



Provisional Financial Outturn 2022/23

July 2023

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

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

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

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

Demand for Council services is increasing, with more individuals and families needing support and services than ever before. This reflects an increase in population but also reflects changes in demographics and the national cost of living increases. This demand has resulted in a provisional outturn of £324.7m against a revised net revenue budget of £318.7m, an overall revenue budget overspend of £6.0m.

The likelihood of this negative outturn emerged through quarterly reporting and reflected the higher than forecast inflation in prices and wages. Within this overall position there was underspending within Place based services and within Corporate Services. The overspending pressure was mostly contained in care services and transport costs.

The Medium-Term Financial Strategy was significantly reviewed in the period November 2022 to January 2023 to respond to the emerging financial issue. The pressures affecting the medium term finances of the Council have been addressed as part of the MTFS process for 2023 to 2027.

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

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

- **Appendix 1** Adults and Health Committee.
- **Appendix 2** Children and Families Committee.
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- **Appendix 4** Economy and Growth Committee.
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- **Appendix 6** Finance Sub-Committee.
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- **Appendix 8** Update to the Treasury Management Strategy.
- **Appendix 9** Update to the Investment Strategy.

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

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2022/23 Provisional Outturn - Financial Position

2022/23 Outturn Review	Revised Budget (NET)	Provisional Outturn	Variance Over / For further information please see (Underspend) the following sections
	£m	£m	£m
Service Directorates			
Adults, Health & Integration	121.7	132.2	10.5 Financial Stability and Appendix 1
Children and Families	78.6	83.8	5.2 Financial Stability and Appendix 2
Place	80.3	79.1	-1.2 Financial Stability and Appendix 4,5,7
Corporate	39.7	39.1	-0.7 Financial Stability and Appendix 3
Central Budgets			
Capital Financing	17.1	17.1	0.0 Appendix 6 - Section 4
Transfer to/(from) Earmarked Reserves	-5.7	-11.7	-6.0 Appendix 6 - Section 5
Corporate Contributions / Central Budgets	-13.0	-14.9	-1.9 Financial Stability
TOTAL NET EXPENDITURE	318.7	324.7	6.0
Business Rates Retention Scheme	-28.3	-28.3	0.0 Financial Stability
Specific Unringfenced Grants	-36.5	-36.6	0.0 Appendix 6 - Section 2
Council Tax	-253.8	-253.8	0.0 Financial Stability
FUNDING	-318.7	-318.7	0.0
NET (SURPLUS) / DEFICIT	0.0	6.0	6.0

Financial Stability

Introduction

1. The Council has a track record of sound financial management. Nevertheless, in common with all UK local authorities the Council finds itself in a position where pressures on the revenue budget are intensifying as a result of rapid inflation, the legacy impact of the Coronavirus pandemic and increasing cost of living pressure on households. These issues have the effect of increasing the demand for services and increasing costs of services.
2. Complexity and market sustainability in Adults' and Children's Social Care remains the most significant financial pressure for the Council in the medium term. Rising inflation in fuel, utilities and wage levels are affecting costs across all services.
3. In March a forecast outturn of £7.7m net overspend was reported at the Corporate Policy Committee (The full report can be found [Corporate Policy Committee 23 March 2022](#))
4. The outturn position is now an overspend of £6.0m. **Table 1** provides a service summary of financial performance and the narratives provide further details in the following paragraphs.

Table 1 - Provisional Revenue Outturn

2022/23 Outturn Review	Revised Budget (NET) £m	Provisional Outturn Over / (Underspend) £m	Change from Third Review Over / £m
Service Directorates			
Adult Social Care	116.5	11.0	2.4
Commissioning	5.2	-0.5	-0.8
Public Health	0.0	0.0	0.0
Adults and Health Committee	121.7	10.5	1.6
Directorate	1.2	-0.6	-0.2
Children's Social Care	46.9	4.7	2.2
Education and 14-19 Skills	22.4	3.0	-0.1
Strong Start, Family Help and Integration	8.0	-1.9	-0.2
Children and Families Committee	78.6	5.2	1.7
Directorate	0.7	-0.1	0.0
Growth and Enterprise	22.3	-1.6	-1.0
Economy and Growth Committee	23.0	-1.8	-0.9
Environment & Neighbourhood Services	43.6	2.2	-0.6
Environment and Communities Committee	43.6	2.2	-0.6
Highways and Infrastructure	13.7	-1.6	-1.5
Highways and Transport Committee	13.7	-1.6	-1.5
Directorate	0.5	0.0	0.1
Finance and Customer Services	12.7	0.4	-0.2
Governance and Compliance Services	11.1	-0.8	-0.1
Communications	0.7	0.0	0.0
HR	2.5	-0.5	-0.3
ICT	10.0	0.3	-0.5
Policy and Change	2.3	0.0	0.0
Corporate Policy Committee	39.7	-0.7	-1.0
Total Services Net Budget	320.3	13.9	-0.7
Central Budgets			
Capital Financing	17.1	0.0	0.0
Transfer to/(from) Earmarked Reserves	-5.7	-6.0	0.0
Corporate Contributions / Central Budgets	-13.0	-1.9	-1.0
Total Central Budgets	-1.6	-7.9	-1.0
Total Net Budget	318.7	6.0	-1.7
Business Rates Retention Scheme	-28.3	0.0	0.0
Specific Grants	-36.5	0.0	0.0
Council Tax	-253.8	0.0	0.0
FUNDING	-318.7	0.0	0.0
Net Position	0.0	6.0	-1.7

5. Adults and Health Committee:

- The Adult Social Care (Operations and Commissioning) and Public Health budgets remain under continued pressure across the country. The rising cost of Social Care in Cheshire East is driven by increasing demand for services, increasing complexity of the demand and increasing costs in providing them. Demand for Social Care is therefore not driven exclusively by an ageing population, the prevalence of disability among working-age adults has also increased over recent years. In addition to increasing demand, the unit cost of providing care services is also going up, driven mainly by workforce costs and this has been recognised in the 2023/24 budget where growth has been allocated.

6. Children and Families Committee:

- The Children and Families final outturn for 2022/23 reflects a £5.2m overspend. The breakdown of that position is shown in the main summary table. The key pressure areas for the directorate include the following:
- Children's social care agency placements – where the number of children in care has continued to increase from 521 at April 2022 to 585 at April 2023 and placement costs are increasing by more than inflation.
- The increased use and cost of agency staff in children's social care to cover vacant posts.
- Higher legal costs within children's social care with longer processes and more challenge.
- Home to school transport costs – where a mix of increasing numbers of pupils with an education, health and care plan (EHCP), driver shortages and increasing fuel costs have seen overall costs rise.

- Educational Psychologists – where there is the need for agency staff to cover posts and challenges in recruiting and retaining staff.
- The £5.2m reflects the position after £4m of one-off mitigating measures have been applied including resettlement funding, funding transformation costs from capital receipts and use of earmarked reserves. As a result, the underlying pressure is much greater.
- A number of these items are reflected in growth allocations in the MTFs. However, the position will require careful management during 2023/24 and the Directorate is developing work plans.

Dedicated School Grant (DSG):

- The key pressure on DSG relates to the high needs block where the SEND service continues to see a significant increase in the number of pupils with an EHCP.
- This has placed pressure on the grant used to provide funding for children with SEND in various settings and led to a £21.2m overspend in 2022/23. This adds on to the brought forward deficit of £25.7m to take the DSG Reserve to a £46.9m deficit position.
- This is in line with the budget gap as determined by the council's DSG Management Plan that was reported to Children and Families Committee in September 2022 and set out the planned expenditure and income on high needs over the medium term.
- The deficit is currently being managed by an accounting override until 2026 which allows it to be treated as an un-usable reserve. At this stage the position is not recoverable unless there are significant changes to funding or demand or both.

7. Environment and Communities Committee:

- Environment & Neighbourhood Services are reporting a pressure of £2.2m against a net budget of £43.6m. £1.9m of this relates to income pressures in Planning, Libraries and Licensing as a legacy of the covid pandemic. £0.4m relates to covid related costs as more people are working from home leading to increased waste collection and transfer costs due to tonnage growth. A net £0.9m non covid pressure arises in Environmental Services due to the impact of the pay rise pressure on the cost of services delivered to the Council by it's wholly owned companies, plus increased costs as a consequence of significant inflation impacts against waste disposal contracts, together with waste transfer station maintenance and compliance measures. These costs increased have been mitigated to some extent by a higher than expected bereavement income surplus and a tonnage rebate from Ansa due mainly to lower organic waste in quarter 4. There is a large staffing underspend across the majority of services due to vacancies and delaying recruitment to improve the overall Council financial position, offset slightly by the pay rise pressure.

8. Economy and Growth Committee:

- Growth & Enterprise have an underspend of £1.6m against a net budget of £22.3m. There were a number of measures taken to help with the Council's financial position including releasing funding in Economic Development of £0.8m, reduction in planned maintenance in Facilities Management and Farms, stopping non-essential spend and holding vacancies across the majority of the services. Growth & Enterprise had inflationary pressures from the pay rise, responsive maintenance and energy costs which reduced the underspend available.

9. Highways and Transport Committee:

- Highways & Infrastructure are reporting an underspend of £1.6m against a net budget of £13.7m. There is a pressure of £0.8m included within these figures for lower income received from pay and display car parks, annual and quarterly parking permits and from penalty charge notices within Parking. This has been offset by £1.3m of additional income from Highways and Infrastructure, releases of earmarked reserves to improve the Council position of £0.4m, vacancies and delayed recruitment across the majority of services and a LEP contribution towards HS2.

10. Corporate Policy Committee:

- The Corporate Services Directorate has reported an underspend against budget of £651,000.
- The main underspends in the service were due to holding vacancies across many services in the Directorate, reduced non-essential spend, and, as a result of the continued impact of COVID bounce-back, additional marriage income in Registrations. These underspends were partially offset by overspends in ICT Shared Services, and the shared Transactional Services Centre. There was also an overspend on Housing Benefits Payments Centre, which is a volatile budget and additional one-off costs relating from the implementation of the Unit 4/Best4Business System, which cannot be charged to the joint capital project with Cheshire West and Chester Council.

11. Central Budgets:

- The Central Budgets are reporting an underspend of £7.9m against budget. This relates to the drawdown from reserves, for prior year funding that has been carried forward to 2022/23, to offset Covid scarring costs held within services and the over recovery of past service employer pension contributions compared to the budget set.

12. Other Companies:

- The Council's wholly owned companies' core contract expenditure was £37.94m in 2022/23, relating to services provided at cost for the Council. This position includes a net £1.5m of additional costs in year, relating to pay award pressures, significant inflation against contracts and materials, the legacy effects of Covid and increased demand for services; partly offset by improvements against waste tonnages, bereavement income and staffing vacancies, and other efficiencies. The net increase in cost is reflected in the Council's outturn position, mainly against Environment & Communities Committee services, but also partly Highways & Transport Committee functions.
- Ansa and Orbitas realised £0.356m in profits (after tax) from commercial activities. Although Transport Service Solutions (TSS) ceased trading on 31 March 2022, there were residual transactions in 2022/23, as part of winding down the company, generating a £0.106m surplus as at 31 March 2023, which will be paid as a final dividend in 2023/24. An interim dividend of £0.291m was paid in-year from TSS to the Council.

Outturn Impact

13. At the third financial update stage it was planned that £5.2m would be used from the MTFS reserve to mitigate the forecast overspend. The residual impact on General Reserves were planned to be a reduction of £2.5m, decreasing the forecast closing balance of £14.9m to a potential closing balance of £12.4m, which is aligned to the risk assessed level of reserves for the 2023/24 Budget.
14. The actual overspend has allowed the use of the General Reserve to be reduced to £0.8m taking the closing balance to £14.1m.

Collecting Local Taxes for Local Expenditure

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

Council Tax

16. Council tax is set locally and retained for spending locally. Council tax was set for 2022/23 at £1,626.24 for a Band D property. This is applied to the taxbase.
17. The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect council tax from (after adjustments for relevant discounts, exemptions and an element of non-collection). The taxbase for 2022/23 was agreed at 156,607.48 which, when multiplied by the Band D charge, means that the expected income for the year is £254.7m.
18. In addition to this, Cheshire East Council collects council tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. **Table 3** shows these amounts separately, giving a total budgeted collectable amount of £313.8m.
19. This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the amount billed will therefore exceed the budget.
20. 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 £315.6m.

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

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

21. **Table 4** shows collection rates within three years and, following a slight drop below this rate during the Covid-19 pandemic, demonstrates that 99% collection rate is on target to be achieved within this period for 2022/23.

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

Financial Year	CEC Cumulative			
	2019/20	2020/21	2021/22	2022/23
	%	%	%	%
After 1 year	97.9	97.4	97.8	98.2
After 2 years	98.8	98.6	98.5	**
After 3 years	98.9	98.9	**	**

**data not yet available

23. The council tax in-year collection rate for the period up to the end of March 2023 is 98.2%. This is a small increase of 0.4% on the previous year, despite current cost of living pressures. Facilities are in place for residents to extend payments where needed and staff are engaging with residents who need additional support.

24. Council tax support payments were budgeted at £18.4m for 2022/23 and at the end of March 2023 the total council tax support awarded was £18.7m.
25. During 2021/22 there was a consultation and review of the Council Tax Support scheme resulting in some amendments being made. The revised scheme was confirmed by full Council in December 2021.
26. Council tax discounts awarded are £29.4m which is an increase of £1.9m in comparison to the same period in 2021/22. This increase is attributable to work related to raising awareness of the discounts available to residents.
27. Council tax exemptions awarded is £8.0m, which is a small increase of £0.4m compared with 2021/22.

Non-Domestic Rates (NDR)

28. 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.
29. The small business multiplier applied to businesses which qualify for the small business relief was set at 49.9p in 2022/23. The non-domestic multiplier was set at 51.2p in the pound for 2022/23.
30. **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.

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

Financial Year	CEC Cumulative			
	2019/20	2020/21	2021/22	2022/23
	%	%	%	%
After 1 year	98.2	92.4	95.6	98.2
After 2 years	98.4	97.4	98.3	**
After 3 years	99.2	99.0	**	**

**data not yet available

32. The business rates in-year collection rate for the period up to the end of March 2023 is 98.2%. This is a 2.6% increase on last year and continues the growth of collection rates back to pre-pandemic figures. A return to standard collection processes and government support through additional reliefs has assisted the recovery in collection.

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July 2023

Appendix 1 : Adults and Health Committee

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Appendix 1

Adults and Health Committee

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

	Third review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Adults and Health				
Adult Social Care Operations	117,515	-	(1,045)	116,470
Commissioning	3,638	-	1,608	5,246
Public Health	-	-	-	-
	121,153	-	563	121,716

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Grants 2022/23	Revised Forecast FR3 2022/23 £000	Final Outturn 2022/23 £000	Change from Revised Forecast FR3 2022/23 £000	Treatment of Grant <i>Notes 2 - 5</i>
ADULTS & HEALTH				
Specific Purpose (Held within Services)	52,590	45,934	(6,657)	
General Use (Held Corporately)				
Social Care Support Grant	11,341	11,341	0	
Independent Living Fund	861	861	0	
Local Reform & Community Voices	213	208	(5)	
Social Care in Prisons	71	68	(3)	
War Pension Scheme Disregard	56	56	(0)	
Streamline ASC care assessment process and improve waiting times	0	142	142	SRE
TOTAL ADULTS & HEALTH	65,132	58,610	(6,523)	

Notes

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

- 2.1 Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. Specific use grants are held within the relevant service with a corresponding expenditure budget. Whereas general purpose grants are held in central budgets with a corresponding expenditure budget within the allocated service area.
- 2.2 Spending in relation to specific use grants must be in line with the purpose for which it is provided.
- 2.3 The grant outturn position reflects the grant values that were used during the year. This may be different than the actual amount of grant received during the year. The remaining amounts from grants that are not used in full during 2022/23

are carried forward to meet expenditure in financial year 2023/24. The decrease in grants since the third review is due to the change in which year the grants will be used.

- 2.4 **Table 2** shows additional specific purpose grant allocations that have been received over £1m that Council will be asked to approve.
- 2.5 **Table 3** shows additional grant allocations that have been received which are £500,000 or less and are for noting only.
- 2.6 **Table 4** shows additional general use grant allocations that have been received which are £500,000 or less and are for noting only.

Table 2 – Note that Council will be asked to Approve Supplementary Revenue Estimates of Additional Grant Funding (Specific Purpose) over £1m

Committee	Type of Grant	£000	Details
Adults and Health	Afghan Wrap Around support (Specific Purpose)	1,061	This grant is from the Home Office. Funding allocated by the Home Office to support Cheshire East with providing Afghan Wrap Around support to families.
Total Specific Purpose Allocation for Council Approval		1,061	

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

Committee	Type of Grant	£000	Details
Adults and Health	Discharge Fund (Specific Purpose)	9	<p>This grant is from the Department for Health and Social Care and is an increase on the Financial Review 3 forecast. The aim of the grant is to provide patients with faster access to emergency treatment by freeing up hospital beds through quicker discharge, which will also help reduce ambulance handover times. Local authorities and Integrated Care Boards (ICBs) will work together to agree on spending across their regions, introducing tailored solutions which speed up discharge and benefit patients in their area.</p> <p>£300 million will be given to ICBs to improve bed capacity and £200 million for local authorities to bolster the social care workforce, increasing capacity to take on more patients from hospitals.</p> <p>All of the Cheshire East Place money is coming to the Council and is being managed through the Better Care Fund.</p>
Adults and Health	Asylum Dispersal Scheme (Specific Purpose)	135	This grant is from the Home Office. Funding allocated by the Home Office for Cheshire East to support the Asylum Dispersal Scheme.
Adults and Health	Syrian Resettlement Programme (Specific Purpose)	4	This grant is from the Home Office. Funding allocated by the Home Office for Cheshire East to support with the Syrian Resettlement Programme.
Adults and Health	Journey First (Specific Purpose)	445	This grant is from the Department for Work and Pensions. Increases in the grants received as claims to DWP / ESF are made on a quarterly basis reflecting match funded expenditure.

