



The Budget Report 2014/2017

(Note: This document is based on the Provisional Financial Settlement)
February 2014

This document is available to download on the Cheshire East Council [website](#), it will be distributed to all Members as part of the February 2014 Council Agenda.

If you have any comments or queries please e-mail
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Foreword from the Finance Portfolio Holder

Welcome to Cheshire East Council's Budget Report, the local authority with the best quality of life in the Northwest.

The Council is on a journey to be a national leader in providing public services. We will achieve this by working with the community to achieve our five service outcomes for local people. However, we are also determined to do this without asking local residents to pay more.

In February 2013 we took the first steps towards becoming a "commissioning" council. By this we mean a Council that focuses its money and staff on delivering services people want and not on running a bureaucracy. To achieve this we aim to improve our understanding of what services residents really need and ensure money is invested and spent in these areas.

At the same time we are proposing in this report to freeze Council Tax for a further year and to accept the Council Tax Freeze grant, thereby keeping costs to local people down, and playing our part to improve household finances.

Our performance in 2013/2014 continues to show we are meeting the challenge of providing good services and reducing costs. Cheshire East was awarded the 2013 Adoption Service of the year, has the highest recycling rates in the North West and among the highest satisfaction levels for its library services. All this is achieved while spending 20% less than average on service delivery.

In the summer we reported a small surplus for our financial year 2012/2013. Our finances remain well controlled. To inform interested residents and stakeholders about the state of Council finances in October 2013 we published our [Guidance and Data on the Financial Resilience of the Council \(PDF, 962KB\)](#). The Council's Three-Quarter Year Review of Performance is also being reported to Council in February 2014. This predicts a small underspend against budget while delivering the services residents need.

This Budget Report provides stakeholders with the opportunity to understand the strategy behind our 2014/2015 proposals. The financial figures show a balanced budget for 2014/2015 and provide projections for further years based on projects we have already identified and income streams we can be confident in.

Given our cautious attitude to including income or savings only when definite projects or Government Announcements are known, we show a gap between income and expenditure in years 2 and 3. As in previous years we expect these challenges to be overcome in good time to present a further balanced budget for 2015/2016.

Throughout the plan we remain committed to the published outcomes the Council wishes to achieve for our residents. Fundamental to achieving this is introducing innovative new ways of working that provide quality and choice. Further details are provided in this report and the accompanying Leader's Report, but please also refer to the Council's website for all up to date information on Council initiatives and services (www.cheshireeast.gov.uk)

Peter Raynes

Cllr Peter Raynes, Finance Portfolio Holder

February 2014

Comment from the Chief Operating Officer (S151 Officer)

The overall financial health and resilience of Cheshire East Council is strong. This provides a solid platform to cope with the national austerity challenges that the whole of the public sector continues to face. The Council is maintaining its focus on economic development and regeneration whilst being relentless in its pursuit of greater efficiency and productivity to enable delivery of quality services at lower cost. Putting local residents and businesses first.

Central Government's commitment to reduce the high levels of national debt has contributed to local government going through a period of unprecedented change and financial challenge. In January 2014, the Chancellor indicated that a further £25 billion of public spending cuts will be needed post the next election and by 2017/2018. It is clear that the state will have to be 'permanently smaller'.

Cheshire East's response continues to be based on innovation and creativity. The commitment to be a commissioning council and to develop better ways to achieve the Council's five stated outcomes by using a mix of delivery mechanisms is continuing to gain momentum. Services will have a more commercial and customer focussed outlook.

It is clear that there are financial and demographic challenges facing Cheshire East and prudent and effective financial management will remain critical to the success of the organisation. I only joined Cheshire East Council in October 2013, but I do believe that we are on the right path to creating sustainable services for the future.

Further changes across the public sector are inevitable and the forward thinking strategy adopted by the Council avoids a reactive 'salami-slicing' approach to budget development and service delivery. Given the uncertain climate, every council will currently have varying levels of financial gaps between predicted levels of income, expenditure and service demands for future years.

Cheshire East is no different but since February 2013 the original forecasted financial gap for 2014/2015 has been eliminated and the challenge for 2015/2016 has been more than halved.

Achieving the Council's five outcomes will significantly support financial stability in the long term, focusing as they do, on communities, business, education, environment and health. The budget development has followed a robust approach with the latest proposals emerging from a process of reflecting, analysing and then innovating.

These budget proposals build on the excellent performance reported in the Quarter 3 Report for 2013/2014. The headlines show that the Council is forecasting a small surplus of £0.3m (0.1%) on our £259.7m net revenue budget by the end of the financial year. This is the first time that the Council has reported a positive outcome at this stage of the financial year, since becoming a Unitary Authority in 2009. This clearly demonstrates that the current financial and performance management arrangements are strong and also provides reassurance that the budget proposals for 2014/2015 are robust and deliverable.

The proactive action taken to redesign and refocus the organisation during these difficult times has strengthened the Council's current financial position. Cheshire East is one of a very few councils in the country that could realistically become financially self sufficient from Central Government revenue grant support in the longer term. It is also a possibility that the level of locally held general reserves may be used as a factor in determining the value of future national finance settlements.

Given this context the recommended Reserves Strategy includes a proposal to create an Earmarked Investment Reserve of £5.3m, only to be used to improve the future financial sustainability of the Council. In my opinion the estimated levels of general reserves will still remain at an adequate level and protect the Council against a range of potential risks.

P J Bates

Peter Bates CPFA CIPD MBA

Chief Operating Officer (Section 151 Officer)

February 2014

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Three Year Summary Position

	2013/2014 £m	2014/2015 £m	2015/2016 £m	2016/2017 £m	Three Year Change £m	Three Year Change %
Commissioning						
Children and Families Services	57.5	53.9	52.7	53.2		
Adult Social Care and Independent Living	91.5	92.7	94.6	93.9		
Public Health	0.0	0.0	0.0	0.0		
Environmental Protection and Enhancement	39.7	38.8	37.8	37.0		
Public Protection and Enforcement	-0.3	-0.6	-0.3	0.1		
Communities	12.2	11.9	10.7	10.7		
Economic Growth and Prosperity	14.1	14.3	13.1	12.5		
Chief Operating Officer	47.5	45.8	45.9	47.1		
Central budgets	14.5	13.5	14.6	14.0		
<i>Additional Reductions to closing Funding Deficit Yr 2</i>				-6.6		
Estimated Service Budgets	276.7	270.3	269.1	261.9	-14.8	-5.3%
Funded by						
Council Tax	-166.8	-167.3	-167.3	-167.3	-0.5	0.3%
Government Grants	-109.9	-103.0	-95.2	-79.2	30.7	-27.9%
Reserves <small>(see note 1)</small>	0.0	0.0	0.0	0.0		
Total	-276.7	-270.3	-262.5	-246.5	30.2	-10.9%
Potential Funding (Surplus) / Deficit	0.0	0.0	6.6	15.4		

Source: Cheshire East Finance

1. Note the Budget package includes the use of £5.3m of General Reserves. This is being transferred into an earmarked reserve in 2014/2015 to improve the financial sustainability of the Council in the medium term.

Overview 2014/2017

This Budget Report outlines how the proposals contained in the Medium Term Financial Strategy will be funded.

Funding the Council's Outcomes 2014/2017:

- **Investing over £1bn** in providing services to local people.
- **Freezing Council Tax** payments for the fourth year in a row.
- **Reducing net expenditure** by £6.4m in 2014/2015.
- **Maintaining reserves of £14m** to protect vital services against risk and manage cashflow during the transformation of services.
- **Allocating £5.3m to earmarked reserves in 2014/2015 to invest in the longer term sustainability of the Council.**
- **Allocating £15.7m to support vulnerable residents** through continuation of the local Council Tax Support Scheme.
- **No external borrowing is planned, but up to £39m** of the Council's resources will support planned capital expenditure in 2014/2015, which relates to on-going capital commitments.
- Net financing costs of the Capital Programme will increase to £12.5m in 2014/2015 reflecting the Council's commitment to maintain investment in infrastructure. Capital financing costs are forecast to increase from 4.6% of the net revenue budget (2013/2014) to a still very prudent level of 4.9% (2014/2015).
- The Council will manage the impact of the Provisional Local Government Financial Settlement released on 18th December 2013 which confirmed a significant reduction in revenue support grant funding of 13% from 2013/2014 to 2014/2015. At the same time, the Settlement has confirmed the continuation of Council Tax Freeze Grant from previous years.
- Targeting 98.75% collection rates for local taxes.

1. Meeting the Council's Priorities

Budget Setting Process

1. The key stages of the budget setting process followed a policy development approach which considered the initial parameters, researched potential changes, consulted on recommendations and then moves to approval and implementation of the proposed changes. The process is completed with the issue of provisional funding figures in December, closing consultation on the Budget Report in February and the formal meetings of Cabinet and wider Members that agree the Pre-Budget Report position at the end of February.
2. **Table 1** sets out the key stages followed throughout the 2013/2014 financial year to set a balanced budget for 2014/2015.
3. **Annex 6** sets out the financial impact of the changes for 2014/2017 for the Commissioning Services and the Chief Operating Officer in an established summarised format. Items have been referenced by Outcomes and the narrative will assist the read across to a greater level of detail of service change which is provided in the Medium Term Financial Strategy – Leader's Report.
4. The most significant elements of the major change programme are supported by High Level Business Cases which are subject to review under the Council's Member-led governance group called the Executive Monitoring Board. These will be available in due course and the Medium Term Financial Strategy report will also assist.
5. Changes resulting from these processes are reflected in the Council's Reserves Strategy which is re-assessed each year to determine the level of risk cover required and includes a proportion in relation to changes to proposals arising from consultation or delayed implementation.
6. Further details on the engagement process are set out in the Leader's Report.

