will not achieve)	This is a challenge to deliver as the reduction in travel is too much and the mileage rate has not been changed. Low numbers of regular user allowances in this service.	0.098
				SEND Staffing – both core services and specialist teams supporting reduction in SEND needs assessments		New		To be established.	
				EP Staffing		New		To be established.	

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				School catering – implications on outcome of external catering review		New		To consider the recommendations of the APSE external review in terms of future delivery models and implications of budgets.	
				Skills agenda – shaping a strategic direction of support for young people		New		To consider the wider implications of how we support young people in terms of skills and preparation for employment.	
				Use of Public Health grant		New		Activity within Education and Skills that may be funded from the ringfenced Public Health Grant	-0.200
				Use of COMF grant		New		Activity within Education and Skills that may be funded from the ringfenced Contain Outbreak Management Fund	-0.110
				E&S Cell		New			-0.030
				In Year pressures		New		Covid expenditure - catering staff absence.	
Children's Social Care	48.2	-1.6	46.7	Children's Social Care Transformation and OFSTED Response	-1.500	2	Green (on track and should achieve)	In light of improvement work needed at pace it would be helpful to extend the timescale for this funding. Balance held in earmarked reserves.	0.000

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Investment in Cared for Children and Care Leavers and other pressures	4.000	41	Amber (not on track but may still achieve)	This has been allocated to the placements budget pressure – with a full review of budgets pending. Regular review / deep dive into placements. Opportunities in the other budgets will be considered but they are under pressure.	2.310
				Safeguarding Children – legacy staffing pressure	0.390	45	Green (on track and should achieve)	This was growth that has corrected a legacy issue.	0.000
				Growth in Children & Families Commissioning Contracts	0.180	46	Green (on track and should achieve)	This was growth that has corrected a legacy issue. The budget has been significantly reduced in earlier years so options for further reductions are limited. Review budgets for 2023/24.	0.000
				Staff Travel and related savings	-0.261	29	Red (will not achieve)	This will be a pressure on the requirement to travel. Impact on workforce to be considered and how savings can be delivered. Review for MTFS 2023/24. Part of the essential user allowance item will be delivered but unlikely that less mileage / lower mileage rate will be achieved.	0.113

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Growth in Children's social care – average 10% per annum growth in spend (on £20m placement budget) less already agreed.		New		Possible scope for this to reduce in line with ambition to refocus activity and realising savings here through roll out of residential children's homes project. But likely to be double spend during transition phase.	
				Continuation of Transformation funding considering July 2022 inspection and wider improvement work.		New		Transformation work ongoing to realise ambition to draw down demand and reduce high cost provision.	
				Removal of high needs DSG contribution to Direct payments and replace with base budget funding.		New			
				Growth in direct payments budget to reflect activity levels.		New			

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Growth in the service to manage resettlement activity – children stay in the system and staff are needed.		New			
				Workforce		New		Revise vacancy forecasts to reflect recruitment difficulties. Slow down in year recruitment where feasible/safe. Use specific reserves for exit costs (per MTFS).	
				Further Mitigations		New		Forensic review of projected deficit budget lines to identify in-year mitigations. Acquire domestic property for Children’s Homes. Review all high cost-low outcome placements.	-0.475
				Use of COMF grant		New		Activity within Childrens Social Care that may be funded from the ringfenced Contain Outbreak Management Fund	-0.044
				Care and Early Intervention		New		Review all high cost-low outcome placements.	

Children and Families Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Other		New		Reduce opening hours or close for under-utilised facilities. Work across partnerships to identify any additional funding streams for use of facilities.	
Total	125.4	-50.9	74.5		5.486				3.547

3. Corporate Grants Register (Children and Families Committee Extract)

Table 1 – Corporate Grants Register

Grants 2022/23	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2022/23 £000	2022/23 £000	2022/23 £000	Notes 2 - 5
CHILDREN & FAMILIES				
Specific Use (Held within Services)¹	146,517	165,406	18,889	
General Purpose (Held Corporately)				
Staying Put Implementation Grant	0	130	130	
Extended Rights to Free Transport (Home to School Transport)	0	250	250	
Extended Personal Adviser Duty Implementation	0	57	57	
Extension of the role of Virtual School Heads	0	61	61	SRE
TOTAL CHILDREN & FAMILIES	146,517	165,904	19,387	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

4 Reserves - transfer to reserves at year end.

5 Balances - amount will be included as a variance to budget.

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

3.2 The increase in specific grants relates mainly to the dedicated schools grant reflecting the latest allocations. Other additional

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

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

3.4 **Table 4** shows additional general purpose grants that are approved by the Finance Sub-Committee.

Table 2 – Note that Council will be asked to Approve Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) Over £1m

Committee	Type of Grant	£000	Details
Children and Families	Dedicated Schools Grant (DSG) (Specific Purpose)	9,860	<p>Increase on MTFs 2022-26 estimate. This grant is from the Education and Skills Funding Agency with a national allocation of £53.659bn. The DSG allocations for 2022 to 2023 are made up of:</p> <ul style="list-style-type: none"> • The schools block; based on the primary units of funding (PUF), and secondary units of funding (SUF), and premises funding announced in July 2021 and growth funding. • The central school services block (CSSB); based on the units of funding and total historic commitments funding announced in July 2021. • The high needs block; based on the allocations announced in July 2021 with the basic entitlement element of the national funding formula (NFF) updated for the number of pupils in the October 2021 school census; and the additional high needs allocations funding announced in December 2021. • The early years block; based on the early years funding rates published in November 2021 and made up of:

Committee	Type of Grant	£000	Details
			<ul style="list-style-type: none"> - funding for the universal 15-hour entitlement for all 3 and 4-year-olds - funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents - funding for the 15-hour entitlement for disadvantaged 2-year-olds - funding for the early years pupil premium (EYPP) - funding for the disability access fund (DAF) - supplementary funding for maintained nursery schools (MNS) <p>Dedicated schools grant (DSG): 2022 to 2023 - GOV.UK (www.gov.uk)</p>
Total Specific Purpose Allocation for Council Approval		9,860	

Table 3 – Note Delegated Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) £500,000 or less

Committee	Type of Grant	£000	Details
Children and Families - Schools	Pupil Premium Grant (Specific Purpose)	38	<p>Increase on MTFSS 2022-26 estimate. This grant is from the Department for Education with a national allocation of £2.683bn. Pupil premium is funding to improve education outcomes for disadvantaged pupils in schools in England. Evidence shows that disadvantaged children generally face additional challenges in reaching their potential at school and often do not perform as well as other pupils.</p> <p>Pupil premium: allocations and conditions of grant 2022 to 2023 - GOV.UK (www.gov.uk)</p>

Children and Families - Schools	Sixth Forms Grant (Specific Purpose)	252	Increase on MTFS 2022-26 estimate. This grant is from the Education and Skills Funding Agency. Funding is based on Pupil Numbers which makes up the main funding profile, the MTFS estimate will have been based on pupils in 2021/22 being forecast for the remainder of financial year. This will now have been updated for 2022/23 pupil numbers. Sixth Form providers also receive a High Value Course Premium based on the number of pupils taking high value courses. 16 to 19 education: funding allocations - GOV.UK (www.gov.uk)
Children and Families - Schools	COVID-19 Recovery Premium (Specific Purpose)	267	This grant is from the Department for Education. Recovery premium received on behalf of schools and allocated out as per funding schedule (breakdown by school).
Children and Families - Schools	School Led Tutoring Grant (Specific Purpose)	124	This grant is from the Department for Education. This grant will give schools and academy trusts the flexibility in determining how best to provide tutoring intervention to support catch-up for lost education due to the coronavirus (COVID-19) pandemic. Grant conditions .
Children and Families - Schools	Milk Subsidy (Specific Purpose)	8	Increase on MTFS 2022-26 estimate. This grant is from the Rural Payments Agency. The scheme subsidises the cost of milk, certain milk products and yoghurts for schoolchildren in England, Scotland and Wales. This means that the products can be sold to schoolchildren at a lower price. Schools must offer drinking milk before they can supply other eligible milk products or yoghurts. Schools, local authorities, suppliers or other organisations can claim for the subsidy.
Children and Families - Schools	Senior Mental Health Lead Training Grant (Specific Purpose)	4	This grant is from the Department for Education. The Department for Education (DfE) is offering a grant of £1,200 for eligible state-funded schools and colleges in England to train a senior mental health lead to develop and implement a whole school or college approach to mental

			<p>health and wellbeing. This training is not compulsory, but it is part of the government's commitment to offer this training to all eligible schools and colleges by 2025.</p> <p>Eligible schools and colleges are now able to apply for a senior mental health lead training grant to commence training within the 2022 to 2023 financial year, up to 31 March 2023. Grants will be provided to cover (or contribute to) the cost of attending a quality assured course and may also be used to hire supply staff whilst leads are engaged in learning.</p> <p>Senior mental health lead training: conditions of grant for the 2022 to 2023 financial year - GOV.UK (www.gov.uk)</p>
Children and Families - Schools	<p>Newly Qualified Teachers - Education Recovery 5% Time off Timetable</p> <p>(Specific Purpose)</p>	42	<p>This grant is from the Department for Education. Eligible schools will receive a one-off payment to support NQTs who completed induction between the summer of 2021 and spring 2022. This funding will be made available to cover the cost of providing these teachers an additional 5% off timetable for the 2021 to 2022 academic year so they have additional time to invest in their development.</p> <p>This time off timetable has been designed to be used flexibly so that as many new teachers as possible can benefit from this additional support.</p> <p>Funding has been calculated as equivalent to 5% off timetable every week for an NQT over the academic year 2021 to 2022 and equates to 44 hours.</p>
Children and Families - Schools	<p>Delivering Better Value in SEND</p> <p>(Specific Purpose)</p>	45	<p>This grant is from the Department for Education. The Department for Education recognises that Local Authorities are under pressure and that there are competing demands on staff capacity. This grant aims to support data collection and / or assurance, with particular focus on the</p>

			DSG management plan and underlying data, ensuring that preparation for and participation in phase 1 is not an additional burden.
Children and Families - Schools	COVID-19 Workforce Fund (Specific Purpose)	22	This grant is from the Department for Education. The COVID-19 workforce fund has been re-introduced to provide financial support to settings with the greatest staffing and funding challenges. The fund has been extended to help eligible schools cover the cost of workforce absences experienced from 22 November 2021 until Easter.
Children and Families - Schools	Asylum Seekers (Specific Purpose)	88	Increase on MTFS 2022-26 estimate. This grant is from the Department for Education. Based on clients' claims so therefore will fluctuate based on age / numbers of claims – we are also receiving some additional funding from those that move through the National Transfer Scheme. Looking at claims in the current year there have been additions to the UASC population, therefore this has likely seen an increase in the amount receiving the higher rate. In addition, possibly an element of being cautious with MTFS items as this can vary significantly purely based on the numbers as said above.
Children and Families	Tackling Troubled Families (Payments by Results) (Specific Purpose)	98	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). In April 2012, the Government launched the Troubled Families Programme, a £448m scheme to incentivise local authorities and their partners to turn around the lives of 120,000 troubled families by May 2015. This programme worked with families where children are not attending school, young people are committing crime, families are involved in anti-social behaviour and adults are out of work.

Children and Families	Supporting Families (Payments by Results) Upfront Grant (Specific Purpose)	1	Increase on MTFS 2022-26 estimate. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Local Councils and partners supporting vulnerable families to thrive. Providing help to those families who need support so they get it at the right point, in the right way, as early as possible. Supporting Families Programme: funding allocations by local authority area 2022-2023 - GOV.UK (www.gov.uk)
Children and Families	Adoption Support Fund (Specific Purpose)	20	Increase on MTFS 2022-26 estimate. This grant is from the Department for Education. The adoption support fund (ASF) provides funds to local authorities and regional adoption agencies (RAAs) to pay for essential therapeutic services for eligible adoptive families.
Children and Families	Hong Kong UK Welcome Programme - British Nationals (Specific Purpose)	5	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Funding is being provided as part of the Hong Kong UK Welcome Programme which is intended to provide funding to local authorities in England to provide targeted support to BN(O) status holders who need additional English language support and destitution support for those whose circumstances change.
Children and Families	Early Years Professional Development programme (Specific Purpose)	21	This grant is from the Department for Education. The Early Years Professional Development Programme is a key element of the national government initiative to improve children's outcomes in early language, literacy and mathematics.
Specific Purpose Allocations less than £500,000		1,035	

Table 4 - Note Allocation of Additional Grant Expenditure from General Purpose Grants Held in Central Budgets

Committee	Type of Grant	£000	Details
Children and Families	Extension of the role of Virtual School Heads (General Purpose)	61	This is a grant from the Department for Education. The purpose of this grant is to provide support to local authorities in England to help them to extend the role of the Virtual School Head to promote the educational outcomes of the cohort of children with a social worker. Virtual School Heads should take a strategic leadership role for this cohort of children and work with early years settings, schools, colleges, and social care leaders to create a culture of high aspirations that helps all children with social workers to reach their potential. Virtual school heads: section 31 grant determination letters - GOV.UK (www.gov.uk)
General Purposes Allocations less than £500,000		61	

4. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Children and Families Committee		
Children's Social Care (Incl. Directorate)	8	6
Education and 14-19 Skills	88	5
Schools	9	-

5. Capital Strategy

Children and Families CAPITAL

CAPITAL PROGRAMME 2022/23-2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing	
Committed Schemes in progress													
Childrens Social Care													
Foster Carers Capacity Scheme	634	348	0	286	0	0	286					286	286
Crewe Youth Zone	4,800	342	650	2,450	1,358	0	4,458	2,258				2,200	4,458
Strong Start, Family Help & Integration													
Beechwood Nursery Expansion	868	836	33	0	0	0	33			33			33
Early Years Sufficiency Capital Fund	123	0	0	123	0	0	123	123					123
Education and 14-19 Skills													
Adelaide Academy	784	34	150	600	0	0	750	580				170	750
Congleton Planning Area	5,034	44	1,000	3,990	0	0	4,990	2,593	2,397				4,990
Devolved Formula Capital	1,874	45	954	300	290	285	1,829	1,829					1,829
Future Years Basic Need Allocation	2,028	0	1,500	528	0	0	2,028	2,028					2,028
Holmes Chapel Planning Area	3,625	770	1,500	1,355	0	0	2,855	2,480	375				2,855
Macclesfield Planning Area	4,084	1,106	500	2,000	478	0	2,978	2,978					2,978
Malbank High School	1,922	1,856	66	0	0	0	66	66					66
Monks Coppenhall Sen Expansion	127	2	125	0	0	0	125	25				100	125
Nantwich Planning Area (Primary)	7,080	104	500	4,500	1,976	0	6,976	3,787	3,189				6,976
Nantwich Planning Area (Secondary)	700	0	500	200	0	0	700	700					700
Park Lane Expansion	4,400	4,226	174	0	0	0	174	174					174
Provision of Sufficient School Places - SEND	6,006	16	2,490	3,500	0	0	5,990	500				5,490	5,990
Puss Bank SEN Expansion	532	509	23	0	0	0	23					23	23
Sandbach High School - Basic Need	1,704	1,702	2	0	0	0	2	2					2
Sandbach Boys School - Basic Need	1,776	1,773	3	0	0	0	3	3					3
Sandbach Planning Area (secondary)	38	0	38	0	0	0	38	38					38
School Condition Grant	4,356	0	1,595	2,761	0	0	4,356	4,301		55			4,356
Sen/High Needs Grant Allocation	6,351	0	2,531	3,820	0	0	6,351	6,351					6,351
Sen Placement Expn - Phase 2	38	0	38	0	0	0	38					38	38
Shavington Planning Area (1)	3,125	70	1,217	1,838	0	0	3,055	3,055					3,055
Special Provision Grant Allocation	858	46	813	0	0	0	813	807		6			813
Springfield Satellite Site (Dean Row)	4,120	91	2,030	2,000	0	0	4,030	3,230				800	4,030
Little Angels Satellite Sites	1,100	1,074	26	0	0	0	26	26					26
Wilmslow Basic Need Scheme	13,944	1,658	7,069	5,217	0	0	12,286	9,551	2,687			48	12,286
Wilmslow Primary Planning Area	626	1	0	625	0	0	625	125	500				625
													0
Total Committed Schemes	82,659	16,653	25,526	36,092	4,102	285	66,005	47,608	9,149	94	0	9,155	66,005

