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DATE: 30 September 2019

OUR REF:

YOUR REF:

Dear Councillor

CORPORATE OVERVIEW AND SCRUTINY COMMITTEE - THURSDAY, 3RD OCTOBER, 2019

I am now able to enclose, for consideration at next Thursday, 3rd October, 2019 meeting of the Corporate Overview and Scrutiny Committee, the following reports that were unavailable when the agenda was printed.

Agenda No Item

Mid-year Performance (Pages 3 - 96)

To consider a report of the Director of Finance & Customer Services

Yours sincerely

Democratic Services Officer

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Working for a brighter future together

Corporate Overview and Scrutiny

Date of Meeting: 03 October 2019

Report Title: Mid Year Review (FINANCE) 2019/20

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication

Senior Officer: Alex Thompson – Director of Finance & Customer Services
(Section 151 Officer)

1. Report Summary

- 1.1. This report provides a copy of the Cabinet report on Mid Year Review (FINANCE) 2019/20 which outlines how the Council is managing its resources to provide value for money services during the 2019/20 financial year. The report is structured in three section including a summary of Council Performance, Financial Stability and Workforce Development, as well as associated appendices.
- 1.2. Corporate Overview and Scrutiny Committee are invited to provide comments to Cabinet for their meeting of 8 October 2019.

2. Recommendation/s

That Corporate Overview and Scrutiny Committee:

- 2.1. note the contents.
- 2.2. provide feedback on the report to Cabinet for their meeting of 8 October 2019.

3. Reasons for Recommendation/s

- 3.1. The Council monitors in-year performance through a reporting cycle, which includes outturn reporting at year-end. Reports during the year reflect financial and operational performance.

4. Other Options Considered

- 4.1. Not applicable

5. Background

- 5.1. Overview and Scrutiny Committee are an important part of the reporting and decision making process so are receiving this report in advance of Cabinet to allow an opportunity to give feedback that Cabinet can consider when they receive this report on 8 October.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legal implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.2. Finance Implications

- 6.2.1. The financial implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.3. Policy Implications

- 6.3.1. The policy implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.4. Equality Implications

- 6.4.1. The equality implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.5. Human Resources Implications

- 6.5.1. The human resources implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.6. Risk Management Implications

- 6.6.1. The risk management implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.7. Rural Communities Implications

- 6.7.1. The rural communities implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.8. Implications for Children & Young People / Cared for Children

- 6.8.1. The implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.9. Public Health Implications

- 6.9.1. Public health implications are contained in the Mid Year Review (FINANCE) 2019/20.

6.10. Climate Change Implications

6.10.1. The climate change implications are contained in the Mid Year Review (FINANCE) 2019/20.

7. Ward Members Affected

7.1. All

8. Consultation & Engagement

8.1. As part of the budget setting process the Pre-Budget Report 2019/20 provided an opportunity for interested parties to review and comment on the Council's Budget proposals.

9. Access to Information

9.1. The following are links to key background documents:
[Medium Term Financial Strategy 2019/22](#)

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Alex Thompson

Job Title: Director of Finance and Customer Services (Section 151 Officer)

Email: alex.thompson@cheshireeast.gov.uk

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Working for a brighter future together

Cabinet

Date of Meeting: 08 October 2019

Report Title: Mid Year Review (FINANCE) 2019/20

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication

Senior Officer: Alex Thompson – Director of Finance and Customer Services
(Section 151 Officer)

1. Report Summary

- 1.1. This report outlines how the Council is managing resources to provide value for money services during the 2019/20 financial year. The report highlights financial and non-financial pressures and provides an overview of progress towards achievement of the priority outcomes set out in the Corporate Plan.
- 1.2. Local Authority budgets across the UK are being managed against a backdrop of continuing reductions in government funding in 2019/20 as well as inflation rises and increasing demand for services. However, the statutory duties of the Council must still be delivered within the relevant parameters and the associated inspection frameworks. In this environment the ability to deliver financial savings whilst maintaining service standards across the Council is extremely challenging.
- 1.3. At the mid year position the Council's forecast overspend is estimated at £7.5m compared to the 2019/20 Budget. This is mainly due to pressures in the People Directorate, past service pension costs and delays associated with achieving some of the efficiency savings included within service budgets.
- 1.4. With continuing robust action it is expected that the outturn position will return in line with budget by the end of the year. Mitigating actions will include:
 - 1.4.1. A managed restriction of in-year costs to support essential spend only.
 - 1.4.2. Reviewing the level of spending on key contracts.

- 1.4.3. Pricing reviews to ensure costs are being fully recovered where appropriate.
- 1.4.4. Vacancy management.
- 1.4.5. Flexible use of capital receipts to support one-off costs or reduce borrowing costs.
- 1.4.6. Re-alignment of and appropriate use of earmarked reserves to support General Reserve balances.
- 1.5. Forecast expenditure on the capital programme is £175.1m which is in line with the revised budget for 2019/20.
- 1.6. Against this challenging financial backdrop it is pleasing to note that the Council has continued to perform strongly, delivering positive outcomes in each of the six priority areas identified by the Corporate Plan.
- 1.7. The attached report, **Annex 1**, sets out details of how the Council is performing in 2019/20. It is structured into three sections:
 - Section 1 Summary of Council Performance** - brings together the positive impact that service performance and financial performance have had on the six Council Outcomes during the year.
 - Section 2 Financial Stability** - provides an update on the Council's overall financial position.
 - Section 3 Workforce Development** - provides a summary of the key issues relating to the Council's workforce development plan.
- 1.8. Appendices to the annex demonstrate how spending in 2019/20 has been funded, including the service budgets, grants, debt recovery and reserves. Updates are provided on the Capital Strategy, Treasury Management Strategy and Investment Strategy.

2. Recommendation/s

That Cabinet:

- 2.1. note the contents of the report and the mitigating actions to manage the forecast outturn.
- 2.2. note the contents of Annex 1 to the report.
- 2.3. approve in accordance with Finance Procedure Rules fully funded supplementary capital estimates over £500,000 and up to £1m (**Appendix 4, Annex C**);
 - £628,195 increase to Education and Skills 14-19 due to additional Devolved Formula Grant.
 - £533,171 increase to the Highways Investment Programme relating to the pothole fund.

- 2.4. approve in accordance with Finance Procedure Rules Capital a virement over £1,000,000 and up to £5,000,000 (**Appendix 4, Annex C**);
 - £4,830,000 transfer from the Strategic Capital Project to Best4Business to enable the project to continue, whilst recognising that final scheme costs are under review.
- 2.5. recommend to Council to approve:
 - 2.5.1. fully funded supplementary capital estimate above £1,000,000 in accordance with Financial Procedure Rules as detailed in (**Appendix 4 Annex D**);
 - £5,130,000 increase in the Best4Business budget to recognise the further contribution from Cheshire West and Chester towards this shared project.

3. Reasons for Recommendation/s

- 3.1. The Council monitors in-year performance through a reporting cycle, which includes outturn reporting at year-end. Reports during the year reflect financial and operational performance and provide the opportunity for members to note, approve or recommend changes in line with the Council's Financial Procedure Rules.
- 3.2. The overall process for managing the Council's resources focuses on value for money and good governance and stewardship. Financial changes that become necessary during the year are properly authorised and this report sets out those areas where any further approvals are now required.
- 3.3. This report provides strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.
- 3.4. This report provides strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.
- 3.5. It also meets the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

4. Other Options Considered

- 4.1. Not applicable

5. Background

- 5.1. Monitoring performance is essential to the achievement of outcomes within the Corporate Plan. This is especially important in evidencing the achievement of value for money across an organisation the size of Cheshire East Council. The Council is the third largest in the Northwest of England, responsible for over 500 services, supporting over 375,000 local

people. Gross annual spending is over £795m, with a balanced net budget for 2019/20 of £282.2m.

- 5.2. The management structure of the Council is organised into three directorates, People, Place and Corporate. The Council's reporting structure provides forecasts of a potential year-end outturn within each directorate during the year, as well as highlighting activity carried out in support of each outcome contained within the Corporate Plan.
- 5.3. At the mid year stage, action continues to ensure that the Council's reserves strategy remains effective following identification of a potential overspend of £7.5m (2.7%) against a net revenue budget of £282.2m. Forecast capital expenditure in the year is £175.1m.
- 5.4. The Council complies with all of its legislative and regulatory requirements in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legal implications surrounding the process of setting the 2019 to 2022 medium term financial strategy were dealt with in the reports relating to that process. The purpose of this paper is to provide a progress report at the mid year stage of 2019/20. That is done as a matter of prudential good practice, notwithstanding the abolition of centrally imposed reporting requirements under the former National Indicator Set.
- 6.1.2. The only other implications arising directly from this report relate to the internal processes of approving supplementary capital estimates and virements referred to above which are governed by the Finance Procedure Rules.
- 6.1.3. Legal implications that arise when activities funded from the budgets that this report deals with are undertaken, but those implications will be dealt within the individual reports to Members or Officer Decision Records that relate.

6.2. Finance Implications

- 6.2.1. Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council. The forecast overspend at mid year is within the risk assessed level, but if it remains unresolved this could require the Council to deliver a greater level of future savings to replenish reserve balances.

- 6.2.2. As part of the process to produce this report, senior officers review expenditure and income across all services to support the development of mitigation plans that will return the outturn to a balanced position at year-end.

6.3. Policy Implications

- 6.3.1. This report is a backward look at Council activities at mid year and predicts the year-end position.
- 6.3.2. Performance management arrangements support the delivery of all Council policies. The forecast outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2020/24 medium term financial strategy.

6.4. Equality Implications

- 6.4.1. Any equality implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

6.5. Human Resources Implications

- 6.5.1. This report is a backward look at Council activities at mid year and states the forecast year-end position. Any HR implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

6.6. Risk Management Implications

- 6.6.1. Performance and risk management are part of the management processes of the Authority. Risks are captured both in terms of the risk of underperforming and risks to the Council in not delivering its objectives for its residents, businesses, partners and other stakeholders. Risks identified in this report are used to inform the overall financial control risk contained in the Corporate Risk Register.
- 6.6.2. Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2019/20 budget and the level of general reserves were factored into the 2019/20 financial scenario, budget and reserves strategy.

6.7. Rural Communities Implications

- 6.7.1. The report provides details of service provision across the borough.

6.8. Implications for Children & Young People / Cared for Children

- 6.8.1. The report provides details of service provision across the borough, acknowledges the Ofsted report and notes the overspend within Children in Care services.

6.9. Public Health Implications

- 6.9.1. Public health implications that arise from activities that this report deals with will be dealt with as separate reports to Members or Officer Decision Records as required.

6.10. Climate Change Implications

- 6.10.1. Any climate change implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7. Ward Members Affected

- 7.1. All

8. Consultation & Engagement

- 8.1. As part of the budget setting process the Pre-Budget Report 2019/20 provided an opportunity for interested parties to review and comment on the Council's Budget proposals. The budget proposals described in the consultation document were Council wide proposals and that consultation was invited on the broad budget proposals. Where the implications of individual proposals were much wider for individuals affected by each proposal, further full and proper consultation was undertaken with people who would potentially be affected by individual budget proposals.

9. Access to Information

- 9.1. The following are links to key background documents:
[Medium Term Financial Strategy 2019/22](#)

10. Contact Information

- 10.1. Any questions relating to this report should be directed to the following officer:

Name: Alex Thompson

Job Title: Director of Finance and Customer Services (Section 151 Officer)

Email: alex.thompson@cheshireeast.gov.uk



Mid Year Review (FINANCE) 2019/20

October 2019

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

Anyone wanting to comment can contact the Council at:

shapingourservices@cheshireeast.gov.uk

Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 375,000 local people with annual spending of over £795m.

Local government is going through a period of financial challenges, with a combination of increasing demand for services, rising costs and reduced Government grant. The Council's response is to focus on increasing efficiency and productivity that enables us to deliver sustainable, quality services.

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. This demand is resulting in revenue pressures of £7.5m (2.7%) against a net revenue budget of £282.2m. Robust action is being taken to mitigate this position, such as reducing non-essential spending to deliver a balanced outturn position and protect General Reserves.

To support openness and transparency, and provide evidence of strong governance, the report has three main sections, to provide background and context, and then seven supporting appendices with detailed information about allocation and management of public money during 2019/20:

Section 1 provides a summary of Council performance and brings together service achievement highlights against the six Outcomes in the Council's four year Corporate Plan.

Section 2 provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2019/20 is being funded, including the positions on overall service budgets, grants, council tax and business rates and centrally held budgets. Further details are contained in the appendices.

Section 3 provides a summary of the issues relating to the Council's Workforce Development Plan.

- **Appendix 1** explains budget changes since the Medium Term Financial Strategy.
- **Appendix 2** shows the latest position for Corporate Grants.
- **Appendix 3** analyses the position on Outstanding Debt.
- **Appendix 4** shows updates to the Capital Strategy.
- **Appendix 5** shows updates to the Treasury Management Strategy.
- **Appendix 6** shows updates to the Investment Strategy.
- **Appendix 7** lists details of Earmarked Reserves.

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

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2019/20 Outturn Forecast at Mid Year Review - Financial Position

2019/20 Mid Year Review (GROSS Revenue Budget £646.3m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / (Underspend) £m	For further information please see the following sections
SERVICE DIRECTORATES				
People	170.9	176.4	5.5	Section 2 - Paragraphs 65-86
Place	72.8	72.7	(0.1)	Section 2 - Paragraphs 87-92
Corporate	30.2	31.3	1.1	Section 2 - Paragraphs 93-97
Total Services Net Budget	273.9	280.4	6.5	
CENTRAL BUDGETS				
Capital Financing	12.0	12.0	-	Appendix 4
Transfer to/(from) Earmarked Reserves	(2.9)	(2.9)	-	Appendix 7
Corporate Contributions / Central Budgets	(0.8)	0.2	1.0	Section 2 - Paragraph 98
Total Central Budgets	8.3	9.3	1.0	
TOTAL NET BUDGET	282.2	289.7	7.5	
Business Rates Retention Scheme	(48.0)	(48.0)	-	Section 2 - Paragraphs 117-121
Specific Grants	(15.9)	(15.9)	-	Appendix 2
Council Tax	(216.2)	(216.2)	-	Section 2 - Paragraphs 105-116
Sourced from Collection Fund	(2.1)	(2.1)	-	
CENTRAL BUDGETS FUNDING	(282.2)	(282.2)	-	
FUNDING POSITION	-	7.5	7.5	
	Planned Contribution 2019/20 £m	Forecast Variance Mid Year £m	Forecast Impact on Reserves Mid Year £m	
Impact on Reserves	-	(7.5)	(7.5)	
General Reserves Balance	2019/20 Budget (estimated) £m	Mid Year Forecast £m		
Opening Balance April 2019	10.3	Actual	10.3	
2019/20 Impact on Reserves (see above)	-	Forecast	(7.5)	Section 2 - Paragraphs 100-103
2019/20 Planned Contribution to GF Reserve	-	Forecast	1.7	
Closing Balance March 2020	10.3	Forecast	4.5	

1. Summary of Council Performance

Introduction

1. Our Corporate Plan identifies six strategic outcomes that balance the immediate needs of our residents with a longer term vision of creating the conditions for people to thrive independently in a supportive environment. This section provides a summary of service achievement highlights against the six outcomes:



Outcome 1 - Our local communities are strong and supportive

- Individuals and families are self-reliant and take personal responsibility for their quality of life.
- Communities are cohesive, with a strong sense of neighbourliness. There is genuine civic pride and mutual respect.