Table 1: Budget Setting Process – Key Stages



July 2013	August 2013 to October 2013	November 2013 to January 2014	February 2014
Start with: - Sustainable Community Strategy - Council 3 Year Plan - Medium Term Financial Strategy (£35m gap over 3 yrs)	Portfolio Holders and Commissioning Leadership Team analysed financial resilience and current Performance. Initial informal variations to budget are proposed	Corporate Leadership Board and Cabinet refining proposals (Government settlement announcement 18 th December 2013) Stakeholder briefings taking place	Cabinet to recommend estimated budget to Council reflecting any further feedback received Council determine final budget on 27 th February 2014

2014/2015 – Key Budget Developments

Event	Comments
Council 28 th February 2013	Identified net budget deficit for 2014/2015 of £8.3m based on anticipated reductions in available funding
Corporate Leadership Board (CLB) meetings in May 2013	Analyse net Budget deficit and outline budget setting process following policy development approach
Cabinet 24 th June 2013	Receive 2012/2013 Final Outturn Review of Performance Report
Strategic Commissioning Leadership Team 5 th July 2013	Briefed on process and targets
Cabinet 22 nd July 2013	Agree Budget Setting Process including financial planning assumptions, net Budget deficit of £8.3m (based on anticipated reductions in available funding) and the process to close the gap
Cabinet 19 th August 2013	Receive First Quarter Review of Performance Report 2013/2014
Progress meetings	Meetings with Executive Director of Strategic Commissioning and individual Commissioning Managers to discuss emerging responses and High Level Business Cases
Financial Resilience of the Council document, issued on 16 th October 2013.	Guidance and Data on the Financial Resilience of the Council (PDF,962KB) : Key information document to demonstrate the Council's financial resilience
Initial responses produced by 25 th October 2013	Commissioning Managers submit proposals for review
Cabinet 12 th November 2013	Receive Mid Year Review of Performance Report 2013/2014

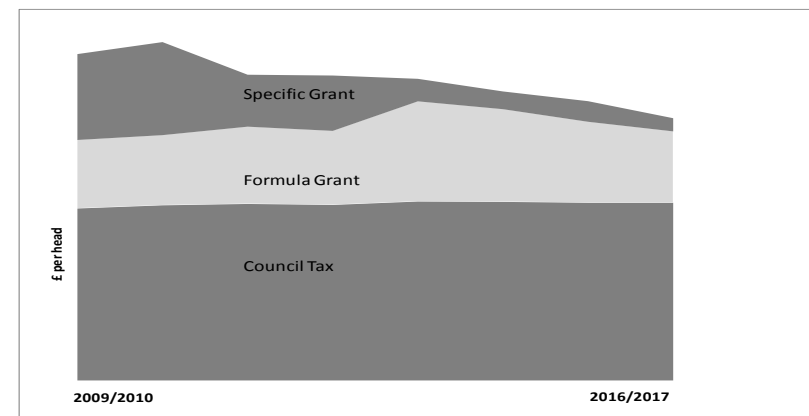
Event	Comments
Cabinet / Corporate Leadership Board meeting 19 th November 2013	Growth and savings proposals were submitted for analysis. Detailed challenge reduced the deficit considerably with further analysis being requested
19 th November to 4 th December 2013	Draft High Level Business Cases were completed, and passed to the Technical Enabler Group. Proposals were updated and amended following detailed review
Cabinet / Corporate Leadership Board meeting 4 th December 2013	Analyse received on net proposals, to balance the 2014/2015 Budget, broadly agreed
Council 12 th December 2013	Agree Council Tax Base for 2014/2015
Member Briefings: 23 rd July, 7 th November and 17 th December 2013	Update on budget setting progress from Finance Portfolio Holder, Chief Operating Officer and Commissioning Managers
Technical Enabler Group and Executive Monitoring Board – November 2013 – January 2014	Challenge process for High Level Business Cases
Release Pre-Budget Report 10 th January 2014 to Members	Report released to Members
Release Pre-Budget Report	Report released to stakeholder groups for consultation
Corporate Scrutiny Committee 13 th January 2014	Consultation and engagement on the Pre-Budget Report
Cabinet 4 th February 2014	Asked to recommend the 2014/2017 Budget package to Council
21 st February 2014	Last date for comments on the Budget proposals.
Council 27th February 2014	Approval of Medium Term Financial Strategy and Council Tax

2. Financial Stability

Introduction

7. Cheshire East Council is becoming more reliant on local funding and less reliant on central government grant. The funding for Council Services from Council Tax and Business Rates will have increased to over 75% of the total net funding for 2014/2015.
8. The financial stability of the Council, which determines the amount of money available for service expenditure, will be exposed to less risk from potential government funding shortfalls in the medium term, but financial planning for the Council now reflects the potential for year on year fluctuations in local funding particularly from business rates.
9. Overall the annual revenue budget for Cheshire East Council continues to be funded by a combination of Council Tax, service user charges, and (relatively low) Government grants. **Chart 1** illustrates how the balance between these funding sources is expected to continue changing over time.
10. The Budget Report is based on the Provisional Local Government Finance Settlement released on 18th December 2013. The figures remain subject to the release of the Final Settlement and a debate in the House of Commons. Dates for these two events are not yet known. Any subsequent changes will be reported to Members and may be managed through reserves.

Chart 1: Grant funding is reducing in the Medium term



Source: Cheshire East Finance (see also [Guidance and Data on the Financial Resilience of the Council](#) – Oct 2013)

Note: Council Tax has been adjusted for the change from Council Tax Benefit to Council Tax Support.

11. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2013/2014 and 2014/2015. This updates the information previously published in the Council's Budget Report in February 2013 and Budget Setting Process report taken to Cabinet in July 2013.

Table 2 - Funding available to services has reduced	2013/2014 Restated as at TQR	2014/2015	Change	Change
	£m	£m	£m	%
Government Grants (Adjusted for S256 treatment)	-109.9	-103.0	-6.9	-6.3%
Council Tax	-166.8	-167.3	0.5	0.3%
Sub total Funding	-276.7	-270.3	-6.4	-2.3%
Central Adjustments	14.2	17.1	-2.9	20.4%
Funding Available to Services	-262.5	-253.2	-9.3	-3.5%

Source: Cheshire East Finance

12. The key areas being covered in this section include:

Source of Funding	Paragraphs
Government Grant Funding of Local Expenditure	14 to 37
Collecting Local Taxes for Local Expenditure	38 to 57
Charges to Local Service Users	58 to 62
Income and expenditure are also influenced by decisions and estimates of the Council in relation to:	
Investment, Borrowing and the Capital Programme	63 to 98
Other Economic Factors	99 to 101
Managing the Reserves Position	102 to 112

13. The detailed funding settlement from government has once again seen change, uncertainty and late release of information, which impacts on longer term financial planning. Issues for 2014/2015 include :

- The release of the Autumn Statement on 5th December.
- The release of the Provisional Settlement on 18th December.
- Late confirmation of Council Tax Freeze Grant and calculation of business rates estimates.
- No announcement on Education Support Grant.

These have set out changes to:

- General funding levels – confirming a 13% reduction in Revenue Support Grant.
- Funding from Business Rates – a cap on the multiplier and a change to discount / relief arrangements. It is not yet clear how these will be linked up.

Government Grant Funding of Local Expenditure

14. Local authority finances in England are undergoing significant changes as part of the Government's overall deficit reduction programme. Overall, grant funding is still expected to reduce, but will vary depending on local levels of house building, commercial development and employment levels.
15. Funding for local government is forecast to further reduce significantly over the next 5 years, and is likely to continue to reduce beyond this timeframe to 2020. In the medium term this presents itself as funding deficits for the Council which could place strain on local service levels.
16. A summary of the Council's grant funding is shown in **Table 3**.

Table 3 - Grant Funding is reducing by 6.4% in 2014/2015				
	2013/2014 Restated	2014/2015	Change	Change
	£m	£m	£m	%
Business Rate Retention Scheme	-37.2	-37.8		
Revenue Support Grant	-55.8	-48.6		
Specific Grants (adjusted for S256 treatment)	-16.9	-16.6		
Funding Available to Services	-109.9	-103.0	-6.9	-6.3%

Source: Cheshire East Finance

17. The Council receives grant funding from the Government under several main headings:

- Business Rate Retention Scheme
- Revenue Support Grant
- Specific Grants (unring-fenced)
- Specific Grants (ring-fenced)

Business Rate Retention Scheme (BRRS)

18. The Council anticipates collection of approximately £135m in business rates in 2014/2015. However, 72% of this funding is paid to government with 28% being retained specifically to support Cheshire East Council services. Growth in business rates can increase local funding which supports the approach set out in the Medium Term Financial Strategy to generate inward investment to the area.

Revenue Support Grant (RSG)

19. In addition to retained business rates the government provide RSG which is not ringfenced for specific purposes. RSG could reduce by as much as 50% in the medium term.