CAPITAL PROGRAMME 2022/23-2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing	
New Schemes													
Childrens Social Care													
Children's Home Sufficiency Scheme	2,100		1,000	1,100	0	0	2,100					2,100	2,100
Education and 14-19 Skills													
Congleton Planning Area (1)	2,200		0	1,100	1,100	0	2,200	900	1,300				2,200
Congleton Planning Area (2)	625		100	525	0	0	625	625					625
Congleton Planning Area (3)	7,500		0	500	800	6,200	7,500	4,300	3,200				7,500
Sandbach Planning Area	3,000		700	2,300	0	0	3,000	2,490	510				3,000
Handforth Planning Area	15,000		0	2,000	6,500	6,500	15,000	2,136	12,864				15,000
Haslington Planning Area	1,385		760	625	0	0	1,385	1,385					1,385
Macclesfield Planning Area (1)	4,000		0	0	2,000	2,000	4,000		4,000				4,000
Macclesfield Planning Area (2)	4,000		0	0	4,000	0	4,000	4,000					4,000
Mobberley Primary School	900		450	450	0	0	900	600			300		900
Resource Provision - Wistaston PS	1,400		400	1,000	0	0	1,400	1,100				300	1,400
Shavington Planning Area (2)	8,000		200	800	4,000	3,000	8,000	5,640	2,360				8,000
Total New Schemes	50,110	0	3,610	10,400	18,400	17,700	50,110	23,176	24,234	0	300	2,400	50,110
Total Children and Families Schemes	132,769	16,653	29,136	46,492	22,502	17,985	116,115	70,784	33,383	94	300	11,555	116,115

6. Reserves Strategy (Children and Families Committee Extract)

Children and Families Committee

Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Directorate				
Childrens Directorate - Transformation Funding	1,079	(365)	714	Expectation of £200k for CSC Court and Care Planning Service Proposals plus £65k for CSC New Beginnings.
Childrens Directorate - C&F ED	422	(110)	312	Estimated spend of £30k transport review, £50k Chess review and £30k catering review.
Childrens Social Care				
Domestic Abuse Partnership	112	(76)	36	To sustain preventative services to vulnerable people as a result of partnership funding. This is the current budgeted position, however updates will be provided on future reviews. Service will need to consider in year deficit as this would not be sustainable in 2023/24 based on current assumptions.
Education and 14-19 Skills				
Skills and Lifelong Learning	30	(30)	0	To support adult learning, training and improving skills for the workplace. Need to
School Organisation & Capital Service	16	(16)	0	Springfield lease of £28.5k per annum will be a pressure in 2022/23.
SSIF Nexus Programme	9	(9)	0	Reserve will be used towards School Improvement to continue to support schools with high disadvantaged learners - agreed with CWAC.
Strong Start, Family Help and Integration				
Troubled Fams Initiative	2,215	364	2,579	Previously intended to be used towards Prevention restructure. Newly formed
Emotional Healthy Schools	71	(71)	0	Funding by partners to deliver service.
Public Sector Transformation – contribution to Early Youth Inclusion Fund	57	(57)	0	
Complex Dependencies	21	(21)	0	
CHILDREN AND FAMILIES TOTAL	4,032	(391)	3,641	

Appendix 3 : Corporate Policy Committee

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Appendix 3

Corporate Policy Committee

1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Corporate Policy				
Directorate	111	-	1,734	1,845
Finance & Customer Services	12,857	111	(1,028)	11,940
Governance and Compliance Services	10,479	-	1,174	11,653
Transformation	14,875	-	(14,875)	-
HR	-	-	2,397	2,397
ICT	-	-	9,348	9,348
Communications	-	-	653	653
Policy and Change	-	-	1,902	1,902
	38,322	111	1,305	39,738

2. Action Plan 2022/23

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
Corporate Policy Committee				Pay Inflation	1.315	3&4	Red (will not achieve)	Represents current estimate of the impact on Committee services in excess of the MTFS, from a nationally negotiated pay award.	0.872
				Transformation		New		Use flexible receipts to capitalise costs of transformation. Ongoing costs for Implementation work on B4B within ICT Shared Service - REFCUS utilised to support last year. 50% share of £35,000.	-0.017
Corporate Directorate	17.1	-2.8	14.3	Efficiency savings and Restructures within Corporate Services	-0.148	8	Amber (on track but may not achieve all)	Savings allocated pro-rata. Savings can probably be achieved through in-year vacancy management rather than permanently. Very few savings through restructures because of increased demand across the board.	0.000
				Mitigation of reduction in the Dedicated Schools Grant (ICT element)	0.098	15	Amber (not on track but may still achieve)		0.000

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Infrastructure Investment Programme	0.127	33	Amber (not on track but may still achieve)	Revenue consequences being reviewed in Sept/Oct against the revenue growth in the MTFS.	0.000
				Improving Digital Customer Experience	0.110	1	Amber (not on track but may still achieve)	Revenue consequences being reviewed in Sept/Oct against the revenue growth in the MTFS.	0.000
				Unified IT Communications	0.110	25	Amber (not on track but may still achieve)	Revenue consequences being reviewed in Sept/Oct against the revenue growth in the MTFS.	0.000
				IT Security and Compliance	0.097	26	Amber (not on track but may still achieve)	Revenue consequences being reviewed in Sept/Oct against the revenue growth in the MTFS.	0.000
				IT Procurements and Application Lifecycle Management	0.075	27	Amber (not on track but may still achieve)	Revenue consequences being reviewed in Sept/Oct against the revenue growth in the MTFS.	0.000
				Information Assurance and Data Management Phase 3	0.040	28	Amber (not on track but may still achieve)	Revenue consequences being reviewed in Sept/Oct against the revenue growth in the MTFS.	0.000

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Removal of temporary implementation on budget and investment to run the new Financial System	-0.453	6	Green (on track and should achieve)	£105k of reduction relates to Transactional Service Centre (TSC) additional capacity in 2021/22 - this is reported in Finance & Customer Services, this reduction in Governance & Support team isn't being achieved. Also, some of the ICT pressure reported below includes work still being done on BW implementation.	0.000
				Staff Travel and related savings	0.023	29	Red (will not achieve)	NOTE: £50k saving against HR 2021/22 budget reversed in 2022/23 then replaced by total staff travel saving allocation of £76k for whole of Corporate Services. Savings have been allocated across all services, leaving £23k across HR, ICT, and Communications (£50k-£27k=£23k). 30% reduced mileage element achieved however, element relating to adopting HMRC rate (£18k across Corporate Services) will not be achieved as no agreement has been reached with the unions. Shortfall being offset by mileage not yet returning to expected post COVID levels due to increasing cases early in 2022/23. Corporate Leadership Team (CLT) discussion on Mutually Agreed Resignation Scheme (MARS) as mitigation. MARS payments	0.000

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
								can be met from reserve in 2022/23 if scheme goes ahead.	
				Shared Services Review		8	Amber (not on track but may still achieve)	No cashable savings identified in those services identified. Additional costs being incurred in TSC due to the delayed implementation of B4B and additional pressures on the capacity of the team. Forecast pressure in year. Proposed hybrid model for ICT does deliver more than £200k savings target but requires more investment and payback over 4 years. see item below on ICT hybrid model.	0.000
				In Year pressure/ mitigation		New		Chief Executive and Executive Director of Corporate Services budgets favourable variance £89k, Communications lower income £34k, HR vacancies earlier in the year £280k under, Pressure £1,082k in ICT primarily due to insufficient commissioned project hours.	0.747

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Workforce		New		Revise vacancy forecasts to reflect recruitment difficulties. Slow down recruitment where feasible / safe. Recruit FTE to avoid agency / consultancy costs. Use appropriate reserves to fund exit costs.	
				ICT Reprocurements for Corporate, place and People				Costs of reprocurring and implementing replacement line of business systems have previously been capitalised. No capital budget available in current year but has been agreed these costs will come from Capital financing Reserve. Will be a pressure in future years.	
Finance and Customer Services	60.4	-48.5	11.9	Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	0.337	5	Amber (not on track but may still achieve)	Position for 2022/23 is a budget increase to reflect reduced court costs and to fund debt off loading and single view. Potential for both to be slightly delayed.	0.000

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Transactional Service Centre additional funding	0.238	16	Red (will not achieve)	Further activity should improve later year's forecasts, but there is also wider review of schools costs pending. Latest forecast pressure almost £300k but will be partially mitigated due to frequent vacancies etc.	0.112
				Vendor Management Phase 3	0.175	24	Amber (not on track but may still achieve)	Budget increase for 2022/23 to enable system rollout and change management piece. Budget reduced in 2023/24 to include only system costs. Could be a budget carry forward due to a delay in the system rollout.	0.000
				Brighter Futures Together Programme Customer Experience	-0.133	19	Amber (not on track but may still achieve)	Remaining savings dependant on enabling technologies and procedures. Savings may to be achieved in year through vacancy management but permanent savings potentially delayed until 2023/24.	0.000
				Efficiency savings and Restructures within Corporate Services	-0.098	8	Amber (on track but may not achieve all)	Savings allocated pro-rata. Savings can probably be achieved through in-year vacancy management rather than permanently. Very few savings through restructures because of increased demand across the board.	0.000

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Staff Travel and related savings	-0.021	29	Red (will not achieve)	30% reduced mileage element achieved however, element relating to adopting HMRC rate will not be achieved as no agreement has been reached with the unions. Shortfall being offset by mileage not yet returning to expected post COVID levels due to increasing cases early in 2022/23.	0.000
				In Year pressure/ mitigation		New		£54k pressure in Accountancy offset by delay to start of Atamis project £21k favourable variance, and administration grant for energy rebate payments £161k.	-0.128
Governance and Compliance Services	15.3	-3.7	11.7	Efficiency savings and Restructures within Corporate Services	-0.078	8	Amber (on track but may not achieve all)	Savings allocated pro-rata. Savings can probably be achieved through in-year vacancy management rather than permanently. Very few savings through restructures because of increased demand across the board.	0.000

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Staff Travel and related savings	-0.012	29	Red (will not achieve)	30% reduced mileage element generally achieved however, element relating to adopting HMRC rate will not be achieved as no agreement has been reached with the unions. Shortfall being offset by mileage not yet returning to expected post COVID levels due to increasing cases early in 2022/23.	0.000
				Increase in Insurance Premiums		New		Pressure built into forecast but will be met from insurance reserve so nil. Reserve balance needs to be monitored.	0.000
				In Year pressure/ mitigation		New		£208k pressure in legal relating to lower income and agency staff offset by favourable variances in Democratic Services mainly from additional income in registrars £581k, Audit & Risk variance from vacancies £348k.	-0.721
Policy & Change	2.8	-0.9	1.9	Mitigation of reduction in the Dedicated Schools Grant (Bus Intel)	0.009	15	Amber (not on track but may still achieve)		0.000

Corporate Policy Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Review of corporate subscriptions	-0.015	12	Green (on track and should achieve)	Existing budget does not fully cover subscriptions to CCN and LGA	0.000
				Staff Travel and related savings	-0.016	29	Red (will not achieve)	30% reduced mileage element achieved however, element relating to adopting HMRC rate will not be achieved as no agreement has been reached with the unions. Shortfall being offset by mileage not yet returning to expected post COVID levels due to increasing cases early in 2022/23.	0.000
				Efficiency savings and Restructures within Corporate Services	-0.026	8	Amber (on track but may not achieve all)	Savings allocated pro-rata. Savings can probably be achieved through in-year vacancy management rather than permanently. Very few savings through restructures because of increased demand across the board.	0.000
				In Year pressure/ mitigation		New		£91k variance due to vacant posts in policy and change.	-0.091
Total	95.7	-55.9	39.8		1.754				0.774

3. Corporate Grants Register (Corporate Policy Committee Extract)

Table 1 – Corporate Grants Register

Grants 2022/23	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2022/23 £000	2022/23 £000	2022/23 £000	<i>Notes 2 - 5</i>
CORPORATE POLICY				
Specific Use (Held within Services)	47,710	69,720	22,010	
General Purpose (Held Corporately)				
Housing Benefit Administration Subsidy	654	736	82	
Council Tax Support Administration Subsidy	316	345	29	
NNDR Administration Allowance	587	587	0	
Revenue Support Grant	7	7	0	
New Homes Bonus	6,614	6,614	0	
Lower Tier Services Grant	353	360	7	
Services Grant	2,932	2,932	0	
Business Rates Reliefs Grant 2022/23	0	13,890	13,890	
TOTAL CORPORATE POLICY	59,173	95,191	36,018	

Notes

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

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

3.2 The increase in specific grants relates mainly Housing Benefit Subsidy and the Council Tax Energy Rebate Scheme. Requests for the allocation of the additional specific grants received are detailed in **Table 2 and Table 3**.

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

Table 2 – Note that Council will be asked to Approve Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) Over £1m

Committee	Type of Grant	£000	Details
Corporate Policy	Housing Benefit Subsidy (Specific Purpose)	1,514	Increase on MTFS 2022-26 estimate. This grant is from the Department for Work and Pensions. Payment of claims administration within Housing Benefits.
Total Specific Purpose Allocation for Council Approval		1,514	

Table 3 – Note Delegated Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) £500,000 or less

Committee	Type of Grant	£000	Details
Corporate Policy	LADS - New Burdens - Single Fraud Investigation (Specific Purpose)	1	Increase on MTFS 2022-26 estimate. This grant is from the Department for Work and Pensions. This New Burden funding is for costs associated with providing information to the Department for Work and Pensions (DWP) to support fraud investigations. The funding has been allocated on the basis of the FYE March 2023 HB admin subsidy caseloads. S4/2022: Additional New Burdens funding to meet the costs of delivering Welfare Reform changes in the financial year ending March 2023 - GOV.UK (www.gov.uk)

Corporate Policy	LADS - New Burdens - Welfare Reform Changes (S4/2022) (Specific Purpose)	73	This grant is from the Department for Work and Pensions with a national allocation of £19.5m. Additional New Burdens funding to meet the costs of delivering Welfare Reform changes in the financial year ending March 2023.
Corporate Policy	LADS - New Burdens - Supported & Temporary Accommodation Change Request (Specific Purpose)	2	This grant is from the Department for Work and Pensions. Payment to assist with the implementation of the Local Authority Data Sharing (LADS) Programme. The payment is specifically for the work completed so far on changes to CEC benefit processing systems necessary to exchange information with the DWP.
Corporate Policy	LADS - New Burdens - Supported & Temporary Accommodation (Specific Purpose)	5	This grant is from the Department for Work and Pensions. Payment to assist with the implementation of the Local Authority Data Sharing (LADS) Programme. The payment is specifically for the work completed so far on changes to CEC benefit processing systems necessary to exchange information with the DWP.
Corporate Policy	LADS - New Burdens - Single Housing Benefit Extract Automation (Specific Purpose)	5	This grant is from the Department for Work and Pensions. Payment to assist with the implementation of the Local Authority Data Sharing (LADS) Programme. The payment is specifically for the work completed so far on changes to CEC benefit processing systems necessary to exchange information with the DWP.
Corporate Policy	Specified Accommodation (S3/2022) (Specific Purpose)	9	This grant is from the Department for Work and Pensions with a national allocation of £1.6m. From April 2022, there were changes to the appearance of some of the existing front-end fields on LAs' IT systems and some new fields added for recording a new supported accommodation and temporary accommodation HB claim. This funding is to meet the costs of implementing the system changes.