Adults and Health	Parents First (Specific Purpose)	446	This grant is from the Department for Work and Pensions. Increases in the grants received as claims to DWP / ESF are made on a quarterly basis reflecting match funded expenditure.
Adults and Health	Apprentice Incentive Scheme (Specific Purpose)	2	This grant is from the Department for Education. Incentive payments available for hiring a new apprentice. Employers are able to use their levy funds to cover the cost of an apprentice's training and assessment. Payments passported to schools. Grant conditions .
Adults and Health	CHAMPS SMS - inpatient detox (Specific Purpose)	20	This grant is from the CHAMPS Public Health Collaborative and is an increase on the Financial Review 3 position. Additional funding to support improvements in the quality and capacity of drug and alcohol treatment 2022/23 to 2024/25.
Total Specific Purpose Allocations less than £500,000		1,061	

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

Committee	Type of Grant	£000	Details
Adults and Health	Streamline ASC care assessment process and improve waiting times (General Use)	142	This grant is from the Department of Health and Social Care (DHSC). The purpose of this grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them in funding adult social care.
Total General Use Allocations less than £500,000		142	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Adults and Health Committee		
Adults, Public Health and Communities	10,449	6,679
	10,449	6,679

4. Capital Strategy

Adults and Health								CAPITAL					
CAPITAL PROGRAMME 2022/23 - 2025/26													
Scheme Description	Forecast Expenditure							Forecast Funding					
	Total Approved Budget	Prior Years	Actuals 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Total Forecast Budget 2022/26	Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing	Total Funding
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes													
Adults Services													
Electronic Call Monitoring System	389	0	0	389	0	0	389	0	0	389	0	0	389
People Planner System	90	38	3	49	0	0	52	52	0	0	0	0	52
Replacement Care4CE Devices	93	65	0	28	0	0	28	28	0	0	0	0	28
Total Adults Services Schemes	572	103	3	466	0	0	469	80	0	389	0	0	469

5. Reserves Strategy

Name of Reserve	Opening Balance 1 April 2022 £000	Movement in Reserves 2022/23 £000	Closing Balance 31 March 2023 £000	Notes
<u>Adult Social Care Operations</u>				
Adults Directorate	1,020	0	1,020	To support a number of widespread projects within the Adults and Health Directorate. Connected Community Strategy Developments activity has been delayed due to the Community Team focussing on resettlement schemes.
DOL's Assessments	397	(272)	125	Transformation and Improvement of ASC and Care4ce New Model of Care anticipate phasing of appropriation will match the original business case. Reserve required due to delays in DOLs assessment processing. Anticipated to be fully utilised in 2023/24.
Public Health (LAC funding)	162	(162)	0	Reserve has been fully utilised during 2022/23, matched off against LAC staff as per the original business case.
<u>Adults Social Care Commissioning</u>				
PFI Equalisation - Extra Care Housing	2,715	80	2,795	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009, and the anticipated gap at the end of the agreement.
NHB Community Grants Staffing	132	0	132	To support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects.
<u>Public Health</u>				
Public Health Reserve	3,220	(210)	3,010	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an Innovation Fund to support partners to deliver initiatives that tackle key health issues. Anticipated that the carry forward ringfenced grant will be spent across 2022/23 to 2025/26.
ADULTS AND HEALTH TOTAL	7,646	(564)	7,082	

Appendix 2 : Children and Families Committee

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Table 3: Delegated Decision Additional Grant Funding (Specific Use) £500,000 or less

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Appendix 2

Children and Families Committee

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

	Third review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Children and Families				
Directorate	1,006	-	200	1,206
Children's Social Care	47,023	-	(116)	46,907
Education & 14-19 Skills	18,541	-	3,896	22,437
Strong Start, Family Help and Integration	7,687	-	342	8,029
	74,257	-	4,322	78,579

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Grants 2022/23	Revised Forecast FR3 2022/23 £000	Final Outturn 2022/23 £000	Change from Revised Forecast FR3 2022/23 £000	Treatment of Grant <i>Notes 2 - 5</i>
CHILDREN & FAMILIES				
Specific Purpose (Held within Services)¹	167,314	167,865	551	
General Use (Held Corporately)				
Staying Put Implementation Grant	130	130	0	
Extended Rights to Free Transport (Home to School Transport)	250	250	0	
Extended Personal Adviser Duty Implementation	57	57	0	
Extension of the role of Virtual School Heads	61	61	0	
TOTAL CHILDREN & FAMILIES	167,811	168,363	551	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

4 Reserves - transfer to reserves at year end.

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

- 2.1 Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. Specific use grants are held within the relevant service with a corresponding expenditure budget. Whereas general purpose grants are held in central budgets with a corresponding expenditure budget within the allocated service area.
- 2.2 Spending in relation to specific use grants must be in line with the purpose for which it is provided.
- 2.3 The increase in specific purpose grants relates mainly to an increase in the Asylum Seekers grant. This, and small

increases in other grants, has been off-set by remaining amounts from grants that have not been used in full during 2022/23, and are carried forward to meet expenditure in financial year 2023/24.

- 2.4 **Table 2** shows additional specific purpose grant allocations that have been received which are over £500,000 and up to £1m, and are for committee to approve.
- 2.5 **Table 3** shows additional specific purpose Grant allocations that have been received which are £500,000 or less and are for noting only.

Table 2 – Committee Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (Specific Purpose) over £500,000 up to £1,000,000

Committee	Type of Grant	£000	Details
Children and Families	Asylum Seekers (Specific Purpose)	647	This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. Based on clients' claims so therefore will fluctuate based on age / numbers of claims – we are also receiving some additional funding from those that move through the National Transfer Scheme. Looking at claims in the current year there have been additions to the UASC population, therefore this has likely seen an increase in the amount receiving the higher rate. In addition, possibly an element of being cautious with MTFS items as this can vary significantly purely based on the numbers as said above.
Total Specific Purpose Allocations over £500,000 up to £1,000,000		647	

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

Committee	Type of Grant	£000	Details
Children and Families	Teachers' Pay Grant (Specific Purpose)	24	This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. The teachers' pay grant (TPG) provides funding for schools to support teachers' pay awards. Local authorities must follow the terms and conditions set out in the conditions of grant. Teachers' pay grant: allocations for 2022 to 2023 financial year - GOV.UK (www.gov.uk)
Children and Families	Teachers' Pension Grant (Specific Purpose)	67	This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. The teachers' pension employer contribution grant (TPECG) supports schools and local authorities with the cost of the increase in employer contributions to the teachers' pension scheme. Local authorities must follow the terms and conditions set out in the conditions of grant. Teachers' pension grant: 2022 to 2023 allocations - GOV.UK (www.gov.uk)
Children and Families	COVID-19 Recovery Premium (Specific Purpose)	60	This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. Recovery premium received on behalf of schools and allocated out as per funding schedule (breakdown by school).
Children and Families	School Led Tutoring Grant (Specific Purpose)	159	This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. This grant will give schools and academy trusts the flexibility in determining how best to provide tutoring intervention to support catch-up for lost education due to the coronavirus (COVID-19) pandemic. Grant conditions .

Children and Families	Milk Subsidy (Specific Purpose)	3	This grant is from the Rural Payments Agency and is an increase on the Financial Review 3 forecast. The scheme subsidises the cost of milk, certain milk products and yoghurts for schoolchildren in England, Scotland and Wales. This means that the products can be sold to schoolchildren at a lower price. Schools must offer drinking milk before they can supply other eligible milk products or yoghurts. Schools, local authorities, suppliers or other organisations can claim for the subsidy.
Children and Families	Senior Mental Health Lead Training Grant (Specific Purpose)	6	<p>This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. The Department for Education (DfE) is offering a grant of £1,200 for eligible state-funded schools and colleges in England to train a senior mental health lead to develop and implement a whole school or college approach to mental health and wellbeing. This training is not compulsory, but it is part of the government's commitment to offer this training to all eligible schools and colleges by 2025.</p> <p>Eligible schools and colleges are now able to apply for a senior mental health lead training grant to commence training within the 2022 to 2023 financial year, up to 31st March 2023. Grants will be provided to cover (or contribute to) the cost of attending a quality assured course and may also be used to hire supply staff whilst leads are engaged in learning.</p>
Children and Families	Apprentice Incentive Scheme (Specific Purpose)	2	This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. Incentive payments available for hiring a new apprentice. Employers are able to use their levy funds to cover the cost of an apprentice's training and assessment. Payments passported to schools. Grant conditions .

Children and Families	Afghanistan Resettlement (Education) Grants (Specific Purpose)	223	This grant is from the Department for Education. This grant is from the Department for Education. The Afghanistan Resettlement (Education) Grant 2022 to 2023 is being allocated to those local authorities where families who have arrived from Afghanistan are being housed in temporary accommodation, namely, bridging hotels funded by the Home Office. Due to the continued pressures on local authorities, funding has been provided to cover costs incurred in the 2022 to 2023 financial year and have reduced the payments by any underspends from your 2021 to 2022 allocations. Funding is to be used for the education and childcare of children aged 2 to 18. They must be from families arriving from Afghanistan and currently in bridging accommodation. Additional Information available via - Afghanistan resettlement education grant - GOV.UK (www.gov.uk)
Children and Families	Hong Kong UK Welcome Programme - British Nationals (Specific Purpose)	35	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC) and is an increase on the Financial Review 3 forecast. Funding is being provided as part of the Hong Kong UK Welcome Programme which is intended to provide funding to local authorities in England to provide targeted support to BN(O) status holders who need additional English language support and destitution support for those whose circumstances change.
Children and Families	Early Years Professional Development programme (Specific Purpose)	6	This grant is from the Department for Education and is an increase on the Financial Review 3 forecast. The Early Years Professional Development Programme is a key element of the national government initiative to improve children's outcomes in early language, literacy and mathematics.

Children and Families	Early Years Childminder programme (Specific Purpose)	12	This grant is from the Department for Education. The Early Years Childminder Mentor programme from the Department for Education is focused on supporting early years childminders, to address the impact of the pandemic on the youngest children. The programme is available nationally, across England. At the end of each term, Mentors will move on to support a new group of childminders. Mentors will offer mostly online support. Groups will be allowed to meet face-to face, if this is feasible for both the Mentor and the childminders they are supporting.
Total Specific Purpose Allocations less than £500,000		597	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Children and Families Committee		
Children's Social Care (Incl. Directorate)	12	-
Education and 14-19 Skills	6	2
Prevention and Early Help	67	3
Schools	2	-
	87	5

4. Capital Strategy

Children and Families													CAPITAL
CAPITAL PROGRAMME 2022/23-2025/26													
Scheme Description	Forecast Expenditure							Forecast Funding					
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2022/26 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes in progress													
Childrens Social Care													
Foster Carers Capacity Scheme	634	349	55	231	0	0	286	0	0	0	0	286	286
Crewe Youth Zone	4,800	342	53	3,047	1,358	0	4,458	2,260	0	0	0	2,198	4,458
Family Hubs Transformation	95	0	6	89	0	0	95	95	0	0	0	0	95
Children's Home Sufficiency Scheme	2,100	0	0	2,100	0	0	2,100	0	0	0	0	2,100	2,100
Strong Start, Family Help & Integration			0	0	0	0		0	0	0	0	0	
Ash Grove Nursery Expansion	230	225	5	0	0	0	5	5	0	0	0	0	5
Beechwood Nursery Expansion	868	836	20	12	0	0	32	0	0	32	0	0	32
Early Years Sufficiency Capital Fund	1,036	913	0	123	0	0	123	123	0	0	0	0	123
Education and 14-19 Skills													
Adelaide Academy	788	34	5	554	195	0	754	584	0	0	0	170	754
Basic Need Grant Allocation	9,542	11	-11	2,292	4,808	2,442	9,531	9,531	0	0	0	0	9,531
Congleton Planning Area	5,045	44	595	3,406	1,000	0	5,001	2,603	2,397	0	0	0	5,001
Devolved Formula Capital	2,337	0	387	970	340	640	2,337	2,337	0	0	0	0	2,337
Elworth CoE Primary School	1,919	1,917	2	0	0	0	2	2	0	0	0	0	2
Energy Efficiency Capital	714	0	48	666	0	0	714	714	0	0	0	0	714
Expansion of Park Lane Special School	4,610	4,226	385	0	0	0	385	385	0	0	0	0	385
Expand 'In Borough' Sen Placement Capacity - Springfield	103	91	13	0	0	0	13	13	0	0	0	0	13
Hollinhey CTA 22-23 - S106 Reimbursement	54	0	54	0	0	0	54	0	54	0	0	0	54
Holmes Chapel Planning Area	3,631	770	1,007	1,853	0	0	2,861	2,486	375	0	0	0	2,861
Little Angels Satellite Sites	29	1	2	26	0	0	28	28	0	0	0	0	28
Macclesfield Academy Resource Provision	103	0	3	100	0	0	103	103	0	0	0	0	103
Macclesfield Planning Area - secondary	4,091	1,106	6	1,500	1,478	0	2,984	2,984	0	0	0	0	2,984
Malbank High School	1,922	1,856	5	61	0	0	66	66	0	0	0	0	66
Middlewich Planning Area	4	2	2	0	0	0	2	2	0	0	0	0	2
Monks Coppenhall SEN Expansion	142	2	140	0	0	0	140	40	0	0	0	100	140
Nantwich Planning Area (Primary)	7,861	104	411	4,670	2,676	0	7,757	4,568	3,189	0	0	0	7,757

Children and Families

CAPITAL

CAPITAL PROGRAMME 2022/23-2025/26

Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2022/26 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	
Committed Schemes in progress													
Education and 14-19 Skills													
Nantwich Planning Area (Secondary)	701	0	1	700	0	0	701	701	0	0	0	0	701
Pupil Referral Unit	3,870	3,871	-1	0	0	0	-1	-1	0	0	0	0	-1
Puss Bank SEN Expansion	532	509	0	23	0	0	23	0	0	0	0	23	23
St Johns CoE Primary School	250	247	4	0	0	0	4	4	0	0	0	0	4
Sandbach High School - Basic Need	1,776	1,773	0	3	0	0	3	3	0	0	0	0	3
Sandbach Boys School - Basic Need	1,704	1,702	0	2	0	0	2	2	0	0	0	0	2
Sandbach Planning Area (secondary - 300 places)	42	3	1	38	0	0	38	38	0	0	0	0	38
School Condition Capital Grant	10,311	779	549	2,983	2,000	4,000	9,532	9,431	0	101	0	0	9,532
SEN/High Needs Grant Allocation	307	47	110	149	0	0	259	259	0	0	0	0	259
SEN Placement Expn - Phase 2	4	4	0	0	0	0	0	0	0	0	0	0	0
Shavington Planning Area - secondary	3,506	70	98	1,782	1,557	0	3,437	3,437	0	0	0	0	3,437
Special Provision Fund Capital Grant	909	46	740	123	0	0	863	857	0	6	0	0	863
Springfield Satellite Site (Dean Row)	6,113	91	717	4,805	500	0	6,022	5,222	0	0	0	800	6,022
Wilmslow High School BN	17,219	4,923	3,265	5,745	3,286	0	12,296	9,561	2,687	0	0	48	12,296
Wilmslow Primary Planning Area	626	0	1	0	625	0	626	126	500	0	0	0	626
Total Committed Schemes	100,528	26,895	8,677	38,051	19,823	7,082	73,633	58,566	9,203	139	0	5,725	73,633
New Schemes													
Education and 14-19 Skills													
Congleton Planning Area - Primary (1)	2,209	0	9	500	1,700	0	2,209	1,009	1,200	0	0	0	2,209
Congleton Planning Area - Primary (2)	628	0	66	562	0	0	628	628	0	0	0	0	628
Congleton Planning Area - Primary (3)	7,504	0	4	250	1,500	5,750	7,504	4,304	3,200	0	0	0	7,504
Sandbach Planning Area - Primary	3,694	0	11	2,000	1,683	0	3,694	3,184	510	0	0	0	3,694
Handforth Planning Area - New School	13,003	0	3	0	500	12,500	13,003	139	12,864	0	0	0	13,003
Macclesfield Planning Area - New school	4,001	0	1	0	0	4,000	4,001	1	4,000	0	0	0	4,001
Macclesfield Planning Area - Secondary	603	0	3	100	500	0	603	603	0	0	0	0	603
Mobberley Primary School	908	0	23	885	0	0	908	608	0	0	300	0	908
Poynton Planning Area	1,500	0	0	750	750	0	1,500	698	802	0	0	0	1,500
Provision of Sufficient School Places - SEND	7,175	9	276	5,889	1,000	0	7,165	1,637	0	0	0	5,528	7,165
Resource Provision - Wistaston	1,406	0	6	1,400	0	0	1,406	1,106	0	0	0	300	1,406
SEN Free School 1	500	0	0	0	500	0	500	500	0	0	0	0	500
SEN Free School 2	500	0	0	0	500	0	500	500	0	0	0	0	500
Shavington Planning Area - Primary	8,040	0	131	419	5,114	2,376	8,040	5,680	2,360	0	0	0	8,040
The Dingle Primary School Expansion	1,395	0	67	943	385	0	1,395	1,395	0	0	0	0	1,395
Total New Schemes	10,435	0	600	13,698	14,132	24,626	53,056	21,991	24,936	0	300	5,828	53,056
Total Children and Families Schemes	110,964	26,895	9,277	51,749	33,955	31,708	126,689	80,557	34,139	139	300	11,553	126,689

5. Reserves Strategy

Name of Reserve	Opening Balance 1 April 2022 £000	Movement in Reserves 2022/23 £000	Closing Balance 31 March 2023 £000	Notes
<u>Directorate</u>				
Childrens Directorate - Transformation Funding	1,079	(300)	779	To support a number of projects within the Children and Families Directorate. £300k drawdown used for in-year mitigations. Remaining balance is forecast to be drawn down in 2023/24 to support budget pressures.
Childrens Directorate - C&F ED	422	0	422	To support a number of projects within the Children and Families Directorate. Balance is forecast to be fully drawn down in 2023/24 to support budget pressures.
<u>Childrens Social Care</u>				
Domestic Abuse Partnership	112	34	146	To sustain preventative services to vulnerable people as a result of partnership funding. Service will need to consider in year deficit as this would not be sustainable in 2023/24 based on current assumptions.
<u>Education and 14-19 Skills</u>				
Skills and Lifelong Learning (Childrens Directorate)	30	(30)	0	To support adult learning, training and improving skills for the workplace.
School Organisation & Capital Service (Childrens Directorate)	16	(16)	0	Springfield lease of £28.5k per annum will be a pressure in 2022/23.
SSIF Nexus Programme	9	(9)	0	Reserve drawdown has now been actioned and allocated to School Improvement to continue to support schools with high disadvantaged learners - agreed with CWAC.
<u>Strong Start, Family Help and Integration</u>				
Troubled Fams Initiative	2,215	(266)	1,949	Crewe Youth Zone and ACT have been assigned funding from shared outcomes of the Supporting Families Programme.
Emotional Healthy Schools	71	(71)	0	Funding by partners to deliver service.
Public Sector Transformation – contribution to Early Youth Inclusion Fund	57	0	57	Revenue grant carried forward
Complex Dependencies	21	0	21	Revenue grant carried forward
CHILDREN AND FAMILIES TOTAL	4,032	(658)	3,374	

- 5.1 The Dedicated Schools Grant (DSG) is ring-fenced funding received for: schools; high needs / special educational needs; and early years provision. In recent years there has been a pressure on the DSG high needs block where funding has not kept pace with the increasing numbers and cost of children with an education, health and care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The DSG reserve deficit is £46.9m at the end of the year which is in line with the budget gap as determined the

Council's DSG Management Plan that was approved by Children and Families Committee in September 2022.