Specific Grants

20. A number of separately identified but unring-fenced Specific Grants have been retained. The detailed list is shown in **Annex 3** and summarised in **Table 4**.
21. The list of Specific Grants has reduced to mainly funding related to the New Homes Bonus and the Education Support Grant, which together equate to over 60% of the total received in 2014/2015.

Table 4 - Separate specific grants have increased mainly as a result of Council Tax freeze	2013/2014 Restated	2014/2015	Change	Change
	£m	£m	£m	%
New Homes Bonus	-4.2	-5.4		
Health Funding Section 256 (is now shown within service income)	-	-		
Education Services Grant	-5.3	-4.7		
Other Grants	-5.6	-4.7		
Council Tax Freeze Grant	-1.8	-1.8		
Total Specific Grants	-16.9	-16.6	-0.3	-1.8%

Source: Cheshire East Finance

22. Monies received for Health Service re-ablement funding (known as Section.256) have now been removed from grants and shown as service income within Adult Social Care and Independent Living, as these are invoiced payments. Further changes from the introduction of the Better Care Fund will be reflected in additional reports throughout the year.
23. New Homes Bonus funding is provided to the Council based on the net increase in properties and affordable homes. The scheme is now coming into its fourth year of a six year rolling programme with unring-fenced funding of £5.4m expected for 2014/2015.

Education Services Grant (ESG)

24. In 2013/2014 all funding for the functions included in the Local Authority Central Spend Equivalent Grant (LACSEG) were removed from local authorities and transferred to the Department for Education (DfE). The DfE now administer and distribute a separate unring-fenced ESG to local authorities and to academies proportionate to the number of pupils for which they are responsible. LACSEG is included with the ESG grant.

25. The provisional allocation for local authorities is expected before the end of March 2014. Local estimates have set the provisional return of funds to be £4.7m and this has been factored into the scenario.
26. Beyond March 2015 the position is less clear and prudent estimates of £3m per annum have been factored in. This reflects the receipt of some element of funding or subsequent service reductions, or increased income, to the wider Council.

Ring-fenced Grants

Dedicated Schools Grant (DSG)

27. The Government has announced the indicative allocations of DSG for 2014/2015 which is ring-fenced. Following extensive educational funding reforms by the DfE, the grant is now allocated in notional funding blocks, namely the High Needs Block, the Schools Block and the Early Years Block.
28. The value of the High Needs Block is determined by identified 2013/2014 LA budgets to which adjustments have then been made. Funding is based on a Guaranteed Unit of Funding (GUF) per pupil for the latter two blocks. The Pupil numbers used in the calculation are based on the October 2013 Pupil Level from Schools Census information. Final allocations of the 2014/2015 DSG will include an adjustment for pupils reflected in the January 2014 Early Years Census.
29. New responsibilities in respect of support for newly qualified teachers (£0.1m) and provision of education for eligible 2 year olds (£3.4m) have been transferred to the local authority for 2014/2015, whilst responsibility for the Carbon Reduction Commitment energy efficiency scheme payments has been transferred to the DfE (-£0.3m).
30. **Table 5** shows the actual DSG received for 2013/2014, the indicative DSG for 2014/2015, the actual GUF (Amount per

Pupil) received for 2013/2014 and the Block GUFs to be received for 2014/2015 (excluding the adjustment for Academy recoupment).

Table 5 - Dedicated Schools Grant will be allocated in 3 notional blocks from 2014/2015	Actual 2013/2014	Estimated 2014/2015	Change	Change
	£m	£m	£m	%

Total Dedicated Schools Grant	234.8	237.7	2.9	1.2%
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Comprising

Schools Block (notional)	186.8	186.7
Early Years Block (notional)	13.3	13.4
High Needs Block (notional)	32.5	34.6
New responsibilities	2.2	3.0

Per Pupil Funding	£/pupil 2013/2014	£/pupil 2014/2015
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Total Dedicated Schools Grant

Schools Block (notional)	4,077
Early Years Block (notional)	4,048

Figures quoted are before the Academy recoupment.

Source : DfE

Dedicated Schools Grant (DSG) ~ Academy Funding

31. The DfE are clear that becoming an Academy should not bring about a financial advantage or disadvantage to a school but rather, enable Academies to have greater freedom over how they use their budgets.
32. The Individual Schools Budget (ISB) receivable for the 19 academies which opened before or during 2013/2014 has **not** been removed from the total DSG award to be received (as reflected in **Table 5**). The funding for these academies of approx £56.1m will be recouped from the Authority's DSG as part of the academy recoupment process.

Pupil Premium Grant

33. The Government has also announced on-going increases to the Pupil Premium Grant which is now in its third year. Grant allocations are based on October 2013 census figures for deprived pupils in years from Reception to Year 11.
34. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2014/2015 have been confirmed at £1,300 for primary-aged pupils and £935 for secondary-aged pupils for every eligible child in both maintained schools and academies. All looked after children, adopted children and children with guardians will attract funding of £1,900 and children whose parents are in the armed forces continue to attract £250 per annum. It is estimated that Cheshire East Council will receive £8.8m in relation to the Pupil Premium for 2014/2015.

Public Health

35. Central Government transferred the responsibility of commissioning / delivering public health services from Health to Local Authorities from April 2013.
36. Public Health responsibilities cover a wide range of services including: sexual health services; NHS Health Check programmes; Drug Misuse; Alcohol Misuse and Obesity.
37. Public Health grant will remain ring-fenced for the first three years as a minimum, so expenditure must be incurred in line with the definition of public health. Councils have been notified of the funding for the first two years, £12.7m in 2013/2014 which was subsequently revised to £13.7m and £14.2m in 2014/2015.

Collecting Local Taxes for Local Expenditure

Council Tax

38. The amount of Council Tax charged to occupied properties in 2014/2015 will be frozen at the 2013/2014 levels. For 2014/2015 the Band D Council Tax for Cheshire East Council will therefore remain at £1,216.34.

The calculation of the Council Tax is shown in **Table 6**.

Table 6 - The calculation of the		2014/2015	
Cheshire East Council Band D Council			
Tax		£m	£m
2014/2015 Revenue Budget recommended to Council on 27th February 2014 ⁽¹⁾			253.8
Less External Support:			
Business Rates Retention Scheme		37.9	
Revenue Support Grant		48.6	86.5
Surplus / Deficit on Collection Funds			0.0
Amount to be Raised from Council Tax			167.3
No. of Band D Equivalent Properties			137,548.53
Band D Council Tax			£1,216.34

Source: Cheshire East Finance

¹. This figure is net of specific grants of £16.6m.

The impact on each Council Tax Band and the number of dwellings in each band is shown in **Table 7**.

Table 7 - Impact of Council Tax on each Band

Band	A	B	C	D
Council Tax £	810.89	946.04	1,081.19	1,216.34
No of Dwellings	29,507	34,755	32,872	24,469

Band	E	F	G	H
Council Tax £	1,486.64	1,756.94	2,027.23	2,434.68
No of Dwellings	18,923	12,981	11,838	1,771

Source: Cheshire East Finance

Council Tax Freeze Grant

39. By freezing Council Tax, the Council is entitled to a grant for 2014/2015 equal to the amount that could have been raised by a 1% increase (before adjusting for Council Tax Support). As a result of this decision, and past decisions to freeze Council Tax, the Council will receive £8.1m of freeze grant in 2014/2015 as set out in **Table 8**.

Table 8 - Council Tax Freeze Grant Equals 7.9% of Cheshire East Council's Government Funding in 2014/2015 **2014/2015**
£m

Allocation for:

2011/2012 (Year 4 - now rolled into BRRS)	4.5
2013/2014 (Year 2 - now rolled into BRRS)	1.8
2014/2015 (Year 1)	1.8
Total Freeze Grant to be Received	8.1

Source: Cheshire East Finance

40. The same amount will be receivable in 2015/2016 pending any further freeze grant offers, further reductions in general funding and local decisions over Council Tax levels for that year. It has been assumed a similar payment will be offered for 2015/2016 and, given the Council's plans to continue to freeze Council

Tax, this has been factored into the medium term financial planning assumptions.

Council Tax Base

41. The Council Tax base quantifies the number of properties from which the Council is able to collect Council Tax. The tax base is presented as an equivalent number of domestic properties in Council Tax Band D terms after adjusting for relevant discounts and exemptions. The level of Council Tax multiplied by the tax base equals the expected income from local taxation.
42. The gross tax base for 2014/2015 (before making an allowance for non-collection) is calculated as 139,289.65. After taking into account current collection rates, a non-collection rate was set at 1.25%. This results in a final tax base of **137,548.53** Band D equivalent domestic properties.
43. The tax base for 2014/2015 reflects an increase of 0.3% on the 2013/2014 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of potential increases in Council Tax Support. The Council Tax base was approved by Council on 12th December 2013.

The impact of the Council Tax Support Scheme

44. From 1st April 2013 the Council Tax Benefit system was replaced by a locally designed Council Tax Support Scheme. Claimants under this scheme receive appropriate discounts to their bills depending on their circumstances. It is important to note that pensioner claimants are not affected by this change.
45. Cheshire East will continue to compensate local councils for any reduction in tax base as a result of Council Tax Support. However, this compensation grant will be reduced in line with the funding reductions being experienced by the Council for the Revenue Support Grant (of which the compensation forms a part).

46. Cheshire East has a relatively high Council Tax base compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands F to H in the Cheshire East area (16.8% in Cheshire East compared to the England average of 9.6% based on [2012/2013 data](#)).