Corporate Policy	Incapacity Benefit Reassessment (S5/2022) (Specific Purpose)	2	This grant is from the Department for Work and Pensions with a national allocation of £0.5m. This New Burden funding supports an increase in LA costs to review and make changes to Housing Benefit (HB) awards following the Incapacity Benefit Reassessment (IBR) LEAP exercise. S5/2022: Additional New Burdens funding to meet the costs of implementing changes following the Incapacity Benefit Reassessment LEAP exercise - GOV.UK (www.gov.uk)
Corporate Policy	Local Council Tax Support (LCTS) 22.23 (Specific Purpose)	345	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC) with a national allocation of £69m. The purpose of the grant is to compensate local authorities for the cost of administering Local Council Tax Support (LCTS) in 2022/23. Local Council Tax Support Administration Subsidy Grant Determination (2022-23): No 31/6145 - GOV.UK (www.gov.uk)
Corporate Policy	COVID-19 Test and Trace Support (Self Isolation Payment) (Specific Purpose)	176	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Test and Trace Support Payment scheme – awards and administration of the scheme to support people self-isolating on a low income.
Corporate Policy	Police and Crime Commissioner's Panel grant (Specific Purpose)	65	This grant is from the Home Office. Reimbursement of administrative costs to the Authority of servicing the Police and Crime Commissioner Panel as well as the direct costs of panel members (training, travel and members allowances).
Specific Purpose Allocations less than £500,000		683	

4. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Corporate Policy Committee		
Finance and Customer Services	65	34
Governance and Compliance	155	-
Human Resources	19	-
ICT	63	7

5. Capital Strategy

Corporate Policy

CAPITAL

CAPITAL PROGRAMME 2022/23 - 2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding	
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing		
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes														
ICT Services														
Care Act Phase 2	2,648	0	1,372	638	638	0	2,648						2,648	2,648
Core Financials	3,948	0	1,746	741	720	741	3,948		500			13	3,435	3,948
Digital Customer - Delivery Programme Phase 1	250	79	171	0	0	0	171						171	171
Digital Customer Enablement	2,874	33	967	1,400	474	0	2,841						2,841	2,841
ICT Device Replacement	120	75	45	0	0	0	45			45				45
Info' Assurance And Data Mgmt	5,324	0	2,234	1,591	1,500	0	5,324						5,324	5,324
Infrastructure Investment(IIP)	7,773	0	2,623	1,680	1,656	1,814	7,773						7,773	7,773
Vendor Management	1,006	730	276	0	0	0	276						276	276
Unified Communications Project	1,206	651	555	0	0	0	555						555	555
Finance & Customer Services														
Strategic Capital Projects	1,897	0	1,897			0	1,897						1,897	1,897
Total Committed Schemes	27,047	1,568	11,886	6,050	4,988	2,555	25,480	0	500	45	13	24,921	25,480	
New Schemes														
Information Communication Technology														
Vendor Management - Phase 2	320	0	170	150	0	0	320						320	320
Total New Schemes	320	0	170	150	0	0	320	0	0	0	0	320	320	
Total Corporate Policy Schemes	27,367	1,568	12,056	6,200	4,988	2,555	25,800	0	500	45	13	25,241	25,800	

6. Reserves Strategy (Corporate Policy Committee Extract)

Corporate Policy Committee

Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Directorate				
Corporate Directorate	1,868	(293)	1,575	To support a number of widespread projects within the Corporate Directorate
Finance and Customer Services				
Collection Fund Management	27,424	(15,609)	11,815	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Financing Reserve - Corporate Capital Projects	7,832	1,500	9,332	To provide for financing of capital schemes, other projects and initiatives.
Financing Reserve - People Capital Projects	573	(150)	423	
Financing Reserve - Place Capital Projects	1,125	(250)	875	
Human Resources				
Brighter Future Transformation Programme	1,780	0	1,780	To fund the Council's four year transformation programme and its five outcomes of Culture; Estates and ICT systems; Customer Experience, Commercial Approach and Governance.
HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System)	59	(59)	0	To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System.
Pay Structure (M Grade Review)	584	(278)	306	To fund ongoing changes to pay structure.
Governance and Compliance				
Insurance Reserve - Cheshire County Fund	130	(146)	(16)	To settle insurance claims and manage excess costs.
Insurance Reserve - Cheshire East Fund	5,164	132	5,296	To settle insurance claims and manage excess costs.
Elections General	477	225	702	To provide funds for Election costs every 4 years.
Brexit Funding	13	0	13	
Cross Service:				
MTFS Reserve	10,068	(2,533)	7,535	To support the financial strategy and risk management.
Section 151 Revenue Grants	28	(28)	0	Unspent specific use grant carried forward into 2022/23.
Section 151 Revenue Grants - Covid-19	5,989	(5,989)	0	Covid (Unringfenced) reserve carried forward into 2022/23.
CORPORATE POLICY TOTAL	63,114	(23,478)	39,636	

Appendix 4 : Economy and Growth Committee

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2. Action Plan 2022/23

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4. Debt Management

5. Capital Strategy

6. Reserves Strategy (Economy and Growth Committee Extract)

Appendix 4

Economy and Growth Committee

1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Economy and Growth				
Directorate	851	-	(17)	834
Growth & Enterprise	22,659	-	102	22,761
	23,510	-	85	23,595

2. Action Plan 2022/23

Economy and Growth Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
E&G Committee				Pay Inflation	0.528	3&4	Red (will not achieve)	Represents current estimate of the impact on Committee services in excess of the MTFS, from a nationally negotiated pay award.	0.153
Directorate	2.4	-1.6	0.8	Staff Travel and related savings	-0.082	29	Amber (on track but may not achieve all)		0.000
				Place directorate mitigating actions				Savings on feasibility, travel and consultancy	-0.042
				Transformation				Use flexible receipts to capitalise costs of transformation - Planning Deep Dive.	-0.074
Growth and Enterprise	30.6	-7.8	22.8	Neighbourhood Estate Review	-0.260	31	Red (will not achieve)	Delayed - Awaiting progress on the Leisure Review.	0.219
				Estates Transformation - Office Accommodation	-0.100	32	Red (will not achieve)	Progress of the Estates Transformation. Cledford House is being advanced to enable property to be vacated and then disposal or alternative use sought. Potential Send School.	0.100

Economy and Growth Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Transfer of Congleton Visitor Information Centre	-0.020	11	Green (on track and should achieve)	Previous agreement in place for transfer and phased saving over period.	0.000
				Asset / Service Transfer	-0.030	51	Amber (on track but may not achieve all)	Final agreement and conclusion of legals on property transfers.	0.030
				Tatton Park	-0.006	52	Green (on track and should achieve)	Already built into budget.	0.000
				Investment in Public Rights of Way	0.200	59	Green (on track and should achieve)	Recruitment process underway – however securing a suitable candidate has been difficult.	-0.044
				Utility Costs / Carbon	1.500	57	Green (on track and should achieve)		0.000
				Estates Pressures		New		Reflects increases in maintenance, utility and business rates and a pressure on rental income within the Investment portfolio.	0.820
				Estates mitigating actions		New		Mitigating actions to offset pressures, largely vacancies and better income within Facilities Management.	-0.529

Economy and Growth Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Rural & Culture Pressures		New		Reduction in visitor numbers at Tatton Park of over 20% in addition to inflationary increases in energy, materials as well as increases across supplies and services and premises costs. There is also an ongoing shortfall in Public Path Order income due to Covid.	0.491
				Rural & Culture Mitigating Actions		New		Mitigating actions to offset pressures are largely vacancies across the service and a reserve release for Tatton Park.	-0.359
				Housing Mitigating Actions		New		Small Covid pressure £7,000 due to cleaning costs, offset by mitigating actions including vacancies and drawing down grant from balance sheet.	-0.387
				Economic Development Mitigating Actions		New		Mitigating actions to offset pressures, largely vacancies.	-0.187
Total	33.0	-9.4	23.6		1.730				0.191

3. Corporate Grants Register (Economy and Growth Committee Extract)

Table 1 – Corporate Grants Register

Grants 2022/23	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2022/23 £000	2022/23 £000	2022/23 £000	Notes 2 - 5
ECONOMY & GROWTH				
Specific Use (Held within Services)	2,322	2,392	70	
General Purpose (Held Corporately)				
Neighbourhood Planning Grant for Local Planning Authorities	0	10	10	SRE
TOTAL ECONOMY & GROWTH	2,322	2,402	80	

Notes

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

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

3.7 The increase in specific grants relates mainly to increases in the Rough Sleeping and Homelessness Prevention grants, and the COVID-19 Welcome Back Fund.

3.8 Requests for the allocation of the additional specific grants received are detailed in **Table 2**.

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

3.10 **Table 3** shows general purpose grants that have previously been approved.

Table 2 – Note Delegated Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) £500,000 or less

Committee	Type of Grant	£000	Details
Economy and Growth	Rough Sleeping Initiative (Specific Purpose)	20	Increase on MTFS 2022-26 estimate. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Funding has been used to establish or continue Rough Sleeping Initiative services agreed by the Department for Levelling Up, Housing and Communities (DLUHC) to immediately intervene in, prevent and reduce rough sleeping.
Economy and Growth	Local Enterprise Partnership (LEP): NP (Northern Powerhouse) 11 (Specific Purpose)	20	Increase on MTFS 2022-26 estimate. This grant is from Business Energy and Industrial Strategy. To enable the 11 Northern LEPs (the NP11) to develop a more unified Northern Powerhouse economic development programme and voice. The NP11 will work together on issues where a pan-Northern approach to economic development can add value.
Economy and Growth	First Trenitalia West Coast Rail Limited (Specific Purpose)	50	This grant is from Avanti West Coast Trains. The grant is for delivery of specific art projects in Macclesfield - 3 projects have been agreed and must be delivered in the current financial year.
Specific Purpose Allocations less than £500,000		90	

Table 3 – Note Allocation of Additional Grant Expenditure from General Purpose Grants Held in Central Budgets

Committee	Type of Grant	£000	Details
Economy and Growth	Neighbourhood Planning Grant (General Purpose)	10	The conditions of grant mean that this funding could be used across the wider Spatial Planning area. This level of funding would be intended to support a number of Community Neighbourhood Plans across the borough.
General Purposes Allocations less than £500,000		10	

4. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Economy and Growth Committee		
Growth and Enterprise	492	193

5. Capital Strategy

Economy and Growth

CAPITAL

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding	
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes														
Culture & Tourism														
Archive Option Development	396	293	103	-	-	-	103						103	103
Countryside Capital Projects	605	601	4	-	-	-	4	4						4
Countryside Vehicles	999	0	-	702	167	130	999						999	999
Public Rights of Way - CMM A6 MARR	100	2	-	98	-	-	98	98						98
Public Rights of Way - Flood Damage Investment	63	15	48	-	-	-	48						48	48
Public Rights of Way - Capital Works	860	770	91	-	-	-	91	91						91
Rural & Green Section 106 Schemes	50	16	34	-	-	-	34		34					34
Tatton Park Investment Phase 2	1,969	0	1,259	710	-	-	1,969						1,969	1,969
Economic Development														
Connecting Cheshire 2020	7,238	0	3,000	2,500	738	1,000	7,238	7,655					-417	7,238
Connecting Cheshire Phase 2	883	0	-	-	-	883	883		313				570	883
Connecting Cheshire	595	0	-	-	-	595	595		48				547	595
Crewe Town Centre Regeneration	32,019	11,940	3,474	14,573	-	2,031	20,078	665					19,413	20,078
Demolition of Crewe Library Site	2,765	13	305	1,077	1,370	-	2,752	1,229					1,523	2,752
Future High Street Funding - CEC Innovation Centre	1,169	58	517	594	-	-	1,111	1,111						1,111
Future High Street Funding - Christ Church Innovation Centre	1,934	71	504	1,359	-	-	1,863	1,863						1,863
Leighton Green	2,096	1,455	75	266	300	-	640						640	640
Macclesfield Town Centre	2,219	1,767	252	200	-	-	452						452	452
North Cheshire Garden Village	48,890	5,491	900	13,994	28,506	-	43,400	21,950					21,450	43,400
Red Roofs Hole Farm Alderley Edge - Acquisition	15	12	3	-	-	-	3						3	3
Public Sector Decarbonisation Fund - Substation	120	60	60	-	-	-	60	60						60
Public Sector Decarbonisation Fund - Cledford	165	160	5	-	-	-	5	5						5
South Macclesfield Development Area	34,630	3,089	895	1,745	19,333	9,568	31,541	10,838	10,000				10,702	31,541
Estates														
Corporate Landlord - Operational	1,027	963	65	-	-	-	65						65	65
Farms Strategy	1,710	0	184	218	218	1,090	1,710						1,710	1,710
Malkins Bank Landfill Site	1,360	511	200	649	-	-	849						849	849
Public Sector Decarbonisation Fund - FM 1	1,855	1,759	96	-	-	-	96	96						96
Public Sector Decarbonisation Fund - FM 2	604	389	216	-	-	-	216	216						216
Premises Capital (FM)	14,663	0	5,032	3,662	3,500	2,469	14,663						14,663	14,663
Schools Capital Maintenance	2,581	0	2,581	-	-	-	2,581	2,291					291	2,581
Septic Tanks	636	250	387	-	-	-	387						387	387

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding	
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes														
Housing														
Astbury Marsh Caravan Park	247	143	104	-	-	-	104						104	104
Disabled Facilities Grant	10,871	0	3,845	2,342	2,342	2,342	10,871	9,943					928	10,871
Future High Street Funding - Chester Street	1,378	3	-	1,375	-	-	1,375	1,375						1,375
Future High Street Funding - Delamere Street	1,459	4	-	1,455	-	-	1,455	1,455						1,455
Green Homes Grants	3,890	769	3,121	-	-	-	3,121	1,452	1,669					3,121
Gypsy and Traveller Sites	3,701	1,246	1,237	1,218	-	-	2,455	700					1,755	2,455
Home Repairs for Vulnerable People	846	0	246	200	200	200	846						846	846
Social Housing Decarbonisation Fund	1,565	0	1,565	-	-	-	1,565	1,565						1,565
Sustainable Warmth - Home Upgrade Grant	3,289	4	3,285	-	-	-	3,285	3,285						3,285
Temporary Accommodation	466	300	-	-	166	-	166						166	166
Warm Homes Fund	239	173	66	-	-	-	66	66						66
Total Committed Schemes	192,167	32,326	33,757	48,938	56,839	20,308	159,841	68,012	12,063	0	0	79,766	159,841	
New Schemes														
Culture & Tourism														
Crewe Towns Fund - History Centre Public Realm	10	0	10	-	-	-	10	10						10
Crewe Towns Fund - Lyceum Powerhouse	260	0	260	-	-	-	260	260						260
New Archive Premises	10,250	0	-	4,100	5,699	451	10,250						10,250	10,250
Rural & Green Section 106 Schemes	24	0	24	-	-	-	24		24					24
Economic Development														
Connecting Cheshire Phase 3	8,000	0	500	1,500	2,000	4,000	8,000		8,000					8,000
Handforth Heat Network	13,710	0	-	9,910	2,000	1,800	13,710	5,420	4,890				3,400	13,710
Public Sector Decarbonisation Fund - FM 3	3,714	0	3,714	-	-	-	3,714	3,714						3,714
Crewe Towns Fund - Mill Street Corridor	140	3	137	-	-	-	137	137						137
Crewe Towns Fund	19,560	0	6,060	6,886	5,404	1,210	19,560	19,560						19,560
Housing														
Crewe Towns Fund - Warm and Health Homes	100	0	20	80	-	-	100	100						100
Total New Schemes	55,768	3	10,724	22,476	15,103	7,461	55,764	29,201	12,914	0	0	13,650	55,764	
Total Economy and Growth Schemes	247,935	32,329	44,481	71,414	71,942	27,769	215,606	97,213	24,976	0	0	93,416	215,606	

6. Reserves Strategy (Economy and Growth Committee Extract)

Economy and Growth Committee

Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Directorate				
Place Directorate	1,684	(1,368)	316	To support a number of widespread projects within the Place Directorate. A significant number of these projects are expected to be fully utilised in year, with the remaining reserve to be fully used in 2023-24.
Investment (Sustainability)	680	(219)	461	To support investment that can increase longer term financial independence and stability of the Council.
Growth and Enterprise				
Legal Proceedings	285	(100)	185	To enable legal proceedings on land and property matters. Hard to gauge the pace of cases but this is the anticipated amount based on end of June costs.
Investment Portfolio	155	174	329	Total rent, fee costs and the amount the service are allowed to keep (£250k) all stay the same so anticipating a similar contribution to the reserve. Looked at the investment summary to determine 22-23 MRP and interest costs. Reserve being built up to be used in the future if the site is vacated. Current lease extends beyond 2026.
Homelessness & Housing Options - Revenue Grants	130	(130)	0	To cover costs of purchase and refurbishment of properties to be used as temporary accommodation to house vulnerable families. It is anticipated that this will be utilised in 2022-23, however this is dependent on the housing market and the availability of suitable properties.
Tatton Park Trading Reserve	111	(35)	76	Service anticipating utilising some of the funds although a decision on amount will be made later in the year once income trends become clearer. Early estimation it will be utilised for catering equipment renewal of £30k and a Glasshouse survey of £5k. Also available to be used to cover in year pressures outside of base budget in 2022-23 and future years. Note this is a ring fenced reserve.
Royal Arcade Crewe	99	(99)	0	Original purpose was to fund vacant possession related costs for the Royal Arcade until demolition. The balance will now be used to pay for ongoing maintenance costs for Crewe Bus station. FM pressures will mean that the reserve will be utilised in 2022-23; with costs of £45k at First Finance Review, it is anticipated to be fully drawn down in year.
ECONOMY AND GROWTH TOTAL	3,144	(1,777)	1,367	

Appendix 5 : Environment and Communities Committee

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1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

2. Action Plan 2022/23

3. Corporate Grants Register

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Table 2: Delegated Decisions for Committee to Note

4. Debt Management

5. Capital Strategy

6. Reserves Strategy (Environment and Communities Committee Extract)

Appendix 5

Environment and Communities Committee

1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Environment and Communities				
Environment & Neighbourhood Service	44,373	10	(18)	44,365
	44,373	10	(18)	44,365

2. Action Plan 2022/23

Environment and Communities Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
Environment and Neighbourhood Services	54.7	-10.4	44.3	Pay Inflation	1.323	3&4	Red (will not achieve)	Represents current estimate of the impact on Committee services in excess of the MTFS, from a nationally negotiated pay award.	0.383
				Orbitas income and management fee	0.021	17	Green (on track and should achieve)		0.000
				Strategic Leisure Review	-0.250	18	Amber (on track but may not achieve all)	Engagement with CLT and Everybody to identify options to deliver savings. There are limited options to achieve required savings without reducing scope of services. The financial impact in 2022/23 is mitigated by an equivalent contribution by Public Health to the leisure commissioning budget. This has not been agreed for future years. There does however remain a pressure in Facilities Management (Economy & Growth Committee).	0.000

Environment and Communities Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Review of governance of ASDVs and seeking increased opportunities for savings / commercial opportunities	-0.100	20	Red (will not achieve)	This proposal is for the Council to receive a share of the profits from commercial activity undertaken by ANSA or Orbitas. This requires further negotiation between the Finance Sub-Committee (acting as shareholder) with the Council's wholly owned companies on payment of a dividend in 2022/23 from the retained earnings. Updated for 2021/22 proposal of £100k not achieved.	0.200
				CCTV migration to wireless networks	-0.085	10	Amber (on track but may not achieve all)	The procurement process has now begun following a 12 month delay. The delayed savings will be mitigated in 2022/23 via favourable variances elsewhere in Regulatory Services.	0.086
				Everybody Sport and Recreation Annual Management Fee	-0.042	21	Green (on track and should achieve)		0.000