Outcome 2 - Cheshire East has a strong and resilient economy

- We will invest in the building blocks that will allow business to grow, give our residents the right skills to secure

employment and attract inward investment in to the Borough.

- By working together with business and our residents we will enhance the quality of place and create prosperity for all.

Outcome 3 - People have the life skills and education they need in order to thrive

- Children and young people get a good start in life, and are prepared for the world of work.
- Everyone is equipped to live independent, self-sufficient lives, and to realise their particular talents and abilities.

Outcome 4 - Cheshire East is a green and sustainable place

- Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.

Outcome 5 - People live well and for longer

- Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities.
- Care services focus on prevention, early intervention and physical and mental wellbeing.

Outcome 6 - A responsible, effective and efficient organisation

- The Council serves the people of Cheshire East through:
 - ensuring quality and best value for local people,
 - striving to get it right first time,
 - and acting with integrity, being open, honest and accountable and delivering on our promises.

Outcome 1

Our local communities are strong and supportive

2. On 8 August 2019 a fire broke out destroying the Beechmere Extra Care Village in Crewe. Colleagues across the Council continue to work closely with partners to support residents who lost their homes, and residents or relatives who have social care and accommodation needs as a result of the fire.
3. Cheshire East Connected Communities Centres have been shortlisted for national Association for Public Service Excellence (APSE) awards in the 'best community and neighbourhood initiative' category. Around 40 centres across the borough offer a wider range of activities and support services to reduce social isolation and enable local people to experience greater wellbeing.
4. On 29 June 2019, Cheshire East held its second Pride in the Park event at Queens Park in Crewe. Around 5,000 visitors came along to the event in celebration of and support for the local LGBTQ+ (Lesbian, Gay, Bisexual, Transgender, Queer) community.
5. Book issues within our libraries are up overall when compared with the same period in 2018/19; significant highlights include an increase of 23% in children's non fiction issues, 6% increase in adult non fiction issues and an increase in usage of our online reference resources of 46%.
6. Numbers of Cheshire East children participating in this year's children's Summer Reading Challenge exceeded all previous targets and were up by 9.2% on the previous year.
7. The Communities team have mainstreamed funding to permanently recruit four community liaison officers who work with migrant children in schools to support language development and community cohesion.
8. Over 40 grant applications have been administered to support early intervention and prevention and improve outcomes for individuals.
9. The upgrade of Crewe Town Centre to the latest High Definition (HD), night vision and speed dome CCTV Cameras is now complete including the installation of two new cameras acting as our "eye in the sky" on Delamere House. This has been a major improvement project which will deliver further cost savings.
10. In May 2019 the Council presented at the Trading Standards North West Trading Day and AGM on the importance of witness and victim care during investigations and prosecutions. This has led to a national action being taken by the Chartered Trading Standards Institute to look at improving standards through a Victim Charter.

Outcome 2

Cheshire East has a strong and resilient economy

11. Over the summer the Council consulted on a draft economic strategy, outlining plans to grow the local economy to deliver £15bn per year and improve the social, economic and environmental wellbeing of the borough. The Draft Strategy was considered by Cabinet on 9 July, and was developed in partnership with private sector representatives. The main priorities in the strategy include improving the quality of our town centres, the variety of available housing, skills levels and business development. The consultation closed on the 29 September.
12. The latest phase of 'Connecting Cheshire' was completed, celebrating the achievement of connecting over 106,000 homes and businesses with fibre broadband; of which 92,000 are at Superfast speeds.
13. In July we celebrated the launch of the £16m Square Kilometre Array Headquarters at Jodrell Bank.
14. We successfully secured a number of inward investments in the Borough including Team INEOS and Athenex; growing the economy and supporting employment opportunities.
15. In May the ADAPT Innovation project was completed; working with Siemens and RedEye Ltd to drive improvements in business productivity through the adoption of digital techniques and practices, with 30 Small and Medium sized Enterprises participating. The project was showcased at a national Innovation UK event in July.
16. A number of Cheshire East businesses were supported with successful bids for LEADER Rural grant funding including RapierStar and Park View Business Centre.
17. The Cheshire and Warrington Skills Pledge programme was launched, building on the success of the Careers & Enterprise Network in Cheshire East, which achieved 100% coverage across all secondary schools and colleges in the Borough.

Outcome 3

People have the life skills & education they need in order to thrive

18. Provisional 2019 school results again show positive trends and further successes across all key stages. Over the coming months, these provisional results will be validated and national comparative data will be available. Current highlights include:
 - Maintaining high performance in the early years phase for Good Level of Development where 73% of learners achieved the required standard. This is above the national average and one of the strongest performing North West authorities.
 - Very strong performance at Key Stage 1 in phonics where 84% achieved the pass rate.
 - Strong improvements seen this year in maths at the end of Key Stage 2, where 80% achieved the expected standard; a rise of 2 percentage points (ppts) on the previous year.
 - Improvements in the number of students achieving strong passes at GCSE (grades 9-5) with 50% achieving this level in both maths and English. This is again a rise of 2 ppts.
 - Improvements in the outcomes at the end of Key Stage 4 for our disadvantaged learners across all core subjects.
 - Further improvements in the % of students achieving A*-C in A levels and a very high overall pass rate of 98%.
 - Expansion of Alsager Secondary School to accommodate an extra 150 pupils.
 - A complete new build for our Pupil Referral Unit (Oakfield Lodge) in Crewe to accommodate up to 60 learners.
 - Expansion of Cranberry Primary School providing over 100 extra places in the Alsager area.
 - Expansion of Springfield Special School with a completed build for a further 24 learners.
 - An approved scheme is progressing at Park Lane Special School for an additional 40 learners.
 - A new Special Education Free School is at an advanced stage of feasibility in Crewe for 40 learners aged 4-16.
19. The last 12 months has seen a significant amount of work to increase overall capacity for school places across the Borough especially in those planning areas where there is the impact of new housing. The following schemes highlight the extensive capital projects which are well underway or close to completion:
 20. A programme of work is well underway to display outstanding artwork as produced by pupils in Cheshire East schools in corporate buildings. Displayed work is now available in Westfields, Sandbach in a gallery capturing work from 6 schools. It is intended to develop similar galleries in Macclesfield and Crewe.
 21. The increase in academies over recent years has put 'pressure' on some schools to see academisation as the only option going forward. Recent work undertaken with the 70 maintained schools is to develop specific programmes of work so that their ability to work collaboratively is retained and they remain positive in terms of remaining as a maintained school.
 22. Our new multi-agency Children and Young People's Plan, 2019-21 was launched over the summer, setting out the overarching outcomes we want to achieve for young people.

23. The Council continues to top the regional performance table in securing high quality childcare for the children who face the greatest challenges for the best start in life.
24. An area for improvement is around the % of care leavers who are NEET (not in education, employment or training), which

was higher than targeted at the end of quarter 1, at 47% (target of less than 38%). Based on the 131 making up the former relevant cohort of care leavers aged 19-21, currently 62 are recorded as NEET. However, when factoring in those engaged in positive activities or training/re-engagement provision, this figure reduces to 47 (36%).

Outcome 4

Cheshire East is a green and sustainable place

25. In July, the Carbon Neutrality Working Group was mobilised, following the Council's declaration of a climate emergency.
26. Ten of Cheshire East's parks and green spaces have been awarded 'Green Flag' awards, which are awarded to spaces which boast the highest possible environmental standards, are beautifully maintained and have excellent visitor facilities. Tatton Park and Queens Park also retained additional 'Green Heritage' accreditation, given to places that achieve a high standard in management and interpretation of a site with local or national historic importance.
27. Two members of Cheshire East Council's building control company Civicance gained specialist fire safety certificates introduced as a result of the Grenfell fire tragedy. The fire safety qualification demonstrates the competence to enable building surveyors to inspect any high-rise or complex building and advise on the removal of any hazardous material or to introduce additional safety measures or materials.
28. Cheshire East Highways were awarded the Chartered Institute for Highways and Transportation Safety Award for the upgrade of the Vehicle Restraint System on the A54.
29. A footbridge in Crewe, known locally as Joey the Swan footbridge was replaced using recycled Glass Reinforced Plastic (GRP). The bridge is the first of its kind in Cheshire East where the planks are made from GRP with a foam core infill made from 100% recycled plastic bottles. In total just over 4,500 recycled plastic bottles were used on the replacement bridge. This innovative recycling technique reduces environmental impact, carbon footprint and offers the bridge at least a 30 year lifespan. The same treads were used for the Middlewood Way footbridge in Macclesfield, where 22,500 recycled bottles make up the new bridge decking.
30. From 27 July to 31 July 2019 parts of the eastern side of the Borough experienced a significant period of adverse weather. Over the five-day period 150mm of rain fell over the Poynton area which caused the natural drainage to swell and flow into Poynton Brook. The Adverse Weather Desk was in operation for 7 days from 27 July to 2 August. During this period, approximately 790 hours were spent on weather related activities.
31. The Parking team were shortlisted for a nationally recognised award and were awarded a Certificate of Excellence for their annual report for 2017/18 by PATROL (Parking and Traffic Regulations outside London) at the PARC awards in July 2019 at the House of Commons. The team are also achieving in excess of 99.9% compliance in allocating all correspondence and appeals within 14 days.
32. Performance on turnaround of Major planning applications for quarter 1 stood at 100% (against a target of 90%), and our turnaround of 'Non-major' applications stood at 93% (against an ambitious target of 95%). The number of applications at all levels continues to remain high.
33. The site allocations and development policies document (SADPD) has progressed through to the next round of public consultation en route to external examination. This provides

for more detailed policies and small allocations as Part 2 of the Local Plan and will eventually replace the legacy Local Plans dating back to 2004.

34. The Crewe Hub Area Action Plan which sets out a planning framework for the area around a future HS2 station is also out for a further round of consultation.

35. The 2019 Annual Status Report for Air Quality has been approved by Defra. In addition, as part of their response they praised our Air Quality Action Plan stating “The measures are highly detailed and show that the Council have great consideration for improving air quality within their Borough.”

Outcome 5

People live well and for longer

36. The Cheshire East Health and Care Partnership has commenced consultation on a draft Five-Year Plan setting out ambitions to improve the health and wellbeing of the people of Cheshire East. The vision is to improve the health and wellbeing of local communities, enabling people to live longer and healthier lives.
37. Cheshire East Carers' Hub has been shortlisted for a national APSE award in the 'best health and wellbeing initiative' category. The Hub provides information, advice and guidance for the estimated 40,000 carers across Cheshire East.
38. Quarter 1 data showed a further increase in usage of Council-owned leisure facilities, with 929,488 attendances during the first quarter of the year (compared to 913,830 in quarter 1 2018/19).
39. In quarter 1 there were 251 successful cases of preventing or relieving homelessness compared to 150 at quarter 1 in 2018/19.
40. We launched a 3-year Cheshire-wide affordable warmth advice service, which will benefit 3,000 residents.
41. Our Housing Wellbeing service has started to provide support to reduce hoarding in people's homes, which will reduce homelessness, tackle fire hazards and enable people to live independently and safely in their own homes.
42. In June, the Council was shortlisted for the national award for Transforming Lives for the work we are delivering to our most vulnerable victims of Domestic Violence, ensuring that they have safe accommodation.
43. Foster Care Fortnight, the UK's biggest foster carer recruitment drive, took place from 13-27 May, led by the charity The Fostering Network. This year's campaign theme was #changeafuture, highlighting the positive differences foster carers can make to the futures of young people in care.
44. In quarter 1 our Integrated Youth Support service have delivered targeted one-to-one and group support to over 1,500 young people.
45. July 2019 marked the second anniversary of the launch of the regional adoption agency, 'Adoption Counts', bringing together the skills and expertise of the adoption services of five local authorities: Cheshire East Council, Manchester City Council, Salford City Council, Stockport Council, and Trafford Council.
46. The Investing in Children Award recognises achievement in co-producing services with children and young people. A number of our services have been successful this year. This includes the Independent Reviewing Officers for Cared for Children, who retained their award and our Cared for and Care Leavers Service who achieved the award for the first time.
47. A pilot in partnership with the Youth Offending Service and the Police and Crime Commissioner has been established to

provide an independent Appropriate Adult service for children and young people in Cheshire East in custody.

48. The Commissioning team have led on the development of a Social Value Charter on behalf of the NHS Cheshire and Merseyside Health and Care Partnership.
49. Adults Services have developed and implemented an all-age co-production charter 'Together'. This co-production guide sets out how we will work together as equal partners to improve, develop and deliver services towards a common goal for all of our children, young people, families and adults.
50. Social Care Institute for Excellence (SCIE) launched guidance on carers' breaks and Cheshire East Council is highlighted as a good practice example of commissioning for adults respite provision and learning disability respite.

51. The Council has commissioned and mobilised a new integrated substance misuse service with a focus on recovery.
52. A current area for improvement is around the % of Food Safety E rated premises that receive intervention activity. Performance against our target of 100% stood at 70% during quarter 1, with 23 out of 33 scheduled inspections completed. Additionally there exists an overall backlog, though 51 interventions were undertaken with respect to this backlog during the quarter to reduce the overall outstanding intervention activities. It is anticipated that, once ongoing recruitment is in place, capacity will be restored to work towards the target as the year progresses.

Outcome 6

A Responsible, Effective and Efficient Organisation

53. August was a challenging month for residents and officers as we came together to respond to two major incidents; the fire at Beechmere Extra Care Housing, and the flooding that affected many parts of the borough, particularly in the north, including the areas in and around Poynton, Bollington and Handforth. The response of the Council is testament to its effective business continuity plans and the resilience and commitment of the teams that directly supported each of these events. Work continues on business continuity to improve our preparedness, response and recovery for any further major incidents that may occur.
54. Many of our HR policies and procedures have been reviewed to ensure we operate within a fair, open and safe environment. Updated policies include: Recruitment; Organisational Change (including Restructuring, Secondment, buying Out of Hours, Redundancy); Equality in Employment.
55. As part of the “Digital Refresh”, a council-wide programme commenced to update our computers to Windows 10 and Office 365. The Digital Refresh will see us adopting new technology and digital policies to help us to provide an even better service to our customers, whilst enabling us to work more flexibly, and with greater confidence.
56. During the first half of the year the Council has undertaken or opened a range of consultations including the Cheshire East Partnership Five Year Plan, Crewe Hub Area Action Plan, Southern Link Road Bridge Access Options, Falls Prevention Strategy, Party in the Park, Council Tax Support, the Draft Economic Strategy, and the Local Plan: Site Allocations and Development Policies Document. A residents’ survey was developed and issued at the end of quarter two, engaging with residents on a range of subjects including highways, parks and open spaces, customer services and the Council overall. Additionally, the Council’s Digital Influence Panel continues to respond to consultation and survey activities in order to support stakeholder engagement.
57. We have recently introduced a centralised, dedicated service by which our Councillors can make enquiries on behalf of those they represent. This has resulted in a more efficient and focussed way of dealing with residents’ enquiries, which delivers responses in a timely way. The service is being rolled out to town and parish councils in the coming months.
58. We now have the most accurate Electoral Register since the Council was created, containing around 300,000 electors. Our annual canvass will provide details of changes to the Register which will be essential in delivering future elections and referendums.
59. At the 2019 North West Weddings Awards the Service was voted the best ceremony provider. Additionally, the Council achieved its seventh gold medal in the internationally-renowned RoSPA (Royal Society for Prevention of Accidents) Health and Safety Awards. This accolade is in recognition of our health and safety practices and achievements, and is a testament to the dedication and consistent hard work of our Health and Safety team at Cheshire East, to ensure that we conduct safe and ethical practices across all of our services.