Table 3 – DSG Deficit

	£m
Deficit Balance brought forward	25.7
Additional In-year Pressures	21.2
DSG Deficit Balance at 31 March 2023	46.9

Appendix 3 : Corporate Policy Committee

Contents

Corporate Policy Committee Extracts

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

2. Corporate Grants Register

Table 1: Corporate Policy Committee Grants

**Table 2: Delegated Decision Additional Grant Funding (Specific Use)
£500,000 or less**

**Table 3: Delegated Decision Additional Grant Funding (General Use)
£500,000 or less**

3. Debt Management

4. Capital Strategy

5. Reserves Strategy

Appendix 3

Corporate Policy Committee

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

	Third review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Corporate Policy				
Directorate	1,395	-	(860)	535
Finance & Customer Services	12,516	-	160	12,676
Governance and Compliance Services	11,922	-	(865)	11,057
HR	2,423	-	36	2,459
ICT	9,752	-	264	10,016
Communications	673	-	25	698
Policy and Change	1,918	-	354	2,272
	40,599	-	(886)	39,713

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Grants 2022/23	Revised Forecast FR3 2022/23 £000	Final Outturn 2022/23 £000	Change from Revised Forecast FR3 2022/23 £000	Treatment of Grant <i>Notes 2 - 5</i>
CORPORATE POLICY				
Specific Purpose (Held within Services)	73,625	73,310	(315)	
General Use (Held Corporately)				
Housing Benefit Administration Subsidy	736	736	0	
Council Tax Support Administration Subsidy	345	345	0	
Unidentified Ministry of Justice Grant	9	9	0	
NNDR Administration Allowance	587	573	(14)	
Council Tax Family Annex Discount	25	25	0	
Revenue Support Grant	7	7	0	
New Homes Bonus	6,614	6,614	0	
Lower Tier Services Grant	360	360	0	
Services Grant	2,932	2,932	0	
Council Tax Rebates	0	228	228	SRE
Levy Account Surplus Grant	0	357	357	Reserves
Business Rates Reliefs New Burdens and Licences	0	102	102	SRE
Local Government Transparency Code	0	13	13	SRE
Business Rates Reliefs Grant 2022/23	13,890	10,992	(2,898)	Reserves
TOTAL CORPORATE POLICY	99,130	96,603	(2,528)	

Notes

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

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

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

2.3 The decrease in Business Rates Relief grant relates to year end contributions to the Revenue Budget from general use grants.

2.4 **Table 2** shows additional specific purpose grant allocations that have been received which are £500,000 or less and are for noting only.

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

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

Committee	Type of Grant	£000	Details
Corporate Policy	Alternative Fuels grant (Specific Purpose)	104	This grant is from the Department for Business, Energy and Industrial Strategy (BEIS). This is a passport grant that the local authority administers on behalf of central government. Any grant that is not passed onto householders is repayable.
Corporate Policy	Business Rates Grants - New Burdens (Specific Purpose)	44	This grant is from the Department for Levelling Up, Housing and Communities. The balance of new burdens funding for administering business rates grants.
Corporate Policy	COVID-19 New Burdens 5 Post Payment Assurance, Reconciliation and Debt Recovery (Specific Purpose)	29	This grant is from the Department for Work and Pensions. This grant relates to Business Grants administered by the Revenues Section and covered the ongoing Post Payment Assurance, Reconciliation and Debt Recovery which we administered to ensure grants had been paid properly to the correct businesses and, where there may have been errors, the appropriate recovery process was followed.

Corporate Policy	Redmond Review (Specific Purpose)	57	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Sir Tony Redmond, in his review of the effectiveness of external audit and transparency of financial reporting in local authorities, recommended that the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements. In the government's 17 December response, the government committed to take swift action to support market stability, and in particular to take action to review and reform regulations to provide the appointing person with greater flexibility to ensure the costs to audit firms of additional work are met, and reduce the need for time consuming case-by-base consideration. To support the implementation of this, in the government response to the Review, ministers announced £15 million in additional funding in 2021/22. This is intended to support affected local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors including the 2020 Code of Audit Practice, and to enable local authorities to develop standardised statements of service information and costs.
Corporate Policy	Apprenticeship completion payments (Specific Purpose)	19	This grant is from the Education and Skills Funding Agency. This is a payment to reward the employer for support the apprentice to successfully complete their qualification.
Corporate Policy	Cyber Support Grant (Specific Purpose)	86	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). This funding has been made available to reduce the impact of cyber risk on the delivery of services to citizens. This funding can be used to improve the resilience of a council's backups and security posture to address all areas of the DLUHC cyber report to minimise the impact of a ransomware attack.

Corporate Policy	Client-Level Data Flows Support grant (Specific Purpose)	10	This grant is from the Department of Health and Social Care (DHSC). This funding recognises new burdens arising from data collection requirements. This grant is primarily related to all the additional work that is required to produce the Client Level Data (CLD) set on a quarterly basis and the proposed changes for the SALT adults social care return.
Total Specific Purpose Allocations of £500,000 or less		349	

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

Committee	Type of Grant	£000	Details
Corporate Policy	Council Tax Rebates (General Use)	228	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). This grant is to support the resource used to administer the Council Tax Energy Rebates grant. Energy Rebates to be distributed and ongoing post payment assurance work and reconciliation completed in accordance with the Govt's timetable.
Corporate Policy	Business Rates Reliefs New Burdens and Licences (General Use)	102	This grant is from the Department for Levelling Up, Housing and Communities. This grant is intended to fund resource used in the administration of additional business rate reliefs introduced by government.
Corporate Policy	Local Government Transparency Code (General Use)	13	This grant is from the Department for Levelling Up, Housing and Communities. New burdens in relation to the Council's obligation to publish information in line with the Government's Transparency Code 2014. This grant has been received since the requirements came into effect but has not been allocated to Compliance and Customer Relations.
Total General Purpose Allocations of £500,000 or less		343	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Corporate Policy Committee		
Finance and Customer Services	83	57
Governance and Compliance	20	-
Human Resources	-	-
ICT	205	-
	308	87

4. Capital Strategy

Corporate Policy

CAPITAL

CAPITAL PROGRAMME 2022/23 - 2025/26													
Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding £000
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2022/26 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	
Committed Schemes													
ICT Services													
Care Act Phase 2	2,648	0	464	1,146	1,038	0	2,648	0	0	0	0	2,648	2,648
Digital Customer - Delivery Programme Phase 1	250	79	51	121	0	0	171	0	0	0	0	171	171
Digital Customer Enablement	2,874	33	976	1,390	474	0	2,841	0	0	0	0	2,841	2,841
ICT Device Replacement	456	75	378	3	0	0	381	0	0	381	0	0	381
Info' Assurance And Data Mgmt	5,324	0	1,042	2,432	1,850	0	5,324	0	0	0	0	5,324	5,324
Infrastructure Investment(IIP)	7,773	0	1,470	2,833	1,656	1,814	7,773	0	0	0	946	6,828	7,773
Vendor Management	1,006	730	13	263	0	0	276	0	0	0	0	276	276
Unified Communications Project	1,206	651	356	198	0	0	555	0	0	0	0	555	555
Finance & Customer Services													
Best4Business Programme	40	0	40	0	0	0	40	0	0	0	0	40	40
Core Financials	4,008	0	1,503	1,044	720	741	4,008	0	600	0	0	3,408	4,008
Strategic Capital Projects	1,897	0	996	4,266	4,000	3,087	12,349	0	0	0	0	12,349	12,349
Total Committed Schemes	27,483	1,568	7,291	13,696	9,738	5,642	36,367	0	600	381	946	34,441	36,367
New Schemes													
Information Communication Technology													
Vendor Management - Phase 2	320	0	19	0	0	301	320	0	0	0	0	320	320
Total New Schemes	320	0	19	0	0	301	320	0	0	0	0	320	320
Total Corporate Policy Schemes	27,803	1,568	7,310	13,696	9,738	5,943	36,687	0	600	381	946	34,761	36,687

5. Reserves Strategy

Name of Reserve	Opening Balance 1 April 2022 £000	Movement in Reserves 2022/23 £000	Closing Balance 31 March 2023 £000	Notes
<u>Directorate</u>				
Corporate Directorate	1,868	(512)	1,356	To support a number of widespread projects within the Corporate Directorate.
<u>Finance and Customer Services</u>				
Collection Fund Management	27,424	(9,605)	17,819	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 - Capital Financing Budget	6,512	3,106	9,618	
Financing Reserve - Corporate Capital Projects	1,320	(423)	897	
Financing Reserve - People Capital Projects	573	(20)	553	To provide for financing of capital schemes, other projects and initiatives.
Financing Reserve - Place Capital Projects	1,125	693	1,818	
MTFS Reserve	10,068	(4,921)	5,147	To support the financial strategy and risk management.
Section 151 Revenue Grants	27	531	558	Unspent specific use grant carried forward into 2023/24.
Section 151 Revenue Grants - Covid-19	5,989	(5,989)	0	Covid (Unringfenced) reserve has been fully utilised to support services in 2022/23.
<u>Governance and Compliance</u>				
Insurance Reserve - Cheshire County Fund	130	(777)	(647)	To settle insurance claims and manage excess costs.
Insurance Reserve - Cheshire East Fund	5,165	458	5,623	To settle insurance claims and manage excess costs.
Elections General	477	163	640	To provide funds for Election costs every 4 years.
Brexit Funding	13	0	13	
<u>Human Resources</u>				
HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System)	59	0	59	To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System.
Pay Structure (M Grade Review)	584	(278)	306	To fund ongoing changes to pay structure.
<u>Policy and Change</u>				
Brighter Future Transformation Programme	1,780	9	1,789	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.
CORPORATE POLICY TOTAL	63,114	(17,565)	45,549	

Appendix 4 : Economy and Growth Committee

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**Table 3: Delegated Decision Additional Grant Funding (Specific Use)
£500,000 or less**

3. Debt Management

4. Capital Strategy

5. Reserves Strategy

Appendix 4

Economy and Growth Committee

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

	Third review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Economy and Growth				
Directorate	832	-	(144)	688
Growth & Enterprise	22,822	-	(488)	22,334
	23,654	-	(632)	23,022

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Grants 2022/23	Revised Forecast FR3 2022/23 £000	Final Outturn 2022/23 £000	Change from Revised Forecast FR3 2022/23 £000	Treatment of Grant <i>Notes 2 - 5</i>
ECONOMY & GROWTH				
Specific Purpose (Held within Services)	4,720	8,535	3,815	
General Use (Held Corporately)				
Shared Prosperity Fund	1,226	0	(1,226)	
TOTAL ECONOMY & GROWTH	5,946	8,535	2,589	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

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

4 Reserves - transfer to reserves at year end.

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

- 2.1 Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. Specific use grants are held within the relevant service with a corresponding expenditure budget. Whereas general purpose grants are held in central budgets with a corresponding expenditure budget within the allocated service area.
- 2.2 Spending in relation to specific use grants must be in line with the purpose for which it is provided.
- 2.3 The Shared Prosperity Fund grant was initially coded to unring-fenced grants at the Third Financial Review, but then transferred to a service grant code. The majority of the

Shared Prosperity Fund grant (£1.17m) was subsequently treated as Receipt In Advance for use in financial year 2023/24.

- 2.4 **Table 2** shows additional specific purpose grant allocations that have been received over £1m that Council will be asked to approve.
- 2.5 **Table 3** shows additional specific purpose grant allocations that have been received which are £500,000 or less and are for noting only.

Table 2 – Council Decision - Supplementary Revenue Estimates of Additional Grant Funding (Specific Purpose) over £1m

Committee	Type of Grant	£000	Details
Economy and Growth	Local Enterprise Partnership (LEP): Evergreen (Specific Purpose)	5,000	This grant is European Regional Development Fund (ERDF) funding, administered by the Department for Levelling Up, Housing and Communities (DLUHC). The grant is to provide loan and investment finance in relation to a Cheshire and Warrington urban development fund.
Total Specific Purpose Allocation for Council Approval		5,000	

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

Committee	Type of Grant	£000	Details
Economy and Growth	Domestic Abuse New Burdens Grant (Specific Purpose)	22	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Funding was received to help offset against increased spend relating to Domestic Abuse Related Homelessness.
Economy and Growth	Protect & Vaccinate Grant (Specific Purpose)	57	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). Grant was recouped by DLUHC in year as the figure is underspend from prior year.
Economy and Growth	Crewe Town Funds (Specific Purpose)	56	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC) and relates to revenue funding in relation to the business case preparation and appraisal of projects within the Towns Fund main funding allocation.
Economy and Growth	Natural England - Stewardship scheme (Specific Purpose)	7	This grant is from Natural England. The payment relates to maintenance and management of countryside sites of special scientific interest.
Economy and Growth	Apprentice Incentive Scheme (Specific Purpose)	2	This grant is from the Department for Education. Payment for taking on an apprentice and can be spent on any costs associated with supporting an apprentice in the workplace including salary (https://www.gov.uk/guidance/incentive-payments-for-hiring-a-new-apprentice). This is allocated via Children's Services.
Total Specific Purpose Allocations less than £500,000		144	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Economy and Growth Committee		
Growth and Enterprise	519	207
	519	207

4. Capital Strategy

Economy and Growth

CAPITAL

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description	Forecast Expenditure							Forecast Funding					
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2023/27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Culture & Tourism													
Archive Option Development	390	293	97	0	0	0	97	0	0	0	0	97	97
Countryside Capital Projects	605	601	0	4	0	0	4	4	0	0	0	0	4
Countryside Vehicles	999	0	0	587	193	219	999	0	0	47	0	952	999
Public Rights of Way - CMM A6 MARR	100	2	7	91	0	0	98	98	0	0	0	0	98
Public Rights of Way - Flood Damage Investment	63	15	40	8	0	0	48	0	0	0	0	48	48
Public Rights of Way - Capital Works	860	770	84	7	0	0	91	91	0	0	0	0	91
Rural & Green Section 106 Schemes	50	16	0	33	0	0	33	0	33	0	0	0	33
Tatton Park Investment Phase 2	1,969	0	96	1,373	500	0	1,969	96	0	0	0	1,873	1,969
Economic Development													
Connecting Cheshire 2020	7,238	0	1,697	2,303	2,238	1,000	7,238	7,655	0	0	0	-417	7,238
Connecting Cheshire Phase 2	883	0	0	0	0	883	883	0	313	0	0	570	883
Connecting Cheshire	595	0	0	0	0	595	595	0	48	0	0	547	595
Crewe Town Centre Regeneration	32,018	11,940	3,117	15,444	0	1,517	20,078	665	0	0	0	19,413	20,078
Demolition of Crewe Library Site	2,765	13	168	1,214	1,370	0	2,752	1,229	0	0	0	1,523	2,752
Future High Street Funding - CEC Innovation Centre	1,169	58	0	1,111	0	0	1,111	1,111	0	0	0	0	1,111
Future High Street Funding - Christ Church Innovation	1,934	71	10	1,854	0	0	1,863	1,863	0	0	0	0	1,863
Leighton Green	2,096	1,455	8	333	300	0	641	0	0	0	0	641	641
Macclesfield Town Centre	2,219	1,767	94	358	0	0	452	0	0	0	0	452	452
North Cheshire Garden Village	64,707	5,491	511	12,389	9,000	37,317	59,217	21,700	0	0	21,700	15,817	59,217
South Macclesfield Development Area	34,630	3,089	148	1,393	10,000	20,000	31,541	10,000	10,000	0	11,393	148	31,541

CAPITAL PROGRAMME 2022/23- 2025/26													
Scheme Description	Forecast Expenditure							Forecast Funding					
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2023/27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Estates													
Corporate Landlord - Operational	1,027	963	0	65	0	0	65	0	0	0	0	65	65
Farms Strategy	1,710	0	0	314	306	1,090	1,710	0	0	0	1,710	0	1,710
Malkins Bank Landfill Site	1,360	511	54	795	0	0	849	0	0	0	61	788	849
Public Sector Decarbonisation Fund - FM 1	1,855	1,759	0	96	0	0	96	96	0	0	0	0	96
Public Sector Decarbonisation Fund - FM 2	604	389	63	153	0	0	216	216	0	0	0	0	216
Premises Capital (FM)	13,163	0	3,291	3,903	3,500	2,469	13,163	0	0	0	0	13,163	13,163
Red Roofs Hole Farm Alderley Edge - Acquisition	15	12	1	3	0	0	3	0	0	0	0	3	3
Schools Capital Maintenance	2,582	0	743	1,838	0	0	2,582	2,291	0	291	0	0	2,582
Septic Tanks	636	250	31	356	0	0	387	0	0	0	0	387	387
Housing													
Astbury Marsh Caravan Park	211	143	68	0	0	0	68	0	0	0	0	68	68
Disabled Facilities Grant	11,624	0	2,999	3,940	2,342	2,342	11,624	9,944	752	0	0	928	11,624
Future High Street Funding - Chester Street	1,378	3	0	5	1,370	0	1,375	1,375	0	0	0	0	1,375
Future High Street Funding - Delamere Street	1,459	4	1	7	1,447	0	1,455	1,455	0	0	0	0	1,455
Green Homes Grants	3,898	769	1,481	1,649	0	0	3,129	1,452	1,677	0	0	0	3,129
Gypsy and Traveller Sites	4,136	1,246	43	2,847	0	0	2,890	700	436	0	0	1,755	2,890
Home Repairs for Vulnerable People	930	0	305	226	200	200	930	0	85	0	0	845	930
Sustainable Warmth - Home Upgrade Grant	2,810	4	627	2,179	0	0	2,806	2,806	0	0	0	0	2,806
Temporary Accommodation	958	300	578	80	0	0	658	0	318	340	0	0	658
Warm Homes Fund	239	173	25	41	0	0	66	66	0	0	0	0	66
Total Committed Schemes	205,886	32,106	16,386	56,997	32,765	67,631	173,780	64,911	13,662	678	34,864	59,665	173,780

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description	Forecast Expenditure							Forecast Funding					Total Funding
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2023/27 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	
New Schemes													
Culture & Tourism													
Cattle Handling Facility	190	0	0	190	0	0	190	0	0	190	0	0	190
Crewe Towns Fund - History Centre Public Realm	14	0	14	0	0	0	14	14	0	0	0	0	14
New Archive Premises	10,256	0	0	4,106	5,699	451	10,256	0	0	0	0	10,256	10,256
Rural & Green Section 106 Schemes	112	0	1	64	47	0	112	0	112	0	0	0	112
Economic Development													
Connecting Cheshire Phase 3	8,000	0	0	1,600	2,400	4,000	8,000	0	8,000	0	0	0	8,000
Handforth Heat Network	13,710	0	0	9,910	2,000	1,800	13,710	5,420	4,890	0	0	3,400	13,710
Crewe Towns Fund - Mill Street Corridor	190	3	187	0	0	0	187	187	0	0	0	0	187
Crewe Towns Fund - Repurposing Our High Streets	1,450	0	38	540	399	474	1,450	1,450	0	0	0	0	1,450
Crewe Towns Fund - Flag Lane Baths	2,800	0	306	2,494	0	0	2,800	2,800	0	0	0	0	2,800
Crewe Towns Fund - Mirion St	732	0	30	78	625	0	732	732	0	0	0	0	732
Crewe Towns Fund - Crewe Youth Zone non-grant costs	978	0	49	218	711	0	978	978	0	0	0	0	978
Crewe Towns Fund	14,074	0	0	2,784	7,388	3,901	14,074	14,074	0	0	0	0	14,074
Macclesfield Indoor Market Toilet Refurbishment	160	0	12	148	0	0	160	40	110	10	0	0	160
Estates													
Corporate Landlord - Land Acquisitions	1,336	0	0	1,336	0	0	1,336	0	0	0	0	1,336	1,336
Public Sector Decarbonisation - 3	5,213	0	3,930	1,283	0	0	5,213	3,714	0	0	0	1,499	5,213
Public Sector Decarbonisation Scheme - 3B	7,800	0	0	4,772	3,028	0	7,800	7,800	0	0	0	0	7,800
Housing													
Home Upgrade Grant Phase 2	6,210	0	0	3,105	3,105	0	6,210	6,210	0	0	0	0	6,210
Crewe Towns Fund - Warm and Healthy Homes	100	0	10	0	90	0	100	100	0	0	0	0	100
Social Housing Decarbonisation Fund	1,565	0	86	1,479	0	0	1,565	1,565	0	0	0	0	1,565
Total New Schemes	74,890	3	4,662	34,106	25,492	10,625	74,886	45,083	13,112	200	0	16,491	74,886
Total Economy and Growth Schemes	280,776	32,110	21,049	91,103	58,258	78,257	248,666	109,995	26,774	878	34,864	76,156	248,666

5. Reserves Strategy

Name of Reserve	Opening Balance 1 April 2022 £000	Movement in Reserves 2022/23 £000	Closing Balance 31 March 2023 £000	Notes
<u>Directorate</u>				
Place Directorate	1,684	38	1,722	To support a number of widespread projects within the Place Directorate.
Investment (Sustainability)	680	(32)	648	To support investment that can increase longer term financial independence and stability of the Council.
<u>Growth and Enterprise</u>				
Legal Proceedings	285	(57)	228	To enable legal proceedings on land and property matters.
Investment Portfolio	155	206	361	Total rent, fee costs and the amount the service are allowed to keep (£250k) all stay the same so anticipating a similar contributions to the reserve. Reserve being built up to be used in the future if the site is vacated. Current lease extends beyond 2026.
Homelessness & Housing Options - Revenue Grants	130	0	130	To cover costs of purchase and refurbishment of properties to be used as temporary accommodation to house vulnerable families.
Tatton Park Trading Reserve	111	(111)	0	Full drawdown of the reserve necessary to cover the adverse position for Tatton Park at the end of 2022/23.
Royal Arcade Crewe	99	(79)	20	Original purpose was to fund vacant possession related costs for the Royal Arcade until demolition. The balance will now be used to pay for ongoing maintenance costs for Crewe Bus station.
ECONOMY AND GROWTH TOTAL	3,144	(35)	3,109	

Appendix 5 : Environment and Communities Committee

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Environment and Communities Committee Extracts

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£500,000 or less**

**Table 3: Delegated Decision Additional Grant Funding (General Purpose)
£500,000 or less**

3. Debt Management

4. Capital Strategy

5. Reserves Strategy

Appendix 5

Environment and Communities Committee

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

	Third review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Environment and Communities				
Environment & Neighbourhood Service	44,409	25	(826)	43,608
	44,409	25	(826)	43,608

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Grants 2022/23	Revised Forecast FR3 2022/23 £000	Final Outturn 2022/23 £000	Change from Revised Forecast FR3 2022/23 £000	Treatment of Grant <i>Notes 2 - 5</i>
ENVIRONMENT & COMMUNITIES				
Specific Purpose (Held within Services)	385	411	25	
General Use (Held Corporately)				
Neighbourhood Planning Grant	35	35	0	
Air Quality New Burdens	0	12	12	SRE
TOTAL ENVIRONMENT & COMMUNITIES	420	457	37	

Notes

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

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

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

2.3 **Table 2** shows additional specific purpose grant allocations that have been received which are £500,000 or less and are for noting only.