Environment and Communities Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Regulatory Services and Environmental Health ICT procurement	-0.009	13	Amber (on track but may not achieve all)	The implementation of the new system has been delayed but the required savings will be mitigated via favourable variances in Regulatory Services.	0.000
				Waste Contract Inflation and Tonnage Growth	0.644	53	Green (on track and should achieve)		0.000
				Tree Risk Management	0.500	54	Green (on track and should achieve)		0.000
				Environment Strategy and Carbon Neutrality	0.020	56	Green (on track and should achieve)		0.000
				Investment in improving the customer experience in Planning Services	0.500	58	Green (on track and should achieve)	It is likely that not all of the temporary budget will be spent in 2022/23 and so there will be a request to carry forward the residual into 2023/24 to complete the implementation of the Planning Service Improvement Programme.	0.000

Environment and Communities Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Surplus / loss from CEC Services provided by Ansa		New		Increased waste tonnages as a legacy of Covid. This is resulting in increased crews, increased fuel, and increased disposal costs. It also means that legacy savings from the Route and Rota review following the move to the Environmental Hub are unrealisable. This has been partly mitigated in 2022/23 from higher recycling income. Further analysis is being undertaken to understand whether the rate of new houses being occupied compared to MTFS assumptions is a contributing factor. 22-23 Environment temporary impacts (mainly recycling income) - Temporary benefit in 22-23 only - Recycling income benefit of £1.410m plus HWRC contract benefits. Use of ANSA reserve (£0.3m)	0.457
				Environmental Hub maintenance		New		This reflects the increased costs of operating a modern facility. The shortfall has previously been funded by favourable variances in Facilities Management budgets.	0.306
				Ansa / Orbitas Directors		New		This saving from 2021/22 is not achievable as the Directors of Ansa continue to be remunerated.	0.040

Environment and Communities Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Renumeration					
				Markets business rates		New		Result of unoccupied market stalls.	0.032
				Orbitas inflation impact		New		In-year pressure.	0.051
				Bereavement Income surplus		New			-0.134
				Environment - other various		New		Commissioner mitigations.	-0.151
				Planning and Building Control income		New		There are proposals under planning reform to increase planning fees by 25-35% that may mitigate this pressure and it is unclear when these increases will take effect. The proposal is subject to consultation and legislative change.	1.080
				Planning and Building Control Mitigations		New		Mitigating actions to cover covid pressures above, predominantly vacancy savings.	-0.081

Environment and Communities Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Licensing income		New		There is a pressure on licensing income from taxi licensing. This reflects a reduction in the number of drivers following Covid.	0.029
				Public burials		New		Increased numbers of public burials.	0.016
				Regulatory Services mitigating actions		New		Mitigating actions to cover covid pressures above. These include vacancy savings, reduced mileage and increased income. Grants and the balance of a provision have also been released.	-0.224
				Libraries income		New		There has been a change in use of libraries since Covid lockdowns that has resulted in a reduction in income particularly from Adults.	0.165
				Libraries Mitigating Actions		New		Mitigating actions to cover Covid pressures above, predominantly vacancies £150k predicted variance.	-0.164
				Dir /Leisure/ EP/ ASB&CEO		New		Mitigating actions to improve outturn position.	-0.045
				Waste		New		Education on residual waste reduction Review Commissioner / Provider responsibilities (possible access to Ansa reserves / surplus from recyclates).	

Environment and Communities Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Workforce		New		Revise vacancy forecasts to reflect recruitment difficulties. Slow down recruitment where feasible / safe. Use specific reserves for exit costs (per MTFS). Updated staffing forecasts reflecting current recruitment timescales have been built into figures on lines above.	
				Transformation		New		Use flexible receipts to capitalise costs of transformation - Planning Deep Dive	-0.160
Total	54.7	-10.4	44.3		2.522				1.886

3. Corporate Grants Register (Environment and Communities Committee Extract)

Table 1 – Corporate Grants Register

Grants 2022/23	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2022/23 £000	2022/23 £000	2022/23 £000	<i>Notes 2 - 5</i>
ENVIRONMENT & COMMUNITIES				
Specific Use (Held within Services)	0	387	387	
General Purpose (Held Corporately)				
TOTAL ENVIRONMENT & COMMUNITIES	0	387	387	

Notes

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

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

3.2 There were various new specific grants received at Financial Review 1, and requests for the allocation of these additional specific grants are detailed in **Table 2**.

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

Table 2 – Note Delegated Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) £500,000 or less

Committee	Type of Grant	£000	Details
Environment and Communities	Bikeability Grant (Specific Purpose)	240	This grant is from the Department for Transport. Bikeability is the Department for Transport’s national cycle training programme for schoolchildren in England, which provides schoolchildren with a life skill and enables them to cycle confidently and competently on today’s roads. The grant funding enables the Council’s leisure trust operator, Everybody Health & Leisure to deliver the training programme for Cheshire East.
Environment and Communities	Air Quality Grant scheme (Specific Purpose)	55	This grant is from the Department for Environment, Food and Rural Affairs. This was a direct grant application to DEFRA to support our air quality work and objectives within our Air Quality Action Plan. The project is based on behavioral change and is covering awareness raising around vehicle idling and domestic burning of coal and wood and their impact on air quality. £11.6m boost for local authorities to tackle air pollution - GOV.UK (www.gov.uk)
Environment and Communities	Offensive weapons (Specific Purpose)	4	This grant is from the Department of Health and Social Care. This is new burdens funding to support additional regulatory activity around the Offensive Weapons Bill which strengthens existing prohibitions on the sale of knives and corrosive substances (both online and offline).
Environment and Communities	Cosmetic fillers (Specific Purpose)	7	This grant is from the Department of Health and Social Care. This is new burdens funding to support additional regulatory activity around prohibitions on the sale/administration of cosmetic fillers to those under 18 years of age. Botulinum Toxin and Cosmetic Fillers (Children’s) Act 2021.

Committee	Type of Grant	£000	Details
			The Botulinum Toxin and Cosmetic Fillers (Children) Act grant determination 2022 to 2023 - GOV.UK (www.gov.uk)
	Food Information Grant - Natasha's Law (Specific Purpose)	10	This grant is from the Department for Environment, Food and Rural Affairs. This grant is to fund enforcement costs associated with the food information amendment England regulations 2022 No 418 and for familiarization on Natasha's Law and allergens labelling. Section 31 grant determination 2022 to 2023: local authority new burdens for the enforcement of legislation relating to allergen labelling changes for prepacked for direct sale food - GOV.UK (www.gov.uk)
Environment and Communities	Section 31 grant - Biodiversity net gain (Specific Purpose)	20	This grant is from the Department for Environment, Food and Rural Affairs. This funding will allow the Planning service to adopt the mandatory Biodiversity Net Gain approach to Development coming into force in 2023, to ensure that natural habitats are extended or improved as part of a project or development.
Environment and Communities	Natural England - Stewardship scheme (Specific Purpose)	2	This grant is from Natural England. This is for grant aided ecological works on various Countryside sites within Cheshire East.
Specific Purpose Allocations less than £500,000		338	

4. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Environment and Communities Committee		
Environment and Neighbourhood Services	254	222

5. Capital Strategy

Environment and Communities

CAPITAL

CAPITAL PROGRAMME 2022/23-2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes													
Environment Services													
Bereavement Service Data System	35	0	35	0	0	0	35			35			35
Browns Lane, Wilmslow Play Area	570	541	29	0	0	0	29		29				29
Congleton Household Waste Recycling Centre Development	50	20	15	15	0	0	30					30	30
Crewe Towns Fund - Pocket Parks	20	3	18	0	0	0	18	18					18
Energy Improvements at Cledford Lane	985	825	160	0	0	0	160					160	160
Future High Street Funding - Sustainable Energy Network	2,577	150	2,427	0	0	0	2,427					2,427	2,427
Green Investment Scheme (Solar Farm)	3,950	64	3,886	0	0	0	3,886					3,886	3,886
Household Bins Schemes	50		50	0	0	0	50					50	50
Litter and Recycling Bins	152		50	50	52	0	152					152	152
Little Lindow Open Space Improvements		7	62	0	0	0	62		62				62
Macclesfield Cenotaph Planting	1	1	1	0	0	0	1		1				1
Nantwich Cemetery Roadway Extension	75	60	15	0	0	0	15			15			15
Newtown Outdoor Pitch Improvements	51	39	12	0	0	0	12		12				12
Newtown Sports Facilities Improvements	99	81	18	0	0	0	18		18				18
Park Development Fund	580		280	150	150	0	580					580	580
Pastures Wood	51	28	23	0	0	0	23			23			23
Pheasant Walk Play Area Improvements	18	9	9	0	0	0	9		9				9
Queens Park Lake Planting	18	17	1	0	0	0	1		1				1
Queens Park Play Area Improvements	200	100	100	0	0	0	100		100				100
Rotherhead Drive Open Space and Play Area	141	111	30	0	0	0	30		30				30
Victoria Park Pitch Improvements	29	5	24	0	0	0	24		24				24
Victoria Park Improvements	80	7	73	0	0	0	73		73				73
Neighbourhood Services													
Congleton Leisure Centre	12,225	6,272	5,953	0	0	0	5,953					5,953	5,953
Crewe Towns Fund - Cumberland Arena	80		80	0	0	0	80	80					80
Crewe Towns Fund - Valley Brook Green Corridor	100	2	98	0	0	0	98	98					98
Macclesfield Leisure Centre Improvements	3,865	3,398	467	0	0	0	467					467	467
Middlewich Leisure Centre	60	6	54	0	0	0	54					54	54
Nantwich Pool Improvements	2,250	1,923	327	0	0	0	327					327	327
Next Generation - Self Service	52		52	0	0	0	52					52	52
Poynton Leisure Centre	4,606	391		2,000	2,215	0	4,215					4,215	4,215
Planning Services													
Replacement Planning & Building	410	320	90	0	0	0	90					90	90
Regulatory Services & Environmental Health ICT System	273	240	33	0	0	0	33			9		25	33
Replacement CCTV Cameras	205	0	205	0	0	0	205			205			205

CAPITAL PROGRAMME 2022/23-2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding	
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing		
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
New Schemes														
Environment Services														
Chelford Village Hall Open Space and Sport Improvements	164	0	164	0	0	0	164		164					164
Household Waste Recycling Centres	860	0	500	360	0	0	860						860	860
Carbon Offset Investment	1,000	0	125	125	250	500	1,000						1,000	1,000
Fleet Vehicle Electric Charging	585	0	164	164	141	116	585						585	585
Solar Energy Generation	14,180	0	300	13,880		0	14,180						14,180	14,180
Hield Grove Play Area	21	0	21			0	21		19				2	21
Barony Skate Park Refurbishment	100	0	100			0	100	100						100
Pitch Improvements - Alderley Edge Park and Chorley Hall Lane Playing Fields	25	0	25			0	25		25					25
Woodland South of Coppice Way, Handforth	89	0	89			0	89		89					89
Over Peover Amenity Improvements	10	0	10			0	10		10					10
Total Environment and Communities Schemes	50,892	14,617	16,177	16,744	2,808	616	36,344	296	668	287	0	35,094	36,344	

6. Reserves Strategy (Environment and Communities Committee Extract)

Environment and Communities Committee

Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Environment and Neighbourhood Services				
Strategic Planning	568	(295)	273	To meet costs associated with the Local Plan - site allocations and minerals and waste DPD.
Trees / Structures Risk Management	202	(52)	150	New reserve to respond to increases in risks relating to the environment, in particular the management of trees, structures and dealing with adverse weather events.
Spatial Planning - revenue grant	89	(47)	42	
Neighbourhood Planning	82	(71)	11	
Air Quality	36	(36)	0	Air Quality Management - DEFRA Action Plan.
Street Cleansing	26	(26)	0	Committed expenditure on voluntary litter picking equipment and electric blowers, due to be fully utilised in 2022-23.
Custom Build & Brownfield Register	19	(19)	0	
Community Protection	17	(17)	0	
Licensing Enforcement	15	(15)	0	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Flood Water Management (Emergency Planning)	2	0	2	Plans to draw down the reserve in 2023/24 relating to Public Information Works.
ENVIRONMENT AND COMMUNITIES TOTAL	1,056	(578)	478	

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Appendix 6

Finance Sub-Committee

1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Finance Sub-Committee Central Budgets				
Capital Financing	19,000	-	(57)	18,943
Corporate Contributions / Central Budgets	(5,198)	-	515	(4,683)
Contribution to / from Reserves	1,305	-	(4,081)	(2,776)
	15,107	-	(3,623)	11,484
Finance Sub-Committee - Central Budgets Funding				
Business Rates Retention Scheme	(49,086)	-	-	(49,086)
Specific Grants	(23,962)	(662)	-	(24,624)
Council Tax	(254,682)	-	-	(254,682)
Sourced from Collection Fund	-	-	-	-
TOTAL CENTRAL BUDGETS FUNDING	(327,730)	(662)	-	(328,392)

2. Action Plan 2022/23

Finance Sub Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
Central & Funding	16.5	-333.3	-316.9	Minimum Revenue Provision	5.000		Green (on track and should achieve)		0.000
				Central Pension adjustment	-2.500		Green (exceeding)	Additional pension income due to reduced payover.	-0.985
				Bad Debt Provision	0.200		Green (on track and should achieve)		0.000
				Use of Earmarked Reserves	0.030		Green (on track and should achieve)	Use of COVID-19 reserve.	-5.989
				Increased Council Tax Base 2.99% increase	-7.306		Green (on track and should achieve)		0.000
				Increased Council Tax Base – Taxbase changes and New Homes	-4.527		Green (on track and should achieve)		0.000

Finance Sub Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Un-ringfenced grant changes	-4.797		Green (on track and should achieve)		0.000
				Capital Finance Budget		New		Only utilise receipts aligned to MTFS, use excess to fund revenue transformation. Reprofile Capital Programme to absorb inflation. Review Treasury Management Strategy to manage borrowing.	
				Reserves		New		Review transfers between MTFS reserve and General Reserve. Challenge purpose of unused earmarked reserves.	
				Pensions		New		Revise forecast to reflect triennial review and current funding position.	
Total	16.5	-333.3	-316.9		-13.900				-6.974

3. Corporate Grants Register

Government Grant Funding of Local Expenditure

- 3.1 Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. The overall total of Government grant budgeted for in 2022/23 was £251.6m.
- 3.2 In 2022/23 Cheshire East Council's specific use grants held within the services was budgeted to be £227.6m based on Government announcements to February 2022.
- 3.3 The position at Financial Review 1 has seen an increase in specific use grants of £65.9m to £293.5m. The main factors influencing this revised increased position are as follows:
- Dedicated Schools Grant +£9.9m
 - Household Support Fund +£4.5m
 - Homes for Ukraine Scheme +£12.6m
 - Journey First and Parents First +£2.5m
 - COVID-19 Contain Outbreak Management Fund +£5.5m
 - Council Tax Energy Rebate Scheme +£19.9m
 - Housing Benefit Subsidy +£1.5m
- 3.4 Requests for the allocation of the additional specific grants received are detailed in **Table 1**.
- 3.5 Spending in relation to specific use grants must be in line with the purpose for which it is provided.
- 3.6 General purpose grants were budgeted to be £24.0m. Further in-year grant announcements have increased the amount received to £38.5m at Financial Review 1 (an increase of £14.5m).
- 3.7 This increase relates mainly to the Business Rates Reliefs Compensation grant. Requests for the allocation of the additional general purpose grants received are detailed in **Table 2**.
- 3.8 **Table 3** provides a summary of the updated budget position for grants in 2022/23 by type and service.
- 3.9 Further details of general purpose grants are shown in **Table 4**, the Corporate Grants Register.