60. Agency spend during the first quarter stood at £2.1m with 187 agency staff at the end of the quarter, an increase from 172 at the end of 2018/19. One of the areas we are exploring is agency and consultancy spend across the Council with an eye on ensuring the best possible value for money whilst maintaining the best possible service for local people, which many of our agency staff and consultants support.

2. Financial Stability

Introduction

61. The Council has a strong 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 increased costs, growing demand and reducing Government grant. The pressures are most intense in Children's and Adults' Social Care.
62. A full mitigation plan is in progress to address the forecast overspend and ensure that the General Reserves are protected. Given the scale of the financial pressures achieving a balanced budget position this year will be extremely challenging.
63. **Table 1** provides a service summary of financial performance at mid year. The current forecast is that services will overspend by £6.5m in the current year. The Financial Narratives provide further details and changes to service net budgets since mid year review are analysed in **Appendix 1**.
64. Further items impacting on the level of the Council's balances are detailed in the paragraphs below on Central Contingencies and Contributions.

Table 1 - Service Revenue Outturn Forecasts

2019/20 Mid Year Review (GROSS Revenue Budget £646.3m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / (Underspend) £m
SERVICE DIRECTORATES			
Directorate	0.9	0.7	(0.2)
Adult Social Care - Operations	24.8	26.0	1.2
Children's Social Care	35.7	39.3	3.6
Commissioning	86.6	87.6	1.0
Education & 14-19 Skills	14.4	14.6	0.2
Prevention & Early Help	8.5	8.2	(0.3)
Public Health	-	-	-
Public Sector Transformation	-	-	-
People	170.9	176.4	5.5
Directorate	0.7	0.7	-
Environment & Neighbourhood Planning	39.3	39.4	0.1
Growth & Enterprise	20.6	20.4	(0.2)
Highways & Infrastructure	12.2	12.2	-
Place	72.8	72.7	(0.1)
Directorate	0.7	0.6	(0.1)
Finance & Customer Services	7.6	8.7	1.1
Governance & Compliance Services	9.9	9.6	(0.3)
Transformation	12.0	12.4	0.4
Corporate	30.2	31.3	1.1
Total Services Net Budget	273.9	280.4	6.5

Financial Narratives

People Directorate

65. Children and Families Service are reporting a forecast outturn pressure of £3.4m on base budget at this mid year review stage. The key issues for the Directorate are set out below.

Children's Social Care (including Commissioning) – pressure of £3.8m

66. The key pressures facing the service include:

- Agency Care placements	£2.8m
- Offset by delay in residential homes contract	-£1.1m
- Additional staffing requirements	£1.0m
- Special Guardianship Orders	£0.4m
- Efficiency savings target to be achieved	£0.3m
- Reduction in interagency adoption income	£0.2m
- Commissioning contracts exceeding budget	£0.2m

67. The service continues to take steps to manage these cost pressures. Further details are set out below.

Agency Care placements / Delay in residential homes contract

68. The number of cared for children is 491 at the end of July 2019. This represents an additional 6 children since the March 2019 figure of 484. As at the end of August 2019 the figure has risen to 510.

69. Most children enter care due to neglect and abuse with increasing numbers of children being made the subject of applications to the Family Courts to secure their welfare. In the period April 2019 to July 2019, 55 children and young people entered care and 47 left care as a result of special guardianship, adoption, returning home or moving to independent living.

70. A number of initiatives are being taken forward to reduce the pressures such as commissioning residential children's homes locally, providing intensive support to children in need, joining a regional adoption agency and setting up a shared fostering marketing and recruitment hub with Cheshire West, Warrington and Halton Councils. The Council is also looking to develop a more intensive support offer for children in care to prevent placement disruption, negative impact on life choices and escalation to more expensive provision.

71. The net pressure for the placements budget is £1.7m at mid year. There has been a delay in delivery of the children's residential contract, this is due to external delays with Ofsted registration. There has also been an increase of 17 external foster placements due to a decrease in the number of mainstream foster placements and increased number of children in care.

Additional staffing requirements

72. Staffing pressures of £1m are being experienced within Children's Social Care teams, this includes: Permanence and Through Care due to increase in complex demand and the newly established contact team. The Director is looking into these issues and options to manage within budget.

Special Guardianship Allowances

73. There has been an increase in the number of Special Guardianship Orders as social work practice improves enabling children at risk to remain living within their extended family network rather than in foster care.

Efficiency savings target to be achieved

74. The service has an ongoing efficiency target to deliver savings in staffing and travel which is a challenge to deliver at present.

Reduction in interagency adoption income

75. The Council is working as part of a regional collaboration for adoption and is experiencing lower levels of adoption income as a result.

Commissioning contracts exceeding budget

76. Pressure on the commissioning budget of £0.2m as activity is currently exceeding budget. The service will look to deliver savings each time a contract is renewed.

Prevention and Early Help – underspend of £0.3m

77. The service is forecasting a £0.3m underspend mainly as a result of vacancies being held or delays in filling senior posts following a significant reorganisation in 2018/19.

Education and Skills – pressure of £0.2m

78. Key issues for the service relate to:
- Special Educational Needs and Disabilities – the service is being restructured to improve capacity and responsiveness. A pressure of £0.1m is being recorded as a result of continued use of agency staff to cover vacant posts while the restructure is progressing.
 - Transport – the Council's transport provider, Transport Service Solutions (TSS), is currently forecasting a balanced position which reflects the significant progress to deliver the ongoing savings plan by TSS and the Council. The Council has taken a number of steps to support TSS to deliver within the management fee, including a business process review to ensure efficiencies in back office arrangements, particularly commissioning, and the implementation of revised travel policies.
 - Catering – due to increasing costs, of food for example, the service is unable to generate additional income from schools giving a pressure of £0.1m. A £0.2m pressure is also recorded as the service is awaiting confirmation of

Public Health funding to support their ongoing work to support healthy eating in schools.

- Other areas of Education and Skills have generated a net underspend of £0.2m through vacant posts.

Dedicated Schools Grant (DSG) - Pressure of £3.4m

79. Budgets for the Council's DSG allocation are also managed within Education and Skills.
80. There is a forecast pressure of £3.4m against the high needs DSG block of £36.5m. Key issues for the service relate to:
- Pressures on top up funding for mainstream schools and resource provisions.
 - Pressures on special provision schools, [external](#) and post 16 placements. These are recognised nationally as a pressure affecting most councils.
81. This variance is not included as part of the revenue outturn forecast and will be met from the DSG reserves.
82. The service is working to implement a DSG high needs recovery plan to address these issues. This includes plans to enhance scrutiny, review placement costs and the basis for the local payment rates, and develop more local provision.
- Adult Social Care, Public Health and Communities**
83. Adult Social Care, Public Health and Communities budgets remains under continued pressure locally and across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years. These relate to meeting the needs of our most vulnerable residents in the community, those in long term care and hospital. Demand for services creates pressure in all areas which means practitioners time assessing needs, commissioners' time targeting needs and support staff time enabling needs becomes a sometimes daily and weekly

prioritisation. Sometimes we are able to offer information and advice which enables people to access the right services but on other occasions we are duty bound to provide services which meet the eligible needs of our residents. We are commissioning new services to help care providers who are struggling to respond to request for placements, however, providing care packages remains a daily challenge.

84. Adult Social Care Commissioning have responded to this challenge by commissioning the care home and care at home market to ensure there is a more outcomes focused offer to service users and more certainty for providers. In addition to this a new flexible respite offer has been designed and implemented. An Early Help Framework has been introduced to support better outcomes in the Voluntary, Community and Faith sectors. A new substance misuse and sexual health contract has also been awarded.
85. We are seeing additional support requirements across the age spectrum. It is a source of great celebration that our population continues to live longer, but not everyone can do this without significant care and support. There are many more young people coming through transition into adulthood with more complex needs. Equally the need for services to support our aging population continues to rise and those people of adult age increasingly many more complex health and care needs. This is of course all against the backdrop of our local NHS financial challenges and the interdependencies between health and social care which can be seen in our planning for winter which is our most challenging time of the year.
86. The department continues to work on transforming the offer to the people who rely on Adult Social Care, Public Health and Communities services. This is supported by some very targeted actions aimed at reducing the extent of any adverse

pressure on the budget and continue to meet the needs with positive outcomes. Measures that deliver savings based on service redesign with the person always in mind whilst ensuring a safe service is at the heart of all we are doing. A further financial risk at the present time relates to the current financial position of the Council's largest partner the local NHS who are under significant financial pressure. The Adult Social Care, Public Health & Communities service is reporting an overspend of £2.1m position at year end against a gross budget of £174m. The forecast overspend for the People Directorate is therefore £5.5m at year end as identified in **Table 1** above.

Place Directorate

87. Place is reporting an under spend of £0.1m against a budget of £72.8m at mid year review.
88. There are staffing savings across the Place directorate resulting from part year vacancies and maternity leave. These are significant in Regulatory Services, Libraries, Facilities Management, Housing and Parking. Other favourable variances have occurred due to lower charges in Facilities Management and increased income in Parking.
89. Despite the overall better than budget position in Place, there are a number of areas experiencing budget pressures.
90. Income pressures exist across Place due to the later than planned introduction of the Community Infrastructure Levy (CIL), lower income from markets and pressures on diversion charges in Public Rights of Way. There are also pressures due to the later implementation of the ASDV changes. One off costs have occurred in CCTV to replace the CCTV recorders and higher external costs have occurred across Infrastructure and Strategic Transport.

91. At the end of July / beginning of August, Place services responded to widespread flooding in Poynton, Bollington, Handforth and surrounding areas. Significant costs have been incurred and an application to the Government's Bellwin scheme has been made. There is a risk of pressure on the Place budgets if these costs are not covered by the Bellwin scheme.
92. Despite the favourable overall position, budget managers across the Place services are looking for ways to mitigate the pressures to improve the position further.

Corporate Directorate

93. Corporate Services is currently forecast to outturn at a £1.1m overspend compared to the approved budget. This includes estimates of the likely underachievement of savings from the Mutually Agreed Resignation Scheme (MARS), and from the Digital project.
94. The Directorate Budget, which provides funding for the Executive Director of Corporate Services, Chief Executive and associated budgets, included temporary growth of £280,000 linked to resolving capacity issues. Overall there is a forecast underspend of £116,000 however, there is a £68,000 overspend related to termination costs and interim cover for the Executive Director of Corporate Services, along with recruitment costs for the new structure. The Directorate growth budget will be moved to services once costings of staffing establishments within Corporate Services have been completed.

Finance & Customer Services

95. The overall forecast for Finance and Customer Services is a £1.1m overspend, with the majority of the overspend attributable to the underachievement of Digital savings, a project which has been managed through Customer Services

to date. The forecast for Finance and Procurement services, is an overspend of £0.1m due to the shortfall in budget linked to the new structure, and some additional staffing and supplies & services costs, which may not be reduced until the B4B Project concludes. There are small overspends in Customer Service Centres, and Revenues which are being offset by underspends on Benefits staffing. Allocation of temporary funding linked to the Corporate Services restructure may mitigate the level of overspend in the short term.

Transformation

96. Transformation is forecast to overspend by £0.4m. The Human Resources (HR) budget includes the cross council MARS saving of £0.3m, part of the Oracle savings £0.3m and the shared Transactional Services (TSC) hosted by Cheshire West & Chester. Overall HR is forecast to overspend by £0.2m mainly due to TSC staffing costs. Business Change is forecast to overspend by £0.1m due to additional staffing costs in Equality & Diversity being partially offset by underspends due to vacant posts in Communications and Business Intelligence. ICT Strategy, and ICT Service Delivery are both reporting a net nil position.

Governance & Compliance

97. Governance & Compliance is forecast to underspend by £0.3m. Legal Services, including the Director of Governance & Compliance (DoG&C), is forecast to overspend by £0.5m due to a shortfall in the budget linked to senior posts within the new structure, and the cost of approximately 5.5FTE unbudgeted Lawyer posts. This is being offset by underspends in Governance & Democratic Services, and Audit & Risk. Governance & Democratic is forecasting to underspend by £0.6m primarily due to £0.4m of vacancies in the Executive Support Unit, Democratic Services, and the Business Support Unit. Registrations income is estimated to

over achieve budget by £0.2m. Audit & Risk Services is forecast to underspend by £0.2m due to vacant posts and delays recruiting into posts while the structure was being reviewed.

Central Contingencies and Contributions

98. It is currently forecast that there will be a £1m variance to budget on the central budget. This relates to a budget of £0.2m held to meet past service Employer Pension contributions relating to staff transferred to the Alternative Service Delivery Vehicle companies. Budgeted transfers of £2.9m from earmarked reserves are expected to take place in year as planned. Grants relating to business rates have been received centrally in-year that are additional to budget which will be transferred to reserves for future use.
99. Details of grants received and reserves can be found at **Appendix 2** and **Appendix 7** respectively.

Outturn Impact

100. The impact of the projected service outturn position is to decrease balances by £6.5m as reported above (**para 63**).
101. Taken in to account with the central budget items detailed above (**para 98**), the financial impact could result in a reduction in balances of £7.5m as shown in **Table 2**.
102. To mitigate the potential impact of the current forecast overspend the Council will take a number of actions. For example, spending on non-essential activity will be challenged and where practical it will be stopped, staffing vacancies will be reviewed before being filled and capital and reserves balances will be assessed. Such mitigating actions

are expected to reduce and return the impact on balances to nil in line with the outturn achieved in recent years.

103. Table 2 – Impact on Balances

	£m
Service Net Budget Outturn	(6.5)
Central Budgets Outturn	(1.0)
Specific Grants Outturn	0.0
Total	(7.5)

Collecting Local Taxes for Local Expenditure

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

Council Tax

105. Council Tax is set locally and retained for spending locally. Council Tax was set for 2019/20 at £1,446.27 for a Band D property. This is applied to the taxbase.
106. 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 2019/20 was agreed at 149,517.54 which, when multiplied by the Band D charge, means that the expected income for the year is £216.2m.
107. 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 £265.7m.