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

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

Committee	Type of Grant	£000	Details
Environment and Communities	Section 31 grant - Biodiversity net gain (Specific Purpose)	23	This grant is from the Department for Environment, Food and Rural Affairs and is an increase on the Financial Review 3 forecast. This funding will allow the Planning service to adopt the mandatory Biodiversity Net Gain approach to Development coming into force in 2023, to ensure that natural habitats are extended or improved as part of a project or development.
Environment and Communities	Taxi and PHV Database Payment Notification (Specific Purpose)	1	This grant is from the Department for Environment, Food and Rural Affairs. The purpose of the payment is to provide support to licensing authorities in England towards expenditure lawfully incurred by them as a result of implementation of the Air Quality (Taxi and Private Hire Vehicles Database) (England and Wales) Regulations 2019. The activity subject of the funding is a weekly upload of details relating to taxi and PHV's that have been licensed in their area and include information such as vehicle registration number, start and expiry date of vehicle licence, whether the vehicle is a Taxi or PHV and the name of the licensing authority.
Environment and Communities	Local Development Order Grant (Specific Purpose)	83	This grant is from Department for Communities and Local Government. Funding was received from DCLG to assist in the preparation of two residential-led LDOs in Macclesfield town centre.

Environment and Communities	Apprentice Incentive Scheme (Specific Purpose)	6	This grant is from the Department for Education. Payment for taking on an apprentice and can be spent on any costs associated with supporting an apprentice in the workplace including salary (https://www.gov.uk/guidance/incentive-payments-for-hiring-a-new-apprentice). This is allocated via Children's Services.
Total Specific Purpose Allocations less than £500,000		113	

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

Committee	Type of Grant	£000	Details
Environment and Communities	Air Quality New Burdens (General Use)	12	This grant is from the Department of Environment, Food and Rural Affairs (DEFRA). The purpose of the grant is to provide support to local authorities by contributing to reductions in air pollutant emissions and/or concentrations in areas throughout England. By providing local authorities with funding for measures introduced through the Environment Act to improve the enforcement and management of smoke emissions in smoke control areas.
Total General Purpose Allocations less than £500,000		12	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Environment and Communities Committee		
Environment and Neighbourhood Services	1,116	243
	10,449	6,679

4. Capital Strategy

Environment and Communities

CAPITAL

CAPITAL PROGRAMME 2022/23 - 2025/26

Scheme Description	Forecast Expenditure							Forecast Funding					
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2022/26 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Environment Services													
Arnold Rhodes Public Open Space Improvements Phase 2	94	89	0	5	0	0	5	0	5	0	0	0	5
Bereavement Service Data System	35	0	6	29	0	0	35	0	0	35	0	0	35
Browns Lane, Wilmslow Play Area	570	541	29	0	0	0	29	0	29	0	0	0	29
Church Lane Community Park Development	95	93	0	2	0	0	2	0	2	0	0	0	2
Congleton Household Waste Recycling Centre	50	20	0	30	0	0	30	0	0	0	0	30	30
Crewe Towns Fund - Pocket Parks	66	3	64	0	0	0	64	64	0	0	0	0	64
Energy Improvements at Cledford Lane	985	825	65	95	0	0	160	0	0	0	0	160	160
Future High Street Funding - Sustainable Energy Network	2,643	150	139	2,353	0	0	2,493	2,493	0	0	0	0	2,493
Green Investment Scheme (Solar Farm)	3,950	64	275	3,611	0	0	3,886	0	0	0	0	3,886	3,886
Hassall Road Play Area Improvements	77	73	4	0	0	0	4	0	4	0	0	0	4
Household Bins Scheme	326	0	326	0	0	0	326	0	0	276	0	50	326
Litter and Recycling Bins	208	56	54	46	52	0	152	0	0	0	0	152	152
Little Lindow Open Space Improvements	69	7	57	5	0	0	62	0	62	0	0	0	62
Nantwich Cemetery Roadway Extension	75	60	12	3	0	0	15	0	0	15	0	0	15
Newtown Sports Facilities Improvements	99	81	0	18	0	0	18	0	18	0	0	0	18
Organic Waste Treatment Plant			-9	0	0	0	-9	0	0	0	0	-9	-9
Park Development Fund	931	496	81	204	150	0	435	0	0	0	0	435	435
Pastures Wood Decarbonisation	51	28	4	20	0	0	23	0	0	23	0	0	23
Pheasant Walk Play Area Improvements	18	9	9	0	0	0	9	0	9	0	0	0	9
Queens Park Lake Planting	18	17	0	1	0	0	1	0	1	0	0	0	1
Robin Lane Park Improvments			13	0	0	0	13	0	0	0	0	13	13
Rotherhead Drive Open Space and Play Area	141	111	3	28	0	0	30	0	30	0	0	0	30
Victoria Park Pitch Improvements	29	5	0	24	0	0	24	0	24	0	0	0	24
Victoria Park Improvements	82	7	75	0	0	0	75	0	73	0	0	2	75
Wynbunbury Parish Open Space	5	1	0	4	0	0	4	0	4	0	0	0	4

Environment and Communities

CAPITAL

CAPITAL PROGRAMME 2022/23 - 2025/26													
Scheme Description	Forecast Expenditure							Forecast Funding					
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2022/26 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Neighbourhood Services													
Congleton Leisure Centre	12,860	6,272	6,404	184	0	0	6,588	0	0	0	0	6,588	6,588
Crewe Towns Fund - Cumberland Arena	106	0	106	0	0	0	106	106	0	0	0	0	106
Crewe Towns Fund - Valley Brook Green Corridor	100	2	52	46	0	0	98	98	0	0	0	0	98
Libraries - Next Generation - Self Service	374	322	7	44	0	0	52	0	0	0	0	52	52
Macclesfield Leisure Centre Improvements	3,865	3,398	0	467	0	0	467	0	0	0	0	467	467
Middlewich Leisure Centre	60	6	45	9	0	0	54	0	0	0	0	54	54
Nantwich Pool Improvemnts	2,251	1,923	328	0	0	0	328	0	0	0	0	328	328
Poynton Leisure Centre	4,606	391	26	1,974	2,215	0	4,215	0	0	0	0	4,215	4,215
								0	0	0	0	0	
Planning Services								0	0	0	0	0	
Replacement Planning System	415	320	95	0	0	0	95	0	0	0	0	95	95
Regulatory Services & Enviromental Health ICT System	313	240	27	46	0	0	73	0	0	49	0	25	73
Replacement CCTV Cameras	302	0	135	167	0	0	302	0	0	263	0	39	302
Total Committed Schemes	35,868	15,608	8,432	9,415	2,417	0	20,264	2,760	263	660	0	16,580	20,264
New Schemes													
Environment Services													
Alderley Edge Park & Chorley Hall Lane Pitch Impr.	25	0	13	12	0	0	25	0	25	0	0	0	25
Barony Skate Park Refurbishment	100	0	0	100	0	0	100	100	0	0	0	0	100
Bollington War Memorial – new planting beds	1	0	1	0	0	0	1	0	1	0	0	0	1
Carbon Offset Investment	1,000	0	78	172	250	500	1,000	0	0	0	0	1,000	1,000
Chelford Village Hall Improvements	164	0	115	50	0	0	164	0	164	0	0	0	164
Fleet Vehicle Electric Charging	585	0	0	290	179	116	585	0	0	0	0	585	585
Getting Building Fund Repayment	4,405	0	4,404	0	0	0	4,405	0	0	0	0	4,405	4,405
Hield Grove Play Area	19	0	19	0	0	0	19	19	0	0	0	0	19
Household Waste Recycling Centres	860	0	39	821	0	0	860	0	0	0	0	860	860
Over Peover Amenity Improvements	10	0	10	0	0	0	10	0	10	0	0	0	10
Solar Energy Generation	14,180	0	48	252	13,880	0	14,180	0	0	0	0	14,180	14,180
South Park Ecology Appraisal	2	0	2	0	0	0	2	0	2	0	0	0	2
The Carrs Species Survey and Review	1	0	1	0	0	0	1	0	1	0	0	0	1
Woodland South of Coppice Way, Handforth	89	0	66	22	0	0	89	0	89	0	0	0	89
Total New Schemes	21,441	0	4,796	1,719	14,309	616	21,441	119	267	0	0	21,030	21,441
Total Environment and Communities Schemes	57,309	15,608	13,227	11,135	16,726	616	41,704	2,879	529	660	0	37,611	41,704

5. Reserves Strategy

Name of Reserve	Opening Balance 1 April 2022 £000	Movement in Reserves 2022/23 £000	Closing Balance 31 March 2023 £000	Notes
<u>Environment and Neighbourhood Services</u>				
Strategic Planning	568	0	568	To meet costs associated with the Local Plan - site allocations, minerals and waste DPD.
Trees / Structures Risk Management	202	(36)	166	New reserve to respond to increases in risks relating to the environment, in particular the management of trees, structures and dealing with adverse weather events.
Spatial Planning - revenue grant	89	0	89	Funding IT costs over 4 years.
Neighbourhood Planning	82	0	82	To match income and expenditure.
Air Quality	36	0	36	Air Quality Management - DEFRA Action Plan. Relocating electric vehicle chargepoint in Congleton.
Street Cleansing	26	0	26	Committed expenditure on voluntary litter picking equipment and electric blowers.
Custom Build & Brownfield Register	19	(19)	0	
Community Protection	17	0	17	
Licensing Enforcement	15	(7)	8	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Flood Water Management (Emergency Planning)	2	0	2	Plans to draw down the reserve in 2023/24 relating to Public Information Works.
ENVIRONMENT AND COMMUNITIES TOTAL	1,056	(62)	994	

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Appendix 6

Finance Sub-Committee

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

	Third review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Finance Sub-Committee Central Budgets				
Capital Financing	19,000	-	(1,876)	17,124
Corporate Contributions / Central Budgets	(5,247)	-	(7,763)	(13,010)
Contribution to / from Reserves	(3,212)	11,870	(14,407)	(5,749)
	10,541	11,870	(24,046)	(1,635)
Finance Sub-Committee - Central Budgets Funding				
Business Rates Retention Scheme	(49,086)	-	20,794	(28,292)
Specific Grants	(24,637)	(11,895)	-	(36,532)
Council Tax	(254,682)	-	840	(253,842)
Sourced from Collection Fund	-	-	-	-
TOTAL CENTRAL BUDGETS FUNDING	(328,405)	(11,895)	21,634	(318,666)

2. Corporate Grants Register

Government Grant Funding of Local Expenditure

- 2.1 Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. The overall total of Government grant budgeted for in 2022/23 was £251.6m.
- 2.2 In 2022/23 Cheshire East Council's specific use grants held within the services was budgeted to be £227.6m based on Government announcements to February 2022.
- 2.3 At the last Financial Review, the forecast in specific purpose grants was increased by £74.2m to £301.8m. The final outturn position has seen a decrease of £4.8m on the forecast position to £297m. The specific purpose grant outturn position reflects the grant values that were used during the year. Additional grants have been received in the final quarter but have been off-set by reduced forecasts for other grants. However, the overall factor for the decrease is mainly due to grants not being used in-year and being carried-forward to meet expenditure in financial year 2023/24.
- 2.4 Spending in relation to specific purpose grants must be in line with the purpose for which it is provided.
- 2.5 General use grants were budgeted to be £24.0m. Further in-year grant announcements have increased the amount received to £36.5m at Outturn.
- 2.6 **Table 1** provides a summary of the Outturn position for grants in 2022/23 by type and service.
- 2.7 Further details of general use grants are shown in **Table 2**, the Corporate Grants Register. At Outturn, there is a £2.2m decrease on the last Financial Review forecast position. This is mainly due to a reduction in the Business Rates Relief Compensation grant, as a result of a contribution to the Revenue Budget.
- 2.8 **Table 3** shows additional grant allocations that have been received over £1m that Council will be asked to approve.
- 2.9 **Table 4** shows additional general use grant allocations that have been received which are £500,000 or less and are for noting only.

Table 1 - Summary of Grants

Grants 2022/23	Original Budget	Revised Forecast FR3	Final Outturn	Change from Revised Forecast
	2022/23 £m	2022/23 £m	2022/23 £m	2022/23 £m
SPECIFIC USE				
Children and Families	146.5	167.3	167.9	0.6
Adults and Health	30.7	52.6	45.9	(6.7)
Economy and Growth	2.3	4.7	8.5	3.8
Environment and Communities	0.0	0.4	0.4	0.0
Highways and Transport	0.3	3.2	1.0	(2.2)
Corporate Policy	47.7	73.6	73.3	(0.3)
TOTAL SPECIFIC PURPOSE	227.6	301.8	297.0	(4.8)
GENERAL PURPOSE				
Children and Families	0.0	0.5	0.5	0.0
Adults and Health	12.5	12.5	12.7	0.1
Economy and Growth	0.0	1.2	0.0	(1.2)
Environment and Communities	0.0	0.0	0.0	0.0
Highways and Transport	0.0	0.0	0.0	0.0
Corporate Policy	11.5	25.5	23.3	(2.2)
TOTAL GENERAL PURPOSE	24.0	39.8	36.5	(3.3)
TOTAL GRANT FUNDING	251.6	341.6	333.5	(8.1)

Source: Cheshire East Finance

Table 2 – Corporate Grants Register

General Use Grants 2022/23 (Held Corporately)	Original Budget	Revised Forecast FR3	Final Outturn	Change from Revised Forecast
	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000
CHILDREN & FAMILIES				
Staying Put Implementation Grant	0	130	130	0
Extended Rights to Free Transport (Home to School Transport)	0	250	250	0
Extended Personal Adviser Duty Implementation	0	57	57	0
Extension of the role of Virtual School Heads	0	61	61	0
Total Children & Families Committee	0	498	498	0
ADULTS & HEALTH				
Social Care Support Grant	11,341	11,341	11,341	0
Independent Living Fund	818	861	861	0
Local Reform & Community Voices	213	213	208	(5)
Social Care in Prisons	71	71	68	(3)
War Pension Scheme Disregard	56	56	56	(0)
Streamline ASC care assessment process and improve waiting times	0	0	142	142
Total Adults & Health Committee	12,499	12,542	12,676	134
ECONOMY & GROWTH				
Shared Prosperity Fund	0	1,226	0	(1,226)
Total Economy & Growth Committee	0	1,226	0	(1,226)
ENVIRONMENT & COMMUNITIES				
Neighbourhood Planning Grant	0	35	35	0
Air Quality New Burdens	0	0	12	12
Total Environment & Communities Committee	0	35	47	12

General Use Grants 2022/23 (Held Corporately)	Original Budget	Revised Forecast FR3	Final Outturn	Change from Revised Forecast
	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000
HIGHWAYS & TRANSPORT				
Pavement Licensing - New Burdens	0	13	13	0
Total Highways & Transport Committee	0	13	13	0
CORPORATE POLICY				
Housing Benefit Administration Subsidy	654	736	736	0
Council Tax Support Administration Subsidy	316	345	345	0
Unidentified Ministry of Justice Grant	0	9	9	0
NNDR Administration Allowance	587	587	573	(14)
Council Tax Family Annex Discount	0	25	25	0
Revenue Support Grant	7	7	7	0
New Homes Bonus	6,614	6,614	6,614	0
Lower Tier Services Grant	353	360	360	0
Services Grant	2,932	2,932	2,932	0
Council Tax Rebates	0	0	228	228
Levy Account Surplus Grant	0	0	357	357
Business Rates Reliefs New Burdens and Licences	0	0	102	102
Local Government Transparency Code	0	0	13	13
Business Rates Reliefs Compensation Grant 2022/23	0	13,890	10,992	(2,898)
Total Corporate Policy Committee	11,463	25,505	23,293	(2,213)
TOTAL	23,962	39,819	36,526	(3,293)

Table 3 – Council Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding over £1,000,000

Committee	Type of Grant	£000	Details
Adults and Health	Afghan Wrap Around support (Specific Purpose)	1,061	This grant is from the Home Office. Funding allocated by the Home Office to support Cheshire East with providing Afghan Wrap Around support to families.
Economy and Growth	Local Enterprise Partnership (LEP): Evergreen (Specific Purpose)	5,000	This grant is European Regional Development Fund (ERDF) funding, administered by the Department for Levelling Up, Housing and Communities (DLUHC). The grant is to provide loan and investment finance in relation to a Cheshire and Warrington urban development fund.
Total Specific Purpose Allocations over £1,000,000		6,061	

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

Committee	Type of Grant	£000	Details
Finance Sub	Streamline ASC care assessment process and improve waiting times (General Use)	142	This grant is from the Department of Health and Social Care (DHSC). The purpose of this grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them in funding adult social care.
Finance Sub	Council Tax Rebates (General Use)	228	This grant is from the Department for Levelling Up, Housing and Communities. This grant is to support the resource used to administer the Council Tax Energy Rebates grant. Energy Rebates to be distributed and ongoing post payment assurance work and reconciliation completed in accordance with the Govt's timetable.