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

Committee / Service Area	Type of Grant	£000	Details
Finance Sub-Committee (Expenditure Corporate Policy)	Housing Benefit Subsidy (Specific Purpose)	1,514	Increase on MTFs 2022-26 estimate. This grant is from the Department for Work and Pensions. Payment of claims administration within Housing Benefits.
Finance Sub-Committee (Expenditure Children and Families - Schools)	Dedicated Schools Grant (DSG) (Specific Purpose)	9,860	<p>Increase on MTFs 2022-26 estimate. This grant is from the Education and Skills Funding Agency with a national allocation of £53.659bn. The DSG allocations for 2022 to 2023 are made up of:</p> <ul style="list-style-type: none"> • The schools block; based on the primary units of funding (PUF), and secondary units of funding (SUF), and premises funding announced in July 2021 and growth funding. • The central school services block (CSSB); based on the units of funding and total historic commitments funding announced in July 2021. • The high needs block; based on the allocations announced in July 2021 with the basic entitlement element of the national funding formula (NFF) updated for the number of pupils in the October 2021 school census; and the additional high needs allocations funding announced in December 2021. • The early years block; based on the early years funding rates published in November 2021 and made up of: <ul style="list-style-type: none"> - funding for the universal 15-hour entitlement for all 3 and 4-year-olds

Committee / Service Area	Type of Grant	£000	Details
			<ul style="list-style-type: none"> - funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents - funding for the 15-hour entitlement for disadvantaged 2-year-olds - funding for the early years pupil premium (EYPP) - funding for the disability access fund (DAF) - supplementary funding for maintained nursery schools (MNS) <p>Dedicated schools grant (DSG): 2022 to 2023 - GOV.UK (www.gov.uk)</p>
Finance Sub-Committee (Expenditure Adults and Health)	Journey First and Parents First (Specific Purpose)	2,500	This grant is from the Department for Work and Pensions. Cheshire East Council is the Accountable Body for the delivery of 3 separate lots of former European Social Fund money (now administered by the Department for Work and Pensions). Two of these lots are under the Journey First banner with the third being Parents First. They aim to break down barriers for hard to reach groups to successfully become part of the employment market. These sub regional projects run over a number of financial years through to 2023/24.
Total Specific Purpose Allocation for Council Approval		13,874	

Table 2 – Note Delegated Decision - Supplementary Revenue Estimates for Allocation of Additional Grant Funding (General Purpose) £500,000 or less

Committee / Service Area	Type of Grant	£000	Details
Children and Families	Extension of the role of Virtual School Heads (General Purpose)	61	This is a grant from the Department for Education. The purpose of this grant is to provide support to local authorities in England to help them to extend the role of the Virtual School Head to promote the educational outcomes of the cohort of children with a social worker. Virtual School Heads should take a strategic leadership role for this cohort of children and work with early years settings, schools, colleges, and social care leaders to create a culture of high aspirations that helps all children with social workers to reach their potential. Virtual school heads: section 31 grant determination letters - GOV.UK (www.gov.uk)
Adults and Health	Independent Living Fund (General Purpose)	43	Increase on MTFs 2022-26 estimate. This grant is from the Department for Levelling Up, Housing and Communities (DLUHC) with a national allocation of £160.6m. Following the closure of the Independent Living Fund (ILF) in June 2015, the government agreed to continue funding pre-existing ILF arrangements until the end of 2019 to 2020, through the former ILF recipient grant. Government have confirmed that that the former ILF recipient grant will continue to be paid to local authorities in 2022 to 2023. Former Independent Living Fund Grant 2022 to 2023 - GOV.UK (www.gov.uk)
Economy and Growth	Neighbourhood Planning Grant (General Purpose)	10	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). The conditions of grant mean that this funding could be used across the wider Spatial Planning area. This level of funding would be intended to

Committee / Service Area	Type of Grant	£000	Details
			support a number of Community Neighbourhood Plans across the borough.
General Purposes Allocations less than £500,000		114	

Table 3 - Summary of Grants

Grants 2022/23	Original Budget	Revised Forecast FR1	Change from Original Budget
	2022/23 £m	2022/23 £m	2022/23 £m
SPECIFIC USE (HELD IN SERVICE AREA)			
TOTAL SPECIFIC PURPOSE	227.6	293.5	65.9
GENERAL PURPOSE			
Children and Families	0.0	0.5	0.5
Adults and Health	12.5	12.5	0.0
Economy and Growth	0.0	0.0	0.0
Environment and Communities	0.0	0.0	0.0
Highways and Transport	0.0	0.0	0.0
Corporate Policy	11.5	25.5	14.0
TOTAL GENERAL PURPOSE	24.0	38.5	14.5
TOTAL GRANT FUNDING	251.6	332.0	80.4

Table 4 – Corporate Grants Register

General Purpose Grants 2022/23 (Held Corporately)	Original Budget	Revised Forecast FR1	Change from Original Budget	Treatment of Grant
	2022/23 £000	2022/23 £000	2022/23 £000	<i>Notes 2 - 5</i>
CHILDREN & FAMILIES				
Staying Put Implementation Grant	0	130	130	
Extended Rights to Free Transport (Home to School Transport)	0	250	250	
Extended Personal Adviser Duty Implementation	0	57	57	
Extension of the role of Virtual School Heads	0	61	61	SRE
ADULTS & HEALTH				
Social Care Support Grant	11,341	11,341	0	
Independent Living Fund	818	861	43	SRE
Local Reform & Community Voices	213	213	0	
Social Care in Prisons	71	71	0	
War Pension Scheme Disregard	56	56	0	
ECONOMY & GROWTH				
Neighbourhood Planning Grant for Local Planning Authorities	0	10	10	SRE
CORPORATE POLICY				
Housing Benefit Administration Subsidy	654	736	82	
Council Tax Support Administration Subsidy	316	345	29	
NNDR Administration Allowance	587	587	0	
Revenue Support Grant	7	7	0	
New Homes Bonus	6,614	6,614	0	
Lower Tier Services Grant	353	360	7	
Services Grant	2,932	2,932	0	
Business Rates Reliefs Grant 2022/23	0	13,890	13,890	
TOTAL	23,962	38,521	14,559	

4. Debt Management

- 4.1 Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has decreased by £2m since the end of March.
- 4.2 Annually, the Council raises invoices with a total value of over £90m. Around a quarter of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
- 4.3 The Council's standard collection terms require payment within 28 days of the invoice date, however, services receive immediate credit in their accounts for income due. The Council uses a combination of methods to ensure prompt payment of invoices. Recovery action against unpaid invoices may result in the use of debt collectors, court action or the securing of debts against property.
- 4.4 The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection/enforcement agent services (currently provided by Bristow & Sutor).
- 4.5 After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of June 2022 was £10.6m.

- 4.6 The total amount of service debt over six months old is £6.1m; provision of £7.8m has been made to cover doubtful debt in the event that it needs to be written off.

DEBT SUMMARY

	Outstanding Debt £000	Over 6 months old £000
Adults and Health Committee		
Adults, Public Health and Communities	8,438	4,931
Children and Families Committee		
Children's Social Care (Incl. Directorate)	8	6
Education and 14-19 Skills	88	5
Schools	9	-
Highways and Transport Committee		
Highways and Infrastructure	973	730
Economy and Growth Committee		
Growth and Enterprise	492	193
Environment and Communities Committee		
Environment and Neighbourhood Services	254	222
Corporate Policy Committee		
Finance and Customer Services	65	34
Governance and Compliance	155	-
Human Resources	19	-
ICT	63	7
	10,564	6,128

5. Capital Strategy

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

Parameter	Value (£m)			
	2022/23	2023/24	2024/25	2025/26
Repayment of Borrowing				
Minimum Revenue Provision*	15.3	18.6	21.5	22.9
External Loan Interest	5.6	5.4	5.4	5.4
Investment Income	(1.9)	(1.8)	(1.8)	(1.8)
Contributions from Services Revenue Budgets	(1.2)	(1.6)	(2.2)	(2.4)
Total Capital Financing Costs	17.8	20.6	22.9	24.1
Use of Financing EMR	1.2	(1.6)	(2.9)	(3.1)
Actual CFB in MTFS	19.0	19.0	20.0	21.0
Capital Receipts targets*	1.0	1.0	1.0	1.0
Flexible use of Capital Receipts	0	0	0	0

*Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

- 5.1 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision.
- 5.2 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, requires local authorities to charge to their revenue account for each financial year a minimum amount to finance the cost of capital expenditure. Commonly referred to as MRP (Minimum Revenue Provision). This ensures that the revenue cost of repaying debt is spread over the life of the asset, similar to depreciation.



- 5.3 The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is reported as part

of the MTFS report and Outturn report. This highlights the level to which the Council is internally borrowed (being the difference between the CFR and external debt), and the expected repayment profile of the external debt.

- 5.4 The nature and scale of the Council's capital programme means that it is a key factor in the Council's treasury management, including the need to borrow to fund capital works. The treasury management strategy for the Council is included in **Appendix 8** of this report.
- 5.5 The Council's current strategy is to use available cash balances, known as 'internal borrowing' and to borrow short term loans. As short term interest rates are currently much lower than long term rates this is likely to be more cost effective.

Contributions from Services

- 5.6 All business cases supporting capital expenditure will include full analysis of the financial implications of the scheme alongside a clear indication of how the financial implications will be managed within the Medium Term Financial Strategy (MTFS).
- 5.7 When including any scheme in the Council's Capital Programme the Section 151 Officer will determine the appropriate impact on the Revenue Budget. This impact will require service budgets within the MTFS to fund either all, part or none of the net capital costs of the scheme.
- 5.8 In making a determination about funding capital schemes from revenue budgets the level of potential revenue savings or additional revenue income will be considered. If a capital scheme will increase revenue costs within the MTFS, either from the future costs of maintaining the asset or from the costs of financing the capital expenditure, then the approach

to funding such costs must be approved as part of the business planning process before the scheme can commence.

- 5.9 The Council's strategy is to use revenue contributions of £7.4m over the next four financial years to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £3.0m from the Investment Portfolio; £1.4m contribution from schools towards the schools transformation programme; £1.3m from Everybody Health and Leisure for the improvements to the Council's leisure facilities; £1.3m electric vehicle charging and the Green Investment schemes, £0.2m from Countryside Services for the vehicle replacement programme upgrade, £0.1m from the Azure Microsoft project and £0.1m from the Children's Home Sufficiency project.

Use of Financing Earmarked Reserve

- 5.10 To allow a longer term approach to setting the Financial Parameters of the Capital Strategy the Council will maintain an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.
- 5.11 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any variance to the Capital Finance Budget (CFB) within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. In balancing the CFB over the period of the MTFS the Section 151 Officer may also recommend appropriate use of the Financing Earmarked Reserve over the period.
- 5.12 The Council's current strategy is to draw-down up to £6.4m from the Financing Earmarked Reserve for the period 2022/23 to 2025/26.

Capital Programme – Review Position

- 5.13 Since the Medium Term Financial Strategy was approved in February 2022 the Capital Programme has increased by £70.0m for the next four year period and future years.
- 5.14 The main change to explain the increase, is slippage from 2021/22 into future years of £68.3m, this includes the £60.4m that was reported at the Outturn position and subsequent Supplementary Capital Estimates that have been approved by Committee or Full Council since the MTFS was approved.
- 5.15 There is also a request for a virement of £18.5m to the Middlewich Eastern Bypass project, there are immense inflationary pressures on this project that have been identified and to enable the project to proceed and meet its current obligations of delivering the scheme on time without incurring further costs due to delaying the project this sum is required. The budget is to be vired from existing approved capital budget so there is no overall increase to capital programme at this time.
- 5.16 Other changes reported this quarter totalling are £1.9m of Supplementary Capital Estimates required for additional funding received from external contributions such as Section 106 funding and partner contributions. **Table 2** below shows a summary of the changes.

Table 2: Summary Capital Programme

	MTFS Budget	C/Fwd from 2021/22 Outturn	Budget Reductions	SCEs/ Virements	Revised Budget
	2022/26 £m	2022/26 £m	2022/26 £m	2022/26 £m	2022/26 £m
Adults, Health & Integration	0	0.5	0	0	0.5
Children and Families	96.5	18.3	0	1.3	116.1
Place Directorate	499.0	44.1	(0.2)	0.1	543.0
Corporate Directorate	38.3	5.4	0	0.5	44.2
	633.8	68.3	(0.2)	1.9	703.8

- 5.17 There are also a small number of budget reductions within Environment and Neighbourhood Services for Section 106 funded schemes where the schemes are now complete and the residual funding can be returned to the respective S106 balance.
- 5.18 The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve). A funding summary is shown in **Table 3**.
- 5.19 **Table 4** details requests of Supplementary Capital Estimates (SCE) up to and including £250,000 and Capital Virements up to and including £100,000 approved by delegated decision which are included for noting purposes only.
- 5.20 **Table 5** lists details of Capital Supplementary Estimates over £250,000 and up to £1,000,000 and Capital Virements over £100,000 and up to and including £5,000,000 that requires Committee to approve.
- 5.21 **Table 6** lists details of Capital Supplementary Estimates over £1,000,000 and Capital Virements over £5,000,000 that requires Committee to make a recommendation to Council to approve.
- 5.22 **Table 7** lists details of reductions in Approved Budgets where schemes are completed and surpluses can now be removed. These are for noting purposes only.
- 5.23 Prudential Indicators are shown at the end of this section.
- 5.24 Capital programme detail is shown in other service committee **Appendices 1-7, Section 5**.

Table 3: Capital Programme Update

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY					
CAPITAL PROGRAMME 2022/23 - 2025/26					
	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Total Forecast 2022-26 £000
Committed Schemes - In					
Adults, Health and Integration	473	0	0	0	473
Children and Families	24,876	34,642	2,744	285	62,547
Place	114,835	101,213	105,818	107,271	429,137
Corporate	10,919	4,650	4,514	2,555	22,638
Total Committed Schemes -	151,103	140,505	113,076	110,111	514,795
CAPITAL PROGRAMME 2022/23 - 2025/26					
	Actuals 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Total Forecast 2022-26 £000
New Schemes					
Adults, Health and Integration	0	0	0	0	0
Children's Services	4,260	11,850	19,758	17,700	53,568
Place	31,350	50,844	28,746	21,329	132,269
Corporate	1,137	1,550	474	0	3,161
Total New Schemes	36,747	64,244	48,978	39,029	188,998
Total	187,850	204,749	162,054	149,140	703,793

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2022/23 - 2025/26

	Actuals 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Total Forecast 2022-26 £000
Funding Requirement					
Indicative Funding					
Analysis: (See note 1)					
Government Grants	103,261	100,303	83,302	57,117	343,983
External Contributions	32,465	29,803	28,759	34,992	126,019
Revenue Contributions	1,152	56	0	0	1,208
Capital Receipts	1,000	2,248	23,032	11,835	38,115
Prudential Borrowing (See note 2)	49,972	72,339	26,961	45,196	194,468
Total	187,850	204,749	162,054	149,140	703,793

Note 1:

The funding requirement identified in the above table represents a balanced and affordable position, in the medium term. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for capital receipts over the next four years 2022-2026 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

Note 2:

Appropriate charges to the revenue budget will only commence in the year following the completion of the associated capital asset. This allows the Council to constantly review the most cost effective way of funding capital expenditure.

Table 4: Delegated Decision - Requests for Supplementary Capital Estimates (SCEs) and Virements

Service / Capital Scheme	Amount Requested	Reason and Funding Source
	£	
Supplementary Capital Estimates that have been made up to £250,000		
Education and 14-19 Skills		
2020-21 - SMS - Rainow Primary School	7,777	An additional revenue contribution from the School to fund the additional costs on the School managed scheme.
Economy & Growth		
Schools Capital Maintenance (FM)	76,500	School contributions towards the condition works on the maintained schools for 2022/23 - managed by the Facilities Management team.
Total Supplementary Capital Estimates Requested	84,277	
Service / Capital Scheme	Amount Requested	Reason and Funding Source
	£	
Capital Budget Virements that have been made up to £100,000		
Education and 14-19 Skills		
2020/21 SMS Lower Park Primary School	20,000	A virement from the School Condition Grant Allocation to fund the additional costs on the School managed scheme.
Monks Copenhall	25,000	Virement from the SEN/High Needs Block Allocation to fund the rising costs on the school expansion programme due to the increases in the cost of inflation on construction projects
School Condition Grant	7,500	Virement from High Legh Primary School Devolved Formula Capital allocation to fund emergency Lighting works
2020-21 - Sms - Rainow Primary School	7,778	A virement from the School Condition Grant Allocation to fund the additional costs on the School managed scheme.
Total Capital Budget Virements Approved	60,278	
Total Supplementary Capital Estimates and Virements	144,555	

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

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements		
Supplementary Capital Estimates above £250,000 up to and including £1,000,000		
Education and 14-19 Skills		
Nantwich Planning Area (Primary)	917,368	Additional S106 funding is available to fund the new primary school at Kingsley Fields, Nantwich.
School Condition Grant	341,057	Additional Grant funding from 2021/22 from the Department of Education not previously approved in the MTFS
Transformation		
Core Financials	500,000	In the Core Financials programme Cheshire East Council will hold a £1 million total capital budget on behalf of both councils, Cheshire East and Cheshire West and Chester, which covers both the monthly change support agreement and one off larger change projects, this will all be invoiced through Cheshire East. This Supplementary Capital Estimate is to add the contribution from Cheshire West and Chester Council.
Total Supplementary Capital Estimates Requested	1,758,425	

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
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Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements

Capital Budget Virements above £100,000 up to and including £5,000,000

Education and 14-19 Skills

Congleton Planning Area	600,000	Virements from the Basic Need Block Allocation to fund the rising costs on the school expansion programme due to the increases in the cost of inflation on construction projects
Congleton Planning Area (1)	500,000	
Congleton Planning Area (2)	125,000	
Congleton Planning Area (3)	4,300,000	
Holmes Chapel Planning Area	1,000,000	
Macclesfield Planning Area	600,000	
Sandbach Planning Area	1,000,000	
Shavington Planning Area (1)	115,000	
Shavington Planning Area (2)	3,000,000	
Wilmslow Planning Area	125,000	

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements		
Capital Budget Virements above £100,000 up to and including £5,000,000		
Education and 14-19 Skills		
Adelaide Academy	150,000	} Virements from the SEN/High Needs Block Allocation to fund the rising costs on the school expansion programme due to the increases in the cost of inflation on construction projects.
Springfield Satellite Site (Dean Row)	500,000	
Provision of Sufficient School Places - SEND	500,000	
Haslington Planning Area - Primary	385,000	Virement from the Basic Need Block Allocation to fund the rising costs on the school expansion programme due to the increases in the cost of inflation on construction projects (£250,000) and a subsequent virement from the School Condition Block of £135,000 for some conditions works that will be completed at the same time as the major expansion scheme.
Future Years Basic Need Allocation	1,499,582	Virement from Middlewich Planning Area - re-couped back to the main block allocation to be re-distributed in future years.
Nantwich Planning Area (Primary)	1,882,632	Virements from the Basic Need Block Allocation (£1.383m) and High Needs Block Allocation (£500k) to fund the rising costs on the school expansion programme due to the increases in the cost of inflation on construction projects.