108. 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 actual amount billed will therefore be more than the budget.

109. 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 £268.8m.

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

	£m
Cheshire East Council	216.2
Cheshire Police and Crime Commissioner	30.0
Cheshire Fire Authority	11.6
Town and Parish Councils	7.9
Total	265.7

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

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

Financial Year	CEC Cumulative			
	2015/16	2016/17	2017/18	2018/19
	%	%	%	%
After 1 year	98.1	98.3	98.2	98.2
After 2 years	99.0	99.1	99.1	**
After 3 years	99.3	99.3	**	**

**data not yet available

111. The Council Tax in-year collection rate for the period up to July 2019 is 38.6%, a small decrease on the previous year which is due to residents taking up the option of 12 monthly instalments.

112. Council Tax support payments (including Police and Fire) were budgeted at £16.2m for 2019/20 and at the end of the July the total council tax support awarded was £15.3m. The Council Tax Support caseload has reduced since April 2014 and there have been more reductions in the Council Tax Support awards in the year than increased or new awards.

113. No changes were made to the Council Tax Support scheme for 2019/20. The scheme was confirmed unchanged by full Council in December 2018.

114. A consultation on proposed changes to the Council Tax Support scheme for 2020/21 took place over the summer with a closing date of 16 September 2019.

115. Council Tax discounts awarded are £24m which is broadly in line with the same period in 2018/19.

116. Council Tax exemptions awarded total £5.3m which is broadly in line with the same period in 2018/19.

Non-Domestic Rates (NDR)

117. 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.

118. The small business multiplier applied to businesses which qualify for the small business relief was set at 49.1p in 2019/20. The non-domestic multiplier was set at 50.4p in the pound for 2019/20.

119. Cheshire East Council continues to be in a pooling arrangement with the Greater Manchester (GM) Authorities (also includes Cheshire West and Chester from 2016/17) for the purposes of Business Rates Retention. The purpose of the pool is to maximise the retention of locally generated business rates to further support the economic regeneration of Greater Manchester and Cheshire Councils. As a pool the members will be entitled to retain the levy charge on growth that would normally be paid over to Central Government.

Cheshire East will retain 50% of this levy charge locally before paying the remainder over to the pool.

120. **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.

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

Financial Year	CEC Cumulative			
	2015/16	2016/17	2017/18	2018/19
	%	%	%	%
After 1 year	98.1	97.7	98.3	98.5
After 2 years	99.1	99.2	99.4	**
After 3 years	99.5	99.8	**	**

**data not yet available

121. The business rates in-year collection rate for the period up to July 2019 is 38.7% compared to 39.7% for the same period in 2018/19. Business rates collection is historically volatile due to the lower volume but higher value payment profile and the collection rate is expected to recover in future months.

3. Workforce Development

122. This section sets out the Council's activities and progress in relation to HR, Organisational Development, Health and Safety and Workforce Development plans and changes for the year 2019/20.

Culture and Values

123. Following the Local Government Association's independent culture review and acceptance of the report recommendations, overall delivery of the planned phases of the Brighter Future Together (Culture) Programme has been completed. The recommendations have been addressed through the programme and all are complete.
124. 'My Conversation' toolkits have been launched to guide staff in conversations in one to one meetings, team meetings and for the performance development meetings. The toolkits are aligned with the Vision for the Council's workplace culture and behaviours, and employee deal. This will allow all staff to embed the behaviours in their day to day work alongside other developments such as utilising the behaviours within a recruitment toolkit, leadership and management skills programme, coaching programme and recognition events.
125. A full Employee Survey, The Big Conversation, took place in July. The survey focused on the key elements for the Council's vision for workplace culture: having a shared purpose, being supported and well led, being treated fairly and highly valued and succeeding together. Results will be available and communicated in quarter 3.

126. Work has continued to promote the 'Made my Day' scheme that enables staff to be recognised at every level across the Council. 1,355 'Made my Days' have been sent to date this year, with 216 being sent in the month of July alone surpassing all other months since the programme began.

127. Following the successful pilot of the Well-being room in Westfields the Council now have dedicated rooms in Delamere House, Crewe Municipal Building and Macclesfield Town Hall. The well-being rooms provide a safe area for employees to unwind, revitalise and make sure that their mental health is being cared for. This was actioned through the Well-being in Work Strategy and upholds a joint commitment within the Council's Employee Deal.

Building Capability and Capacity

128. The Corporate Training Programme and Continuous Professional Development Portfolios seek to ensure that the Council creates a workforce which is safe, knowledgeable and competent in performing their duties to the highest possible standard, providing the best quality services to the residents and businesses.
129. So far in 2019/20, 52 courses have been offered to CEC employees with 158 individual sessions taking place. 16 employees successfully secured funding approval via the Continuous Professional Development Panel for role specific development and qualifications in over the year, seeing over £9,440 investment.

130. Developing management capability at all levels has continued with 34 managers being on track to complete the Institute of Learning and Management (ILM) Level 3 and Level 5 Diploma qualifications. Following the leadership and management skills audit, development in this area continues with a new programme of training for all managers in place across the organisation.

131. The Workforce Development Team continues to maintain close relationships with partner universities and Further Education colleges, supporting work experience placements for career starters and changers, course required workplace placements, graduate schemes and mentoring opportunities for young people. Relationship development is further encouraged through exploring links with universities for staff engagement such as guest lecturing. All employees and apprentices receive up to date training through quality assured processes and methods including internal and external training, e-learning and wider Continuous Professional Development opportunities to ensure they surpass expectations of external verification and examination boards, and feel fully supported throughout all stages of their career.

Resourcing and Talent

132. The Council continues to support work placements at all levels with 28 social work students undertaking placements within Children's or Adults social work teams, 6 undergraduate placements planned across the organisation

through a joint placement scheme with a partner university and numerous work experience placements organised for school students.

133. The apprenticeship scheme continues to grow with 143 apprentices undertaking work-based learning across the Council. Of this figure, 112 are existing staff taking up the opportunity to develop their skills through the apprenticeship scheme.

Education HR Consultancy

134. A number of new training interventions were offered as part of the Governor Training Programme and new and aspiring Head Teacher briefings. Training has been well attended and well received.

Health and Safety

135. Work continues on supporting Council departments, ASDVs and Schools in Health and Safety compliance.

Staffing Changes

136. As shown in the table below, Cheshire East Council's overall headcount has increased during the first quarter of 2018/19, although the number of full time equivalent (FTE) employees has remained relatively constant over the same period.

Table 6: Cheshire East Council Employee Headcount and FTE Figures

Executive Directorate & Service	Employee Headcount April 2019	Employee Headcount June 2019	Employee FTE April 2019	Employee FTE June 2019
Corporate	599	604	548.7	553.5
Audit	9	9	7.6	7.6
B4B / Business Development	10	10	8.4	8.4
Business Management	15	14	14.2	13.2
Communications & Media	10	10	9.9	9.9
Customer Services	95	95	84.0	84.0
Finance & Performance	103	103	100.8	100.9
Human Resources	38	39	34.7	35.7
ICT	182	183	176.4	177.4
Legal Services	123	124	99.3	100.1
Procurement	11	14	10.5	13.5
People	2,159	2,156	1,611.1	1,608.4
Adult Social Care & Health	1,011	1,003	802.8	794.1
Children's Services	1,080	1,084	743.2	747.3
People Commissioning	61	61	58.0	59.0
Place	797	793	606.7	604.8
Growth & Regeneration	189	192	147.3	151.5
Infrastructure & Highways	52	52	48.6	48.4
Planning & Sustainable Development	388	381	310.9	305.7
Rural & Cultural Economy	164	165	95.9	96.2
Cheshire East Council Total	3,556*	3,554*	2,767.5*	2,767.7*

***Note:** The Chief Executive has not been included in any of the Directorate / Service information, but is counted in the overall Cheshire East Council headcount and FTE figures; similarly Executive / Directors and / or "Business Managers" will not appear in the "Service" totals but will appear in the overall "Directorate" figures. Employees with multiple assignments across services will appear in the headcount figures for each service, but will only be counted once in the total CEC headcount figure; where an employee has multiple assignments in the same service they will appear in the overall headcount figure only once for that service.

Agency workers

137. Agency workers are a valuable component of the Council's workforce, providing short term cover, project work and flexible specialist skills to maintain service delivery in areas such as social services, ICT and other professional services. The table below provides a summary of active agency worker assignments between April and June 2019, together with agency worker assignments as a percentage of all active Cheshire East assignments over the period.

Table 7: Active agency worker assignments

	Active Assignments on 31.03.19	Active Assignments on 30.06.19	% of all Workforce Assignments on 31.03.19	% of all Workforce Assignments on 30.06.19
People	85	100	3.8	4.4
Corporate	80	80	8.6	11.7
Place	7	7	1.2	0.9
Total	172	187	4.6	5.0

138. The overall number of active agency assignments has increased during the first quarter of 2019/20, due to a net increase of 15 new assignments in the People Directorate.

Absence

139. The following table shows the number of days lost per FTE employee during the first quarter of 2019/20, in comparison with the first quarter of previous financial years. The current figure of 2.53 days lost between April and June 2019 is slightly higher than the figure for the same period in 2017/18 and 2018/19.

Table 8: Days lost to sickness absence per FTE employee

Cheshire East Council (excluding Schools)	2015/16	2016/17	2017/18	2018/19	2019/20
Q1 Absence	2.61	2.61	2.48	2.39	2.53

140. The number of active agency assignments is higher at the end of March 2019 than it was at the end of January 2019. This is due to a small number of new assignments beginning in multiple services within the People and Corporate directorates, including Adult Social Care & Health, Children's Services, Business Management, Customer Services, HR and ICT. The largest increase is in Children's Services, with eight additional assignments during this period for a variety of service needs. This is followed by Adult Social Care & Health, which has increased the number of assignments predominantly in order to cover permanent roles during the recruitment process.

Voluntary Redundancies

141. The Council's voluntary redundancy scheme continues to support organisational change and the delivery of the planned programme of change in the Council Plan. The effective use of voluntary redundancy in this way enables the Council to achieve its planned savings and efficiencies and also helps to maintain good employee relations within the Authority and minimises the prospect of compulsory redundancy.

Appendices to Mid Year Review (FINANCE) 2019/20

October 2019

Appendix 1

Changes to Revenue Budget 2019/20 since Budget

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Mid Year Net Budget £000
PEOPLE				
Directorate	152	-	731	883
Adult Social Care Operations	25,227	-	(454)	24,773
Adult Social Care Commissioning	82,275	-	(82,275)	-
Children's Social Care	37,850	28	(2,148)	35,730
Commissioning	-	21	86,555	86,576
Education & 14-19 Skills	12,326	162	1,938	14,426
Prevention & Early Help	-	389	8,118	8,507
Prevention & Support	10,546	-	(10,546)	-
Public Health & Communities	2,568	-	(2,568)	-
Public Health	-	-	-	-
Public Sector Transformation	-	-	-	-
	170,944	600	(649)	170,895

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Mid Year Net Budget £000
PLACE				
Directorate	(38)	-	712	674
Customer Services	8,832	-	(8,832)	-
Client Commissioning :				
Leisure	2,402	-	(2,402)	-
Environmental	30,556	-	(30,556)	-
Environment & Neighbourhood Planning	-	39	39,267	39,306
Growth & Enterprise	-	73	20,528	20,601
Growth & Regeneration	17,487	-	(17,487)	-
Highways & Infrastructure	-	-	12,240	12,240
Infrastructure & Highways	12,361	-	(12,361)	-
Planning & Sustainable Development	2,574	-	(2,574)	-
Rural & Cultural Economy	3,151	-	(3,151)	-
	77,325	112	(4,616)	72,821

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Mid Year Net Budget £000
CORPORATE				
Directorate	2,354	-	(1,680)	674
Directorate - Unallocated	(129)	-	129	-
Communications	631	-	(631)	-
Finance & Customer Services	-	9	7,567	7,576
Finance & Performance	6,397	-	(6,397)	-
Governance and Compliance Services	-	155	9,757	9,912
Human Resources	2,594	-	(2,594)	-
ICT	6,132	-	(6,132)	-
Legal Services	6,665	-	(6,665)	-
Transformation	-	162	11,910	12,072
	24,644	326	5,264	30,234
TOTAL SERVICE BUDGET	272,913	1,038	(1)	273,950
CENTRAL BUDGETS				
Capital Financing	12,000	-	-	12,000
Corporate Contributions	(837)	-	-	(837)
Contribution to / from Reserves	(2,898)	-	1	(2,897)
	8,265	-	1	8,266
TOTAL BUDGET	281,178	1,038	-	282,216

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Mid Year Net Budget £000
CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(47,977)	-	-	(47,977)
Specific Grants	(14,862)	(1,038)	-	(15,900)
Council Tax	(216,243)	-	-	(216,243)
Sourced from Collection Fund	(2,096)	-	-	(2,096)
TOTAL CENTRAL BUDGETS FUNDING	(281,178)	(1,038)	-	(282,216)
FUNDING POSITION	-	-	-	-

Note: £382,000 additional funding was included in the Outturn Report that was approved at Cabinet in June 2019. Appendix 2 shows the £656,000 request for additional funding at Mid Year.

Appendix 2

Corporate Grants Register

Government Grant Funding of Local Expenditure

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 2019/20 was £264.6m.
2. In 2019/20 Cheshire East Council's specific use grants held within the services was budgeted to be £249.7m based on Government announcements to February 2019. At mid-year, this figure was revised down to £244.9m.
3. Mid-year has seen a decrease in specific use grants of £4.8m. This is mainly due to the conversion of five schools to academies during year to date: Poynton High School, Lostock Hall Primary, Astbury St Mary's C of E Primary, Handforth Grange and Hollinhey Primary.
4. A grant offer of £0.4m from the Office of Police and Crime Commissioner for Cheshire has been accepted on behalf of the Sub Regional Public Service Transformation team to provide support for early intervention programmes with young people at risk of criminal involvement.
5. Spending in relation to specific use grants must be in line with the purpose for which it is provided.
6. General purpose grants were budgeted to be £14.9m. Further in-year grant announcements have increased the amount received to £24.0m.
7. Additional general purpose grants of £0.7m have been received during the year to date. These include an additional £0.4m in respect of Children and Families related grants, £0.1m for Individual Electoral Registration, and £0.1m for EU Exit Preparation. Requests for the allocation of the additional grants received are detailed in **Table 1**.
8. Business Rates Tax Loss Compensation grants of £8.4m have also been received during 2019/20 to reimburse billing authorities for the extra discounts offered to businesses. However, £3.6m will be used to fund services as per the MTFS February 2019 and the remaining amount will be transferred to the Collection Fund Management earmarked reserve at year end.
9. **Table 2** below provides a summary of the updated budget position for grants in 2019/20 by type and service. Further details of grants are shown in **Table 3** Corporate Grants Register.