Finance Sub	Business Rates Reliefs New Burdens and Licences (General Use)	102	This grant is from the Department for Levelling Up, Housing and Communities. This grant is intended to fund resource used in the administration of additional business rate reliefs introduced by government.
Finance Sub	Local Government Transparency Code (General Use)	13	This grant is from the Department for Levelling Up, Housing and Communities. New burdens in relation to the Council's obligation to publish information in line with the Government's Transparency Code 2014. This grant has been received since the requirements came into effect but has not been allocated to Compliance and Customer Relations.
Finance Sub	Air Quality New Burdens (General Use)	12	This grant is from the Department of Environment, Food and Rural Affairs (DEFRA). The purpose of the grant is to provide support to local authorities by contributing to reductions in air pollutant emissions and/or concentrations in areas throughout England. By providing local authorities with funding for measures introduced through the Environment Act to improve the enforcement and management of smoke emissions in smoke control areas.
Total General Purpose Allocations less than £500,000		497	

3. Debt Management

- 4.1 Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has decreased by £0.4m since the end of December.
- 4.2 Annually, the Council raises invoices with a total value of over £80m. Around a quarter of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
- 4.3 The Council's standard collection terms require payment within 28 days of the invoice date, however, services receive immediate credit in their accounts for income due. The Council uses a combination of methods to ensure prompt payment of invoices. Recovery action against unpaid invoices may result in the use of debt collectors, court action or the securing of debts against property.
- 4.4 The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection/enforcement agent services (currently provided by Bristow & Sutor).
- 4.5 After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of March 2023 was £13.5m.
- 4.6 The total amount of service debt over six months old is £7.7m; provision of £7.6m has been made to cover doubtful debt in the event that it needs to be written off.

DEBT SUMMARY

	Outstanding Debt £000	Over 6 months old £000
Adults and Health Committee		
Adults, Public Health and Communities	10,449	6,679
Children and Families Committee		
Children's Social Care (Incl. Directorate)	12	-
Education and 14-19 Skills	6	2
Prevention and Early Help	67	3
Schools	2	-
Highways and Transport Committee		
Highways and Infrastructure	994	521
Economy and Growth Committee		
Growth and Enterprise	519	207
Environment and Communities Committee		
Environment and Neighbourhood Services	1,116	243
Corporate Policy Committee		
Finance and Customer Services	83	57
Governance and Compliance	20	-
Human Resources	-	-
ICT	205	-
	13,473	7,712

4. Capital Strategy

Table 1: Financial Parameters for 2022/23 to 2025/26

Parameter	Value (£m)			
	2022/23	2023/24	2024/25	2025/26
Repayment of Borrowing				
Minimum Revenue Provision*	15.0	17.2	19.8	22.4
External Loan Interest	6.1	6.0	6.0	6.0
Investment Income	(2.8)	(2.4)	(2.4)	(2.4)
Contributions from Services Revenue Budgets	(1.2)	(1.3)	(1.4)	(2.4)
Total Capital Financing Costs	17.1	19.5	22.0	23.6
Use of Financing EMR	1.9	(0.5)	(2.0)	(2.6)
Actual CFB in MTFS	19.0	19.0	20.0	21.0
Capital Receipts targets*	1.0	1.0	1.0	1.0
Flexible use of Capital Receipts	0	0	0	0

*Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

- 5.1 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the

Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision.

- 5.2 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, requires local authorities to charge to their revenue account for each financial year a minimum amount to finance the cost of capital expenditure. Commonly referred to as MRP (Minimum Revenue Provision). This ensures that the revenue cost of repaying debt is spread over the life of the asset, similar to depreciation.



- 5.3 The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is reported as part of the MTFS report and Outturn report. This highlights the level to which the Council is internally borrowed (being the difference between the CFR and external debt), and the expected repayment profile of the external debt.

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

Contributions from Services

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

- 5.9 The Council's strategy is to use revenue contributions of £6.3m over the next four financial years to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £3.0m from the Investment Portfolio; £1.3m contribution from schools towards the schools transformation programme; £1.2m from Everybody Health and Leisure for the improvements to the Council's leisure facilities; £0.6m electric vehicle charging and the Green Investment schemes, £0.2m from Countryside Services for the vehicle replacement programme upgrade, and £0.1m from the Children's Home Sufficiency project.

Use of Financing Earmarked Reserve

- 5.10 To allow a longer term approach to setting the Financial Parameters of the Capital Strategy the Council will maintain an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.
- 5.11 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any variance to the Capital Finance Budget (CFB) within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. In balancing the CFB over the period of the MTFS the Section 151 Officer may also recommend appropriate use of the Financing Earmarked Reserve over the period.
- 5.12 The Council's current strategy is to draw-down up to £3.2m from the Financing Earmarked Reserve for the period 2022/23 to 2025/26.

Capital Programme – Review Position

- 5.13 The original 2022/23 forecast budget approved in the MTFS 2022/26 was £185.2m, at the Third Financial Review this

forecast reduced to £125.2m with £60m being reprofiled into future years.

- 5.14 As a result of the cost of construction inflation on the Council's capital projects a further £76.6m was approved in-year to cover that on-going pressure.
- 5.15 The capital Outturn for 2022/23 was £116.4m, with slippage of £8.8m being re-profiled in to 2023/24.
- 5.16 During the year several projects have been completed which include the opening in March 2023 of Poynton Relief Road, there was also the continual improvement to the highways network and the Schools Basic Need Expansion programme. Other major schemes that have commenced or are in progress is the creation of a new primary school in Nantwich, the expansion of Wilmslow High School, a new special school setting in Handforth, Crewe Youth Zone, Northwest Crewe Highway Package, the Public Sector De-carbonisation programme on the Council's corporate buildings and the redevelopments at Congleton Leisure Centre and Crewe Town Centre.
- 5.17 There two significant Supplementary Capital Estimates, the first is the Basic Need capital allocation for the 2025/26 (£2.4m) that has not been previously approved in the Medium-Term Financial Strategy for 2023/27.
- 5.18 The second Supplementary Capital Estimate is for £1.3m, The Council has received £2.3m of funding through the Department of Transport's Roads Funding Allocation. It is proposed that £1.3m is to be used to fund a programme of 20km of footway slurry sealing and 1km of footway reconstruction. The remaining £1m will be used to offset borrowing that has been allocated to fund other highways capital maintenance schemes.

- 5.19 There is a slight variation to Third Financial Review Figure that was reported to Finance Sub Committee on the 8th March 2023, the figure in the March report was taken from the Medium-Term Financial Strategy tables and included new year projects from 2023/24 onwards. This Outturn report only includes projects that were approved up to March 2023. The First Financial review of 2023/24 will report on all the new year projects for 2023/24 and future years. Full details are listed in tables 5 and 6 of this report. **Table 2** below shows a summary of the changes.

Table 2: Summary of Capital Programme Changes

	Third Review Budget	SCEs/ Virements in Quarter	Budget Reductions	SCEs/ Virements	Revised Budget
	2022/26 £m	2022/26 £m	2022/26 £m	2022/26 £m	2022/26 £m
Adults and Health	0.5	0	0	0	0.5
Children & Families	123.6	0	0	3.1	126.7
Highways & Transport	340.8	0	0	1.4	342.2
Economy & Growth	247.8	0.2	(0.1)	0.8	248.7
Environment & Communities	41.8	0	(0.1)	0	41.7
Corporate Directorate	36.5	0	0	0.1	36.6
	791.0	0.2	(0.2)	5.4	796.4

- 5.20 The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve). A funding summary is shown in **Table 3**.
- 5.21 **Table 4** details requests of Supplementary Capital Estimates (SCE) up to and including £250,000 and Capital Virements up to and including £100,000 approved by delegated decision which are included for noting purposes only.
- 5.22 **Table 5** lists details of Capital Supplementary Estimates over £250,000 and up to £1,000,000 and Capital Virements over

£100,000 and up to and including £5,000,000 that requires Committee to approve.

5.23 **Table 6** lists details of Capital Supplementary Estimates over £1,000,000 and Capital Virements over £5,000,000 that Council will be asked to approve.

5.24 **Table 7** lists details of reductions in Approved Budgets where schemes are completed and surpluses can now be removed. These are for noting purposes only.

5.25 Prudential Indicators are shown at the end of this section.

5.26 Capital programme detail is shown in other service committee **Appendices 1-7, Section 4.**

Table 3: Capital Programme Summary

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY					
CAPITAL PROGRAMME 2022/23 - 2025/26					
	Actuals 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Total Forecast 2022-26 £000
Committed Schemes - In Progress					
Adults and Health	3	466	0	0	469
Children and Families	8,677	38,051	19,823	7,082	73,633
Highways & Transport	65,575	54,009	61,223	112,307	293,114
Economy & Growth	16,387	56,997	32,765	67,631	173,780
Environment & Communities	8,432	9,415	2,417	0	20,264
Corporate	7,291	13,696	9,738	5,642	36,367
Total Committed Schemes - In Progress	106,365	172,634	125,966	192,662	597,627
CAPITAL PROGRAMME 2022/23 - 2025/26					
	Actuals 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Total Forecast 2022-26 £000
New Schemes					
Adults and Health	0	0	0	0	0
Children and Families	600	13,698	14,132	24,626	53,056
Highways & Transport	0	16,896	16,181	16,043	49,120
Economy & Growth	4,663	34,106	25,492	10,625	74,886
Environment & Communities	4,796	1,719	14,309	616	21,440
Corporate	19	0	0	301	320
Total New Schemes	10,078	66,419	70,114	52,211	198,822
Total	116,443	239,053	196,080	244,873	796,449

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2022/23 - 2025/26

	Actuals 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Total Forecast 2022-26 £000
Funding Requirement					
Indicative Funding Analysis: (See note 1)					
Government Grants	47,070	130,276	119,210	71,237	367,793
External Contributions	6,815	28,413	25,908	64,729	125,865
Revenue Contributions	1,194	1,268	0	0	2,462
Capital Receipts	1,000	3,876	374	33,590	38,840
Prudential Borrowing (See note 2)	60,364	75,220	50,588	75,317	261,489
Total	116,443	239,053	196,080	244,873	796,449

Note 1:

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

Note 2:

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

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

Service / Capital Scheme	Amount Requested	Reason and Funding Source
	£	
Supplementary Capital Estimates that have been made up to £250,000		
Highways		
S106 Middlewich Road Pedestrian Refuge	60,678	To utilise additional S106 funds available.
A51 Nantwich Road, Alpraham	4,084	To utilise additional S106 funds available.
S106 Forge Mill, Forge Lane, Congleton – Footway works	9,336	To utilise additional S106 funds available.
Middlewich Road Elworth Pedestrian Crossing	7	To utilise additional S106 funds available.
Finance and Customer Services		
Core Financials	59,649	Contributions from Cheshire West & Chester Council for the ERP (Unit 4) system implementation costs and ongoing system upgrades.
Best4Business Programme	40,214	
Total Supplementary Capital Estimates Requested	173,969	

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Capital Budget Virements that have been made up to £100,000		
Education and 14-19 Skills		
Adelaide Academy	3,886	
Congleton Planning Area	10,877	
Congleton Planning Area - New School	3,641	
Congleton Planning Area - Primary (1)	8,501	
Congleton Planning Area - Primary (2)	3,361	
Handforth Planning Area - New School	2,831	
Holmes Chapel Planning Area	5,731	
Macclesfield Planning Area - New School	1,212	
Macclesfield Planning Area - Secondary	6,467	
Macclesfield Planning Area - Secondary	2,569	
Malbank High School	57	
Middlewich Planning Area	1,544	Virements to cover the School Organisation and Capital Team Salary Recharges charged to the schemes in year funded from the Basic Need future years block allocation
Monks Coppenhall SEN Expansion	3,797	
Nantwich Planning Area (Primary Schools - 210 Places)	80,850	
Nantwich Planning Area (Secondary Schools - 300 Places)	878	
Sandbach Boys School - Basic Need	86	
Sandbach High School - Basic Need	86	
Sandbach Planning Area - Primary	11,397	
Sandbach Planning Area (Secondary Schools - 300 Places)	703	
Shavington Planning Area - New Primary School	40,150	
Shavington Planning Area - Secondary	6,576	
The Dingle PS Expansion (Was Haslington PA-Primary)	10,307	
Wilmslow High School BN	1,557	
Wilmslow Primary Planning Area	690	

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Capital Budget Virements that have been made up to £100,000		
Education and 14-19 Skills		
Expansion of Park Lane School	4,659	Virements to cover the School Organisation and Capital Team's Salary Recharges charged to the scheme in year funded from the High Needs Block allocation
Macclesfield Academy Resource Provision	3,091	
Provision of Sufficient School Places - SEND	6,985	
Resource Provision - Wistaston Primary School	5,867	
Sen - Ruskin Community High School	57	
SEN Placement Expn - Phase 2	837	
Springfield Satellite Site (Dean Row)	11,886	
To Expand Sen Placement Capacity - Springfield Special School	12,929	
All Hallows High School	452	Virements to cover the School Organisation and Capital Team's Salary Recharges charged to the scheme in year funded from the SEN Phase 2 Block allocation
Fallibroome Academy	424	
Hungerford Primary - Improvement to sensory Area	113	
Middlewich High - Food Tech Room	283	
Ivy Bank - New RP building	1,384	
Puss bank SEN	980	
Shavington Primary - Sensory Environment	367	
Little Angels Satellite Sites	1,547	Virements to cover the School Organisation and Capital Team's Salary Recharges charged to the scheme in year funded from the School Condition Block allocation
Mobberley Primary School	7,543	
Wilmslow High School BN	8,238	
Monks Coppenhall SEN Expansion	11,500	Virement from Basic Need Block Allocation to cover in year expenditure

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Capital Budget Virements that have been made up to £100,000		
Highways		
Traffic Signal Maintenance	17,913	Virement from the Highway Pothole/Challenge Fund to cover in year project expenditure.
Surface Water Management Schemes	320	Virement from Highway Maintenance Minor Works to cover in year project expenditure.
Alderley Edge Access Imps	62,854	Virement from LTP funded Part 1 claims project.
M6 Junction 19	342	Virement from LTP funded Crewe Rail claims project.
S106 Booth Lane, Bus Stops	10	Virement from LTP funded Part 1 claims project.
A51/A500 Corridor Nantwich	27,989	Virement from LTP funded Client Contract and Asset Mgmt project.
Crewe Rd, Alsager Ped Crossing	541	Virement from LTP funded Crewe Rail claims project.
S106 Booth Lane, Bus Stops	10	Virement from LTP funded Crewe Rail claims project.
Environment Services		
Crewe Towns Fund - Cumberland Arena	25,604	Virement of budget from Crewe Towns Funding block to cover in year project expenditure
Crewe Towns Fund – Pocket Parks	46,385	Virement of budget from Crewe Towns Funding block to cover in year project expenditure
Future High Street Funding - Sustainable Energy Netwo	65,360	Virement of remaining budget from Public Sector Decarbonisation Fund - Substation & Cledford
Robin Lane Park Improvements	13,070	Virement from Parks Development Funding block to fund in year project expenditure
Victoria Park Improvements	2,100	Virement from Parks Development Funding block to fund in year project expenditure
Total Capital Budget Virements Approved	549,395	
Total Supplementary Capital Estimates and Virements	723,364	

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

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements		
Supplementary Capital Estimates above £250,000 up to and including £1,000,000		
Education and 14-19 Skills		
Energy Efficiency Grants for Schools	713,496	Additional Department of Education Grant funding received in 2022/23 to fund energy efficiency improvements within schools.
Housing		
Disabled Facilities Grant	751,911	External contributions received to fund disabled facilities work on Cheshire East Residents properties
Home Repairs Vulnerable People	84,823	External contributions received to fund home repairs work on Cheshire East Residents properties
Green Homes Grant	8,414	Repayment of a Green Homes grant to increase the budget so the funds can be re-distributed.
Total Supplementary Capital Estimates Requested	1,558,644	

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements		
Capital Budget Virements above £100,000 up to and including £5,000,000		
Highways		
Bridge Maintenance Minor Wks	346,707	Virement from the Managing & Maintaining Highways block allocation to cover in year project expenditure.
S106 Middlewich Road Pedestrian Refuge	118,145	Virement from the Managing & Maintaining Highways block allocation to cover in year project expenditure.
Environment Services		
Household Bins Schemes	276,048	Additional capital scheme expenditure in year funded from revenue contributions.
Total Capital Virements requested	740,900	
Total Supplementary Capital Estimates and Virements	2,299,544	

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

Service	Amount Requested	Reason and Funding Source
	£	
Supplementary Capital Estimates over £1,000,000		
Education and 14-19 Skills		
Basic Need Grant Allocation	2,442,238	2025-26 Basic Need Allocation from the Department for Education.
Highways		
Footpath Maintenance - Slurry Sealing & Reconstruction Works	1,319,000	Additional Department of Transport Funding - Roads Allocation to fund slurry sealing and reconstruction works on the Boroughs footpaths.
Total Supplementary Capital Estimates Requested	3,761,238	
Total Supplementary Capital Estimates and Virements	3,761,238	

Table 7: Capital Budget Reductions

Service / Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
Finance Sub Committee are asked to note the reductions in Approved Budgets				
Education and 14-19 Skills				
School Condition Capital Grant	6,950	6,876	74	Reduction in Schools Condition Grant due to estimate being used for 2023-24. Actual amount now received.
Economic Regeneration				
Broadway Meadow Car Park	48,500	823	47,677	This capital budget for the project is no longer required.
Environment Services				
Macclesfield Cenotaph Planting	1,463	714	749	Project under budget, no further resource required.
Newtown Outdoor Pitch Improvements	50,924	38,535	12,389	Project under budget, no further resource required.
Hield Grove Play Area	21,128	19,077	2,051	Project under budget, no further resource required.
Highways				
Alderley Edge Access Imps	122,214	122,138	716	The S106 funding available to fund the project is less than the current approved budget. Therefore a budget reduction is required.
M6 Junction 19	29,557	23,950	5,607	Reduced due to amount no longer to be recouped from National Highways, project complete.
Transformation				
Digital Strategy - Azure D365	310,000	309,747	253	Project now complete.

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

Background

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

Estimates of Capital Expenditure

- 5.24 In 2022/23, the Council spent £116.4m on capital expenditure as summarised below.

Capital Expenditure	2021/22 Actual £m	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Total	84.5	116.4	237.5	196.0	244.9

Source: Cheshire East Finance

Capital Financing

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

Capital Financing	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Future years £m
Capital receipts	2.6	1.0	3.9	0.4	33.6
Government Grants	37.9	47.1	128.0	119.2	71.2
External Contributions	4.0	6.7	28.4	25.9	64.7
Revenue Contributions	0.6	1.2	1.0	0.0	0.0
Total Financing	45.1	56.0	161.3	145.5	169.5
Prudential Borrowing	39.4	60.4	76.2	50.5	75.4
Total Funding	39.4	60.4	76.2	50.5	75.4
Total Financing and Funding	84.5	116.4	237.5	196.0	244.9

Source: Cheshire East Finance

Replacement of debt finance

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

Replacement of debt finance	2021/22 Actual £m	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Total	13.5	15.0	17.2	19.8	22.4

Source: Cheshire East Finance

Estimates of Capital Financing Requirement

- 5.27 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR increased by £42m during 2022/23.