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements		
Capital Budget Virements above £100,000 up to and including £5,000,000		
Education and 14-19 Skills		
Wilmslow High School	750,000	Virement from the Basic Need Block Allocation to fund the rising costs on the school expansion programme due to the increases in the cost of inflation on construction projects (£500,000) and a subsequent virement from the School Condition Block of £250,000 for some conditions works that will be completed at the same time as the major expansion scheme.
Mobberley Primary School	300,000	Virement from the School Condition Block Allocation to fund the rising costs on the school expansion programme due to the increases in the cost of inflation on construction projects.
Growth & Economy		
Schools Capital Maintenance (FM)	738,500	Virement from the School Condition Block allocation grant to fund the 2022/23 condition works carried out on the Council's maintained schools property portfolio managed by the Facilities Management team
Total Capital Virements requested		9,945,714
Total Supplementary Capital Virements		11,704,139

Table 6: Recommendations for Approval for Supplementary Capital Estimates (SCEs) and Virements

Service	Amount Requested £	Reason and Funding Source
Capital Budget Virements over £5,000,000		
Highways & Transport		
Middlewich Eastern Bypass	18,435,000	Due to emerging inflationary pressures that have been identified on the project there is a need to increase the scheme costs to £92.5m in order to deliver the project within the current timeframes and to not incur further costs as a result of delaying the project. The monies are to be vired from the Exceptional Inflation allocation (£6.6m) and the Strategic Projects allocation (£11.8m)
Total Capital Virements requested		18,435,000
Total Supplementary Capital Estimates and Virements		18,435,000

Table 7: Capital Budget Reductions

Service / Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
Finance Sub Committee are asked to note the reductions in Approved Budgets				
Strong Start, Family Help & Integration				
Ash Grove Nursery Expansion	230,146	225,040	5,106	The scheme is now complete and no further budget is required.
Environment & Neighbourhood Services				
Arnold Rhodes Public Open Space Improvements Phase 2	94,428	89,020	5,408	These S106 funded schemes are now complete and any surplus funds can be returned to the respective S106 pot
Browns Lane, Wilmslow Play Area	584,674	570,111	14,563	
Church Lane Community Park Development	95,000	92,994	2,006	
Hassall Road Play Area Improvements	76,588	72,898	3,690	
Mere Court Open Space	157,266	155,222	2,044	
Rugby Drive Playing Fields	308,051	238,777	69,274	
Stanley Hall Park Recreation and Sport	1,070	771	299	
Wybunbury Road, Willaston Play Area	62,501	60,310	2,191	Budget for the purchase of replacement bins is no longer required
Wybunbury Parish Open Space	5,000	960	4,040	
Household Bins Schemes	2,392,311	2,342,311	50,000	
	4,007,035	3,848,414	158,621	

Prudential Indicators revisions to: 2021/22 and 2022/23 – 2024/25, and future years

Background

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

Estimates of Capital Expenditure

5.24 In 2022/23, the Council is planning capital expenditure of £187.9m as summarised below.

Capital Expenditure	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future years £m
Total	84.5	187.9	204.7	162.1	149.1

Source: Cheshire East Finance

Capital Financing

5.25 All capital expenditure must be financed either from external sources (government grants and other contributions). The Council’s own resources (revenue reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of capital expenditure is as follows.

Capital Financing	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future years £m
Capital receipts	2.6	1.0	2.2	23.3	11.8
Government Grants	37.9	103.3	100.3	83.3	57.1
External Contributions	4.0	32.5	29.8	28.8	35.0
Revenue Contributions	0.6	1.2	0.1	0.0	0.0
Total Financing	45.1	137.9	132.4	135.4	103.9
Prudential Borrowing	39.4	50.0	72.3	26.7	45.2
Total Funding	39.4	50.0	72.3	26.7	45.2
Total Financing and Funding	84.5	187.9	204.7	162.1	149.1

Source: Cheshire East Finance

Replacement of debt finance

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

Replacement of debt finance	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future years Estimate £m
Total	13.5	15.3	18.6	21.5	22.9

Source: Cheshire East Finance

Estimates of Capital Financing Requirement

5.27 The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to

replace debt. The CFR is expected to increase by £44m during 2022/23. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows.

Capital Financing Requirement	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future Estimate £m
Total	425	469	522	524	538

Source: Cheshire East Finance

Asset disposals

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

Capital Receipts	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future Estimate £m
Asset Sales	2.3	1.0	1.0	1.0	1.0
Loans Repaid	0.3	0.2	0.2	0.2	0.2
Total	2.6	1.2	1.2	1.2	1.2

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

5.29 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting and the Council therefore seeks to strike a balance between cheap short term loans (currently available at around 1.9%) and long term fixed rate loans where the future cost is known but higher (currently 2.8%– 3.20%).

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

Gross Debt and the Capital Financing Requirement	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future Estimate £m
Borrowing	181	77	77	77	77
Finance Leases	0	0	0	0	0
PFI Liabilities	23	19	18	17	17
Total Debt	204	96	95	94	94
Capital Financing Req.	425	469	522	524	538

Source: Cheshire East Finance

5.31 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. As can be seen from the above table, the Council expects to comply with this in the medium term.

Liability Benchmark

5.32 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £142m and is forecast to rise to £372m over the next four years.

Borrowing and the Liability Benchmark	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future Estimate £m
Outstanding Debt	181	77	77	77	77
Liability Benchmark	142	253	338	351	372

Source: Cheshire East Finance

5.33 The table shows that the Council expects to remain borrowed below its liability benchmark.

Affordable borrowing limit

5.34 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m
Authorised Limit for Borrowing	435	480	540	540	555
Authorised Limit for Other Long-Term Liabilities	23	19	18	17	17
Authorised Limit for External Debt	458	499	558	557	572
Operational Boundary for Borrowing	425	470	530	530	545
Operational Boundary for Other Long-Term Liabilities	23	19	18	17	17
Operational Boundary for External Debt	448	489	548	547	562

Source: Cheshire East Finance

Investment Strategy

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

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

Treasury Management Investments	31/03/22 Actual £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
Short term	20	20	20	20	20
Long term	34	20	20	20	20
Total Investments	54	40	40	40	40

Source: Cheshire East Finance

5.37 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 8**.

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

5.39 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Appendix 9**.

5.40 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

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

5.42 Due to the very long term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable. The longer term revenue implications have been considered and built into the revenue budget forecasts post the period of the current Medium Term Financial Strategy.

Ratio of Financing Costs to Net Revenue Stream	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	Future Estimate
Financing Costs (£m)	14.0	19.0	19.0	20.0	21.0
Proportion of net revenue stream %	4.50	5.78	5.77	5.89	5.99

Source: Cheshire East Finance

6. Reserves Strategy

Management of Council Reserves

- 6.1 The Council's Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.
- 6.2 The opening balance at 1 April 2022 in the Council's General Reserves was £12.6m, as published in the Council's Statement of Accounts for 2021/22.
- 6.3 During 2022/23, an additional £2.3m is forecast to be transferred into the General Reserves to provide further protection against emerging risks such as inflation and particularly the DSG deficit, which was highlighted in the MTFS as having no alternative funding.
- 6.4 The Council also maintains Earmarked Revenue Reserves for specific purposes. At 31 March 2022 balances on these reserves stood at £80.9m, excluding balances held by Schools.
- 6.5 Unspent schools budgets that have been delegated, as laid down in the Schools Standards Framework Act 1998, remain at the disposal of the school and are not available to the Council to use.
- 6.6 The Collection Fund Reserve includes the appropriation of £12.4m S31 grant, received from DLUHC. This increase is as a result of a timing difference, with the grant being received in 2021/22 to fund the deficit that will be released in 2022/23.
- 6.7 During 2022/23, an estimated £28.8m will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and

funding. The closing balance at 31 March 2023 is forecast at £52.1m.

- 6.8 At the end of 2018/19, a central contingency referred to as the MTFS (Medium Term Financial Strategy) Reserve was created to support in-year pressures against the revenue budget. Use of this Earmarked Reserve has been subject to approval of robust business cases.
- 6.9 At 31 March 2022, the opening balance on the MTFS reserve stood at £10.7m. In-year forecasts anticipate £3.2m of this reserve to be utilised in year, resulting in a closing balance at 31 March 2023 of £7.5m.
- 6.10 The first review position presents a pressure of £11.6m (to within budget by 3.5%). Any variation to budget at year-end will be managed through the Council's Medium Term Financial Strategy Earmarked Reserve in the first instance prior to using the General Reserve.

Table 1 – Reserves Position

	£m
General Reserve	14.9
Earmarked Reserves (excluding Schools)	52.1
Total Reserves Balance at 31 March 2021	67.0

- 6.11 Details of individual reserves are shown in the relevant Service Committee appendix.

Appendix 7 : Highways and Transport Committee

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- 1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy**
- 2. Action Plan 2022/23**
- 3. Corporate Grants Register**
 - Table 1: Highways and Transport Committee Grants**
 - Table 2: Delegated Decisions for Committee to Note**
- 4. Debt Management**
- 5. Capital Strategy**
- 6. Reserves Strategy (Highways and Transport Committee Extract)**

Appendix 7

Highways and Transport Committee

1. Changes to Revenue Budget 2022/23 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Highways and Transport				
Highways & Infrastructure	11,802	-	1,977	13,779
	11,802	-	1,977	13,779

2. Action Plan 2022/23

Highways and Transport Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
Highways and Infrastructure	23.7	-9.9	13.8	Pay Inflation	0.183	3&4	Red (will not achieve)	Represents current estimate of the impact on Committee services in excess of the MTFS, from a nationally negotiated pay award.	0.053
				ASDV Review (TSS)	-0.125	20	Amber (on track but may not achieve all)	TSS transition has been completed, with teams brought in-house. Re-procurement of contract purchasing system in underway. Supplier engagement events as part of market refresh in autumn. Saving deferred pending new procurement system (DPS).	0.250
				Parking service – postponement of review of charges	0.504	60	Green (on track and should achieve)		0.000
				Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units	0.030	55	Amber (on track but may not achieve all)	Roll out of replacement programme via highways contract on track to complete by March 23. Savings of energy costs will reduce due to increased prices. Draw down of reserves within highways.	0.000

Highways and Transport Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Local Supported Buses	0.008	61	Green (on track and should achieve)	Monitoring of concessionary travel payments to operators. Savings on concessionary travel reimbursement.	0.000
				Review split of TSS budget between Place and Childrens services		New		TSS budget split is being reviewed as currently leaves Place with a permanent £1m pressure relating to home to school transport. Whilst under review an allocation of £1m from the MTFS reserve is mitigating the issue in 2022/23.	0.000
				Reduction in parking revenue due to covid changes in customer behaviour		New		Permanent pressure due to reduced number of commuters, people parking all day and reduced sales of annual and quarterly permits.	1.320
				Parking		New		Additional costs of inflation and enhanced cleaning on Multi Storey Car Parks offset by in year staffing vacancies and reduced spend on supplies and services and transport.	-0.110
				HS2		New		£150k favourable variance due to significant internal Council resource being utilised for the Main Petitioning work, this has now been	-0.350

Highways and Transport Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
								submitted to Government - August 2022. £200k release from reserve.	
				Highways Covid pressure		New		Removal of Emergency Active Travel schemes.	0.061
				Highways Mitigating Actions		New		Release of Flooding and Well Managed Highway Infrastructure reserve.	-0.630
				Local Bus Operator Costs		New		Inflationary pressures on operators, mitigated in 2022/23 by reserves but significant impact 2023 onwards - high level estimate £5m.	
				Local Plan Review		New		Transport Modelling Resource requirements for Local Plan Review.	
				Highways		New		Reprofile or remove capital expenditure to improve revenue forecasting. Lobby DfT to recognise construction inflation.	
				Workforce		New		Revise vacancy forecasts to reflect recruitment difficulties. Slow down recruitment where feasible / safe. Updated staffing forecasts take account of revised recruitment timescales, included in Mid-Year forecasts above.	

Highways and Transport Committee	Exp £m	Inc £m	Net Revised Budget £m	MTFS Proposal	Value 2022/23 £m	MTFS Ref	RAG Rating	Comments	Variance from MTFS 2022/23 £m
				Transformation		New		Use flexible receipts to capitalise costs of transformation - Highways redesign.	-0.067
Total	23.7	-9.9	13.8		0.600				0.527

3. Corporate Grants Register (Highways and Transport Committee Extract)

Table 1 – Corporate Grants Register

Grants 2022/23	Original Budget 2022/23 £000	Revised Forecast FR1 2022/23 £000	Change from Original Budget 2022/23 £000	Treatment of Grant <i>Notes 2 - 5</i>
HIGHWAYS & TRANSPORT				
Specific Use (Held within Services)	348	1,316	968	
General Purpose (Held Corporately)				
TOTAL HIGHWAYS & TRANSPORT	348	1,316	968	

Notes

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

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

3.2 The increase in specific grants relates mainly to bus services. Requests for the allocation of the additional specific grants received are detailed in **Table 2**.

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

Table 2 – Note Delegated Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Use) £500,000 or less

Committee	Type of Grant	£000	Details
Highways and Transport	Bus Capacity Grant (Specific Purpose)	383	This grant is from the Department for Transport. Funding to support Local Transport Authorities in developing local bus proposals as outlined in the National Bus Strategy.
Specific Purpose Allocations less than £500,000		383	

4. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Highways and Transport Committee		
Highways and Infrastructure	973	730

5. Capital Strategy

Highways and Transport

CAPITAL

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description	Total Approved Budget	Prior Years £000	Forecast Expenditure				Total Forecast Budget 2022/26 £000	Forecast Funding					Total Funding £000	
			Forecast Budget 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000		Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000		
Committed Schemes														
Highways and Infrastructure														
A500 Dualling Scheme	68,701	9,264	2,005	2,339	22,632	32,461	59,436	53,284	4,300				1,852	59,436
A50 / A54 Holmes Chapel	603	81	45	327	150	0	522		522					522
A51/A500 Corridor Nantwich	250	231	19	0	0	0	19						19	19
A532 Safer Road Scheme	1,124	260	682	182	0	0	864	864						864
A536 Safer Road Scheme	2,310	1,461	849	0	2,310	0	849	849						849
A537 Safer Road Scheme	2,490	745	1,745	0	0	0	1,745	1,745						1,745
A54 / A533 Leadsmithy Street, Middlewich	563	134	40	389	0	0	429		429					429
A556 Knutsford to Bowdon	504	361	93	50	0	0	143		143					143
A6 MARR CMM Disley	2,122	1,646	10	466	0	0	476		22				454	476
A6 MARR CMM Handforth	800	492	309	0	0	0	309	226	48				34	309
A6MARR Design Checks & TA	473	271	203	0	0	0	203	70	133					203
Air Quality Action Plan	358	221	137	0	0	0	137	137						137
Alderley Edge Bypass Scheme Implementation	60,611	60,317	294	0	0	0	294						294	294
Bridge Maintenance Minor Wks	14,968	14,570	398	0	0	0	398						398	398
Client Contract and Asset Mgmt	841	510	331	0	0	0	331	331						331
Congleton Link Road	88,443	69,970	3,047	5,913	3,895	5,619	18,473	316	15,169				2,989	18,473
Crewe Green Link Road	26,625	26,170	455	0	0	0	455		455					455
Crewe Green Roundabout	7,500	7,053	188	180	80	0	448		448					448
Crewe Rail Exchange	6,712	6,693	19	0	0	0	19	19						19
Flowerpot Phs 1 & Pinchpoint	10,037	1,271	816	4,069	1,653	2,229	8,767	2,235	726				5,805	8,767
Future High Streets Fund - Highways	5,966	480	1,815	3,672	0	0	5,487	5,487						5,487
Highway Maintenance Minor Works	534	0	534	0	0	0	534						534	534
Highway Pothole / Challenge Fund	11,371	7,925	3,446	0	0	0	3,446						3,446	3,446
Highway S106 Schemes	487	0	487	0	0	0	487	41	446					487
S106 Davenport Lane, Arclid	352	60	292	0	0	0	292	245	48					292
Infrastructure Scheme Development	125	0	50	75	0	0	125	125						125
Jack Mills Way Part 1 Claims	300	278	22	0	0	0	22		22					22
Local Access Transport Studies	300	83	217	0	0	0	217	217						217
Local Area Programme	5,936	5,546	391	0	0	0	391	391						391
Macclesfield Movement Strategy	100	31	69	0	0	0	69	69						69
Middlewich Eastern Bypass	92,493	16,176	7,305	12,589	15,283	41,141	76,318	46,779	11,104				18,435	76,318
Middlewich Rail Study	20	0	20	0	0	0	20	20						20
M6 Junction 19	29	23	6	0	0	0	6		6					6
North-West Crewe Package	40,309	7,446	15,851	16,696	316	0	32,863	9,710	12,250				10,903	32,863
Old Mill Road / The Hill Junction	1,324	145	120	1,059	0	0	1,179		1,179					1,179