Collection Fund

47. Receipts from Council Tax payers are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire & Police and local Town & Parish Councils).
48. A predicted deficit in the Collection Fund reduces revenue funding for the following annual budget (and vice versa in the case of a surplus). This can happen if predicted changes in the tax base do not occur or if payments are delayed.
49. The estimated balance on the Collection Fund has been forecast as a net nil position for 31st March 2014. This represents no change from the position forecast at 31st March 2013.
50. Year end balance on Business Rates Collection Fund is estimated to be roughly in line with budgeted base line funding levels.

Council Tax on Second Homes

51. During 2006 the Cheshire Local Government Association (LGA) agreed to reduce the level of discount on Second Homes across Cheshire from 50% to 25% on the basis that the additional funds would be utilised as follows:-
- 50% to be retained by local authorities.

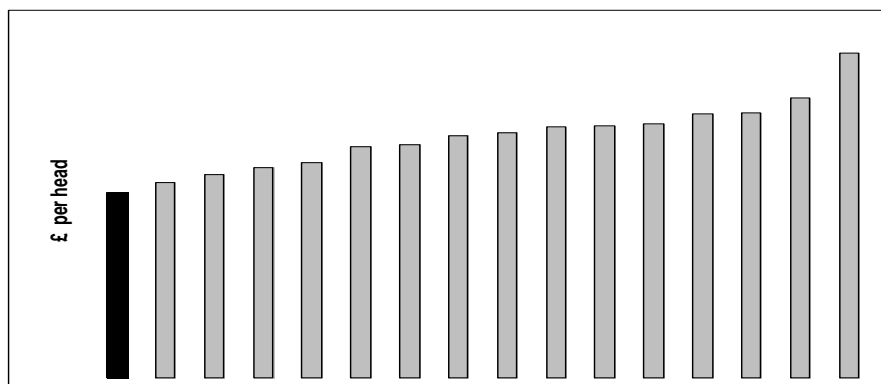
- The balance to be paid over to Local Crime and Disorder Reduction Partnerships (CDRPs) for local activities including the appointment of Community Support Officers.

52. The final figures cannot be calculated until each authority has set its 2014/2015 Council Tax. Contributions under the Second Homes agreement to the CDRP from the Police and Crime Commissioner and Cheshire Fire and Rescue Authority will be made during 2014/2015 by adjusting the precept payments to those authorities. The provisional contribution from Cheshire East Council is £152,000.
53. Any further changes to the Second Homes discount are not part of the local agreement and therefore the additional income from any change is not included in the figure shown.

Funding Comparisons to similar Councils

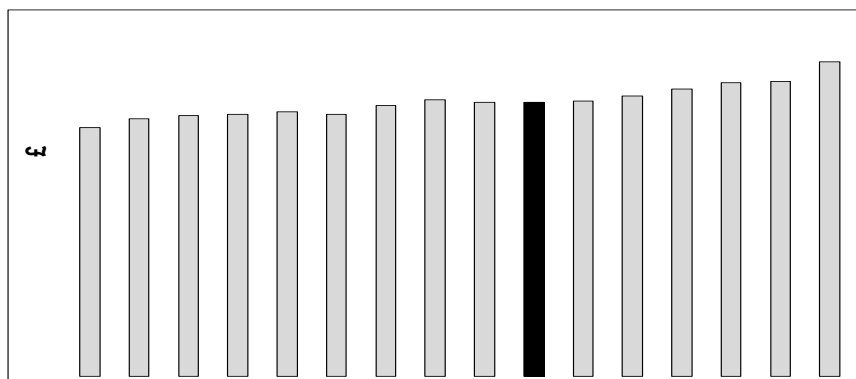
54. A suite of comparisons based on available data is provided below to add context to Cheshire East's funding position. For further analysis of the Council's financial position please refer to: [Guidance and Data on the Financial Resilience of the Council](#)

55. **Chart 2** – Government grant* per head is the lowest of the Council's 15 near statistical neighbours.



* Includes Business Rate Retention Scheme and Revenue Support Grant

56. **Chart 3** – Despite low government grants absolute Band D Council Tax levels remain average in comparison to near statistical neighbours.



What is the Council Doing About it?

57. There are several areas where the Council is attempting to ensure its voice is heard. These are:

i. Responding to Key Consultations

2013 has once again seen several major consultations on changes to local government finance take place. The Council has responded to the following consultations:

- Rates Retention and Formula Grant
 - 2013 - Local Government Finance Settlement 2014/2015 and 2015/2016: Technical Consultation
- Council Tax
 - New Build Empty Property: Technical Response
 - Council Tax Discounts for Annexes – Consultation
- Adult Social Care and Independent Living
 - 2013 - Caring for Our Future: Implementing Funding Reform
- General
 - 2013 - New Homes Bonus and the Local Growth Fund: Technical Consultation
 - 2013 - Proposals for the use of capital receipts from asset sales to invest in reforming services

Schools Funding

Several consultations on schools funding took place and were responded to during 2013 including:

- Review of 2013/2014 School Funding Arrangements

In addition to the above, the local authority has consulted extensively with all schools regarding the implementation of the 2014/2015 formula and any changes that are required.

The DfE is still intending to implement a National Schools Funding Formula from April 2015 and the consultation on their proposals is due out in January 2014. Once the consultation is published, the local authority will consult with all schools on the proposals and what they mean for the schools in Cheshire East.

Provisional Settlement

The Council has responded to the settlement through the Society of County Treasurers' response. This collective response raised the key issue of a late release and inaccuracies over the spending power figures.

ii. Membership of Collective Groups.

The Council has membership of several collective groups which provide a stronger voice at a national level. They are:

- The Local Government Association
- The Society of County Treasurers
- The Sparse Rural Network
- The F40 Group

iii. On-going briefing with Members of Parliament.

The Council provides an update on key issues to local MPs every six weeks, or when special updates are required. At certain times these focus on the Budget and funding issues.

Charges to Local Service Users

58. In some key service areas the Council makes a charge directly to the service user. The prices charged will sometimes be set nationally, but should always be related to recovering some or preferably all of the Council's costs in delivering discretionary

services.

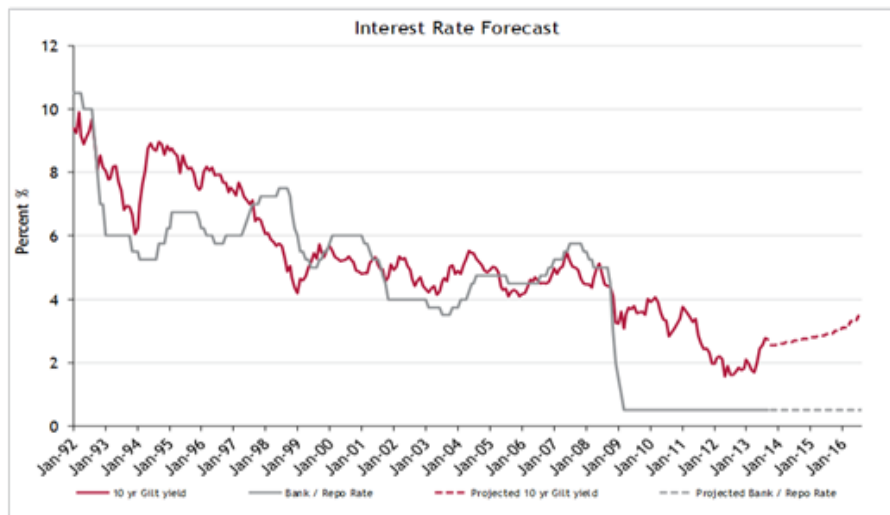
59. Approximately 12.6% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.
60. The Cheshire East Council pricing structure has over 1,800 different charges. With the overall objective to reduce subsidy in charged for services some prices may rise considerably more than inflation. In such cases users are being consulted and alternative service options are being discussed.
61. To assist officers and Members to recover full cost, the Council has produced a Charging and Trading Strategy to provide the relevant guidance to be applied. This document is available to Members on request.
62. The fees and charges list is under review given the change in commissioning arrangements in some areas. A revised version will be available in due course.

Investment, Borrowing and the Capital Programme

63. The economy is growing again but, as the Governor of the Bank of England pointed out, it is not yet a return to normality, and the recovery is likely to be subdued by historical standards.
64. The Bank of England's Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping rates low for an extended period, using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates. Although unemployment was 7.7% in August 2013, it was not forecast to fall below the threshold until 2016, due to the UK's flexible workforce. However, on 22nd January this rate fell to 7.1% therefore, the position will be under review.

65. The Council's advisors, Arlingclose, forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable. Their projected path for short term interest rates therefore remains flat, however, upside risks weight more heavily at the end of their forecast horizon.