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

Capital Financing Requirement	2021/22 Actual £m	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Total	425	467	525	552	602

Source: Cheshire East Finance

Asset disposals

- 5.28 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council received £4.9m of capital receipts from asset sales in 2022/23 and plans to receive a further £3.6m in future years.

Capital Receipts	2021/22 Actual £m	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Asset Sales	2.3	4.3	1.0	1.0	1.0
Loans Repaid	0.3	0.6	0.2	0.2	0.2
Total	2.6	4.9	1.2	1.2	1.2

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

- 5.29 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting and the Council therefore seeks to strike a balance between cheap short term loans (currently available at around 4.8%) and long term fixed rate loans where the future cost is known but higher (currently 5.2%– 5.5%).
- 5.30 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement.

Gross Debt and the Capital Financing Requirement	2021/22 Actual £m	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Borrowing	181	261	77	77	77
Finance Leases	0	0	0	0	0
PFI Liabilities	23	19	18	17	17
Total Debt	204	280	95	94	94
Capital Financing Req.	425	467	525	552	602

Source: Cheshire East Finance

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

Liability Benchmark

- 5.32 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £243m and is forecast to rise to £436m over the next four years.

Borrowing and the Liability Benchmark	2021/22 Actual £m	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Outstanding Debt	181	261	77	77	77
Liability Benchmark	142	243	333	371	435

Source: Cheshire East Finance

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

Affordable borrowing limit

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

	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m
Authorised Limit for Borrowing	435	480	540	565	615
Authorised Limit for Other Long-Term Liabilities	23	19	18	17	17
Authorised Limit for External Debt	458	499	558	582	632
Operational Boundary for Borrowing	425	470	530	555	605
Operational Boundary for Other Long-Term Liabilities	23	19	18	17	17
Operational Boundary for External Debt	448	489	548	572	622

Source: Cheshire East Finance

Investment Strategy

- 5.35 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 5.36 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with

money market funds, other local authorities or selected high quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in shares and property, to balance the risk of loss against the risk of returns below inflation.

Treasury Management Investments	31/03/22 Actual £m	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
Short term	34	32	20	20	20
Long term	20	20	20	20	20
Total Investments	54	52	40	40	40

Source: Cheshire East Finance

- 5.37 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 8**.
- 5.38 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury activity are reported to Cabinet as part of the Finance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.
- 5.39 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Appendix 9**.
- 5.40 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the

amount funded from Council Tax, business rates and general government grants.

Ratio of Financing Costs to Net Revenue Stream	2021/22 Actual	31/03/23 Actual	31/03/24 Estimate	31/03/25 Estimate	31/03/26 Estimate
Financing Costs (£m)	14.0	19.0	19.0	20.0	21.0
Proportion of net revenue stream %	4.50	5.96	5.77	5.89	5.99

Source: Cheshire East Finance

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

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.

5. Reserves Strategy

Management of Council Reserves

- 5.1 The Council's Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.
- 5.2 The opening balance at 1 April 2022 in the Council's General Fund Reserves was £12.6m, as published in the Council's Statement of Accounts for 2021/22.
- 5.3 During 2022/23, an additional £2.3m has been transferred into the General Fund Reserve to provide further protection against emerging risks such as inflation and particularly the DSG deficit, which stands at £46.9m, and was highlighted in the MTFS as having no alternative funding.
- 5.4 The Council also maintains Earmarked Revenue Reserves for specific purposes. At 31 March 2023 balances on these reserves stood at £61.6m, excluding balances held by Schools.
- 5.5 Unspent schools' budgets that have been delegated, as laid down in the Schools Standards Framework Act 1998, remain at the disposal of the school and are not available to the Council to use.
- 5.6 The Collection Fund Reserve includes the appropriation of £4.6m S31 grant, received from DLUHC. This increase is as a result of a timing difference, with the grant being received in 2022/23 to fund the deficit that will be released in 2023/24.
- 5.7 During 2022/23, a net total of £19.3m was drawn down from Earmarked Reserves and applied to fund the service expenditure specifically provided for. Service outturn

forecasts take account of this expenditure and funding. The closing balance at 31 March 2023 was £61.6m.

- 5.8 At the end of 2018/19, a central contingency referred to as the MTFS (Medium Term Financial Strategy) Reserve was created to support in-year pressures against the revenue budget. Use of this Earmarked Reserve has been subject to approval of robust business cases.
- 5.9 At 1 April 2022, the opening balance on the MTFS reserve stood at £10.1m. During 2022/23, net drawdowns of £5.0m from this reserve have been utilised, resulting in a closing balance at 31 March 2023 of £5.1m. The in-year movement included £5.2m use of the MTFS reserve to balance the year end outturn position.

Table 1 – Reserves Position

	£m
General Reserve	14.1
Earmarked Reserves (excluding Schools)	61.6
Total Reserves Balance at 31 March 2023	75.7

- 5.10 Details of individual reserves are shown in the relevant Service Committee appendix and in summary in **Table 2**.

Table 2 – Earmarked Reserves Summary

Committee Reserves	Opening Balance 1 April 2022 £000	Movement in Reserves 2022/23 £000	Closing Balance 31 March 2023 £000
Adults and Health Committee	7,646	(564)	7,082
Children and Families Committee	4,032	(658)	3,374
Corporate Policy Committee	63,114	(17,565)	45,549
Economy and Growth Committee	3,144	(35)	3,109
Environment and Communities Committee	1,056	(62)	994
Highways and Transport Committee	1,936	(450)	1,486
TOTAL EARMARKED RESERVES	80,928	(19,334)	61,594

**Excluding schools' balances*

- 5.2 The Dedicated Schools Grant (DSG) is ring-fenced funding received for: schools; high needs / special educational needs; and early years provision. In recent years there has been a pressure on the DSG high needs block where funding has not kept pace with the increasing numbers and cost of children with an education, health and care plan. This has created a deficit DSG reserve balance which is held in an unusable reserve. The DSG reserve deficit is £46.9m at the end of the year which is in line with the budget gap as determined the Council's DSG Management Plan that was approved by Children and Families Committee in September 2022.

Table 3 – DSG Deficit

	£m
Deficit Balance brought forward	25.7
Additional In-year Pressures	21.2
DSG Deficit Balance at 31 March 2023	46.9

Appendix 7 : Highways and Transport Committee

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Highways and Transport Committee Extracts

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

2. Corporate Grants Register

Table 1: Highways and Transport Committee Grants

**Table 2: Delegated Decision Additional Grant Funding (Specific Use)
£500,000 or less**

3. Debt Management

4. Capital Strategy

5. Reserves Strategy

Appendix 7

Highways and Transport Committee

1. Changes to Revenue Budget 2022/23 since Third Financial Review Update

	Third review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Highways and Transport				
Highways & Infrastructure	13,792	-	(129)	13,663
	13,792	-	(129)	13,663

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Grants 2022/23	Revised Forecast FR3 2022/23 £000	Final Outturn 2022/23 £000	Change from Revised Forecast FR3 2022/23 £000	Treatment of Grant <i>Notes 2 - 5</i>
HIGHWAYS & TRANSPORT				
Specific Purpose (Held within Services)	3,167	954	(2,213)	
General Use (Held Corporately)				
Pavement Licensing - New Burdens	13	13	0	
TOTAL HIGHWAYS & TRANSPORT	3,180	966	(2,213)	

Notes

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

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

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

2.3 The grant outturn position reflects the grant values that were used during the year. This may be different than the actual amount of grant received during the year. The remaining

amounts from grants that are not used in full during 2022/23 are carried forward to meet expenditure in financial year 2023/24. The decrease in grants since the third review is due to the change in which year the grants will be used.

2.4 **Table 2** shows additional grant allocations that have been received which are £500,000 or less and are for noting only.

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

Committee	Type of Grant	£000	Details
Highways and Transport	Apprentice Incentive Scheme (Specific Purpose)	2	This grant is from the Department for Education. Payment for taking on an apprentice and can be spent on any costs associated with supporting an apprentice in the workplace including salary (https://www.gov.uk/guidance/incentive-payments-for-hiring-a-new-apprentice). This is allocated via Children's Services.
Total Specific Purpose Allocations £500,000 or less		2	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Highways and Transport Committee		
Highways and Infrastructure	994	521
	994	521

4. Capital Strategy

Highways and Transport

CAPITAL

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description	Total Approved Budget £000	Forecast Expenditure						Forecast Funding					Total Funding £000
		Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2022/26 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	
Committed Schemes													
Strategic Infrastructure													
A500 Dualling Scheme	89,456	9,264	1,150	2,078	26,990	49,973	80,191	53,284	4,300	0	0	22,607	80,191
A50 / A54 Holmes Chapel	603	81	11	361	150	0	521	0	521	0	0	0	521
A51 / A500 Corridor Nantwich	278	231	47	0	0	0	47	28	0	0	0	19	47
A54 / A533 Leadsmithy Street, Middlewich	563	134	18	411	0	0	429	0	429	0	0	0	429
A556 Knutsford to Bowdon	504	361	0	45	98	0	143	0	143	0	0	0	143
A6 MARR CMM Disley	1,722	1,646	11	65	0	0	76	0	22	0	0	54	76
A6 MARR CMM Handforth	1,200	492	13	295	400	0	709	226	48	0	0	434	709
A6 MARR Technical Design	473	271	6	196	0	0	203	70	133	0	0	0	203
Congleton Link Road	88,443	69,970	1,483	4,021	6,040	6,929	18,473	316	15,169	0	0	2,989	18,473
Crewe Green Link Road	26,625	26,170	436	19	0	0	455	0	19	0	0	436	455
Crewe Green Roundabout	7,500	7,053	3	57	190	197	447	0	444	0	0	3	447
Flowerpot Phs 1 & Pinchpoint	10,037	1,271	166	2,825	3,510	2,265	8,767	2,304	726	0	0	5,736	8,767
Future High Streets Fund - Highways	6,268	480	634	2,599	2,251	304	5,788	5,585	203	0	0	0	5,788
Highway S106 Schemes	1,269	0	352	749	168	0	1,269	129	1,047	0	0	93	1,269
Infrastructure Scheme Development	250	0	0	250	0	0	250	250	0	0	0	0	250
Middlewich Eastern Bypass	91,157	16,176	4,072	13,825	13,817	43,268	74,982	46,779	13,341	0	0	14,862	74,982
Middlewich Rail Study	20	0	0	20	0	0	20	20	0	0	0	0	20
M6 Junction 19	24	23	1	0	0	0	1	0	1	0	0	0	1
North-West Crewe Package	42,352	7,446	14,928	12,874	3,445	3,658	34,906	10,000	12,250	0	1,730	10,926	34,906
Old Mill Road / The Hill Junction	1,325	145	28	1,152	0	0	1,179	0	1,179	0	0	0	1,179
Poynton Relief Road	52,657	29,670	14,012	2,236	1,355	5,385	22,988	2,236	12,299	0	1,000	7,453	22,988
S106 Davenport Lane, Arclid	352	60	6	286	0	0	292	245	48	0	0	0	292
Sydney Road Bridge	10,501	10,103	1	59	140	198	398	0	397	0	0	1	398

CAPITAL PROGRAMME 2022/23- 2025/26

Scheme Description		Forecast Expenditure						Forecast Funding					
	Total Approved Budget £000	Prior Years £000	Actuals 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Total Forecast Budget 2022/26 £000	Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	Total Funding £000
Committed Schemes													
Highways													
A532 Safer Road Fund Scheme	1,223	260	86	877	0	0	963	864	0	0	0	99	963
A536 Safer Road Fund Scheme	2,404	1,461	357	587	0	0	943	849	0	0	0	94	943
A537 Safer Road Fund Scheme	2,733	745	1,256	732	0	0	1,988	1,745	0	0	0	243	1,988
Air Quality Action Plan	368	221	119	28	0	0	147	147	0	0	0	0	147
Alderley Edge Bypass Scheme Implementation	60,611	60,317	41	253	0	0	294	0	0	0	0	294	294
Bridge Maintenance Minor Wks	18,019	14,570	3,448	0	0	0	3,448	1,685	0	0	0	1,763	3,448
Client Contract and Asset Mgmt	1,283	510	223	550	0	0	773	603	0	0	0	170	773
Crewe Rail Exchange	6,702	6,693	0	9	0	0	9	9	0	0	0	0	9
Highway Maintenance Minor Works	17,583	0	17,258	326	0	0	17,583	10,685	0	0	0	6,898	17,583
Highway Pothole/Challenge Fund	8,353	7,925	149	279	0	0	428	0	0	0	0	428	428
Jack Mills Way Part 1 Claims	300	278	7	15	0	0	22	0	22	0	0	0	22
Local Access Transport Studies	600	83	66	451	0	0	517	517	0	0	0	0	517
Local Highway Measures	6,566	5,546	985	35	0	0	1,020	1,020	0	0	0	0	1,020
Part 1 Claims	34	34	1	0	0	0	1	1	0	0	0	0	1
Programme Management	1,011	784	184	44	0	0	227	227	0	0	0	0	227
Road Network & Linked Key Inf	83	78	0	5	0	0	5	5	0	0	0	0	5
Road Safety Schemes Minor Works	5,652	5,056	472	124	0	0	596	496	0	0	0	100	596
Traffic Signal Maintenance	518	17	501	0	0	0	501	483	0	0	0	18	501
Traffic Signs and Bollards - LED Replacement	1,250	0	913	337	0	0	1,250	0	0	0	0	1,250	1,250
Winter Service Facility	999	479	97	163	130	130	520	0	0	0	0	520	520
Strategic Transport & Parking Services													
Accessibility: Public Transport	1,020	907	99	14	0	0	113	113	0	0	0	0	113
Active Travel Fund	724	436	139	149	0	0	288	288	0	0	0	0	288
Active Travel (Cycling / Walking Route) Investment	2,815	2,179	391	244	0	0	636	571	0	0	0	65	636
Broadway Meadow Car Park	-1	0	-1	0	0	0	-1	0	0	0	0	-1	-1
Car Parking Improvements (including residents parking)	322	262	4	56	0	0	60	0	0	14	0	46	60
Digital Car Parking Solutions	140	93	0	47	0	0	47	0	0	0	0	47	47
National Cycle Network (NCN) Route 55 Middlewood Way	669	0	116	552	0	0	669	669	0	0	0	0	669
On-street Residential Charging	255	0	41	215	0	0	255	155	0	0	0	100	255
Pay and Display Parking Meters	620	531	76	13	0	0	89	0	0	0	0	89	89
Sustainable Travel Access Prog	3,424	1,552	74	1,798	0	0	1,872	1,325	309	0	0	238	1,872
Sustainable Modes of Travel to Schools Strategy (SMOTSS)	625	472	153	0	0	0	153	153	0	0	0	0	153
Town Studies	550	426	4	120	0	0	124	124	0	0	0	0	124
HS2 Programme													
Crewe HS2 Hub Project Development	12,701	7,661	937	1,563	2,540	0	5,040	0	0	0	0	5,040	5,040
Total Committed Schemes - In Progress	593,733	300,618	65,575	54,009	61,223	112,307	293,114	144,208	63,048	14	2,730	83,115	293,114

Highways and Transport

CAPITAL

CAPITAL PROGRAMME 2022/23- 2025/26

New Schemes												
Highways												
Peacock Roundabout Junction	750	0	0	250	500	0	750	0	750	0	0	750
Pothole Funding	0	0	0	0	0	0	0	0	0	0	0	0
Integrated Block - LTP	7,925	0	0	2,003	2,003	2,003	6,009	6,009	0	0	0	6,009
Maintenance Block - LTP	23,196	0	0	7,345	7,609	7,878	22,833	17,397	0	0	5,436	22,833
Incentive Fund - LTP	5,800	0	0	1,450	1,450	1,450	4,350	4,350	0	0	0	4,350
Managing and Maintaining Highways	13,860	0	0	4,529	4,619	4,712	13,860	1,000	0	0	12,860	13,860
Footpath Maintenance - Slurry Sealing & Reconstruction Works	1,319	0	0	1,319	0	0	1,319	1,319	0	0	0	1,319
Total New Schemes	52,850	0	0	16,896	16,181	16,043	49,121	30,075	750	0	0	49,121
Total Capital Schemes	646,583	300,618	65,575	70,905	77,405	128,350	342,235	174,283	63,798	14	2,730	342,235

5. Reserves Strategy

Name of Reserve	Opening Balance 1 April 2022 £000	Movement in Reserves 2022/23 £000	Closing Balance 31 March 2023 £000	Notes
<u>Highways and Infrastructure</u>				
HS2	985	(200)	785	To support the Council's ongoing programme in relation to Government's HS2 investment across the borough and Transport for the North's Northern Powerhouse Rail Business Case.
Flood Recovery Works	400	0	400	To support locations identified for repair works as a result of the 2019 flood events.
Well Managed Highway Infrastructure Delay	230	(230)	0	
Parking Pay and Display Machines / Parking Studies	178	0	178	To cover contract inflation for P&D machines and for new regulation from DfT on role of parking in decarbonising transport.
Highways Procurement Proj	104	0	104	To finance the development of the next Highway Service Contract. Depot mobilisation costs, split over 7 years from start of contract in 2018.
LEP-Local Transport Body	39	(20)	19	To fund the business case work for re-opening the Middlewich rail line. The remaining reserve will be fully required in 2023/24.
HIGHWAYS AND TRANSPORT TOTAL	1,936	(450)	1,486	

Appendix 8

Treasury Management Strategy

Treasury Management Report

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1. Background

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management. The Treasury Management Strategy for 2022/23 was approved at Council on 24th February 2022.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.3 Investments held for service purposes or for commercial profit are considered in the Investment Report (see **Appendix 9**).

2. External Context

- 1.4 **Economic background:** The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

- 1.5 Central bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 1.6 Starting the financial year at 5.5%, the annual UK Consumer Price Inflation (CPI) measure rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. Retail Price Inflation (RPI) followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.
- 1.7 Following the decision by the Government to reverse some of the support to household energy bills, further support in the form of a cap on what energy suppliers could charge households was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.
- 1.8 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period January-March showed an unemployment rate of 3.9%.

- 1.9 Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period it was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.
- 1.10 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 0.50% in December and February and then 0.25% in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. Since then the Bank Rate has increased further to 4.50%.
- 1.11 After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.
- 1.12 From the record high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.
- 1.13 **Financial Markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.
- 1.14 During 2022-23 the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the financial year.
- 1.15 **Credit Review:** Early in 2022-23 Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.
- 1.16 In August, Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

- 1.17 During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.
- 1.18 Credit default prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.
- 1.19 On the back of this, our advisors, Arlingclose Ltd reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list. As market volatility is expected to remain a feature, at least in the near term, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.
- 1.20 Local Authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

3. Borrowing Update

- 1.21 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 1.22 The Authority is not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

4. Local Context

- 1.23 As at 31 March 2023 the Authority has borrowings of £280m and investments of £52m. This is set out in further detail at **Annex A**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast

	31/03/22 Actual £m	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
General Fund CFR	425	467	525	552	601
Less: Other long-term liabilities *	(22)	(19)	(18)	(17)	(17)
Loans CFR	403	448	507	535	584
Less: External borrowing **	(181)	(261)	(77)	(77)	(77)
Internal (over) borrowing	222	187	430	458	507
Less: Usable reserves	(165)	(144)	(119)	(111)	(98)
Less: Working capital	(116)	(80)	(75)	(73)	(71)
Investments (or New borrowing)	(59)	(37)	236	274	338

* 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.