Table 1 – Requests for Allocation of Additional Grant Funding

Service	Type of Grant	£000	Details
People – Children & Families	Tackling Troubled Families Grant (General Purpose)	100	<p>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.</p> <p>In June 2013, the Government announced plans to expand the Troubled Families Programme for a further five years from 2015/16 and to reach up to an additional 400,000 families across England. £200 million has been committed to fund the first year of this five year programme. This increased investment is testament to the Government's ongoing commitment to improve the lives of troubled families and as this work is taken to a significantly greater scale, to transform local public services and reduce costs for the long-term.</p>
People – Children & Families	Extended Rights to Free Transport (General Purpose)	162	The Department for Education provides additional transport funding to local authorities to support children from low-income families to be able to attend schools further from home than the statutory walking distances. The funding is paid as a non-ring-fenced grant paid via the Department for Communities and Local Government under the Local Services Support Grant (section 31 of the Local Government Act 2003).
People – Children & Families	Staying Put Implementation (General Purpose)	117	The purpose of the grant is to provide support for local authorities in England for expenditure incurred or to be incurred by them, in respect of a young person aged 18 and their former foster carer, who wish to continue living together in a 'Staying Put' arrangement. For the purposes of this grant 'young person' means a former relevant child who was looked after immediately prior to their 18 th birthday. This supported arrangement can continue until the young person's 21 st birthday.

Service	Type of Grant	£000	Details
People – Adult Social Care & Health	Controlling Migration Fund (General Purpose)	21	Funding has been granted to provide new ESOL classes in four primary schools for migrant parents, recruitment of five part time bi-lingual Community liaison officers to work within schools and help the local community access services, establish homework clubs in four primary schools to help mitigate poor performance, and for 1,000 Information Packs to be printed and disseminated to the schools in Crewe as a resource for parents.
Corporate	Local Authority EU Exit Preparation (General Purpose)	105	The funding will be used to support Risk and Business Continuity in line with CPC self-assessment. Work plans will be produced to evidence this activity and also Brexit / EU support preparations once identified. £20,000 of funding will be utilised for training and the remaining funding will be used to support officer costs and other activity to support Business Continuity, Risk and Brexit activity.
Corporate	Business Rates Retail Discount New Burdens (General Purpose)	9	Software upgrade and process administration (Business Rates)
Corporate	Individual Electoral Registration (General Purpose)	142	The funding is to be used on activities associated with the Individual Electoral Registration (IER) service within the Elections area.
Total Allocation 2019/20		656	

Table 2 - Summary of Grants

	Original Budget	Revised Forecast MYR	Change
	2019/20 £m	2019/20 £m	2019/20 £m
SPECIFIC USE			
Held within Services	249.7	244.9	(4.8)
GENERAL PURPOSE			
<u>Service Funding</u>			
People - Childrens & Families	0.2	0.6	0.4
People - Adult Social Care and Health	3.7	3.7	0.0
Place	0.1	0.1	0.0
Corporate - Customer Operations	1.6	1.6	0.0
Corporate	9.3	9.6	0.3
Central Items	0.0	8.4	8.4
TOTAL GENERAL PURPOSE	14.9	24.0	9.1
TOTAL GRANT FUNDING	264.6	268.9	4.3

Table 3 – Corporate Grants Register

Corporate Grants Register 2019/20		Original Budget	Revised Forecast	Change from Original Budget	SRE / ODR / Balances
		2019/20 £000	2019/20 £000	2019/20 £000	
	Note				Notes 2 & 3
SPECIFIC USE (Held within Services)					
PEOPLE					
Schools	1	149,481	144,216	(5,265)	
Children & Families		1,732	1,674	(58)	
Adult Social Care		12,675	12,690	15	
Public Health		15,967	15,967	0	
Public Sector Transformation		0	410	410	
Total		179,855	174,957	(4,898)	
PLACE					
Growth and Regeneration		652	652	0	
Planning and Sustainable Development		220	300	80	
Directorate		787	787	0	
Total		1,659	1,739	80	
CORPORATE					
Customer Operations		68,211	68,211	0	
Total		68,211	68,211	0	
TOTAL SPECIFIC USE		249,725	244,907	(4,818)	

Corporate Grants Register 2019/20		Original Budget	Revised Forecast MYR	Change from Original Budget	SRE / ODR / Balances
	Note	2019/20 £000	2019/20 £000	2019/20 £000	Notes 2 & 3
People - Children and Families					
Tackling Troubled Families		110	295	185	SRE
Troubled Families - Co-ordinator		85	0	(85)	
Staying Put Implementation Grant		0	117	117	SRE
Extended Rights to Free Transport (Home to School Transport)		0	162	162	SRE
Extended Personal Adviser Duty Implementation		0	28	28	SRE
People - Adult Social Care and Health					
Social Care Support Grant		2,478	2,478	0	
Independent Living Fund		861	861	0	
Local Reform and Community Voices		207	207	0	
Social Care in Prisons		73	73	0	
War Pension Scheme Disregard		60	60	0	
Controlling Migration Fund		0	21	21	SRE
Place					
Lead Local Flood Authorities		16	16	0	
Homelessness Reduction Act - new burdens		47	47	0	

Corporate Grants Register 2019/20		Original Budget	Revised Forecast MYR	Change from Original Budget	SRE / ODR / Balances
	Note	2019/20 £000	2019/20 £000	2019/20 £000	Notes 2 & 3
Corporate - Customer Operations					
Housing Benefit and Council Tax Administration		1,027	1,027	0	
NNDR Administration Allowance		571	571	0	
Corporate					
New Homes Bonus		9,328	9,328	0	
Individual Electoral Registration 2019/20		0	142	142	SRE
Local Authority EU Exit Preparation		0	105	105	SRE
Retail Discount		0	9	9	SRE
Central Items					
Business Rates 2019/20 Tax Loss Compensation Payment		0	4,841	4,841	Reserves
Business Rates 2019/20 Tax Loss Compensation Payment		0	3,573	3,573	General Fund
Total Service Funding		14,863	23,961	9,098	
TOTAL GENERAL PURPOSE		14,863	23,961	9,098	
TOTAL GRANT FUNDING		264,588	268,868	4,280	

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. This is for extra expenditure budget as a result of the additional grant received.
- 3 ODR - Officer Decision Record to approve immediate budget change to relevant service.

Appendix 3

Debt Management

1. Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has increased by £671,000 since the beginning of the year.
2. Annually, the Council raises invoices with a total value of over £70m. 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.
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. 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). In 2018/19 the team collected £2.4m on behalf of services.
5. After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of July 2019 was £9.4m.

6. The total amount of service debt over six months old is £5.1m; provision of £5.5m 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	Debt Provision £000
People			
Adults, Public Health and Communities	6,303	3,306	3,726
Children's Social Care (Incl. Directorate)	203	178	178
Education and 14-19 Skills	61	3	3
Prevention and Early Help	13	11	11
Schools	27	22	-
Place			
Highways and Infrastructure	1,578	1,002	1,002
Growth and Enterprise	647	270	270
Environment and Neighbourhood Services	327	277	277
Corporate			
Finance and Customer Services	10	10	10
Governance and Compliance	-	-	-
Transformation	236	9	9
	9,405	5,088	5,486

Appendix 4

Capital Strategy

Contents

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Table 1: Financial Parameters for 2019/20 to 2021/22

Parameter	Value (£m)			Notes
	2019/20	2020/21	2021/22	
Repayment of Borrowing				
Minimum Revenue Provision*	9.7	11.9	13.5	
External Loan Interest	4.5	5.1	4.8	
Investment Income	(1.0)	(0.9)	(0.9)	
Contributions from Services Revenue Budgets	(1.4)	(2.2)	(2.2)	
Total Capital Financing Costs	11.8	13.9	15.2	
Use of Financing EMR	(0.0)	(1.9)	(1.2)	
Actual CFB in MTFS	11.8	12.0	14.0	
*Capital Receipts targets	7.2	3.0	3.0	
Flexible use of Capital Receipts	2.0	1.0	0	

* CFB – Capital Finance Budget

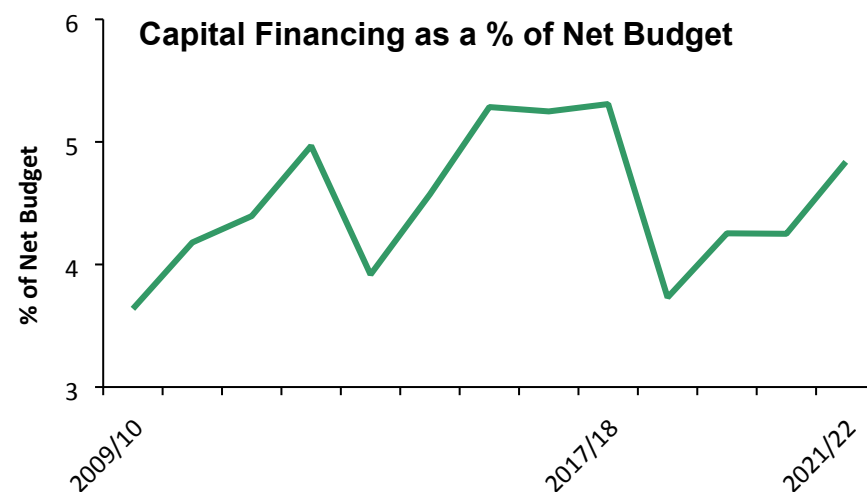
**Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

- 1.1 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.

- 1.2 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.



- 1.3 The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is shown in Annex G. 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.

- 1.4 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 5** of this report.
- 1.5 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

- 1.6 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).
- 1.7 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.
- 1.8 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.

- 1.9 The Council's strategy is to use revenue contributions of £5.8m over the next three financial years to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £2.7m contribution from schools towards the schools transformation programme; £1.4m from Highways Street Lighting for the upgrade to LED lighting; and £0.3m from ESAR for the improvements to the Council's leisure facilities.

Use of Financing Earmarked Reserve

- 1.10 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.
- 1.11 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any under or overspending of 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.
- 1.12 The Council's current strategy is to draw-down up to £3.1m from the Financing Earmarked Reserve for the period 2019/20 to 2021/22.

Capital Programme - Mid Year Review Position

- 1.13 Since the Medium Term Financial Strategy was approved in February 2019 the Capital Programme has increased by £68.1m for the next three year period.
- 1.14 The main changes for the increase are carry forwards (slippage) from the previous year of £45.2m, transfers to and from the addendum of £14.4m and supplementary capital

estimates of £8.8m. **Table 2** below shows a summary of the changes.

Table 2: Summary Capital Programme

	MTFS Budget	C/F from 2018/19	SCEs/ Virements in Quarter	Transfers to/from Addendum	Budget Reductions/ at MYR	SCEs/ Virements at MYR	Revised MYR Budget
	2019/22 £m	2019/22 £m	2019/22 £m	2019/22 £m	2019/22 £m	2019/22 £m	2019/22 £m
People Directorate	46.1	(0.1)	0.2	-	-	1.0	47.2
Place Directorate	384.4	44.3	0.9	14.4	(0.6)	1.9	445.3
Corporate Directorate	54.4	1.0	-	-	-	5.1	60.5
	484.9	45.2	1.1	14.4	(0.6)	8.0	553.0

1.15 The Place Directorate had the largest amount of slippage within their programme of £44.3m and this was namely in the Strategic Highways, Strategic Site Development and the Strategic Acquisitions programme areas. The funds for the acquisition of the site at Weston Road, Crewe was approved prior to the 1 April 2019 but the sale did not complete until the 2 April and so £20m was carried forward as part of the £44.3m in to the new financial year.

1.16 The main transfers from the addendum were £8.4m for the Crewe HS2 Hub and £6.6m for two leisure centre redevelopments in Nantwich and Poynton. There were two transfers from the main programme back on to the addendum totalling £2.5m which relate to schemes that are currently awaiting a funding strategy and a detailed business case. These changes are shown in **Annex F**.

1.17 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 **Annex A**.

1.18 **Annex B** details requests of Supplementary Capital Estimates (SCE) up to and including £500,000 and Capital Virements up to and including £1,000,000 approved by delegated decision which are included for noting purposes only.

1.19 **Annex C** details requests of Supplementary Capital Estimates (SCE) up to and including £1,000,000 and Capital Virements up to and including £5,000,000 to be approved by Cabinet. The most notable virement is for £4.8m for the Best for Business Programme where additional funds are required to enable the project to complete. The budget will be vired from within the Council's existing approved capital budgets.

1.20 **Annex D** details requests of Supplementary Capital Estimates (SCE) over £1,000,000 to be approved by full Council. There is a Supplementary Capital Estimate of £5.1m to take in to account the share of the costs from our partner Cheshire West and Cheshire Council on the Best for Business Project which increases the overall budget to cover the revised project costs.

1.21 The increased budget for the Best4Business Project is based on estimated forecasts as the project is currently under review and is in the stage of being reset. As this is a joint project with Cheshire West and Chester Council the capital project reflects the total cost. The contribution from Cheshire West and Chester is therefore shown as a supplementary capital estimate as it is fully funded.

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

1.23 As part of the mid year review and to provide as much up to date information as possible on future capital projects that are

listed on the Addendum we have now included the estimated full scheme costs for the Crewe HS2 Hub project. This amounts to £280m and will be funded by our partners on the project.

1.24 The Council's HS2 Programme seeks to capitalise on the once in a life time opportunity that Government's planned investment in a new UK high speed rail network, including the Crewe hub station, offers to Crewe and the wider borough. The right HS2 services, together with investment in the station, its surrounding environs and the local transport network can bring step-change prosperity to the town and unlock wider economic and transport benefits across Cheshire East.

1.25 This Programme is seeking to gain leverage from HS2 and Network Rail works in and around Crewe station to enable HS2 services from 2027 by working in collaboration with Government, Network Rail, HS2, Transport for the North and Cheshire and Warrington LEP to utilise the opportunity to deliver an enhanced Crewe station and regeneration of its environs and a new northern junction supporting 5 HS2 services per hour south and 7 per hour north. This step-change in connectivity and coordinated investment in regeneration and the local transport network can deliver significant benefits to local residents and plan led new investment in the area.

1.26 Table 3 shows the revised Addendum programme. There has been an £8.3m increase within the addendum for the Place Directorate which includes the full estimated costs of the A500 Dualling scheme. The main programme currently has an approved budget of £6.5m for the A500 Dualling scheme and this additional request takes the total scheme cost up to £68.7m as reported in the 9 July Cabinet report. This remaining allocation will remain on the addendum until the Council receives confirmation from the Department of Transport that the Outline Business Case has been approved and the grant has been released.

Table 3 - Addendum 2019/20 - 2021/22				
	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000	Total Budget 2019-22 £000
Addendum				
People	1,161	0	0	1,161
Place	11,626	62,940	332,233	406,799
Corporate	3,075	3,891	1,750	8,716
Total Addendum	15,862	66,831	333,983	416,676

1.27 **Annex F** shows the movements from and to the Capital Addendum since the Medium Term Financial Strategy was approved in February 2019.