Chart 4 - UK Interest Rates 1992 to 2016 (forecast)



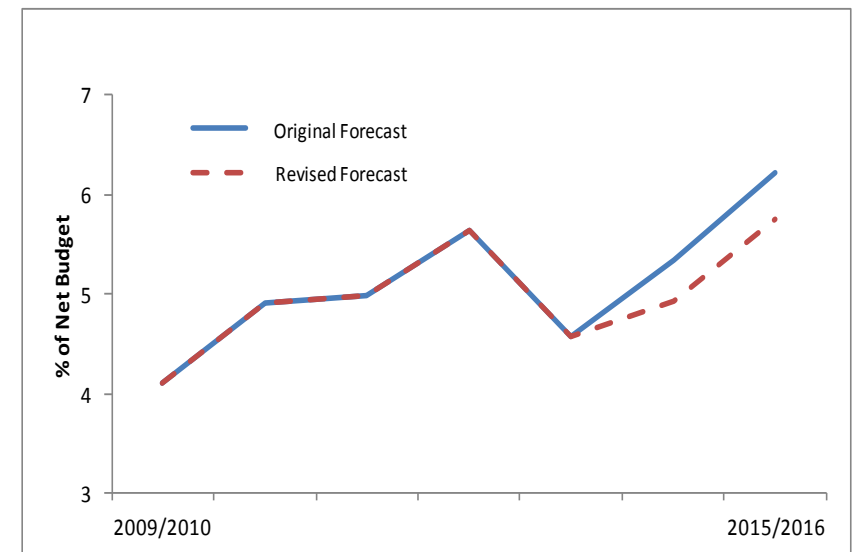
Source: Arlingclose

Capital Financing Costs

66. The Treasury Management Strategy aims to hold down capital financing requirements at c.£14m per year in the medium term. The net revenue budget will decrease over time so the percentage required to fund capital is therefore likely to increase, which is as expected as the Council targets investment in infrastructure that can support the local economy.
67. **Chart 5** demonstrates the upward trend of the cost of borrowing as a % of the net budget from 2009 – 2016. This has reduced

compared to forecasts in February 2013. The application of capital receipts in 2012/2013 to repay prior years borrowing reduced the cost to 2010 levels, however, the impact was short term and costs are set to rise steadily as the level of prudential borrowing increases in future years.

Chart 5 - The 2014/2017 MTFS is reducing the Cost of Borrowing as % of Net Budget from 2009-2016 compared to forecasts last year



Source: [Guidance and Data on the Financial Resilience of the Council Version 1](#) ~ October 2013 (updated)

68. The capital financing budget for 2014/2015 is £12.5m as shown in **Table 9**. This includes amounts charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long-term loans. These budgeted costs are partly offset by the budgeted amount of interest the Council anticipates earning from the temporary investment of its cash balances during the year.

Table 9 - Capital Financing Budget	2014/2015
	£m
Repayment of Outstanding Debt	8.0
Contribution re: Schools TLC Schemes	-0.9
Direct Revenue Funding	0.4
Interest on Long Term Loans	5.2
Total Debt Repayment	12.7
Less: Interest Receivable on Cash Balances	-0.2
Net Capital Financing Budget	12.5

Source: Cheshire East Finance

69. The budgeted provision for the repayment of debt in the year 2014/2015 comprises of the following elements:
- The charge in respect of borrowing incurred after April 2008 is calculated on a basis that charges the amount borrowed to the Council's income and expenditure account in equal instalments over the anticipated life of the asset. These periods vary from 5 years to 25 years depending on the type of expenditure funded from the borrowing.
 - Historical borrowing prior to this is calculated as 4% of the outstanding balance at 31 March 2013.
70. Details of the Council's Minimum Revenue Provision Policy is shown at **Annex 4**.
71. The amount of interest paid on the Council's portfolio of long-term loans is mainly at fixed rate of interest (circa 4.04%). This provides a degree of certainty to the capital financing budget.
72. Currently, long-term fixed interest rates are around 4.3%.

73. The rate of interest to be earned on the Council's cash balances that are temporarily invested (estimated at £36m) pending them being used is budgeted to be 0.5% during 2013/2014.
74. In line with many other local authorities, Cheshire East Council has taken the decision to use internal resources to fund capital expenditure in recent years, opting to "internally borrow". This strategy is sound, particularly with the 1% margin on Public Work Loan Board rates, low-investment yields and on-going concerns regarding credit risk.
75. The Council sets out the approach to these issues in its Treasury Management Strategy which is also being reported to [Cabinet](#) and Council in February 2014.

Capital Programme Planning

76. The 2013/2016 capital programme was approved by Council on 28th February 2013. Updates have been provided via quarterly reports to Cabinet during 2013/2014. In November 2013 a review of the capital programme was undertaken to prioritise schemes wholly or partly funded from Council resources, this led to reductions in the overall programme.
77. These reductions, together with further updates to the current capital programme are included in the Third Quarter Review of Performance and the revised profile of spend for 2014/2015 onwards forms the base for the 2014/2017 programme, which is detailed in **Annex 6**.
78. Capital commitments have been reviewed to identify the profile of expenditure. There is recognition that there are obvious complexities around planning applications, public consultation etc, and dependencies on third parties for external funding that often means slippage occurs from one year to the next as delivery is delayed.

79. The level of Council resources available for capital investment is set out in **Table 10** and is based on the level of government grant and external contributions expected; the level of borrowing that the Council can undertake on a prudential basis and the level of capital receipts that can be generated over the period.
80. The inclusion of a capital project in the programme is subject to the Council's governance arrangements, in accordance with national best practice. Schemes over £250,000, or where there is a significant risk, are required to go through a gateway process. Schemes are assessed for technical viability by the Technical Enabler Group (TEG) and then reviewed and challenged by a member led Executive Monitoring Board (EMB).
81. Projects are required to go through a second stage (Gate 2) and provide detailed robust project documentation before they have approval to commence. EMB may reject proposals if they are unconvinced of the viability of the business case and any other aspect of the delivery plan including the fit with corporate priorities, which may result in the cessation of the proposal or a request for a revised proposal.
82. New proposals are at various stages of this process and are included in the programme for planning purposes. Where costings are not yet available indicative estimates are included. Schemes are categorised in the programme, according to status and the schemes that are continuing from the 2013 programme, or that have passed through the Gate 2 process will be monitored against progress and spend during 2014/2015.
83. The capital programme is intentionally aspirational, reflecting the Council's ambition, to pursue additional external funding, private sector investment and capital receipts. It is designed to allow flexibility, so that schemes can be phased, reviewed and if necessary put on hold until the resources required are identified and secured, or alternatively, brought on stream to take advantage of funding and market opportunities as they arise.

84. Budgets will be subject to scrutiny throughout the gateway process which ensures a robust quality assurance framework is followed for each project. The governance arrangements will safeguard against projects proceeding where costs may escalate beyond budgets. Variances from approved budgets will be subject to supplementary approval in accordance with financial regulations.

Capital Programme Funding

85. As set out in **Table 10**, the proposed Capital Programme for 2014/2015 has planned expenditure of £161m supported by £88m of external funding (grants, S106 contributions etc.) leaving a net cost to the Council of £73m. The net costs of the programme will be met through estimated in year capital receipts of £33m and additional prudential borrowing of £39m.
86. The Council has discretion over the use of internally-generated capital resources which include capital receipts from the sale of surplus assets, prudential borrowing and revenue contributions. It is important that this discretion is used to ensure that these scarce capital resources are used to support capital schemes that make a major contribution to ensuring the Council's assets are suitable for delivering the future priorities, improving service delivery and generating revenue savings.

Table 10 - Capital Programme Summary	2014/2015	2015/2016	2016/2017 & Future
	£m	£m	£m
Committed Schemes	120.9	34.1	13.0
Medium Term & Rolling Programmes	37.4	18.9	36.3
Long Term Proposals	3.0	21.1	154.0
Total Capital Programme	161.3	74.1	203.3
Financing			
Prudential Borrowing	39.3	19.9	1.3
Government Grants	71.8	19.0	105.8
Capital Receipts	32.9	22.4	80.7
External Contributions	16.5	11.5	15.3
Other Revenue Contributions	0.8	1.3	0.2
Total Sources of Funding	161.3	74.1	203.3

Source: Cheshire East Finance

Government Grants

87. Government grants are generally allocated by specific Government departments to fund projects and therefore are used by the Council to support the spending programmes for which they are approved.
88. The Council seeks to maximise such allocations of grant, developing appropriate projects and programmes which reflect Government-led initiatives and agendas but address priority needs in the community. Government funding has reduced in recent years but the Council still receives external support towards a number of projects such as school improvements and the Local Transport Plan. Over the period, these resources equate to £197m.

Capital Receipts

89. A capital receipt is an amount of money which is generated from the sale of an asset. The asset rationalisation process will continue to explore opportunities to generate capital receipts by disposing of surplus property assets. This will also have revenue benefits by reducing costs relating to those assets.
90. The Engine of the North development plan, reported to Council on 17th October 2013 identified the potential to generate major capital receipts for the Council, potentially in excess of £80m over a 10 year period, net of development costs. This provides a number of opportunities in relation to future capital investment planning including; investing in other service capital projects; repaying existing borrowing or re-investing in other new land / regeneration schemes.
91. Under the Council's Capital Receipts Policy, all receipts are pooled centrally in the capital reserve and are fully allocated in line with corporate priorities as part of the overall development of the capital programme. An asset disposal schedule is maintained which indicates the timing and estimated values of future receipts. Where the programme is expected to be funded from capital receipts, depending on the timing of these receipts the start times of some projects may be brought forward or delayed. The current status of the land and property market will be kept under review by the Asset Management Service and East Cheshire Engine of the North Ltd. The programme will be reviewed if the resource position changes.

Borrowing

92. The Council's capital investment falls within, and needs to comply with the "Prudential Code for Capital Finance in Local Authorities". Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the

Code, the level of borrowing they wish to undertake to deliver their capital programmes.