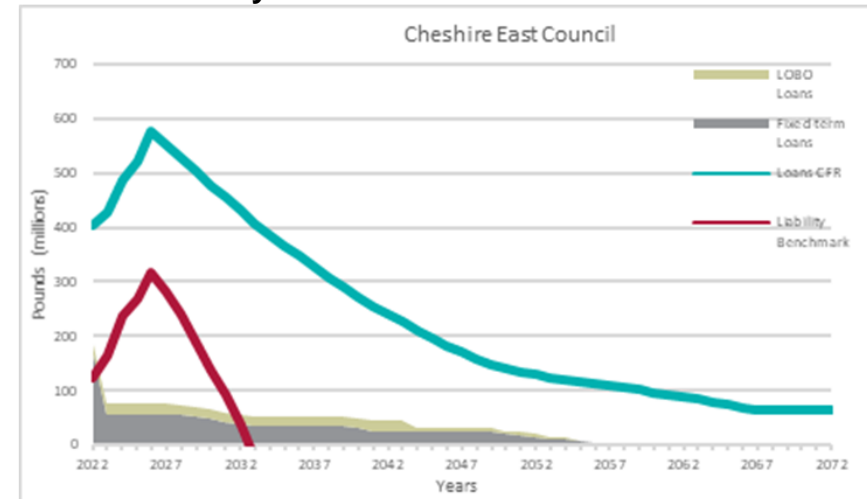
- 1.24 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 1.25 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.
- 1.26 Liability Benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain a core strategic investment.

Table 2: Liability Benchmark

	31/03/22 Actual £m	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
Loans CFR	403	448	507	535	584
Less: Usable reserves	(165)	(144)	(119)	(111)	(98)
Less: Working capital	(116)	(80)	(75)	(73)	(71)
Plus: Minimum investments	20	20	20	20	20
Liability Benchmark	142	244	333	371	435

1.27 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



5. Borrowing Strategy

- 1.28 The Authority currently holds loans of £261m, an increase of £80m since 31 March 2022. COVID grants received in advance of payment and in support of potential business rate shortfalls have kept the level of borrowing lower than expected in the previous 2 years. Repayment of unused grants has brought borrowing levels more in line with expectations based on projected capital financing requirement from 2019/20 projections.
- 1.29 The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long term plans change being a secondary objective.

1.30 Despite the recent increases in interest rates and forecasts for further increases, the high levels of liquidity in the markets still allow the Authority to consider it more cost effective to continue with short term borrowing. As the levels of borrowing increase and/or liquidity in the markets reduces then some longer term borrowing may be considered. The cost of short term borrowing in 2022/23 was 1.66%. A full list of temporary borrowings as at 31 March 2023 is shown in **Annex B**.

1.31 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 had options during 2022/23, and in an increasing interest rate environment, it is becoming more likely that the lender may exercise their options. If this happens, the Authority is likely to take the option to repay LOBO loans at no cost although this may lead to slightly higher refinancing costs in the short term.

6. Investment Strategy

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

1.33 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.

1.34 The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6m for unsecured investments and £12m for secured investments. Any limits also apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12m per fund. All potential counterparties are kept under continual review by our treasury advisors and and advisory lower limits than those contained in the strategy are applied.

1.35 Treasury Management income for 2022/23 is £2,020,000 which is higher than the budgeted £890,000. Due to rising interest rates borrowing costs are also higher than budgeted at £5,510,000 compared to budget of £3,800,000.

- The average daily investment balance including managed funds during 2022/23 is £68.6m
- The average annualized interest rate received on in-house investments during 2022/23 is 2.13%
- The average annualized interest rate received on the externally managed funds during 2022/23 is 4.99%

1.36 The Authority's total average interest rate on all investments in 2022/23 is 2.96%. The returns continue to exceed our own performance target of 2.81% (average Base Rate during 2022/23 + 0.50%). We also compare favourably to the Sterling Over Night Interest Average (SONIA) rate which replaced the LIBOR rate in 2021/22.

Table 3 – Interest Rate Comparison

Comparator	Average Rate 2022/23
Cheshire East	2.96%
SONIA	2.24%
Base Rate	2.31%
Target Rate	2.81%

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

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

Table 4 – Strategic Investments

Fund Manager	Asset Class	Invested £m	31/03/23 Value £m
CCLA	Property	7.5	7.5
Aegon	Multi Asset	5.0	4.4
Fidelity	Equity - Global	4.0	4.0
Schroders	Equity - UK	2.5	2.3
M & G	Bonds	1.0	0.8
TOTAL		20.0	19.0

1.39 The value of these investments does vary. During 2022/23 the valuation of all funds has been affected by rising inflation, the effects of the war in Ukraine and low levels of GDP. All funds continue to deliver good levels of income return.

Chart 2 – Current Investments by Counterparty Type

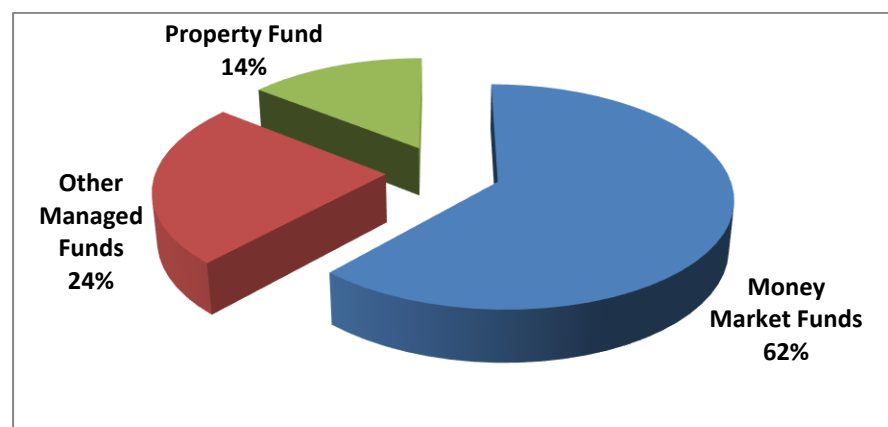


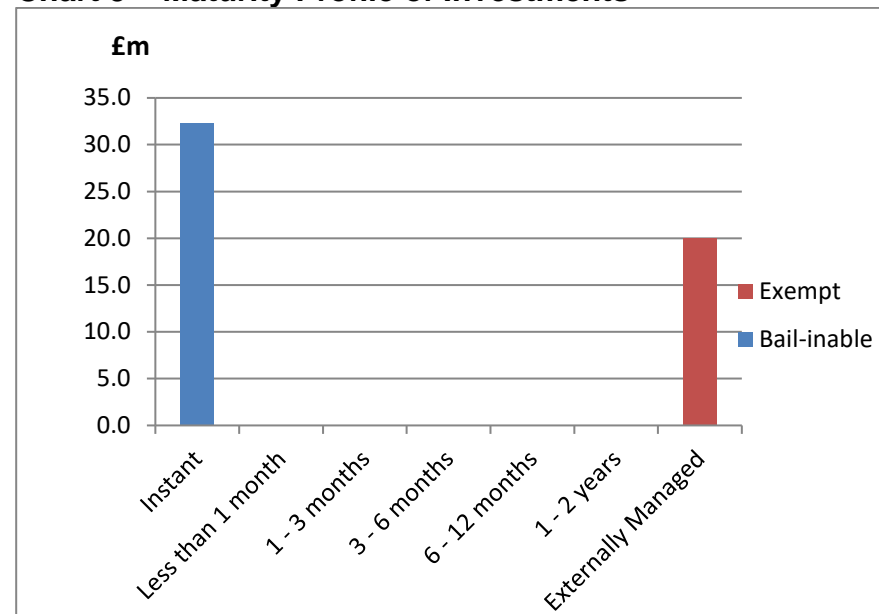
Table 5 – Types of Investments and Interest Rates at 31 March 2023

Instant Access Accounts	Average Rate %	£m
Money Market Funds	4.11	32.3

Externally Managed Funds	£m
Total – see table 4	20.0

Summary of Current Investments	£m
TOTAL	52.3

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.

7. Treasury Management Indicators

- 1.40 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 1.41 **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:

- 1.42 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. Rates have increased during 2022/23 but some of this was anticipated when setting the budget and Treasury Management Strategy for 2022/23.

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£462,500
Actual impact in 2022/23 of changes in interest rates compared to budget	(£1,240,000)

- 1.43 **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 March 2023 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	70%	70%
12 months and within 24 months	35%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	75%	11%

Refinancing rate risk indicator	Upper Limit	Actual
10 years and within 20 years	100%	6%
20 years and above	100%	13%

- 1.44 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 has been cheaper than alternatives and will benefit the Authority if rates start to fall in line with expectations in 1 – 2 years time.

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

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

Annex A: Existing Investment & Debt Portfolio Position

	31/03/23 Actual Portfolio £m	31/03/23 Average Rate for the year %
External Borrowing:		
PWLB – Fixed Rate	60	4.53%
Local Authorities	177	1.54%
LOBO Loans	17	4.63%
Other	7	2.46%
Total External Borrowing	261	2.70%
Other Long Term Liabilities:		
PFI	19	-
Total Gross External Debt	280	-
Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	32	2.13%
<i>Managed externally</i>		
Property Fund	7.5	4.34%
Multi Asset Fund	5	5.04%
Equity - Global	4	5.41%
Equity - UK	2.5	6.93%
Bonds	1	3.05%
Total Investments	52	4.44%
Net Debt	228	-

Annex B: Current Temporary Borrowing

Lender	Start	Maturity	Rate %	£m
Evergreen Fund (CW LEP)	Call Account		3.99	6.7
Somerset CC	13/03/23	13/04/23	4.20	5.0
Sheffield City Council	14/07/22	14/04/23	1.30	5.0
Erewash BC	10/03/23	14/04/23	4.15	2.0
Teignbridge DC	15/03/23	19/04/23	3.85	3.0
Merthyr Tydfil CBC	20/02/23	20/04/23	4.00	3.0
Middlesbrough Teesside Pension Fund	22/02/23	21/04/23	4.10	5.0
Carmarthenshire CC	16/03/23	21/04/23	4.43	5.0
University of Teeside	22/03/23	24/04/23	4.45	5.0
Local Government Association	26/07/22	26/04/23	1.70	1.5
Local Government Association	26/07/22	26/04/23	1.70	1.5
Mersey Fire & Rescue	30/01/23	28/04/23	3.62	2.0
West Yorkshire Combined Authority	04/08/22	04/05/23	1.25	5.0
Barnsley MBC	20/09/22	05/05/23	1.90	6.0
Mansfield DC	20/03/23	12/05/23	4.44	2.0
West Yorkshire Fire & Rescue	23/08/22	23/05/23	1.80	5.0
West Yorkshire CA - West Yorks Police	24/08/22	24/05/23	1.70	5.0
Blackburn with Darwin BC	27/02/23	30/05/23	4.00	5.0
West Yorkshire Fire & Rescue	09/09/22	09/06/23	1.85	5.0
LB Wandsworth	13/03/23	13/06/23	4.10	5.0
Ribble Valley BC	13/03/23	13/06/23	4.50	2.5
Vale of Glamorgan	20/02/23	15/06/23	3.80	2.5
Liverpool City Region CA	20/03/23	20/06/23	4.55	10.0
Nottinghamshire CC	21/03/23	21/06/23	4.55	5.0
North Hertfordshire DC	27/03/23	27/06/23	4.55	2.0
Norwich City Council	18/01/23	18/07/23	3.87	5.0
Wigan MBC	23/01/23	24/07/23	3.85	5.0
NIHE	29/07/22	28/07/23	1.88	10.0
Rutland County Council	30/01/23	31/07/23	3.80	3.0
West Yorks Comb Auth	03/02/23	03/08/23	3.70	5.0
Hampshire CC	10/02/23	10/08/23	3.85	10.0
Flyde BC	13/02/23	14/08/23	3.85	2.0
South Derbyshire DC	16/02/23	16/08/23	3.80	3.0
Maldon DC	23/11/22	23/08/23	1.80	2.0
East Sussex CC	24/02/23	24/08/23	3.90	5.0
Vale of Glamorgan	23/02/23	15/09/23	4.15	1.5

Lender	Start	Maturity	Rate %	£m
LB Wandsworth	15/03/23	15/09/23	4.35	5.0
South Lanarkshire Council	22/03/23	22/09/23	4.50	5.0
Cambridge & Peterbrough CA	23/01/23	25/09/23	3.90	10.0
Mid Sussex DC	23/03/23	26/09/23	4.30	2.0
West Mids CA	06/02/23	05/02/24	4.00	5.0
TOTAL				183.2

Appendix 9

Investment Strategy

1. Purpose

- 1.1 The purpose of the Investment Strategy is to:
- set out the Council's approach to managing investments
 - establish financial limits for various classifications of investment
 - recognise the role and responsibilities of the Finance Sub Committee and its position as the main conduit through which investment opportunities should be considered
- 1.2 The definition of an **investment** covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
- 1.3 The Council has a Capital Strategy (prepared in line with the requirements of the Prudential Code); and a Treasury Management Strategy (prepared in line with the requirements of the Treasury Management Code) – relevant disclosures are made within each document.
- 1.4 Consequently, this Investment Strategy is part of a suite of related documents and focuses predominantly

on matters not covered by the Capital Strategy and Treasury Management Strategy.

Statutory Background

- 1.5 On 2 February 2018 the Department for Levelling Up, Housing and Communities (DLUHC) (formerly MHCLG) published updated statutory guidance on capital finance, in respect of Local Government investments and the minimum revenue provision. The guidance may be found at:
<https://assets.publishing.service.gov.uk/>
- 1.6 The guidance was issued to reflect concerns raised by government over patterns of local authority behaviour particularly with respect to the exponential increase in borrowing to invest in commercial properties and other investments where a return was a primary aim. There was concern that local authorities were being exposed to high levels of financial risk through borrowing and investment decisions and that could have a detrimental impact on services if investments did not perform as expected. The requirement to produce this annual Investment Strategy, to be approved by Full Council, was an attempt to recognise this and ensure that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.
- 1.7 In the November 2020 Autumn Statement the Chancellor of the Exchequer went further and

effectively prohibited the future purchase of commercial assets primarily for generating yield. Where there are any plans to acquire assets primarily for yield, irrespective of the source of financing for that particular asset, then the Public Works Loan Board (PWLB) would not advance any lending to the Authority. It is clear therefore that yield should be an incidental, rather than the principal factor, in any future decision to acquire an investment asset.

1.8 2021 saw regulators continue this direction of travel to strengthen and codify the rules around commercial assets and borrowing for yield. In December 2021 CIPFA issued a revised Prudential Code which placed further limitations on the ability of Local Authorities to borrow and invest.

1.9 The new Code incorporated updated and revised content in respect of Authorities not borrowing more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. It strengthened previous guidance that authorities “must not borrow to invest primarily for financial return”. This included any form of borrowing whether it be public or private sector. In addition, it included proportionality as an objective in the Prudential Code; and further provisions were included so that an Authority considered an assessment of risk to levels of resources.

1.10 The code is clear to make the distinction between the normal activities that a Council should undertake and those which will expose it to greater risk and uncertainty. Three investment categories have been recognised and they are reflected in this Authority’s definition and presentation of investment information.

1.11 It has been the need to diversify and grow revenue income sources to meet growing service pressures and the availability of cheap borrowings that have fuelled the growth in local authority investments. The last year has seen the investment decisions of several local authorities come under scrutiny along with some high-profile failures. These have vindicated the regulators cautionary approach and reinforced to stakeholders that investments come with risk and real consequences when they go wrong.

1.12 More than ever members need to ensure that they are fully informed and capable of making decisions on investments particularly in areas that are far removed from normal Council activities and area of expertise.

Introduction

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

1. because it has surplus cash as a result of its day-to-day activities, for example when income is received

in advance of expenditure (known as **treasury management investments**),

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

1.14 Often there may be a crossover of purposes for investments within the Authority. Whilst a return may be a by-product of an investment this is rarely the overriding reason for making or retaining an investment. It will normally be linked to other long term strategic or regeneration factors.

1.15 This Investment Strategy meets the requirements of the statutory guidance issued by DLUHC in February 2018 and focuses on the second and third of the above categories.

2. Investment Indicators

1.16 The Authority has set the following quantitative indicators to allow elected Members and the public to assess the Authority's total risk exposure arising from its investment decisions.

1.17 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be

drawn down and guarantees the Authority has issued over third party loans.

Table 1: Total investment exposure in £'000

Total investment exposure	31/03/22 Actual	31/03/23 Actual	31/03/24 Forecast
Treasury management investments	54,300	52,300	40,000
Service investments: Loans	6,733	16,728	16,740
Service investments: Shares	2,610	4,460	4,460
Commercial investments: Property	28,588	24,537	24,537
Commercial Investments: Loans	8,271	3,776	3,776
TOTAL INVESTMENTS	100,502	101,801	89,513
Commitments to lend	2,418	6,097	6,097
TOTAL EXPOSURE	102,920	107,898	95,610

1.18 The Council has total investments exposure estimated at £107.9m at March 2023 (£55.6m excluding treasury management), of which £24.5m relates to property investment backed by physical assets with an income stream and alternative use. Other investments are loans for economic development purposes; and due to their nature they are not a material element of our budgeting for interest income within the MTFS.

1.19 **How investments are funded:** Currently the Authority's investments are largely funded by usable reserves and income received in advance of expenditure. Prudential borrowing is being used in

limited circumstances and performance is closely monitored.

Table 2: Investments funded by borrowing in £'000

Investments funded by borrowing	31/03/22 Actual	31/03/23 Actual	31/03/24 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	21,517	20,089	19,353
Commercial Investments: Loans	8,000	3,776	3,776
TOTAL FUNDED BY BORROWING	29,517	23,865	23,129

- 1.20 **Rate of return received:** In part this indicator shows, for Treasury Management and Commercial Property investments, the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the nature of the local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 3: Investment rate of return (net of all costs)

Investments net rate of return	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Treasury management investments	2.13%	2.96%	4.60%
Service investments: Loans (see 1.21 below)	-3.00%	-6.52%	0.25%

Investments net rate of return	2021/22 Actual	2022/23 Actual	2023/24 Forecast
Service investments: Shares (see 1.22 below)	NIL*	NIL*	NIL*
Commercial investments: Property	2.95%	3.16%	3.20%
Commercial Investments: Loans	3.20%	3.16%	3.13%

- 1.21 The return for Service Investments: Loans is not a true return but is instead based largely on the % fluctuation in the underlying value of the new assets within the Life Science Fund. As such they do not reflect actual cashflows. If Life Science was excluded the 2022/23 forecast figure was 5.34% - after excluding noninterest bearing loans.
- 1.22 Historically we have shown the % movement in the carrying value of our shareholding in Alderley Park Holdings Limited as a return within the category Service Investments: Shares. However, this is not a real return or cashflow. Typically, a return on a share would be based upon the dividend yield and there have been no dividends paid. Therefore, this has now been shown as Nil. There has been a significant upward revaluation of property assets at Alderley Park which has impacted the underlying asset value that we show in Table 5. We will continue to monitor, but the asset value remains more than the Authority paid for the shares.
- 1.23 The major assets included within Commercial Investments: Properties, representing over 90% of the

value in that classification, are two commercial retail properties in Crewe. Whilst we will see fluctuations year-on-year given the pressures on 'bricks and mortar retail', the Council will only experience an impact on its Revenue Account if a site becomes vacant for a prolonged period or is subject to a (lower) rent review.