Annex A: Mid Year Review Update

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2019/20 - 2021/22

	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Total Forecast 2019-22 £000
Committed Schemes - In Progress				
People	10,361	12,601	1,580	24,542
Place	120,013	91,620	81,995	293,628
Corporate	17,806	13,951	28,698	60,455
Total Committed Schemes - In Progress	148,180	118,172	112,273	378,625

CAPITAL PROGRAMME 2019/20 - 2021/22

	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Total Forecast 2019-22 £000
New Schemes				
People	3,951	13,174	5,600	22,725
Place	22,960	55,870	72,749	151,579
Corporate	20	0	0	20
Total New Schemes	26,931	69,044	78,349	174,324
Total	175,111	187,216	190,622	552,949

CAPITAL PROGRAMME 2019/20 - 2021/22

	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Total Forecast 2019-22 £000
Funding Requirement				
Indicative Funding Analysis: (See note 1)				
Government Grants	80,009	104,545	66,188	250,742
External Contributions	14,755	17,098	45,978	77,831
Revenue Contributions	1,783	256	0	2,039
Capital Receipts	5,500	4,400	4,300	14,200
Prudential Borrowing (See note 2)	73,064	60,917	74,156	208,137
Total	175,111	187,216	190,622	552,949

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 three years 2019-22 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.

Annex B: Delegated Decision - Requests for Supplementary Capital Estimates (SCEs) and Virements

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements			
Supplementary Capital Estimates that have been made up to £500,000			
People - Education and 14-19 Skills	Special Provision Fund Capital Grant	414,202	Additional SEN Special Provision Top Up Grant .
People - Education and 14-19 Skills	Schools Condition Capital Grant	16,382	Alsager Highfields PS - School contribution to safeguardings Works in 2019/20.
People - Education and 14-19 Skills	Schools Condition Capital Grant	5,000	Elworth Hall PS - School contribution to Internal remodelling work 2019/20.
People - Education and 14-19 Skills	Future Years Basic Need Grant	82,432	Increase block allocation budget by re-couping Basic Need Grant allocated to St Johns Primary School which is now being funded by a S106 Contribution.
People - Education and 14-19 Skills	Future Years Basic Need Grant	130,741	Increase block allocation budget by re-couping Basic Need Grant allocated to Sandbach High School which is now being funded by a S106 Contribution.
People - Education and 14-19 Skills	Schools Condition Capital Grant	2,000	Lower Park PS - School contribution to window replacement work 2019/20.
People - Education and 14-19 Skills	Schools Condition Capital Grant	3,313	Rode Heath PS - School contribution to safeguarding work 2019/20.
People - Education and 14-19 Skills	Schools Condition Capital Grant	4,408	Vine Tree PS - School contribution to window replacement work 2019/20
People - Education and 14-19 Skills	Devolved Formula Grant	415,453	Annual Allocation of Devolved Formula Grant 2019/20.
People - Education and 14-19 Skills	Schools Condition Capital Grant	10,000	Wilmslow HS - School contribution to boiler replacement work 2019/20.
People - Education and 14-19 Skills	Early Years Sufficiency Capital Fund	10,000	Additional Grant contribution for 30 hours per week childcare provision

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements			
Supplementary Capital Estimates that have been made up to £500,000			
Place - Growth and Enterprise	Disabled Facilities	314,279	To align the budget with the actual grant confirmed.
Place - Highways and Infrastructure (inc Car Parking)	ALDI, Holmes Chapel	231	To increase the budget for this S278 project to encompass the final costs, for which we have received the fees
Place - Highways and Infrastructure (inc Car Parking)	Welshmans Lane, Nantwich	4,526	To align the budget to the amount of S278 Developer Fees that have been received.
Place - Highways and Infrastructure (inc Car Parking)	Integrated Transport Block	9,000	Additional grant received from Department for Transport than originally estimated in the Medium Term Financial Strategy
Place - Growth and Enterprise	Integrated Transport Block	175,000	
Place - Highways and Infrastructure (inc Car Parking)	Road Safety Schemes Minor Works	10,952	Network Rail London Road, Alderley Edge Road Rail Incursions Contributions. To add the amount to the programme.
Place - Highways and Infrastructure (inc Car Parking)	A6MARR Design Checks & TA	25,808	A6MARR Technical Approvals - External contribution received, needs to be added to the budget so that it is included in the current programme.
Total Supplementary Capital Estimates Requested		1,633,727	

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements			
Capital Budget Virements that have been made up to £1,000,000			
People - Education and 14-19 Skills	Future Years Basic Need Grant	5,000	Transfer back from the Chelford Primary School Basic Need project as the project is now complete and the funds can be re-allocated to new schemes.
People - Education and 14-19 Skills	Brine Leas Academy	50,000	Transfer of £50,000 from the Nantwich Secondary School Planning Area Block allocation to Brine Leas Academy to allow the completion of the scheme.
People - Education and 14-19 Skills	Future Years Basic Need Grant	6,128	Transfer back from the Monks Coppenhall Primary School Basic Need project as the project is now complete and the funds can be re-allocated to new schemes.
People - Education and 14-19 Skills	Future Years Basic Need Grant	206,505	Transfer the budget back to the Future Years Basic Need Block allocation from Mablins Lane (Phase 2) as the scheme is not currently in progress.
People - Education and 14-19 Skills	Schools Condition Capital Grant	18,899	Transfer back from The Dingle Primary School Mobile Replacement project is now complete and the funds can be re-allocated to new schemes.
People - Education and 14-19 Skills	Future Years Basic Need Grant	14,186	Transfer budget back from The Quinta Basic Need Scheme as the project is now complete and the funds can be re-allocated to new schemes.
People - Education and 14-19 Skills	Middlewich High School	4,500	School Contribution to School Managed Scheme from their Devolved Formula Capital allocation
People - Education and 14-19 Skills	Schools Condition Capital Grant	84,950	Contribution from Basic Need Grant to fund additional classroom space at Wilmslow HS
People - Education and 14-19 Skills	Schools Condition Capital Grant	17,000	Contribution from Special Provision Grant to fund accessibility provision at Dean Valley Primary School
People - Education and 14-19 Skills	Schools Condition Capital Grant	156,339	School contribution from their DFC allocation to part fund their successful School Condition Bids 2019/20

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements			
Capital Budget Virements that have been made up to £1,000,000			
Place - Growth and Enterprise	Schools Capital Maintenance	783,000	Schools Capital Condition grant - 2019-20 Schools Condition Programme, that will be delivered by the Facilities Management Team.
Place - Highways and Infrastructure (inc Car Parking)	North-West Crewe Package	120,294	The Hurdsfield Family Centre is now complete therefore the residual budget can be moved to North-West Crewe Package where there is still demand.
Place - Highways and Infrastructure (inc Car Parking)	North-West Crewe Package	202,589	The Hurdsfield Family Centre is now complete therefore the residual budget can be moved to North-West Crewe Package where there is still demand.
Place - Highways and Infrastructure (inc Car Parking)	Highway Maintenance Minor Wks	8,474	The Asset Management Invest 2 Save project has now reached the end of its three year programme. Any residual costs are now being coded to the Highways Maintenance Minor works project, therefore, the budget remaining is to be moved to the same place.
Place Client Commissioning - Environmental	Restoration of South Park Lake	31	Contribution from the Parks Development Fund to meet additional expenditure on the sourcing and planting of established reed rhizomes.
Place Client Commissioning - Environmental	Household Bins Schemes	50,000	Additional funding to replace bins that are either damaged or reaching the end of their useful life.
Place Client Commissioning - Environmental	Improvements at Cledford Lane	950,000	Energy efficiency improvements at Cledford Lane.
Total Capital Budget Virements Approved		2,677,895	
Total Supplementary Capital Estimates and Virements		4,311,622	

Annex C: Delegated Decision - Requests for Supplementary Capital Estimates (SCEs) and Virements

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to approve the Supplementary Capital Estimates and Virements			
Supplementary Capital Estimates above £500,000 up to and including £1,000,000			
People - Education and 14-19 Skills	Devolved Formula Grant	628,195	Additional Top Up DFC Grant received for 2018/19.
Place - Highways and Infrastructure (inc Car Parking)	Highway Investment Programme DFT Grant	533,171	To increase budget to incorporate the Pothole fund of £533,000 received from the Department of Transport.
Total Supplementary Capital Estimates Requested		1,161,366	
Capital Budget Virements above £1,000,000 up to and including £5,000,000			
Corporate - Finance and Customer Services	Best4Business	4,830,000	Virement from Strategic Capital Project to complete the B4B project.
Total Capital Budget Virements Requested		4,830,000	
Total Supplementary Capital Estimates and Virements		5,991,366	

Annex D: Requests for Supplementary Capital Estimates (SCEs) and Virements

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to request Council to approve the Capital Virements and SCEs			
Corporate - Finance and Customer Services	Best4Business	5,130,000	To increase the budget to include the amount to be contributed by Cheshire West & Chester
Total Supplementary Capital Estimates and Virements		5,130,000	

Annex E: Capital Budget Reductions

Service	Capital Scheme	Approved Budget £	Revised Approval £	Reduction Reason and Funding Source £
Cabinet are asked to note the reductions in Approved Budgets				
People - Education and 14-19 Skills	Schools Condition Capital Grant - 2019/20 Estimated Grant	1,864,238	1,816,862	47,376 Reduce Grant Allocation to reflect actual grant to be received in 2019/20
Place - Environment & Neighbourhood Services	Lanark Walk Play Area and Open Space	16,837	15,134	1,703 Project is now complete.
Place - Environment & Neighbourhood Services	Parks Development Fund	642,782	627,881	14,901 Budget no longer required.
Place - Highways and Infrastructure (inc Car Parking)	Winter Service Facility	1,400,000	800,000	600,000 The £1.4m budget is made up of £0.8m Cheshire East and £0.6m Ringway Jacobs contribution. The amount that Ringway are paying for will not go through Cheshire East's books, therefore we will not get the income and do not need to show this as budget. The £0.8m spend will be assessed and profiled.
Place - Highways and Infrastructure (inc Car Parking)	Windsor Place, Congleton	5,000	4,250	750 Budget reduced in line with S278 fee refund for a project that has now been adopted.
Place - Growth and Regeneration	Premises Capital (FM)	28,544,274	28,541,238	3,036 Nantwich Almshouses Trust contribution to replacement of heating pipework reduced.
Total Capital Budget Reductions		32,473,131	31,805,365	667,766

Annex F: Transfers from and to the Capital Addendum

Service	Capital Scheme	Amount Transferred Outturn £	Reason / Comment
Budgets Transferred from the Addendum to the Main Capital Programme			
Place - Highways and Infrastructure (inc Car Parking)	HS2 Crewe Hub	(3,950,000)	Transferred to current programme
Place - Highways and Infrastructure (inc Car Parking)	HS2 Crewe Hub	(4,463,000)	Transferred to current programme
Place - Highways and Infrastructure (inc Car Parking)	Winter Service Facility	(1,400,000)	This was transferred to the current programme in 2018/19
Place - Highways and Infrastructure (inc Car Parking)			
Place - Growth and Enterprise	Gypsy and Traveller Sites	(109,000)	Transferred to current programme
Place - Growth and Enterprise	Strategic Acquisitions (Commercial Properties)	(22,300,000)	This was transferred to the current programme in 2018/19
Place - Client Commissioning Leisure	Congleton Leisure Centre	(1,800,000)	Transferred to current programme
Place - Client Commissioning Leisure	Nantwich Pool & Barony Sports Park	(2,000,000)	Transferred to current programme
Place - Client Commissioning Leisure	Poynton Leisure Centre Redevelopment	(4,600,000)	Transferred to current programme
Corporate - ICT	Place ICT System Procurement	(20,000)	This was transferred to the current programme in 2018/19 for Agile APAS Planning System
Total Budgets Transferred to Main Capital Programme		(40,642,000)	

Service	Capital Scheme	Amount Transferred Outturn £	Reason / Comment
Capital Budget added to the Addendum			
People - Education and 14-19 Skills	Ash Grove Primary School	226,267	Childcare Sufficiency Programme - school expansion - awaiting grant confirmation from the DfE before approval in to the main capital programme.
People - Education and 14-19 Skills	Beechwood Primary School	700,723	Childcare Sufficiency Programme - school expansion - awaiting grant confirmation from the DfE before approval in to the main capital programme.
Place - Highways and Infrastructure (inc Car Parking) A500 Dualling Scheme		8,300,000	Awaiting notification from the Department of Transport that the Outline Business Case has been approved and the grant has been released before approval to the main capital programme.
Total Capital Budget added to the Addendum		9,226,990	
Capital Budgets transferred from the Main capital Programme to the Addendum			
Place - Highways and Infrastructure (inc Car Parking) Middlewich Southern Link OBC		2,500,000	This has been transferred back to the Addendum, as the funding is no longer external, most likely to be Cheshire East.
Place - Growth and Regeneration	Hollins View	25,000	This building has now been demolished. £5,000 has been left against the project for retention costs.
Total Capital Budget Transferred to the Addendum		2,525,000	
Net Change to the Addendum		(28,890,010)	

Annex G: Prudential Indicators revisions to: 2018/19 and 2019/20 – 2021/22, and future years

Background

- 1.28 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

- 1.29 In 2019/20, the Council is planning capital expenditure of £175.1m as summarised below.

Capital Expenditure	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	Future years £m
Total	96.8	175.1	187.2	129.9	60.7

Capital Financing

- 1.30 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	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	Future years £m
Capital receipts	6.2	7.2	3.0	3.0	3.0
Government Grants	48.2	80.0	104.5	54.5	11.7
External Contributions	5.7	14.8	17.1	19.0	27.0
Revenue Contributions	0.6	2.0	0.5	0.0	0.0
Total Financing	60.7	104.0	125.1	76.5	41.7
Prudential Borrowing	36.1	71.1	62.1	53.4	19.0
Total Funding	36.1	71.1	62.1	53.4	19.0
Total Financing and Funding	96.8	175.1	187.2	129.9	60.7

Replacement of debt finance

- 1.31 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	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Total	8.4	9.7	12.5	14.3

Estimates of Capital Financing Requirement

- 1.32 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 £47m

during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows.

Capital Financing Requirement	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Total	328	419	466	507

Asset disposals

- 1.33 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. The Council is currently also permitted to spend capital receipts on service transformation project until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £13.2m of capital receipts from asset sales in the coming financial years as follows.

Capital Receipts	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Asset Sales	6.1	7.2	3.0	3.0
Loans Repaid	0.2	0.2	0.2	0.2
Total	6.3	7.4	3.2	3.2

Gross Debt and the Capital Financing Requirement

- 1.34 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 0.8%) and long-term fixed rate loans where the future cost is known but higher (currently 2 – 3%).