93. The level of Prudential Borrowing required in 2014/2015 and in future years is detailed in **Annex 5 – Prudential Borrowing Indicators**, paragraph 6. The revenue consequences have been considered as part of the medium term strategy to ensure they can be afforded in future years.

Revenue

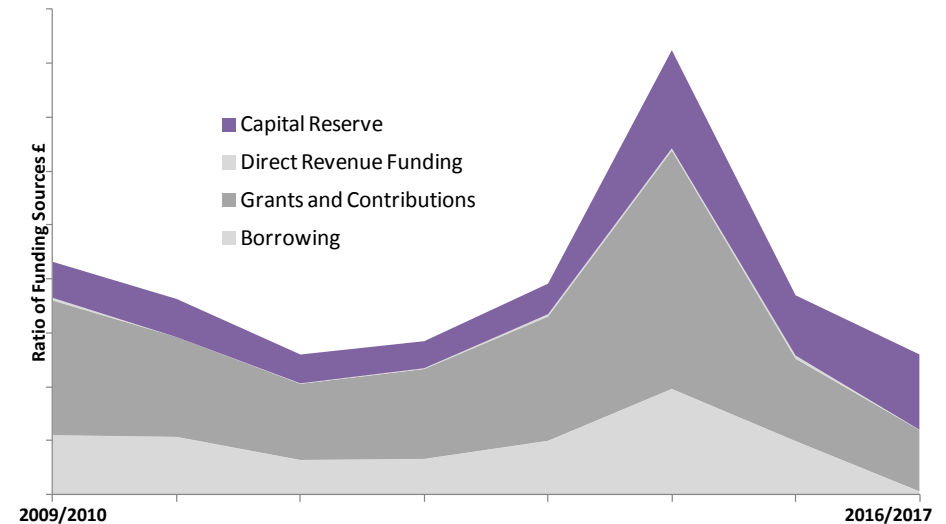
94. Capital expenditure may be funded directly from revenue. However, the general pressure on the Council's revenue budget limits the extent to which this may be used as a source of capital funding and therefore no revenue contributions are planned for new starts.

Other Contributions

95. The Council also receives contributions from developers towards the provision of public assets or facilities, such as Section 106 contributions to mitigate the impact of their developments.
96. Section 106 agreements are drawn up during the planning process which identifies and addresses the local needs of the community in relation to new developments. The agreement obligates the developer to provide a sum of money to enable the provision of facilities such as play Areas and open spaces, increased education placements and road improvements.
97. As at 31st March 2013 the authority held Section 106 balances totalling £5.4m. The use of the funding is restricted by the terms of the original agreement and the timing of developer contributions is less predictable than other sources.
98. **Chart 6** demonstrates the balance of funding over time, the peak of grants and contributions in 2014-2016 relates to the

Superfast Broadband project where external contributions amount to £30m. The level of borrowing for new starts will reduce in future years in order to maintain repayments within affordable limits.

Chart 6 - Balance of Capital Funding Sources from 2009-2017



Source: Cheshire East Finance

Other Economic Factors

99. The Council makes an assessment of its financial position over the next three years by using a model known as the financial scenario. It is based on a series of planning assumptions (for example: estimated inflation rates). The planning assumptions were published in July 2013 and updated through the year via Central Finance Group. Allowance will be made in 2014/2015 budget for other economic factors, largely inflation and pension costs; totalling **£4.6m**.

100. The Budget Report for 2014/2015 continues the theme of not including any central allowance for non-pay inflationary pressures on the basis this is generally being mitigated by service efficiency proposals, increased charges or specifically bid for as a separate policy proposal.

Employer Pensions Contributions

101. The Workforce Planning section provides further details on the Pensions provision.

Managing the Reserves Position

102. The Council Reserves Strategy 2014/2017 states that the Council will maintain reserves to protect against risk and support investment.

103. The Strategy identifies two types of reserves:

General Reserves

- Balances in this category are not identified for specific purposes, but will be used to cushion against the impact of emerging events or genuine emergencies.

Earmarked Reserves

- Balances in this category are set aside for specific projects where spending will occur outside of the usual annual spending pattern of the budget.

104. Cheshire East Council's Reserves Strategy has been updated and is included at **Annex 7** to this report. For the 2014/2015 Budget the Section 151 Officer is satisfied that the strategy remains consistent with previous years.

General Reserves

105. The Budget Report for 2013/2014 anticipated an opening balance for 2014/2015 of £13.2m. The latest estimate is set at £19.3m, as adjusted for the projected 2013/2014 outturn which is based on the three-quarter year review.
106. The planned contribution for 2014/2015 is nil to reflect a reduced level of overall risk, and recognition of the need for substantial temporary investment in a number of major change programmes.
107. The medium term financial outlook reflects a reduction in real terms expenditure on Council services. Reducing expenditure over time may require up-front investment in change management that will sustain the financial resilience of the Council.
108. Strategically the Council must therefore utilise short term funding to support change and not to build up reserves. Current reserves levels will therefore be maintained to protect the Council against risk and should only require amendment if risk materialises or to support short term cashflow issues.
109. £5.3m is proposed to be transferred to earmarked reserves to support activity that will increase longer term financial stability of the Council, particularly in relation to growth in income from local sources.
110. General Reserves will therefore now be stabilised over the medium term.
111. A summary of the updated forecast reserves position over the life of the medium term strategy is shown in **Table 11**.

Table 11 - Reserves levels will be maintained in the medium term	2013/2014	2014/2015	2015/2016	2016/2017
	£m	£m	£m	£m
Opening Balance	11.4	19.3	14.0	14.0
Change	7.9	-5.3	0	0
Closing Balance	19.3	14.0	14.0	14.0

Source: Cheshire East Finance

Earmarked Reserves

112. It is anticipated that at 1 April 2014, balances on existing revenue earmarked reserves will be £10.5m.

Summary of Financial Stability

113. **Table 12** summarises the position for 2014/2015 to 2016/2017.

Table 12 - Three Year Summary Position	2013/2014	2014/2015	2015/2016	2016/2017
	£m	£m	£m	£m
Commissioning				
Children and Families Services	57.5	53.9	52.7	53.2
Adult Social Care and Independent Living	91.5	92.7	94.6	93.9
Public Health <small>(Funded by Grant)</small>	0.0	0.0	0.0	0.0
Environmental Protection and Enhancement	39.7	38.8	37.8	37.0
Public Protection and Enforcement	-0.3	-0.6	-0.3	0.1
Communities	12.2	11.9	10.7	10.7
Economic Growth and Prosperity	14.1	14.3	13.1	12.5
Chief Operating Officer	47.5	45.8	45.9	47.1
Central Adjustments	14.5	13.5	14.6	14.0
<i>Additional Reductions to closing Funding Deficit Yr 2</i>				-6.6
TOTAL: Commissioning Services	276.7	270.3	269.1	261.9
Government Grants	-166.8	-167.3	-167.3	-167.3
Council Tax	-109.9	-103.0	-95.2	-79.2
TOTAL: Central Budgets	-276.7	-270.3	-262.5	-246.5
Deficit / (Surplus)	0.0	0.0	6.6	15.4

Source: Cheshire East Finance

114. Directorate expenditure is shown as **£270.3m**. This represents a decrease of £6.4m (2.3%) on the Budget at the three quarter year review position.
115. The Funding Available to Services in 2014/2015 is estimated at **£270.3m** to give a balanced position.
116. This balance has been achieved through a substantial process to review and refine the funding figures and Services' expenditure / income levels.

Allocating Funding to Services

117. Having analysed the Council's Funding Position, this section sets out how the funding is allocated to Services to support achievement of the Council's community outcomes.
118. The Medium Term Financial Strategy – Leader's Report sets out further details of how the Council is approaching delivery of the Three Year Council Plan.

Balancing the Medium Term Budget 2015/2016 and 2016/2017

119. **Table 12** illustrates that Council funding is forecast to reduce over the medium term by as much as 5.3%. These estimates are prudent, but there is little doubt that Government funding is expected to decrease and that inflationary pressure on services will continue to increase. Setting a robust budget in these circumstances is therefore challenging and plans will be subject to review.
120. The MTFs reflects a balanced position for 2014/2015 with a mix of specific policy proposals in each Service.
121. The position for 2015/2016 and 2016/2017 continues to reflect a deficit position. This has been significantly reduced from this time last year and the challenge to remove that gap will continue during 2014/2015.

122. The Council adopts a standard five measure approach to balancing the budget and each measure is explored in relation to the medium term balancing of the MTFS.

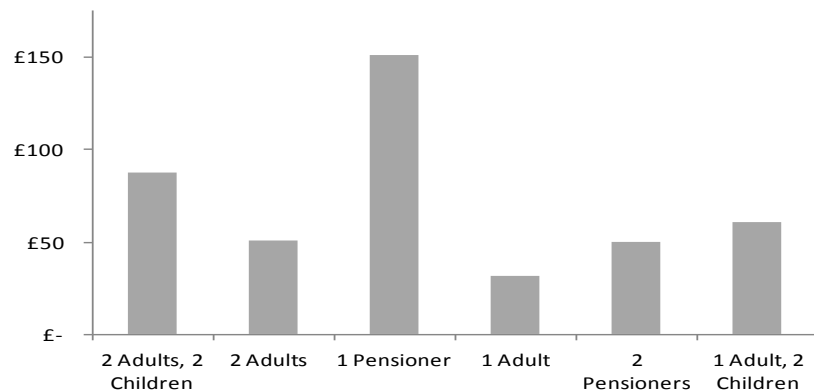
Measure	Description
Measure One ~ Challenge Financial Assumptions	Estimates related to government funding and inflation in particular will be checked against up to date indices and policies.
Measure Two ~ Review Local Taxation	Flexibility in Council Tax & Business Rates is explored in relation to emerging Government policy and local ambition.
Measure Three ~ Manage Reserves	The impact of the Council's Reserves Strategy is analysed, particularly in relation to risk and investment.
Measure Four & Five ~ Manage Cost Drivers & Income	Options for future service delivery are challenged to ensure priorities will be delivered in a cost effective and efficient way.