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description	Total Approved Budget	Prior Years	Forecast Expenditure				Total Forecast Budget 2022/26	Forecast Funding					Total Funding
			Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26		Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing	
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes													
Highways and Infrastructure													
Part 1 Claims	113	34	79	0	0	0	79	79					79
Poynton Relief Road	52,657	29,670	16,202	46	1,355	5,385	22,987	8,335	6,200			8,453	22,987
Programme Management	811	784	27	0	0	0	27	27					27
Road Network & Linked Key Inf	83	78	5	0	0	0	5	5					5
Road Safety Schemes Minor Works	5,307	5,056	251	0	0	0	251	251					251
Sydney Road Bridge	10,501	10,103	98	300	0	0	398		398				398
Traffic Signal Maintenance	500	17	483	0	0	0	483	483					483
Traffic Signs and Bollards - LED Replacement	1,250	0	1,250	0	0	0	1,250					1,250	1,250
Winter Service Facility	999	479	130	130	130	130	520					520	520
							0						0
Transport & Parking							0						0
Accessibility: Public Transp't	920	907	13	0	0	0	13	13					13
Active Travel Fund (Covid-19)	724	436	288	0	0	0	288	288					288
Active Travel (Cycle/Walking route) Investment	2,450	2,179	271	0	0	0	271	271					271
Broadway Meadow Car Park	48	0	48	0	0	0	48					48	48
Car Parking Improvements (including residents parking)	322	262	30	30	0	0	60					60	60
Digital Car Parking Solutions	140	93	47	0	0	0	47					47	47
National Cycle Network (NCN) Route 55 Middlewood Way in	569	0	569	0	0	0	569	569					569
Pay and Display Parking Meters	620	531	-	49	40	0	89					89	89
Route Planning System	195	188	7	0	0	0	7					7	7
Sustainable Travel Access Prog	3,274	1,552	1,722	0	0	0	1,722	1,175	309			238	1,722
Sustainable Modes of Travel to Schools Strategy (SMOTSS)	510	472	38	0	0	0	38	38					38
Town Studies	450	426	25	0	0	0	25	25					25
HS2 Programme													
Crewe HS2 Hub Project Development	12,700	7,661	2,510	1500	1029	0	5,039					5,039	5,039
Total Committed Schemes - In Progress	550,823	300,837	66,400	50,060	46,562	86,964	249,986	134,718	54,355	0	0	60,913	249,986
New Schemes													0
Highways and Infrastructure													0
Peacock Roundabout Junction	750	0	163	587	0	0	750		750				750
Integrated Block - LTP	7,925	0	1,916	2,003	2,003	2,003	7,925	7,925					7,925
Maintenance Block - LTP	23,196	0	5,799	5,799	5,799	5,799	23,196	23,196					23,196
Incentive Fund - LTP	5,800	0	1,450	1,450	1,450	1,450	5,800	5,800					5,800
Managing and Maintaining Highways	16,000	0	4,000	4,000	4,000	4,000	16,000					16,000	16,000
Pothole Fund Grant 2022/23	5,799	0	5,799	0	0	0	5,799	5,799					5,799
Total New Schemes	59,470	0	19,127	13,839	13,252	13,252	59,470	42,720	750	0	0	16,000	59,470
Total Capital Schemes	610,293	300,837	85,527	63,899	59,814	100,216	309,456	177,438	55,105	0	0	76,913	309,456

6. Reserves Strategy (Highways and Transport Committee Extract)

Highways and Transport Committee

Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Highways and Infrastructure				
HS2	985	(450)	535	To support the Council's ongoing programme in relation to Government's HS2 investment across the borough and Transport for the North's Northern
Flood Recovery Works	400	(400)	0	27 locations identified for repair works as a result of the 2019 flood events. There are also a further 16 which require investigation to ascertain the scope of the works required.
Well Managed Highway Infrastructure Delay	230	(230)	0	Due to the call in of WMHI, the savings proposed relating to winter service cannot be realised and the forecast service costs have increased.
Parking Pay and Display Machines / Parking Studies	178	(28)	150	Purchase of Pay and Display machines and town centre parking studies, and to cover contract inflation on P&D machines in year.
Highways Procurement Proj	104	(28)	76	To finance the development of the next Highway Service Contract.
LEP-Local Transport Body	39	(20)	19	To fund the business case work for re-opening the Middlewich rail line. £20k is anticipated to be utilised in 2022/23, with the remaining £19k required in 2023/24.
HIGHWAYS AND TRANSPORT TOTAL	1,936	(1,156)	780	

Appendix 8

Treasury Management Strategy

Treasury Management Report

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1. Background

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management Code of Practice 2021 Edition (the CIPFA Code). This replaces the 2017 edition but the reporting requirements under the newer code can be deferred until 2023/24 which the Authority has elected to do.
- 1.3 Investments held for service purposes or for commercial profit are considered in the Investment Report (see **Appendix 9**).

2. External Context

- 1.4 **Economic background:** Following Russia's invasion of Ukraine in February, global inflationary pressures have intensified sharply, leading to a sizeable deterioration in the outlook for world and UK growth.

- 1.5 The economic backdrop in the April-June quarter was characterised by higher oil, gas and commodity prices, fears of rising and persistent inflation and its damaging impact on consumers' cost of living, little indication of an imminent end to Russia-Ukraine hostilities and supply chain bottlenecks exacerbated by war in Ukraine and lockdowns in China. Added to this was tough rhetoric and action by central bankers globally on fighting inflation through higher interest rates and quantitative tightening even as financial conditions became increasingly difficult for consumers, more so for those whose wages have not kept pace with inflation.
- 1.6 In the UK inflation remained elevated. Ofgem, the energy regulator, increased the energy price cap by 54% in April, equivalent to around £700 for a household with average energy consumption (the cap had already increased 12% back in October 2021). June data showed CPI edging higher to 9.3% while the core CPI rate, which removes energy, fuel and food was 5.8%. RPI rose to 11.8%.
- 1.7 The labour market continued to show signs of tightness as employers struggled to fill vacancies with workers with skill sets matching their requirements. The unemployment rate 3m/year for May fell to 3.8% and is now below pre-pandemic levels. Pay growth was 6.2% for total pay (including bonuses) and 4.3% for regular

pay; however, adjusted for inflation, growth in total pay fell by 0.9%, whilst regular pay fell 2.8%.

- 1.8 Unsurprisingly, with disposable income squeezed and another energy cap increase due in October, consumer confidence plummeted to the level last seen during the 2008/09 financial crisis. Quarterly GDP growth was 0.8% in the January-March quarter and the Bank of England now expects a decline of 0.3% in quarter 2 2022.
- 1.9 Having increased interest rates by 0.25% in April, the Bank of England's Monetary Policy Committee on the 15 June 2022 voted 6-3 to increase the official Bank Rate by 0.25% to 1.25%. Those members in the minority preferred to increase Bank Rate by 0.5%. Rises in the input and output producer price measures suggest further inflationary pressure is in the pipeline. The Bank of England is therefore unlikely to become complacent, so further rate rises look likely in the near term.
- 1.10 **Financial Markets:** Heightened uncertainty characterised financial market sentiment and bond yields were similarly volatile but with a general upward trend as concern over higher inflation and higher interest rates dominated.
- 1.11 Over the quarter the 5-year UK benchmark gilt yield rose from 1.41% to 1.89%, the 10-year gilt yield rose from 1.61% to 2.35% and the 20-year yield from 1.82%

to 2.60% although these have fallen back slightly in the last few weeks.

- 1.12 **Credit Review:** Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days.
- 1.13 Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.
- 1.14 An outlook for the remainder of 2021/22 and interest rate forecast provided by Arlingclose is attached at **Annex A**.

3. Local Context

- 1.15 As at 30 June 2022 the Authority has borrowings of £202m and investments of £40m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast

	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m
General Fund CFR	425	469	522	524
Less: Other long term liabilities *	(22)	(19)	(18)	(17)
Loans CFR	403	450	504	507
Less: External borrowing **	(181)	(77)	(77)	(77)
Internal (over) borrowing	222	373	427	430
Less: Usable reserves	(165)	(137)	(111)	(103)
Less: Working capital	(116)	(80)	(75)	(73)
Investments (or New borrowing)	59	(156)	(241)	(254)

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

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

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

1.17 CIPFA's Prudential Code for Capital Finance recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three

years. **Table 1** shows that the Authority expects to comply with this recommendation during 2022/23.

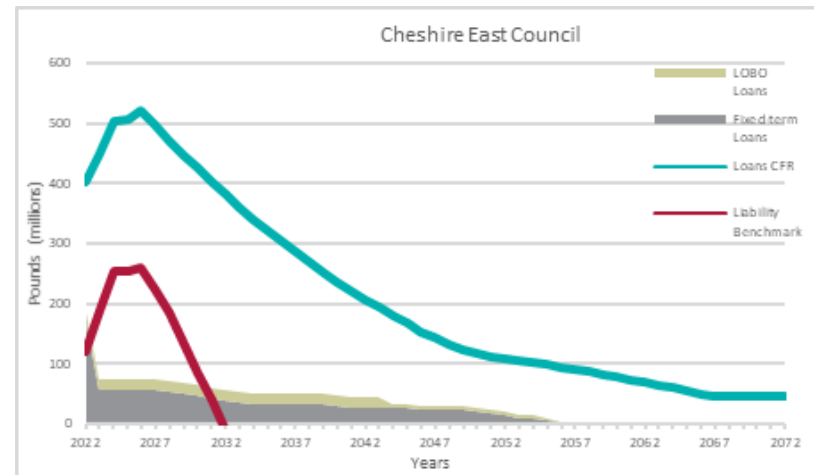
1.18 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum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

Table 2: Liability Benchmark

	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m
Loans CFR	403	450	504	507
Less: Usable reserves	(165)	(137)	(111)	(103)
Less: Working capital	(116)	(80)	(75)	(73)
Plus: Minimum investments	20	20	20	20
Liability Benchmark	142	253	338	351

1.19 Following on from the medium-term forecasts in **Table 2** above the long-term liability benchmark assumes minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in **Chart 1**.

Chart 1: Liability Benchmark Chart



4. Borrowing Strategy

- 1.20 The Authority currently holds loans of £182m, a decrease of £1m since 31 March 2022. However, this will increase to a higher level, currently forecast as £280m at 31 March 2023.
- 1.21 At the moment, cash shortfalls are being met by temporary borrowing from other Local Authorities which is considerably cheaper than other sources of borrowing. As rates are still low and the liquidity of short term markets at year end is often tighter, many new borrowings from September onwards are for maturity dates extending into 2023/24. The cost (including fees) to 30 June 2022 is around 0.70% although new borrowings are now at higher rates following recent base rate increases and anticipation of future increases. Due to the increasing levels of temporary borrowing, consideration is being given to some longer term fixed rate loans which, although more expensive, provide surety of future interest costs and protects against sudden unexpected future rate increases which could have adverse affects on the Councils budget. A full list of current temporary borrowings is shown below in **Table 3**.

Table 3 – Current Temporary Borrowing

Lender	Start	Maturity	Rate %	£m
Evergreen Fund (CW LEP)	Call Account		0.95	2.9
Middlesbrough	25/02/22	01/07/22	0.57	5.0
Blaenau Gwent CBC	11/04/22	11/07/22	0.70	5.0
Western Isles	14/04/22	14/07/22	0.70	2.0
West Midlands CA	22/04/22	22/07/22	0.70	5.0
Bridgend CBC	25/04/22	25/07/22	0.75	3.0
Torfaen CBC	31/05/22	29/07/22	0.85	5.0
West Yorkshire CA	04/05/22	04/08/22	0.65	5.0
Renfrewshire Council	09/05/22	09/08/22	0.88	3.0
Northumberland	09/05/22	09/08/22	0.79	5.0
Dumfries & Galloway	10/05/22	10/08/22	0.80	5.0
London Borough of Newham	13/05/22	15/08/22	0.80	5.0
Blaenau Gwent CBC	23/05/22	23/08/22	0.86	5.0
Renfrewshire Council	25/04/22	26/09/22	0.85	5.0
Neath Port Talbot CBC	27/06/22	27/09/22	1.21	5.0
West Midlands CA	31/03/22	30/09/22	0.70	5.0
Torbay	31/03/22	30/09/22	0.90	5.0
West Berkshire	30/06/22	30/09/22	1.20	5.0

Lender	Start	Maturity	Rate %	£m
Northern Ireland Housing Executive	13/05/22	14/11/22	1.09	10.0
Carmarthenshire CC	27/05/22	28/11/22	1.09	5.0
West Midlands CA	21/04/22	23/01/23	0.75	5.0
South Derbyshire	16/05/22	16/02/23	1.10	3.0
TOTAL				103.9

- 1.22 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2022/23, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

5. Investment Strategy

- 1.23 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Due to the overriding need for short term borrowing, other than £20m invested strategically in managed funds, the investments are generally short term for liquidity purposes. However,

receipt of Government funding for energy grants and other schemes in advance of expenditure has, at times, led to higher balances than expected. The level at 30 June 2022 is £40m.

- 1.24 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 1.25 The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6m for unsecured investments and £12m for secured investments. Any limits also apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12m per fund. All potential counterparties are kept under continual review by our treasury advisors and advisory lower limits than those contained in the strategy are applied.

1.26 Treasury Management income to 30 June 2022 is £298,000 which is higher than the budgeted £222,500. Borrowing costs are also lower than budgeted at £235,000 compared to budget of £290,000. However, increasing interest rates combined with an increasing borrowing requirement suggests that net interest cost will be £548,000 higher than budgeted for 2022/23.

- The average daily investment balance including managed funds up to 30 June 2022 is £52.8m
- The average annualised interest rate received on in-house investments up to 30 June 2022 is 0.78%
- The average annualised interest rate received on the externally managed funds up to 30 June 2022 is 4.70%

1.27 The Authority's total average interest rate on all investments in 2022/23 is 2.26%. The returns continue to exceed our own performance target of 1.75% (Base Rate + 0.50%). Previous comparator rates using LIBID are no longer produced. These have been replaced by the Sterling OverNight Index Average (SONIA).

Table 4 – Interest Rate Comparison

Comparator	Average Rate to 30/06/2022
Cheshire East	2.26%
SONIA 7 Day Rate	0.97%
Base Rate	1.25%
Target Rate	1.75%

1.28 As the Authority holds a large amount of reserves and working capital, £20m of this has been placed in strategic investments in order to benefit from higher income returns whilst spreading risk across different asset classes.

1.29 The investments are in five different funds which are all designed to give an annual income return between 4% and 5% but which have different underlying levels of volatility. By spreading investments across different types of fund, the intention is to dampen any large fluctuations in the underlying value of the investments.

Table 5 –Strategic Investments

Fund Manager	Asset Class	Invested £m	Current Value £m
CCLA	Property	7.5	9.5
Aegon	Multi Asset	5.0	4.5
Fidelity	Equity - Global	4.0	3.9
Schroders	Equity - UK	2.5	2.2
M & G	Bonds	1.0	0.9
TOTAL		20.0	21.0

1.30 The value of these investments does vary. The effects of high inflation, reduced GDP and supply chain issues on financial markets and values of underlying assets has been considerable. Most funds, although recovered from direct COVID-19 related issues, have fallen in value in recent months, the exception being the Property fund which continues to increase in value due to the nature of the properties in which it is invested. All funds continue to deliver high levels of income return.