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

Gross Debt and the Capital Financing Requirement	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Borrowing	158	190	193	195
Finance Leases	2	1	1	1
PFI Liabilities	22	22	21	20
Total Debt	182	213	215	216
Capital Financing Req.	328	419	466	507

- 1.36 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

- 1.37 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 £10m at each year end. This benchmark is currently £253m and is forecast to rise to £379m over the next three years.

Borrowing and the Liability Benchmark	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Outstanding Debt	182	213	215	216
Liability Benchmark	124	116	230	287

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

Affordable borrowing limit

- 1.39 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.

	2018/19 limit £m	2019/20 limit £m	2020/21 limit £m	2021/22 limit £m
Authorised Limit for Borrowing	314	406	454	496
Authorised Limit for Other Long-Term Liabilities	24	23	22	21
Authorised Limit for External Debt	338	429	476	517
Operational Boundary for Borrowing	304	396	444	486
Operational Boundary for Other Long-Term Liabilities	24	23	22	21
Operational Boundary for External Debt	328	419	466	507

Investment Strategy

- 1.40 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.
- 1.41 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	31/03/19 Forecast £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Short term	0	0	0	0
Long term	10	10	10	10
Total Investments	10	10	10	10

- 1.42 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 5**.
- 1.43 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.
- 1.44 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Appendix 6**.
- 1.45 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Financing Costs (£m)	10.0	12.0	12.0	14.0
Proportion of net revenue stream %	3.73	4.25	4.25	4.84

1.46 Further details on the revenue implications of capital expenditure are on paragraphs 90-97 of the 2019-22 Medium Term Financial Strategy (**Appendix C**).

1.47 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.

Appendix 5

Treasury Management Strategy

Treasury Management Report

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1. Background

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.3 Investments held for service purposes or for commercial profit are considered in the Investment Report (see **Appendix 6**).

2. External Context

- 1.4 **Economic background:** UK Consumer Price Inflation (CPI) for July 2019 was 2.1% year/year which is higher than expected but still close to the Bank of England's inflation target of 2%. The most recent labour market data for the three months to June 2019 showed the unemployment rate had risen slightly from a low of 3.8% to 3.9% while the employment rate remained high at 76.1%, the joint highest since comparable records began in 1971. The 3-month

average annual growth rate for pay excluding bonuses was 3.9% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.9%.

- 1.5 Quarter on quarter GDP contracted by 0.2% in quarter 2 2019 having grown by 0.5% in quarter 1 although stockpiling ahead of the delayed 29 March Brexit deadline distorting data. The only positive contribution came from services. Production fell by 1.4% in quarter 2 2019, the largest fall in the industry since quarter 4 2012. Manufacturing declined sharply but was probably affected by bringing forward activity into quarter 1 and a decline in car production.
- 1.6 Politics has been a big driver over the last quarter. The 29 March Brexit deadline was extended to 12 April and then to 31 October 2019: there is still no clear consensus as to the terms on which the UK will leave the EU. Theresa May announced her resignation as Prime Minister and leader of the Conservative Party in May with Boris Johnson becoming her successor. The chances of a no-deal Brexit seem to have increased which is reflected in the current low value of sterling.
- 1.7 The struggling British high street has continued to dominate headlines with the Arcadia group being saved from collapse in June following an agreement for rent reductions from landlords. The car industry has also struggled in the UK and beyond with announcements of cuts to 12,000 jobs across Europe by Ford.
- 1.8 With the deterioration in the wider economic environment, compounded by Brexit-related uncertainty and the risk of a no-deal Brexit increasing, the speech by Bank of England Governor Mark Carney in early July signalled a major shift to the Bank's rhetoric and increased the possibility of interest

rate cuts, rather the Bank's erstwhile 'gradual and limited' rate hike guidance.

- 1.9 Globally the tensions between the US and China became progressively more fraught with US President Donald Trump threatening to more than double tariffs on some Chinese goods. There were also moves in both the US and UK to block or restrict access to markets by Chinese telecoms giant Huawei. Amid low inflation and a weak economy in the Eurozone Mario Draghi signalled in late June that another round of stimulus (Quantitative Easing) may be likely. The US and EU have also carved the path for interest rates to be cut in the future.
- 1.10 **Financial Markets:** 2018 was a year to forget in terms of performance of riskier asset classes, most notably equities. However, since the beginning of 2019 markets have rallied, and the FTSE 100 is up over 10% in pure price terms for the first 6 months of the calendar year. Nearly all of these gains were realised in the last quarter of financial year 2018/19, as quarter 1 2019/20 has only seen a modest increase of around 2%.
- 1.11 Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. Gilt yields fell - the 5-year benchmark gilt yield falling to 0.63% at the end of June from 0.75% at the start of April. There were falls in the 10-year and 20-year gilts over the same period dropping from 1.00%

to 0.83% and from 1.47% to 1.35% respectively. Money markets rates stabilised with 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.60%, 0.68% and 0.92% respectively over the period.

- 1.12 Recent activity in the bond markets and Public Works Loan Board (PWLB) interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. The US yield curve inverted (10-year Treasury yields were lower than US 3-month money market rates) in March 2019 and this relationship remained and broadened throughout the period. History has shown that a recession hasn't been far behind a yield curve inversion. Germany sold 10-year Bunds at -0.24% in June, the lowest yield on record. Bund yields had been trading at record lows in the secondary market for some time however, the negative yield in the primary market suggests that if investors were to hold until maturity, they are guaranteed to sustain a loss - highlighting the uncertain outlook for Europe's economy.
- 1.13 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Annex A**.

3. Local Context

- 1.14 As at 31 July 2019 the Authority has borrowings of £131m and investments of £28m. 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

	31/03/18 Actual £m	31/03/19 Actual £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
General Fund CFR	304	330	419	466	518
Less: Other long-term liabilities *	(26)	(26)	(23)	(23)	(21)
Loans CFR	278	304	396	443	497
Less: External borrowing **	(170)	(158)	(104)	(80)	(78)
Internal (over) borrowing	108	146	292	363	419
Less: Usable reserves	(97)	(112)	(90)	(80)	(75)
Less: Working capital	(67)	(86)	(86)	(86)	(63)
Investments (or New borrowing)	56	52	(116)	(197)	(281)

* 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

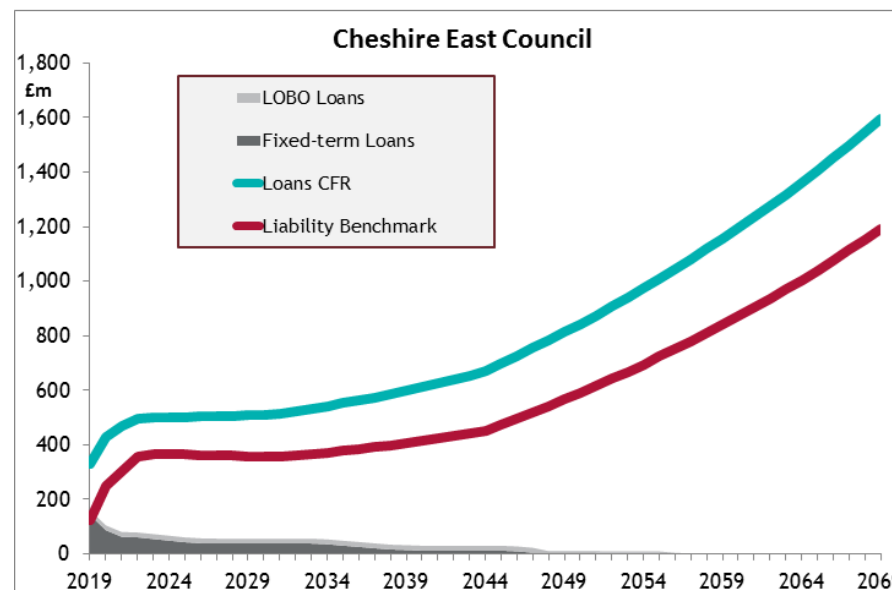
- 1.15 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 1.16 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £193m over the forecast period.
- 1.17 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. **Table 1** shows that the Authority expects to comply with this recommendation during 2019/20.
- 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 £10m at each year-end to maintain a core strategic investment.

Table 2: Liability Benchmark

	31/03/18 Actual £m	31/03/19 Actual £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Loans CFR	278	304	396	443	497
Less: Usable reserves	(97)	(112)	(90)	(80)	(75)
Less: Working capital	(67)	(86)	(86)	(86)	(63)
Plus: Minimum investments	10	10	10	10	10
Liability Benchmark	124	116	230	287	369

- 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 £131m, an increase of £8m since 31 March 2019 and this will increase to a higher level, currently forecast as £176m at 31 March 2020. PWLB debt is reducing by £6m per year whilst cash flow shortfalls caused by internal borrowing and prepayment of the pension fund deficit is being funded through cheaper short term borrowing.
- 1.21 At the moment this is being be met by temporary borrowing from other Local Authorities which is considerably cheaper than other sources of borrowing.

Generally this is on a one to three month basis but with some extending into 2020/21 to keep within maturity profile limits. The cost (including fees) to 31 July 2019 is around 0.97%. If the predicted interest environment changes or the availability of temporary borrowing reduces then this strategy will be re-assessed. A full list of current temporary borrowings is shown below in Table 3.

Table 3 – Current Temporary Borrowing

Lender	Start	Maturity	Rate %	£m
Tameside	05/03/19	05/05/20	1.15	5.0
Derbyshire	15/03/19	24/04/20	1.20	10.0
Lincolnshire	15/03/19	15/04/20	1.15	5.0
Warwickshire	07/05/19	30/08/19	0.70	10.0
Erewash	28/06/19	27/09/19	0.71	1.0
Neath Port Talbot	01/07/19	08/08/19	0.70	5.0
Erewash	26/07/19	28/10/19	0.73	1.0
Newport City	19/07/19	19/08/19	0.60	3.0
Vale of Glamorgan	31/07/19	30/08/19	0.56	3.0
TOTAL				43.0

- 1.22 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**.

- 1.23 **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 2019/20, 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

- 1.24 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 £10m invested strategically in managed funds, the investments are generally short term for liquidity purposes. However, in July investment balances were higher than expected rising to £59m following the receipt of grant funding for Highways capital schemes. The level has since dropped to £28m and is forecast to remain around an average of £20m for the remainder of 2019/20.
- 1.25 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.

1.26 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 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 with a limit of 50% of total investments per fund. There is also a maximum that can be invested in all Money Market Funds at any one time of £50m. Due to their smaller size, unrated Building Societies have a limit of £1m each.

1.27 Treasury Management income to 31 July 2019 is £210,000 which is higher than the budgeted £147,000. Offsetting this are increased borrowing costs (currently £94,000 higher than budget). The level of cash balances is expected to fall from January 2020 in line with normal Local Authority cash flows which results in a continued need to borrow.

- The average daily investment balance including managed funds up to 31 July 2019 is £28.3m
- The average annualized interest rate received on in-house investments during 2019/20 is 0.76%
- The average annualized interest rate received on the externally managed funds during 2019/20 is 4.90%

1.28 The Authority's total average interest rate on all investments in 2019/20 is 2.21%. The returns continue to exceed our benchmark, the London Inter-bank Bid Rate for 7 days at 0.70%, and our own performance target of 1.25% (Base Rate + 0.50%)

Table 4 – Interest Rate Comparison

Comparator	Average Rate to 31/07/2019
Cheshire East	2.21%
LIBID 7 Day Rate	0.70%
LIBID 3 Month Rate	0.75%
Base Rate	0.75%
Target Rate	1.25%

1.29 As the Authority holds a large amount of reserves and working capital, consideration is being given to increasing the level of strategic investments in order to benefit from higher income returns whilst spreading risk

across different asset classes. The current strategic investments are £7.5m in a property fund managed by CCLA and £2.5m in a multi-asset fund managed by Kames.

- 1.30 The value of these investments does vary and factors such as Brexit uncertainty, global trade disputes, etc do have a bearing on the underlying value. As at 31 July 2019 these funds had a net asset value of £10.7m, an increase of £650,000 since the initial investment.

Chart 2 – Current Investments by Counterparty Type

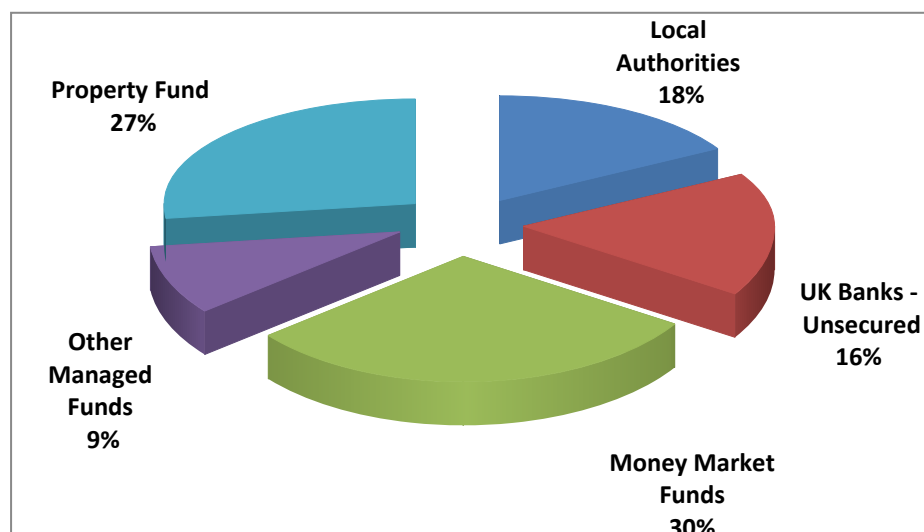


Table 5 – Types of Investments and Current Interest Rates

Instant Access Accounts	Average Rate %	£m
Money Market Funds	0.75	8.4
Barclays Bank	0.30	0.5

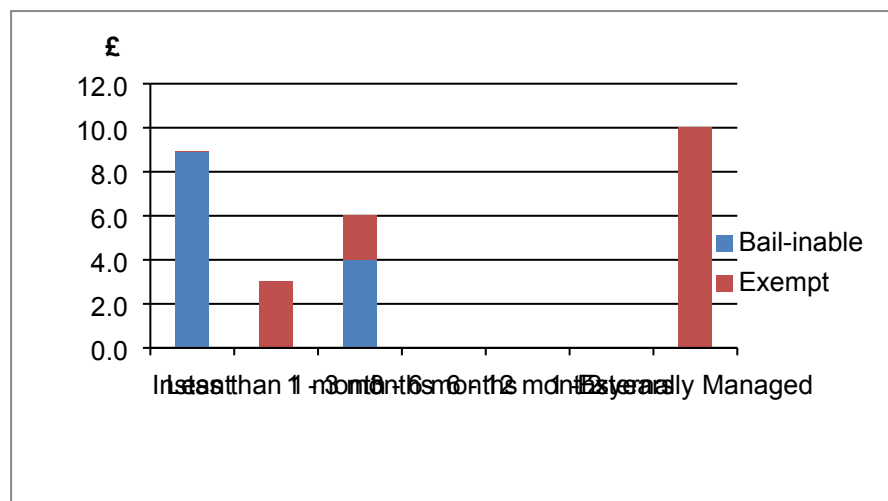
Call Accounts	Earliest Maturity	Rate %	£m
Santander – 95 day	19/11/19	1.00	3.0

Fixed Deposits	Start	Maturity	Rate %	£m
National Counties Bldg Society	10/07/19	18/10/19	0.92	1.0
Cornwall County Council	12/07/19	12/08/19	0.70	3.0
Rugby Borough Council	29/07/19	29/10/19	0.75	2.0

Externally Managed Funds	£m
Property Fund	7.5
Multi Asset Income Fund	2.5

Summary of Current Investments	£m
TOTAL	27.9

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	£410,000
Likely revenue impact in 2019/20 of a 1% rise in interest rates after 31 st July 2019	£304,000

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 2019/20 so a fall in rates would lead to savings rather than incurring additional cost so a limit of £0 was set.