3. Impact Assessment

Household Calculator

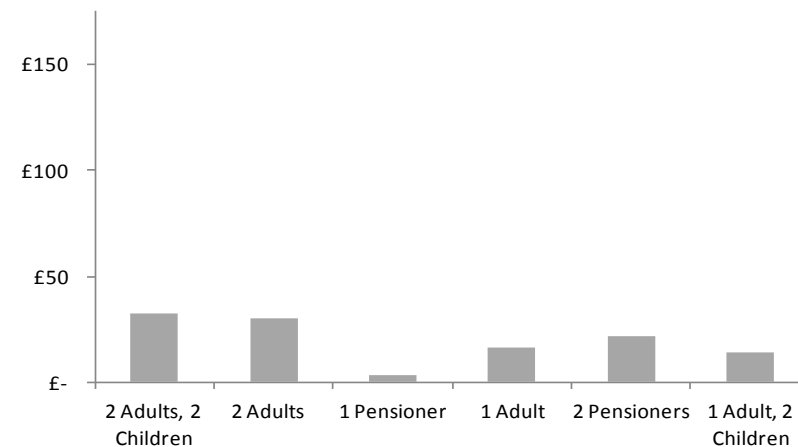
123. The 2014/2015 Budget Report is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous sections in terms of financial stability and allocation between major change programmes. This section considers the impact of the Budget on typical groups of service users in terms of the changes they may see and the charges they may pay.
124. A number of assumptions must be made in relation to property sizes and service usage. The Council uses existing data to inform this process.
125. **Chart 7** below illustrates the annual impact on six typical households accessing a variety of different services if a blanket increase in line with RPI (as at December 2013) were to be applied.

Chart 7 – Increase in Annual Payments following a 2.7% RPI increase



126. Every service with the Authority is in the process of refining a Charging and Trading Strategy which sets out the rationale for setting / changing fees and charges within that area.
127. The Strategies calculate full cost of the service being provided and therefore set out the resulting subsidy or surplus each time a charge is made. This will then be used to inform the setting of future levels of fees and charges to ensure fairness and that the Council meets any statutory obligations.
128. **Chart 8** below illustrates the actual annual increase per household when applied to the same variety of services.

Chart 8 – Increase in Annual Payments following the proposed increase in fees and charges



129. The policy proposals of the Council have offered protection to all typical groups saving a typical household £55.
130. Further details on the impact on businesses, communities and the environment are shown in **Table 14** on the following pages..

Table 14: Impact of the 2014/2015 Budget Proposals

Local Businesses



Typical Facts
Non Domestic Rates set by Government
Supplementary Rates set by Cheshire East
Liable to pay some Fees & Charges (for example licensing)

Working with Businesses

The Council takes a pro-active role in engaging with and supporting local businesses. They are the engines of our economy, and the borough's future prosperity is driven by their capacity to thrive and grow. The Council's Economic Development and Regeneration team operates as a key broker for relationships between businesses and Council services and other public agencies. It also takes the leading role in promoting regeneration across the Borough, creating the conditions for job creation and economic growth, by working closely with other teams across the Council (e.g. planning, licensing, trading standards) and partners from the business community, voluntary and wider public sectors.

The team provides:

- A programme of business engagement events on specific issues, e.g. procurement, business support.
- Bespoke support for new and expanding companies, in terms of property finding, recruitment, etc.
- Information web pages including a business directory and property search facility.
- Support for targeted groups of businesses, such as independent retailers, by promoting local purchasing and advice on increasing sales.

The Council has a strong commitment to the development and regeneration of our town centres. This will be supplemented further over the 2013/2016 period, through further investment in its regeneration programme, alongside the strategic use of its own land and property, to lever in additional private sector investment. This will enhance the attractiveness of our towns to residents and visitors, and increase confidence in the developer and investor communities.

New multipliers for 2014/2015

- Multiplier set by Government restricted to 2% increase
- Provisional 2014/2015 Multiplier at 48.2p* in the £.
- Small business multiplier provisionally 47.1p** in the £.

* Includes supplement to fund small business relief.

** All occupied properties with a rateable value below £18,000 are charged using the lower multiplier – except for those ratepayers receiving mandatory rate relief.

Small Business Rate Relief (SBRR)


- Extension of the doubling of the SBRR to April 2015
- Amended SBRR criteria to allow businesses in receipt of SBRR to keep it for 1 year when they take on an additional property that would currently cause them to lose SBRR, in order to help small businesses with expansion costs

Deferment Scheme for 2013/2014

Ratepayers who chose to defer part of the payment of their 2013/2014 rates bill under the 2013/2014 deferment scheme will pay back 50% of the deferred amount in 2014/2015. The remaining 50% will be due in 2015/2016.

Supplementary Business Rates

There are no proposals for Cheshire East Council to charge supplementary rates in 2014/2015.

	<p>Local Retention of Business Rates From 1st April 2013 Cheshire East Council will retain c. 25% of any local growth in the rates generated through increased occupancy of commercial premises subject to certain tolerances. This will take several years to realise but will assist funding for the Council's activities. The Medium Term Financial Strategy sets out the Council's ambition to promote economic development.</p> <p>Local Discretionary Rate Relief Cheshire East Council has the discretion to award rate relief to any ratepayer. The Council will need to fully fund any relief awarded. Applications are considered on an individual basis, relief would only be awarded where it was in the Council Tax payer's interest to do so.</p> <p>Other measures to support local businesses with business rates</p> <ul style="list-style-type: none"> - Temporary reoccupation relief, granting a 50% discount from business rates for new occupants of previously empty retail premises for 18 months - Introduction of a discount of up to £1,000 against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014/2015 and 2015/2016 - Option to spread business rates bills over 12 months rather than 10 months as currently - A commitment by Government to resolve 95% of outstanding rating appeal cases by July 2015
<p>Council Partners and Stakeholders</p>  <p>For Example: Town & Parish Councils, Health, Fire, Police, schools, community & voluntary organisations, Local Area Partnerships.</p>	<p>The Council will continue to work with partners to deliver certain services in Cheshire East. We will seek to commission and deliver jointly with our partners, both across Cheshire East and at a local level. Specifically, this budget reflects the changes to financial arrangements arising from the reform of the health care sector, including the integration of public health into the local authority.</p> <p>The Council will continue its work with Town and Parish Councils to develop local service delivery options including the transfer and devolution of services where appropriate.</p> <p>The budget includes a one off payment to Town and Parish Councils to reflect changes in funding arising through Council Tax Support. The total amount allocated for 2014/2015 is £381,000.</p>

The Local Environment



Cheshire East Council is committed to continuing to reduce its energy consumption and carbon emissions from its buildings and will continue to develop strategies during 2014/2015, and beyond, to reduce the environmental impact of its activities.

The Council is continuing to work towards its Carbon Management Plan target of reducing our carbon emissions by 25% by March 2016. To do this, the Council is undertaking a number of schemes:

- Reducing carbon emissions from its own vehicles by undertaking a whole fleet review, installing technology and educating staff to reduce fuel consumption.
- Reducing the impact of our staff travel through a number of measures including changes to staff travel rates and promotion of alternatives to single car occupancy.
- A borough wide replacement of traffic signal lamps with LED's, which will cut energy and carbon.
- Completion of our £2 million capital investment in street lighting combining a number of measures to reduce energy use
- Supporting schools to reduce their energy use through the Low Carbon Schools Programme and Junior Energy Monitor Energy saving measure in our own Council buildings to continue to reduce our carbon footprint.

Equality Impact

131. We have a statutory duty to understand the equality impacts of our decisions, policies, strategies and functions.
132. We want to ensure that our budget decisions do not discriminate against any group and promote equality of opportunity and good community relations. We have undertaken equality impact assessments where necessary, and will continue to do so as projects develop across the lifetime of the Three Year Plan. This process helps us to understand if our budget proposals:
 - Have an adverse impact on any of the protected characteristics listed in the 2010 Equality Act,
 - Result in direct or indirect discrimination.
133. The process assists us to consider what actions could address or alleviate any adverse impact and help us to recognise where investment could alleviate an adverse impact from a saving.
134. The completed Equality Impact Assessments will form part of the Business Cases.

Workforce Planning

135. The key outcomes of effective workforce planning are summarised below:

- We have a safe, competent, appropriately skilled, agile, engaged, and high performing workforce ready and able to respond to the challenges ahead
- Where appropriate we attract and retain the best people from all sectors of the community to work for the Council
- We share and deploy our available resources across the Council in the best way to ensure priorities are achieved

136. These outcomes will be measured through formal assessment and recognition against national standards and benchmarks alongside key performance indicators. The introduction of Performance Related Pay for senior managers will strengthen this further.