- 1.24 From the perspective of the Council one of the tenants affected is a home improvements retailer and the second is a national supermarket retailer. Both have thus far weathered the local economic effects of the past three years though we have experienced further reductions in asset value in this financial year.
- 1.25 Much of the investment returns for Commercial Investments relates to rent on these two assets. Rental income on both has held up during the year. Overall returns are affected by the fact that returns for one of the sites is reduced by the costs required to repay borrowing costs. Additionally, across other properties occupancy and rents received appear to be recovering from the falls seen during Covid-19 though associated costs have risen. These are under review.
- 1.26 The Commercial investments: Loans are at the expected level of return given the rates in place when they were established.

3. Treasury Management Investments

- 1.27 The Authority typically receives its income, such as taxes and grants, before it pays for expenditure such as

through payroll and invoices. It also holds reserves for future expenditure and collects local taxes on behalf of Central Government. These activities, plus the timing of borrowing decisions, can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

- 1.28 The Constitution of the Authority delegates the power to manage and make Treasury Management Investments to the Section 151 Officer via the Treasury Management Strategy.
- 1.29 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 1.30 **Further details:** Full details of the Authority's policies and plans for 2023/24 for treasury management investments are covered in the separate Treasury Management Strategy (**Appendix 8**).

4. Service Investments: Loans

- 1.31 **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth. These are shown below in Table 4.
- 1.32 The Council has participated in a European Regional Development Fund project and has received £10m in

grant funding which has been provided to Cheshire and Warrington Development Partnership in the form of a loan to allow development lending across the sub region. This is non-interest bearing for the Council.

- 1.33 Interest bearing loans have been provided to Everybody Health & Leisure Trust (Everybody) for the purpose of investing in new equipment, with the aim of increasing the usage of leisure facilities and improving the health of residents. These are included within the Local Charities category.
- 1.34 In March 2013, Astra Zeneca announced it was relocating its R&D function from Alderley Park to Cambridge. To retain the expertise in the region and to stimulate local economic growth the Council has invested in Alderley Park Holdings Ltd by way of equity investment and interest free loan. The loan was an integral component of the 10% equity stake and therefore needs to be viewed in conjunction with the equity investment.
- 1.35 In addition, the Council has committed to investing £5m (and has lent £4.9m as at March 2023) in the Greater Manchester & Cheshire Life Science Fund, a venture capital fund investing in a range of life science businesses. Partners in the Fund include the Greater Manchester Combined Authority, Cheshire & Warrington Local Enterprise Partnership and Alderley Park Holdings Ltd. The Fund has a regional focus and

seeks to target companies looking to re-locate a material part of their business within the Greater Manchester and Cheshire & Warrington areas, which includes Alderley Park where the Fund is based.

- 1.36 The nature of the loans is that they do not attract an interest rate and returns are dependent upon the success of individual investments made by the Fund. The GM Life Science Fund is “revalued” on an annual basis based upon the net asset valuation of the Fund and this can lead to short term fluctuations in the notional returns of this loan category. It should be noted that whilst the investment in the Life Science Fund is high risk it is also long-term in nature, so year-by-year fluctuations are to be expected but gains or losses will only crystallize when funds are extracted. The Authority has decided against committing new funds to a follow up fund for the time being.
- 1.37 Only the Everybody loans are interest bearing and are reflected in the “Local Charities” category. These are accrued at a rate of Bank of England base rate plus 4%.
- 1.38 The Council may consider making further Service Investment Loans in 2023/24, subject to business cases and where the balance of security, liquidity and yield have been considered as part of robust risk assessment.

- 1.39 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as per Table 4.

Table 4: Loans for service purposes in £'000

Category of borrower	31/03/22 Actual £000	31/03/23 Actual £000	31/03/23 Actual £000	31/03/23 Actual £000	2023/24 £000
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	2,000
Suppliers	23	24	1	23	500
Local businesses	6,043	16,447	70	16,377	30,000
Local charities	515	257	36	221	2,500
TOTAL	6,581	16,728	107	16,621	35,000

- 1.40 Accounting standards require the Authority to set aside loss allowances for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's Statement of Accounts are shown net of this loss allowance. The loss allowance figure does not necessarily reflect our anticipation or expectation that

loans will need to be written down. Rather, the allowance represents a prudent accounting treatment required by CIPFA guidance. The Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

- 1.41 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans. Each application for a loan requires completion of a business case. This is followed by a process of due diligence taking into account creditworthiness and financial standing and the Council's corporate objectives. External advisors are used where appropriate, dependent on materiality and scope of the loan arrangement. Each application is considered on a case by case basis.
- 1.42 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is also contracting party to loans provided to organisations from the Growing Places Fund. This £12m Fund was established with Government grants and is "owned" by the Local Enterprise Partnership; consequently, these investments are not made using Cheshire East's resources and are not reflected in the table above, as regards investments made, or affecting upper limits of lending.

5. Service Investments: Shares

- 1.43 **Contribution:** The Council invests in the shares of its subsidiaries and local businesses to support local public services and stimulate local economic growth.
- 1.44 As noted above, the Authority has invested in Alderley Park Holdings Limited to maintain and stimulate this key strategic industry of life sciences within the Borough. Cheshire East is a 10% shareholder in Alderley Park and has invested in the development of the site along with Bruntwood (51% shareholder) and Manchester Science Partnerships (39% shareholder).
- 1.45 This should be seen as a long-term strategic investment. There have been no dividend returns and any changes in % returns have been based upon the change in value of our share of the underlying assets which will fluctuate as the site continues its transition from a single user to a multiuser campus. In contrast with what we have seen of the commercial property sector elsewhere, the internal valuation of our stake has risen over the year (i.e. increase in our share of the net asset value). This highlights the fluctuating nature of this valuation. The following observations should be noted:
- 1.46 The valuation (see Table 5) remains greater than the purchase price and the underlying assets at Alderley Park have strengthened, with a pipeline of future

investments in place. We expect valuations to improve in the future.

- 1.47 The movement in value largely arises from accounting transactions/ re-valuations. A gain or loss to the Council's Revenue and Capital Receipts accounts would only crystallise in the event of divesting our equity stake. This is not currently under consideration. As it is a long-term strategic asset there is ample time for the sector to grow.
- 1.48 The Council also has shares in its subsidiary, wholly owned companies. However, they are of nominal value, and the share values are not considered material in the context of this Investment Strategy.
- 1.49 As reflected in this strategy a key objective of future investments will be to generate a return to benefit the Council's Revenue Account. However, the Council may consider acquiring shares in companies if there is a compelling business case demonstrating strong potential for growth in capital value.
- 1.50 **Security:** One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. To limit this risk, upper limits on the sum invested in each category of shares have been set.

Table 5: Shares held for service purposes in £'000

Category of company	31/03/22 actual £000	31/03/23 actual £000	31/03/23 actual £000	31/03/23 actual £000	2023/24 £000
	Value in accounts	Amounts invested	Total Gains/ (Losses)	Value in accounts	Approved Limit (at cost)
Local businesses	2,610	1,070	3,390	4,460	10,000
TOTAL	2,610	1,070	3,390	4,460	10,000

1.51 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and being part of the entities' governance arrangements, having a seat on the Board, and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

1.52 **Liquidity:** With regard to the existing equity stake in Alderley Park, it was deemed to be a long-term investment, supporting a business and site development plan through to at least 2025. As described above, regular monitoring and receipt of updated business plans will help to inform

considerations with regards to the selling of shares; and it is important to note, as a minority shareholder in Alderley Park, that shares must first be offered to other shareholders in those private enterprises (and consequently the prospects for disposing of shares should be seen as good, as evidenced by the sale of shares in Manchester Science Partnerships in 2019).

1.53 In the event of considering whether to make further Service Investments via shares, the Council will consider maximum investment periods on a case-by-case basis, taking into consideration the prospects for funds being accessible when required (e.g. to repay borrowing; or for other capital financing purposes) by making an assessment of liquidity, given the nature of the proposed investment (e.g. the type of organisation; the market in which it operates).

1.54 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the Government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

6. Commercial Investments: Property

- 1.55 For the purpose of this Strategy, it should be noted that DLUHC defines property to be an investment if it is held primarily or partially to generate a profit. To comply with accounting classifications, the Authority includes several assets in Table 6 that might otherwise be excluded as they are not being held to primarily generate a yield or return.
- 1.56 Central government continues to express concern over the level of commercial investments held by local authorities and the risk that this presents if an authority becomes over exposed. Real world examples are now emerging where this eventuality has come to pass. Changes to the Prudential Code have reinforced opposition to investment in commercial property.
- 1.57 The government has effectively regulated against the purchase of commercial assets primarily for generating yield. Consequently, there have been no new commercial properties acquired in the year and any future investments will be aligned to normal Council service provision. Whilst this limits the Authority's ability to invest in commercial property for investment purposes, it is recognised that regeneration is a necessary factor which could result in legitimate purchases of such property. Careful attention will need to ensure that yield is an incidental factor in any future decision to invest in a commercial property investment.
- 1.58 **Contribution:** The Council invests in local commercial property and land, for a number of reasons. The intention of making a profit that will be spent on local public services is largely a by-product and is not the primary reason.
- 1.59 Historically, the most significant commercial investment acquired by the Authority is land and buildings on the North and East side of Weston Road in Crewe, purchased in April 2019. This accounts for 77% of the net book value in the accounts in this particular asset classification.
- 1.60 We have revisited the historic purchase costs of the assets included in the categories below. For those that were inherited by Cheshire East Council we have used the valuation at 2009/10. This is to allow for a simple calculation of yield.
- 1.61 The value of properties is updated annually. The most recent valuation is from March 2023 and reflect the period post COVID-19 and the impact of government fiscal and macroeconomic policy along with the rises in inflation and interest rates. In the year to March 2021 we noted that the value of retail property held up whilst that of industrial units and enterprise centres was valued downwards. The year to March 2022 saw retail values continue to grow and the other categories made modest gains. 2023 has seen a significant reversal of

these gains and every category saw falls in valuation. The most significant correction has come with retail property, and this category is now valued at less than purchase cost. Overall the valuation of Commercial Investments: Property fell by 15% year on year. The valuation is so recent that analysis is still being undertaken to consider mitigations required.

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

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

- 1.62 **Security:** In accordance with Government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. At the present time one class of property is valued at less than the historic cost. However, this is currently offset

by historic gains on other property and therefore the view of the Authority is that the asset affected is being held for long term benefits and that there is no change in this outlook. This will continue to be monitored through the year.

- 1.63 **Where value in accounts is at or above purchase cost:** A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets continue to provide overall security for capital investment. Further Investment Strategy documents will be prepared during the year. Should the 2022/23 year end accounts preparation and audit process identify further risks, then an updated Investment Strategy will be presented to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 1.64 **Where value in accounts is below purchase cost:** The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested. These actions include annually reviewing the Commercial Properties portfolio; and where the fair value is below the original purchase price alternative actions are considered (e.g. changing the use of the asset to earn additional investment income; refurbishing the asset to make it more attractive to the market; or re-purposing

the asset for use by the Council as an operational property where services to the public will be provided from). If no alternative service uses are considered viable it will be classed as surplus to requirements and steps will be taken to market the asset for sale to realise a capital receipt. It is the Authority's view that the asset that has seen a significant reduction in value remains a strong, core asset in a prime location with scope to recover. The rental income received continues to fund borrowing costs and MRP provisions.

1.65 **Risk assessment:** The Authority assesses the risk of loss before acquiring and whilst holding property investments by:

- Before entering into any commercial property investment the Authority assesses the local market conditions, by establishing the supply and demand of the need for a certain type of commercial property investment, what competition currently exists locally, nationally and globally dependent on the type of activity that will take place in the asset (for example retail units, industrial units or residential properties). These decisions are made alongside the expertise, knowledge and market evidence collected from our Economic Development Service.
- The Authority also ensures that when setting rental income on the assets a cost of use and sensitivity analysis is completed, to future proof the running and maintenance costs of the assets so that rents are set at a level where they are competitive in the

local market but will also ensure that the income will provide that additional financial security.

- Whilst holding the commercial properties we continually review market prices, look out for changes in the market, and assess the competition.
- The Authority constantly monitors any changes in the political environments, locally, nationally and globally to assess any potential impact on the local rental markets.

1.66 Future investments would be considered in the first instance by the Section 151 Officer supported by other officers. Any final decision would be made by the Finance Sub Committee. Should any investments be identified then the Section 151 Officer can initiate steps to move funds into the main Capital Programme.

1.67 This Investment Strategy acknowledges that with the introduction of the committee system the role of the Finance Sub Committee is the body that has the role to consider future investments and make recommendations to Council for ultimate approval of individual investments.

1.68 No new investments are currently anticipated. However, given that significant commercial retail property has been purchased more emphasis will need to be given towards the category of any future investment to ensure that the portfolio is diversified and not overly reliant upon a single sector.

- 1.69 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority constantly monitors the use of all assets and where there is a market for a particular asset or asset type will look into realising the capital receipt on those assets if it outweighs the long-term benefits of holding the asset for a potential rental stream.

7. Commercial Investments: Loans

- 1.70 **Contribution:** The Authority has worked alongside Cheshire West and Chester Council and Warrington Borough Council to each provide the Cheshire & Warrington Local Enterprise Partnership (LEP) with a £10m loan facility to be used to invest in economic development schemes across the Enterprise Zones in the sub-region. The existing Strategic Capital Projects budget has been utilised for this purpose.
- 1.71 The first loans totalling £8m in respect of Alderley Park Glasshouse and Blocks 22-24 were made in December 2020. The purpose is to stimulate economic development, and payback of the loans will be achieved from business rates retained by the LEP under Enterprise Zone regulations. The loan in respect

of Blocks 22-24 was repaid in July 2022. Whilst the facility is still available there are no imminent plans to draw down further amounts.

Table 7: Loans for Commercial Purposes in £'000

Category of borrower	31/03/22 Actual	As at 31/03/22 Actual			2022/23
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Partner Organisations	7,903	3,776	183	3,593	20,000
TOTAL	7,903	3,776	183	3,593	20,000

- 1.72 When considering making commercial investment loans, there will always be a Council policy-related objective (e.g. regeneration or economic development) in addition to the objective of financial benefit (yield) to the Council's Revenue Account (i.e. interest received) being greater than the costs to the Revenue Account (e.g. debt financing).
- 1.73 In considering commercial loan investment opportunities, the Council will adopt a prudent approach, with two underlying objectives:
- **Security** – protecting the capital sum invested from loss

- **Liquidity** – ensuring the funds invested are available when needed

- 1.74 **Risk assessment:** The Authority assesses the risk of loss before entering into commercial loans with a thorough due diligence process by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/intelligence is required in each case; and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.
- 1.75 Each application for a loan will require completion of a business case. Each loan application is considered on a case by case basis. For commercial loans, the intent is that they will be approved in line with those rules being developed in accordance with Section 10 below. Currently, the approval route will be based upon the source of the funding identified for the Loan.

8. Loan Commitments and Financial Guarantees

- 1.76 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is acting as

Entrusted Entity to a £20m European Regional Development Fund (ERDF)-supported 'Evergreen' Development Fund, which has issued loans to third parties from its first £10m drawdown of funding. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

- 1.77 The Fund is designed to provide loan finance to specific projects across Cheshire and will not generate a return for the Authority. The balances are included this year within Service Investments: Loans (see Table 4 above). The workings of the fund are subject to detailed scrutiny and are managed by a firm of experienced fund managers with a strong track record of providing loans that minimise the risk of default. The Council, as contracting party, will provide guarantees in respect of the amounts provided through ERDF though this will be offset by the professional indemnity insurance held by the fund manager.

9. Proportionality

- 1.78 A major concern for external governing bodies is the extent to which Authorities are dependent upon investment income to fund services. Proportionality will form a key component of the proposed new Prudential Code.
- 1.79 The Authority is not materially dependent on return-generating investment activity to achieve a balanced

revenue budget, in respect of Place Services. Within the Authority the proportion is consistently below 2.5% and is deemed immaterial. Such is the low proportion that it represents, should it fail to achieve the expected net return, the Authority's contingency plans for continuing to provide these services include effective budget management and tight cost control.

10. Borrowing in Advance of Need

- 1.80 Government guidance is that local authorities must not borrow more than, or in advance of their needs purely to profit from the investment of the extra sums borrowed. The Authority follows this guidance. Investments are made to meet the strategic needs of the Authority, its residents and local businesses.

11. Capacity, Skills and Culture

- 1.81 **Elected members and statutory officers:** Adequate steps are taken to ensure that those elected Members and statutory officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to: 1. take informed decisions as to whether to enter into a specific investment; 2. to consider individual assessments in the context of the strategic objectives and risk profile of the local authority; and 3. to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

- 1.82 The Finance Sub Committee comprised of Members, supported by officers and where necessary, external advisors, provides oversight of the Investment Strategy and acts on recommendations from officers that consider opportunities to enhance the Revenue and Capital Budgets of the Council through strategic investments, whether that involves using capital/cash resources or borrowing and lending powers.
- 1.83 The Authority continues to identify best practice from across the sector and will incorporate this into the evolving Investment Strategy.
- 1.84 It is recognised that in order to support decision making there will be a need to engage external advisors from time to time. The Authority has appointed Arlingclose Ltd as treasury management advisors and receives specific advice on investment, debt and capital finance issues. Other consultants, such as property consultants, are engaged as required.
- 1.85 **Commercial deals:** Steps have been taken to ensure that those negotiating and reporting commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate. A team of officers from Place, Finance, Legal, and Procurement are responsible for ensuring that the framework is followed. Where

appropriate staff are provided with additional training and up to date skills via CIPFA and other providers.

- 1.86 **Corporate governance:** Corporate governance arrangements have been put in place to ensure accountability, responsibility and authority for decision

making on investment activities within the context of the Council's corporate values and Constitution.

- 1.87 The requirement to produce an Investment Strategy, approved annually by Full Council is a key component of the corporate governance framework.

12. Glossary of Terms

Investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments*, which are subject to separate regulatory regimes and therefore are not covered by this guidance.

A **credit rating agency** is one of the following three companies: Standard and Poor's, Moody's Investors Service Ltd and Fitch Ratings Ltd.

A **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

Specified Investments

An investment is a specified investment if all of the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling
- The investment is not a long-term investment (the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option)
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]*
- The investment is made with a body or in an investment scheme described as high quality; or with one of the following bodies:
 - i. The United Kingdom Government;
 - ii. A local authority in England or Wales (as defined in section 23 of *the 2003 Act*) or a similar body in Scotland or Northern Ireland; or
 - iii. A parish council or community council
- should define high credit quality (definition incorporates ratings provided by credit rating agencies)

The **Treasury Management Code** means the statutory code of practice issued by CIPFA: "*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition*".

The **Prudential Code** means the statutory code of practice, issued by CIPFA: "*The Prudential Code for Capital Finance in Local Authorities, 2021 Edition*".

The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.