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 31 July 2019 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	50%	34%
12 months and within 24 months	25%	18%
24 months and within 5 years	35%	2%
5 years and within 10 years	50%	2%
10 years and within 20 years	100%	16%
20 years and above	100%	28%

- 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. This will be kept under review as it does increase the risk of higher financing

costs in the future but may currently be limiting ability to take advantage of lower short term rates.

- 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	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£25m	£15m	£10m
Actual amounts committed beyond year end	£0m	£0m	£0m

Annex A: Economic & Interest Rate Forecast

Underlying assumptions:

- Having increased interest rates by 0.25% in November 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) is now expected to maintain Bank Rate at this level for the foreseeable future. There are, however, upside and downside risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy.
- With the downside risks to the UK economy growing, the recent fall in GDP and little likelihood of current global trade tensions being resolved imminently and global growth recovering soon thereafter, our treasury advisor Arlingclose's central forecast is for that the Bank of England's MPC will maintain Bank Rate at 0.75% but will stand ready to cut rates should the Brexit process engender more uncertainty.
- While employment growth has softened, the labour market remains tight. Pay growth has risen to its highest since 2008. Productivity growth has remained weak which has led to unit labour cost growth which raises domestic inflationary pressures.

Forecast:

- With the Governments stated intention to leave the EU on 31 October 2019 with or without a deal there is now increased likelihood of the Bank of England's MPC cutting interest rates.
- Gilt yields have fallen to recent lows. Resolution of global political uncertainty would see yields rise but volatility arising from both economic and political events continue to offer longer-term borrowing opportunities for those wanting to lock in some interest rate certainty.

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market rate													
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.35	0.50	0.55	0.55
Arlingclose Central Case	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Downside risk	0.10	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
1yr money market rate													
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.35	0.40	0.50	0.50
Arlingclose Central Case	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
Downside risk	0.30	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
5yr gilt yield													
Upside risk	0.20	0.20	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.45	0.50	0.50	0.50
Arlingclose Central Case	0.60	0.60	0.65	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
10yr gilt yield													
Upside risk	0.20	0.20	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.45	0.50	0.50	0.50
Arlingclose Central Case	0.85	0.90	0.95	1.00	1.00	1.00	1.00	1.05	1.10	1.15	1.20	1.20	1.20
Downside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40
20yr gilt yield													
Upside risk	0.20	0.20	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.45	0.50	0.50	0.50
Arlingclose Central Case	1.40	1.40	1.40	1.45	1.45	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Downside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.20	0.20	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.45	0.50	0.50	0.50
Arlingclose Central Case	1.35	1.35	1.35	1.35	1.35	1.40	1.40	1.45	1.45	1.45	1.45	1.45	1.45
Downside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Annex B: Existing Investment & Debt Portfolio Position

	31/07/19 Actual Portfolio £m	31/07/19 Average Rate for the year %
External Borrowing:		
PWLB – Fixed Rate	68	4.26%
Local Authorities	43	0.98%
LOBO Loans	17	4.63%
Other	3	-
Total External Borrowing	131	3.23%
Other Long Term Liabilities:		
PFI	22	-
Finance Leases	2	-
Total Gross External Debt	155	-
Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	9	0.75%
Call Accounts	3	1.00%
Fixed Term Deposits	6	0.75%
<i>Managed externally</i>		
Multi Asset Fund	2	6.15%
Property Fund	8	4.47%
Total Investments	28	2.23%
Net Debt	127	-

Appendix 6

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 The investment strategy meets the requirements of the statutory guidance issued by MHCLG in February 2018, and focuses on the second and third of the investment categories.

2. Treasury Management Investments

- 1.4 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 is expected to fluctuate between £10m and £59m during the 2019/20 financial year.
- 1.5 Full details of the Authority's policies and plans for 2019/20 for treasury management investments are covered the Treasury Management Strategy (**Annex 5**).

3. Service Investments: Loans

- 1.6 Loans have been provided to Everybody Sport & Recreation for the purpose of investing in new equipment, with the aim of increasing the usage of leisure centres and improving the health of residents.
- 1.7 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.

- 1.8 In addition, the Council has committed to investing £5m (and lent £3.1m as at August 2019) 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 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.
- 1.9 Upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £'000

Category of borrower	31/03/19 Actual	As at 31/08/19			2019/20
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	1,800
Suppliers	24	24	1	23	100
Local businesses	4,679	4,679	54	4,625	10,000
Local charities	679	668	42	626	2,000
TOTAL	5,382	5,371	97	5,274	13,900

- 1.10 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. 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

- 1.11 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 (MSP; 39% shareholder). As part of the arrangement, the Council also invested in MSP, taking a 3% equity stake.
- 1.12 The Council also has shares in its subsidiary, wholly owned companies. However they are of nominal value, and consequently whilst the turnover of the group of companies is significant (£60m in aggregate) the share values are not considered material in the context of this Investment Strategy.
- 1.13 Upper limits on the sum invested in each category of shares have been set as follows:

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

Category of company	31.3. 2019 actual	As at 31/08/2019			2019/20
		Amounts invested	Gains or losses	Value in accounts	Approved Limit (cost of investment)
Local Businesses	5,952	1,809	4,143	5,952	5,000
TOTAL	5,952	1,809	4,143	5,952	5,000

5. Commercial Investments: Property

- 1.14 Note that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.
- 1.15 On 2 April 2019 the Council purchased land and buildings on the North and East side of Weston road in Crewe for £21m.

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

Property	Actual	31/03/19 actual		31/03/20 expected		2019/20 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	907	0	1,443	0	1,443	
Enterprise Centres	770	0	1,297	0	1,297	
Retail	23,350	0	4,370	0	25,370	
Residential	600	0	675	0	675	
Total	25,627	0	7,785	0	28,785	32,100

6. Commercial Investments: Loans

- 1.16 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

Category of borrower	2019/20
	Approved Limit £000

Partner Organisations	30,000
-----------------------	--------

7. Loan Commitments and Financial Guarantees

- 1.17 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 due to commence in 2019/20. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

8. Proportionality

- 1.18 The Authority is only partially dependent on profit generating investment activity to achieve a balanced revenue budget, in respect of Place services. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority's contingency plans for continuing to provide these services include effective budget management and tight cost control.

Table 4: Proportionality of Investments in £'000

	2017/18 Actual	2018/19 Actual	2019/20 Budget	2020/21 Budget	2021/22 Budget
Gross service expenditure - Directorate Level	72,555	77,367	77,325	78,216	80,516
Investment income	(1,684)	(2,298)	(2,236)	(2,486)	(2,486)
Proportion	2%	3%	3%	3%	3%

NB: The proportion is the investment income divided by the gross service expenditure

9. Borrowing in Advance of Need

- 1.19 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.

10. Capacity, Skills and Culture

- 1.20 The Authority has established an Investment Strategy Board comprised of members, supported by officers and where necessary, external advisors, 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.

- 1.21 The Board is made up of the following individuals:
- The Leader of the Council (Chair)
 - Portfolio Holder for Finance, ICT & Communication
 - Portfolio Holder for Environment & Regeneration
- 1.22 Support is provided by:
- S151 Officer
 - Monitoring Officer
 - Executive Director Place
 - Head of Assets

11. Investment Indicators

- 1.23 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.
- 1.24 **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	31/08/19 Actual	31/03/20 Forecast	31/03/21 Forecast
Treasury management investments	28,827	10,000	10,000
Service investments: Loans	5,382	5,728	5,594
Service investments: Shares	5,952	3,880	5,000
Commercial investments: Property	28,785	28,785	19,000
Commercial Investments : Loans	0	0	30,000
TOTAL INVESTMENTS	68,946	48,393	69,594
Commitments to lend	1,897	1,485	1,485
TOTAL EXPOSURE	70,843	49,878	71,079

- 1.25 **How investments are funded:** Currently the Authority's investments are funded by usable reserves and income received in advance of expenditure.
- 1.26 However in 2019/20 there is a possibility if the Authority decides to increase its investments in commercial properties and loans that they may require funding from borrowing.

Table 6: Investments funded by borrowing in £'000

Investments funded by borrowing	31/03/18 Actual	31/03/19 Actual	31/03/20 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	32,000
Commercial Investments : Loans	0	0	30,000
TOTAL FUNDED BY BORROWING	0	0	62,000

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.

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

Investments net rate of return	2018/19 Actual	2019/20 Actual	2020/21 Forecast
Treasury management investments	1.75%	2.00%	2.00%
Service investments: Loans	2.52%	0.23%	0.45%
Service investments: Shares	107.67%	0.00%	0.00%
Commercial investments: Property	6.66%	6.66%	6.66%

1.27 **Rate of return received:** This indicator shows the investment income received less the associated costs,

Appendix 7

Reserves Strategy

Management of Council Reserves

1. The Council's Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.
2. The opening balance at 1 April 2019 in the Council's General Reserves was £10.3m as published in the Council's Statement of Accounts for 2018/19.
3. The updated Risk Assessment for 2019/20 provides for the Minimum Level to increase to £12.0m. This is considered a relatively prudent overall target for reserves at 4.5% of the net budget. The Reserves Strategy for 2019/20 set out a planned contribution from earmarked reserves of £1.7m to the general reserve in 2019/20, which will increase the general reserve to £12m in accordance with the risk assessed level.
4. The Council also maintains Earmarked Revenue reserves for specific purposes. At 31 March 2019 balances on these reserves stood at £45.7m, excluding balances held by Schools.
5. At the end of 2018/19 a central contingency referred to as the MTFs (Medium Term Financial Strategy) Reserve has been created to support in year pressures against the 2019/20 revenue budget. Use of this earmarked reserve will be subject to approval of robust business cases.
6. During 2019/20, an estimated £14.1m will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding.
7. **Table 1** shows the forecast total reserves at the end of March 2020. Overall the Council remains in a strong financial position given the major challenges across the public sector.
8. Details of individual reserves are shown in **Table 2** below.

Table 1 – Reserves Position

	£m
General Reserve	12.0
Earmarked Reserves (excluding Schools)	31.6
Total Reserves Balance at 31 March 2020	43.6

Table 2 – Earmarked Reserves Position

Name of Reserve	Opening Balance 1st April 2019 £000	Movement in 2019/20 £000	Closing Balance 31st March 2020 £000	Notes
People				
Adults, Public Health and Communities				
PFI Equalisation - Extra Care Housing	2,373	131	2,504	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Public Health	627	(96)	531	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.
Communities Investment	110	(110)	0	Amalgamation of promoting local delivery; grant support; new initiatives and additional funding from outturn to support community investment.
Fixed Penalty Notice Enforcement (Kingdom)	31	(31)	0	Surplus Fixed Penalty Notice receipts to be ring-fenced to provide a community fund to address environmental issues.
NHB Community Grants - Staffing	180	(180)	0	To support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects, to be allocated in accordance with local priorities (also see Corporate EMR below).
Children's Services				
Domestic Abuse Partnership	90	(35)	55	To sustain preventative services to vulnerable people as a result of partnership funding.
SALT and OT	128	(128)	0	To support the additional investment into Speech and Language Therapy (SALT) and Occupational Therapy (OT).

Name of Reserve	Opening Balance 1st April 2019 £000	Movement in 2019/20 £000	Closing Balance 31st March 2020 £000	Notes
Place				
Investment (Sustainability)	706	(706)	0	To support investment that can increase longer term financial independence and stability of the Council.
Planning and Sustainable Development				
Trading Standards and Regulations	75	(75)	0	Ongoing Trading Standards prosecution case on product safety.
Air Quality	80	(80)	0	Air Quality Management - DEFRA Action Plan.
Strategic Planning	730	(6)	724	To meet potential costs within the Planning Service and Investment Service Structure.
Licensing Enforcement	17	(17)	0	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Infrastructure and Highways				
Parking - Pay and Display Machines	100	(100)	0	Purchase of Pay and Display Machines.
Highways Procurement	219	(219)	0	To finance the development of the next Highway Service Contract.
Highways Contract	230	(170)	60	To provide for Highways Contract potential liability.
Growth and Regeneration				
Royal Arcade Crewe	500	(500)	0	To provide for future costs relating to the Royal Arcade including repairs an maintenance.
Legal Proceedings on land and property matters	127	(77)	50	To enable legal proceedings on land and property matters.
Skills & Growth	316	0	316	To achieve skills and employment priorities and outcomes.
Housing - Choice Based lettings	57	(57)	0	Housing partner contributions to support the administration of the choice based lettings scheme .
Homelessness & Housing Options	174	(174)	0	To prevent homelessness and mitigate against the risk of increased temporary accommodation costs.
Environmental				
Environment	213	(213)	0	ANSA- mapping maintained assets/new delivery environment.
Hub Project - COI	153	(153)	0	To provide funds associated with the relocation of a depot.

Name of Reserve	Opening Balance 1st April 2019 £000	Movement in 2019/20 £000	Closing Balance 31st March 2020 £000	Notes
Corporate				
Legal Services				
Insurance (Cheshire East & Cheshire County Funds)	5,077	0	5,077	To settle insurance claims and manage excess costs.
Democratic Services				
Elections	352	0	352	To provide funds for Election costs every 4 years.
Finance and Performance				
Collection Fund Management	5,009	1,128	6,137	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	11,539	190	11,729	To provide for financing of capital schemes, other projects and initiatives.
Enabling Transformation (Brighter Futures Transformation Programme)	1,001	(1,001)	0	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.
New Homes Bonus Community Fund	1,000	(1,000)	0	To support Central Government's New Homes Bonus guidance for community projects, to be allocated in accordance with local priorities.
HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System)	450	(450)	0	To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System.
MTFS Reserve	6,426	(5,990)	436	To support the financial strategy and risk management.
Cross Service				
Trading Reserve	2,161	0	2,161	The Authority's share of ASDVs net surplus to be spent in furtherance of the ASDV's objectives.
Revenue Grants - Dedicated Schools Grant	1,596	(2,034)	(438)	Unspent specific use grant carried forward into 2019/20.
Revenue Grants - Other	3,850	(1,952)	1,898	Unspent specific use grant carried forward into 2019/20.
TOTAL	45,697	(14,105)	31,592	

Notes:

1. Figures exclude Schools balances.