Chart 2 – Current Investments by Counterparty Type

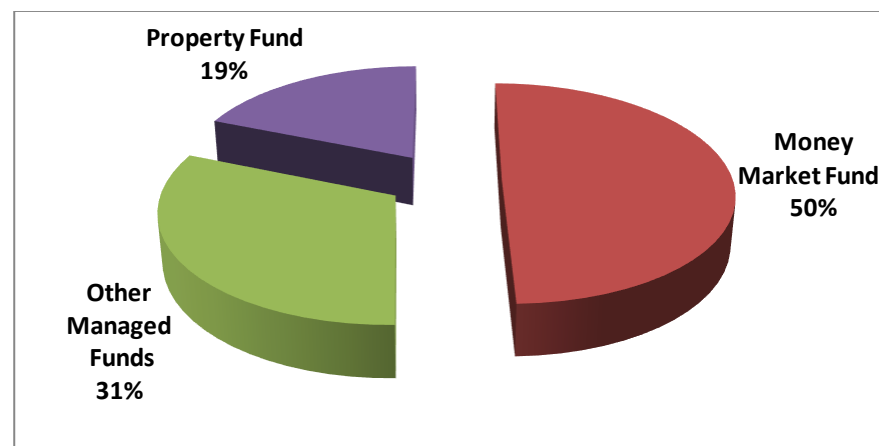


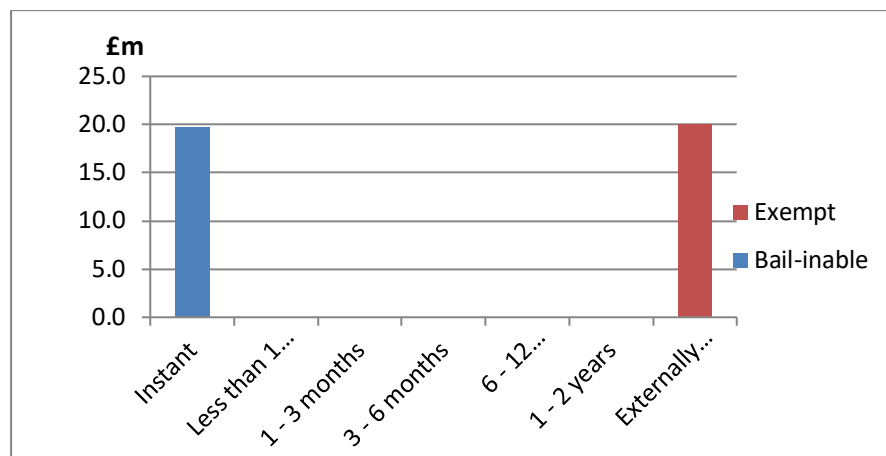
Table 6 – Types of Investments and Current Interest Rates

Instant Access Accounts	Average Rate %	£m
Money Market Funds	1.10	19.7

Externally Managed Funds	£m
Total – see table 5	20.0

Summary of Current Investments	£m
TOTAL	39.7

Chart 3 – Maturity Profile of Investments



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

6. Treasury Management Indicators

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£462,500
Likely revenue impact in 2022/23 of a 1% rise in interest rates	£425,000

1.33 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2022/23 so a fall in rates would lead to savings rather than incurring additional cost so a limit of £0 was set. Rates have already changed by more than 1% and likely to change further so full revenue impact of changing rates is likely to be higher – estimated at £548,000.

1.34 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. Lower limits have been set at 0%. The upper limits on the maturity structure of borrowing and the actual maturity profiles as at 30 June 2022 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	70%	66%
12 months and within 24 months	35%	0%
24 months and within 5 years	35%	0%

Refinancing rate risk indicator	Upper Limit	Actual
5 years and within 10 years	75%	10%
10 years and within 20 years	100%	9%
20 years and above	100%	15%

1.35 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively high as short term funding is currently considerably cheaper than alternatives and allows for LOBO loans which, although unlikely, have the potential to be repaid early. This will be kept under

review as it does increase the risk of higher financing costs in the future.

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

Price Risk Indicator	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£25m	£15m	£10m
Actual amounts committed beyond year end	£0m	£0m	£0m

Annex A: Economic & Interest Rate Outlook for Remainder of 2022/23

	Current	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Arlingclose Central Case	1.25	1.75	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.00	2.00	1.75	1.75
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75

High inflation is dampening global economic growth, raising the chances of regional recessions as policymakers accelerate monetary tightening to reduce the risk of persistently higher long-term inflation expectations.

The invasion of Ukraine exacerbated global inflation trends, particularly around food and energy. The rise in energy and fuel prices has been a significant factor behind the UK CPI moving to over 9% and forecast to be over 10% during 2022.

High sustained inflation is likely to lead to zero or negative GDP growth for quarter 2 2022 onwards in the UK due to negative real household disposable income growth. Fiscal intervention will mitigate some of the financial pain, but will not totally alleviate it. Data suggests that households are curtailing spending in response. Built up savings and more robust wage growth will only partly offset the impact.

The labour market is tight and nominal wage growth is running above pre-COVID levels. Higher wage growth will be a

contributory factor to sustained above target inflation this year, although real wage growth is unlikely for most workers. Weaker economic activity should eventually lead to lower demand for labour and reduce wage pressure.

The Bank of England previously signalled that moderate monetary tightening alongside the sharp fall in real incomes would pull inflation back to target in the medium term. Inflation has, however, exceeded the Bank's expectations. Alongside the tight labour market and fiscal intervention, further rises in Bank Rate are likely.

The MPC minutes indicated that larger upward moves in Bank Rate, more forceful action, are a possibility if high inflation persists. Markets have priced in a much steeper path for Bank Rate in response, but Arlingclose believe the MPC will be more cautious, albeit at a higher level than previously expected.

Bond yields have risen significantly to accommodate tighter

global monetary policy despite increasing recession concerns. The US remains the main driver of global yields; aggressive policy in the US increases the inflation risk for other countries and may be a contributory factor to unnecessary tight policy elsewhere.

With markets seemingly ignoring the downside risks to

growth, further upside movement in bond yields cannot be ruled out, at least until US inflation starts to cool.

Annex B: Existing Investment & Debt Portfolio Position

	30/06/22 Actual Portfolio £m	30/06/22 Average Rate for the year %
External Borrowing:		
PWLB – Fixed Rate	60	4.53%
Local Authorities	101	0.62%
LOBO Loans	17	4.63%
Other	4	1.21%
Total External Borrowing	182	2.60%
Other Long Term Liabilities:		
PFI	20	-
Finance Leases	0	-
Total Gross External Debt	202	-
Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	20	1.10%
<i>Managed externally</i>		
Property Fund	7.5	4.03%
Multi Asset Fund	5	6.17%
Equity - Global	4	8.10%
Equity - UK	2.5	5.36%
Bonds	1	2.43%
Total Investments	40	3.30%
Net Debt	162	-

Appendix 9

Investment Strategy

1. Purpose

- 1.1 The Investment Strategy is part of a suite of related documents, and focuses predominantly on matters not covered by Capital Strategy and Treasury Management Strategy.
- 1.2 The Authority invests its money for three broad purposes:
 - because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.3 Often there may be a crossover with 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 be linked to other long term strategic or regeneration factors.
- 1.4 The investment strategy meets the requirements of the statutory guidance issued by MHCLG in February 2018, and reflects subsequent changes in government and CIPFA

thinking on investments. It focuses on the second and third of the investment categories.

2. Treasury Management Investments

- 1.5 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. 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, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments fluctuates in the course of normal activity.
- 1.6 Full details of the Authority's policies and plans for 2022/23 within treasury management investments are covered via the Treasury Management Strategy (**Appendix 8**).

3. Service Investments: Loans

- 1.7 Current loan balances are shown in the table below. Upper limits on the outstanding loans to each category of borrower were set through the MTFS process:

Table 1: Loans for service purposes in £'000

Category of borrower	31/03/22	As at 30/06/22			2022/23
	Actual	Balance owing	Loss allowance	Net figure in accounts	Balance owing
Subsidiaries	0	0	0	0	0
Suppliers	23	24	1	23	24
Local businesses	6,043	6,276	70	6,043	6,276
Local charities	515	392	51	515	392
TOTAL	6,581	6,692	122	6,581	6,692

- 1.8 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 centres and improving the health of residents.
- 1.9 In March 2013, Astra Zeneca announced it was relocating its R&D function from Alderley Park to Cambridge. In order to retain the expertise in the region and to stimulate local economic growth the Council has invested in Alderley Park Holdings Ltd by way of equity investment and loans. The loan was an integral component of the 10% equity stake and therefore needs to be viewed in conjunction with the equity investment.
- 1.10 In addition, the Council has committed to investing £5m (and lent £4.74m as at 30 June 2022) in the Greater Manchester & Cheshire Life Science Fund, a venture capital fund investing in a range of life science businesses. Partners in

the Fund include the Greater Manchester Combined Authority, Cheshire & Warrington Local Enterprise Partnership and Alderley Park Holdings Ltd. The Fund has a regional focus and seeks to target companies looking to re-locate a material part of their business within the Greater Manchester and Cheshire and Warrington areas, which includes Alderley Park where the Fund is based.

- 1.11 The nature of the loans is that they do not attract an interest rate and returns are dependent upon the success of individual investments made by the Fund. The GM Life Science Fund is “revalued” on an annual basis based upon the net asset valuation of the Fund and this can lead to short term fluctuations in the notional returns of this loan category. It should be noted that whilst the investment in the Life Science Fund is high risk it is also long-term in nature, so year-by-year fluctuations are to be expected but gains or losses will only crystallize when funds are extracted. The Authority has decided against committing new funds to a follow up fund for the time being.
- 1.12 Only the Everybody loans are interest bearing and are reflected in the “Local Charities” category. These are accrued at a rate of Bank of England base rate plus 4%.
- 1.13 The loss allowance figure does not necessarily reflect our anticipation or expectation that loans will need to be written down. Instead the allowance represents a prudent accounting treatment required by CIPFA guidance. The figures for loans in the Authority’s statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

4. Service Investments: Shares

- 1.14 The Authority has invested in Alderley Park Holdings Limited in order to maintain and stimulate the key strategic industry of life sciences within the Borough. Cheshire East is a 10% shareholder in Alderley Park, and has invested in the development of the site along with Bruntwood (51% shareholder) and Manchester Science Partnerships (39% shareholder).
- 1.15 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 movement 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.
- 1.16 There remains a long term pipeline of investment and refurbishment activity on Alderley Park. The current valuation is based upon the 2022 year end position which had seen a fall in value; reflecting a revaluation and the timing of vacant units, and the not insignificant impact of COVID-19, which the site seems to have weathered. The valuation is still greater than the purchase price and the underlying assets at Alderley Park remain strong.
- 1.17 A gain or loss to the Council's Revenue and Capital Receipts accounts would only crystallise in the event of divesting our equity stake.
- 1.18 The Council also has shares in its subsidiary, wholly owned service delivery companies. However they are of nominal

value, and consequently are not considered material in the context of this Investment Strategy.

Table 2: Shares held for service purposes in £'000

Category of company	31/03/22 actual	As at 30/06/2022			2022/23
		Amounts invested	Gains or losses	Value in accounts	Approved Limit (cost of investment)
Local Businesses	2,610	1,070	1,540	2,610	10,000
TOTAL	2,610	1,070	1,540	2,610	10,000

5. Commercial Investments: Property

- 1.19 For the purpose of this paper it should be noted that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit. In order to comply with this the Authority is having to include several assets in **Table 3** that might otherwise be excluded as they are not being held to primarily generate a yield or return.
- 1.20 Central government continues to express concern over the level of commercial investments held by Local Authorities and the risk that this presents to residents in the event that an Authority becomes over exposed.
- 1.21 The government has effectively regulated against the purchase of commercial assets primarily for generating yield. Whilst this limits the Authority's ability to invest in commercial property for investment purposes they have

recognised that regeneration is a necessary factor which could result in legitimate purchases of such property. Careful attention will need to ensure that yield is an incidental factor in any future decision to invest in a commercial property investment.

1.22 The most significant commercial investment acquired by the Authority is land and buildings on the North and East side of Weston Road in Crewe purchased in April 2019. This accounts for 81% of the net book value in the accounts at 31 March 2022.

1.23 For the purpose of this report 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 and crude calculation of yield.

1.24 The value of properties is updated annually. The most recent valuation is from March 2022 and reflect the second year of COVID-19. In the year to March 2021 we noted that the value of retail property held up whilst that of industrial units and enterprise centres was valued downwards. The year to March 2022 saw retail values continue to grow and the other categories have made modest gains. All categories are still valued at more than purchase cost. There has been a reclassification in the year and an office property has been added to the listing as it was deemed appropriate to classify it as an investment asset. This resulted in £533,000 being added to the valuation. * Note that no gain has been deemed to have arisen in the last two years with the gain on the purchase cost occurring in prior years.

Table 3: Property held for investment purposes in £'000

Property	Actual	31/03/22 actual		30/06/22 actual		2022/23 Approval Limit
	Purchase cost	Gains or (losses) in-year	Value in accounts (includes gains/ (losses) to date	Gains or (losses)	Value in accounts	
Industrial Units	1,492	11	1,740	0	1,740	
Enterprise Centres	245	20	340	0	340	
Retail	23,300	371	25,975	0	25,975	
Office	240	* -	533	0	533	
Total	25,277	402	28,588	0	28,588	100,000

6. Commercial Investments: Loans

1.25 In considering commercial investment opportunities, the Council will adopt a prudent approach, with two underlying objectives:

- **Security** – protecting the capital sum invested from loss
- **Liquidity** – ensuring the funds invested are available when needed

1.26 The Council has entered into a £10m loan agreement with Cheshire & Warrington Local Enterprise Partnership linked to developments within the Business Rates Enterprise Zone. The intention is to stimulate economic development and achieve payback from retained business rates.

1.27 The first loans in respect of Alderley Park Glasshouse and Blocks 22-24 were made in December 2020. Together they totalled £8m. One of the loans was subsequently repaid early in the new financial year. Interest is accruing on the remaining loan.

Table 4: Commercial Loans in £'000

Category of borrower	31/03/22 Actual	As at 31/03/22			2021/22
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Partner Organisations	7,903	4,127	183	3,944	20,000
TOTAL	7,903	4,127	183	3,944	20,000

7. Loan Commitments and Financial Guarantees

1.28 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council acts as Entrusted Entity to a £20m European Regional Development Fund (ERDF) supported Urban Development Fund which is about to commence. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

1.29 The fund is designed to provide loan finance to specific projects across Cheshire and will not generate a return for the Authority. As such the balances are not included in the investment tables 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.

8. Proportionality

1.30 The Authority is only partially dependent on profit generating investment activity to achieve a balanced revenue budget, in respect of Place services. Within the Authority the proportion is consistently below 2.5% and is deemed immaterial. Such is the low proportion that it represents, should it fail to achieve the expected net return, the Authority's contingency plans for continuing to provide these services include effective budget management and tight cost control.

9. Borrowing in Advance of Need

1.31 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority follows this guidance.

1.32 As referred to above in **Section 6**, this has been strengthened by the government effectively banning investment in property primarily for yield.

10. Capacity, Skills and Culture

1.33 The Finance Sub-Committee comprised of members, supported by officers and where necessary, external advisors, provides oversight of the Investment Strategy and acts on recommendations from officers that consider opportunities to enhance the Revenue & Capital Budgets of the Council through strategic investments, whether that involves using capital/cash resources or borrowing and lending powers.

11. Investment Indicators

1.34 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

1.35 **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 5: Total investment exposure in £'000

Total investment exposure	31/03/21 Actual	31/03/22 Actual	31/03/23 Forecast
Treasury management investments	44,150	54,300	40,000
Service investments: Loans	6,360	6,733	6,844
Service investments: Shares	3,410	2,610	2,610
Commercial investments: Property	28,186	28,588	28,588
Commercial Investments: Loans	8,000	8,271	4,127
TOTAL INVESTMENTS	90,106	100,502	82,169
Commitments to lend	2,439	2,418	2,418
TOTAL EXPOSURE	92,545	102,920	84,587

1.36 **How investments are funded:** Currently the majority of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

1.37 **Table 6** shows the limited investments funded through prudential borrowing.

Table 6: Investments funded by borrowing in £'000

Investments funded by borrowing	31/03/21 Actual	31/03/22 Actual	31/03/23 Forecast
Commercial investments: Property	22,211	21,517	20,810
Commercial Investments: Loans	8,000	8,000	4,000
TOTAL FUNDED BY BORROWING	30,211	29,517	24,810

- 1.38 **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 complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.
- 1.39 The return for the 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. If Life Science was excluded the 2021/22 actual figure was 1.13% - in itself this is skewed by a non interest bearing loan.
- 1.40 Historically we have shown the % movement in the carrying value of our shareholding in Alderley Park Holdings Limited as a return within the category Service Investments: Shares. However, this is not a real return or cashflow. Typically a

return on a share would be based upon the dividend yield and there have been no dividends paid. Therefore this is now shown as Nil.

- 1.41 The major assets included within Commercial Investments: Properties, representing over 90% of the value, are two commercial retail properties in Crewe. Whilst we will see fluctuations year-on-year given the pressures on 'bricks and mortar retail', the Council will only experience an impact on its Revenue Account if a site becomes vacant for a prolonged period.
- 1.42 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 of these have thus far weathered the local economic effects of the previous two years.
- 1.43 Much of the investment returns for Commercial Investments relates to rent on these two assets. Rental income on both has held up during the year. Overall returns are affected by the fact that returns for one of the sites is reduced by the costs required to repay borrowing costs. Additionally, there are isolated instances where some of the other smaller sites are seeing the levels of vacancy rise. These are under review.
- 1.44 The Commercial investments: Loans are at the expected level of return given the rates in place when they were established.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2020/21 Actual	2021/22 Actual	2022/23 Forecast
Treasury management investments	1.62%	2.13%	2.26%
Service investments: Loans	8.46%	-3.00%	-6.19%
Service investments: Shares	*NIL	*NIL	*NIL
Commercial investments: Property	2.78%	2.95%	2.92%
Commercial investments: Loans	3.20%	3.20%	3.16%