Pensions

137. There are a number of changes to the Local Government Pension Scheme due to take effect in 2014/2015. Key aspects covered in the draft Regulations are:

- Career Average Re-valued Earnings (CARE) benefit structure through the setting up of "Pension Accounts" for each employment / category of member (7 in total)
- The Pension Accounts are based on a 49ths accrual rate [98ths for the 50:50 Scheme]
- Revaluation adjustment used to index each year's pension accrual through an addition to the Pension Account

- Revised employee contribution rates (applying to the wider definition of Pensionable Pay that does not exclude non-contractual overtime)
- Creates an Assumed Pensionable Pay (APP) which protects members when pay is reduced in certain circumstances
- Ill health and survivor benefits
- Changes to Retirement Ages, and the continued link to State Pension Age
- Inclusion of various Administration aspects under Part 2 of the draft regulations

138. Employee Pension fund contributions for high earners will further increase from 1st April 2014, however 97% of Local Government Pension Scheme fund members will not see an increase to their contributions.

139. Pension contributions by the Council are also expected to increase in line with the Medium Term Financial Strategy forecasts.

140. The indicative results of the latest actuarial valuation of the Cheshire East Pension Fund, suggests a revised approach to contribution levels from Cheshire East Council. This is being done in order to address the Pension Fund deficit of £267m.

141. The results are based on a Cheshire East Council payroll that is stable and increasing at a typical annual rate. As expected, this is leading to the need for increased contributions from the Council. However, these are split between contributions in relation to employees and a cash lump sum.

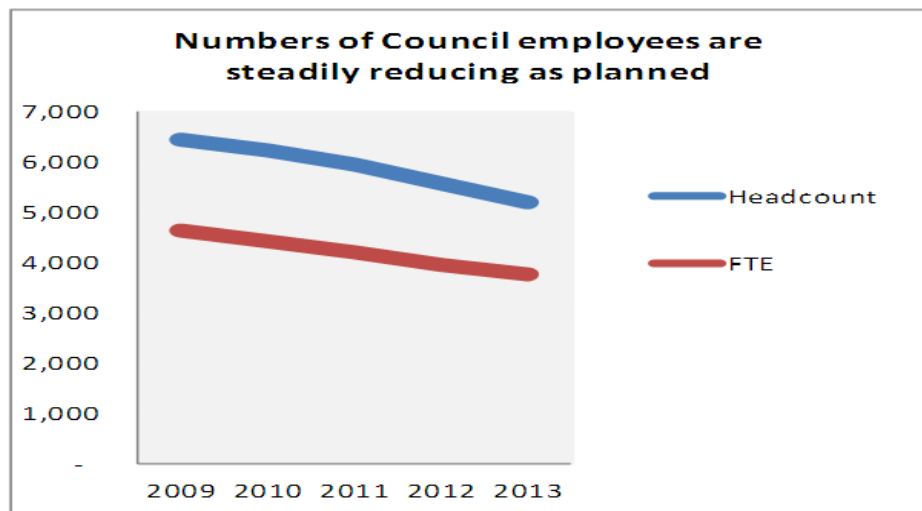
142. This change, combined with the plans to become a commissioning council, means that the approach to the pensions provision in the Financial Scenario needs to change and that will be reviewed during 2014/2015.

143. The re-organisation and transformation process the Council is going through has led to greater efficiency and a reduction in staff numbers. Some of this has been through early retirement. Actuarial charges totalling **£1.1m** have been allowed for in 2014/2015 relating to these costs.

Pay and Terms and Conditions

144. The Trade Unions have submitted a pay claim to the Local Government Association for a staff pay award of 1% in 2014/2015, this is being considered currently (though this is not expected to apply to senior officers).
145. Whilst the Council does not intend to change employee Terms and Conditions in 2014/2015, there is a commitment to move away from Zero Hours Contracts and move towards flexible contracts announced, along with a move towards the living wage.
146. In addition, the Council will seek to introduce a 45p mileage rate for officers and Members, subject to staff and Trade Union consultation.

Headcount analysis and trend



New management structure and overall Full Time Equivalents (FTEs) impact

147. Phases 1 and 2 of the Senior Management Review are now complete and the new operating model is becoming embedded. Savings of £5m over three years were committed, however the full £5m will be achieved in the second year, 2014/2015.

Culture and Values

148. Recognising that the size and shape of the Council will continue to change significantly over the next few years, the focus remains on preparing and enabling individuals, teams and the organisation to seize opportunities and rise to the challenges, ensuring managers are equipped for the changes ahead.
149. Our transition to a strategic commissioning model is well underway and a key aspect of this approach is to explore a range of delivery models to determine the best approach to deliver excellent and sustainable services to residents, businesses and service users across Cheshire East. Delivering our promises can only be achieved by working together and building a performance driven culture.
150. Recognising that effective organisational values are the foundations for success and building a constructive culture for change, the Council is now reassessing the suitability of our **aspire** values which have been in place since the creation of the Council in 2009, considering the different organisation we are now and will become.

Building Capability

151. We continue to focus on and invest in educating and equipping our workforce with the continuous professional development, vocational, technical, statutory and mandatory skills. Able to demonstrate professional governance and competency, which are required to meet regulatory standards in order to deliver, and the capabilities required to deliver the best possible services to residents and businesses.

152. Work is on-going to develop a set of key organisational capabilities including increased commercial awareness, commissioning skills and performance improvement. A specific focus is on developing leadership and management capabilities through the Management Institute of Excellence at all levels across the Council with a range of tailored development programmes underway or in the pipeline.
153. Examples include the Caring Together Integration programme, and the Cheshire and Warrington Collaborative Leadership programme which the Council runs in partnership with Cheshire West and Chester, Warrington and other partners including Police and Fire.
- prioritised actions to be taken to address key issues and best practice shared.

Employee Engagement

154. Building an engaged workforce which share the Council's aspirations and is prepared to 'go the extra mile' to achieve outstanding results - remains fundamental. Regular staff road shows led by the Leader of the Council and Chief Executive, continue to inform, involve and connect colleagues from across the Council as our journey of transformation continues.
155. A series of earlier road shows run during the spring 2013 resulted in numerous service improvement ideas being generated. The best ideas were shortlisted to go forward to a "Dragons Den" style event in the autumn. Three of the proposals are now being implemented, with a further four proposals being developed further. In addition a number of the other ideas have been mainstreamed into business and service plans. The Council hopes to continue this approach in 2014/2015.
156. In order to fully understand how staff think and feel about working for the Council an employee survey is being run in 2013/2014. The survey will provide an important insight into areas such as leadership and management, team work, change, and communication and will, as a result, enable

4. Risk Management

157. Risk management is an integral part of our business planning processes. Through the identification and managed response to risk, we are maximising opportunities to achieve our priorities, intended outcomes and key projects and we avoid or minimise any damaging actions or events that may prevent us from achieving our plan.
158. Risk management is about embracing risk in the right way; some risk taking is inevitable to achieve Council ambitions. In pursuit of new and leaner business models and with extended supply chains, we have recognised that the probability of, and exposure to risk is greater than previously and are responding to this. We have captured this in the form of our corporate risk entitled **Commissioning and Service Delivery Chains**¹ which is managed by the Director of Strategic Commissioning.
159. The Council provides a wide range of services and handles complex delivery arrangements and partnership networks, we continually adapt to face diverse threats as a result of economic and social change and opportunities (such as those provided by our new **Responsibilities for Public Health and Wellbeing**²). Some risks will always exist and will never be eliminated, our corporate risk entitled **Political and Economic Environment**³ recognises where changes may impact upon the achievement of our outcomes and we have considered what mitigation or contingency arrangements we can implement to respond to risk.
160. Where we choose to accept an increased level of risk appetite to deliver our plan, we have processes in place to ensure that the potential benefits and risk exposure are fully understood before ventures are authorised, and that sensible measures to mitigate risk are established. Our Risk Management Policy

forms part of the Council's overall internal control framework and enables us to respond appropriately to risks. Our internal control framework includes the work undertaken by the Technical Enabler Group and Executive Monitoring Board established for our significant projects and programmes.

161. Reports to Committee and Leadership Board include a standard section on risk management which we use to maximise our opportunity of **Evidenced Decision Making**⁴. Report writers share their knowledge of the cause and effect of risks to ensure that decision makers fully understand risks before taking decisions, so that we are open, transparent and able to justify our decisions.
162. Our hierarchical risk registers at corporate, project and operational levels have a positive effect in recognising where risks are cross-cutting. The business planning process itself is a significant mitigation for our cross-cutting corporate risk around **Financial Control**.⁵ Accurate financial planning and managing expenditure are fundamental to our financial stability, service continuity and the achievement of our outcomes. The process also provides us with a means to ensure that there is a mutual understanding and recognition of responsibilities between the people of Cheshire East and the Council and to maximise our opportunity risk of **Managing Expectations**⁶.
163. Significant risk impacting upon the achievement of the Council's corporate plan is escalated through the Corporate Risk Management Group (the Chair is the Deputy Leader of the Council), and reported to and monitored by the Corporate Leadership Board and Cabinet. Assurance of the risk management framework is provided through the Audit and Governance Committee. Our response to risk is taken from both a top down and bottom up approach so that oversight and recognition of risk and the resource of sensible protection of threats and exploitation of opportunities can be considered corporately.

¹ Corporate Risk 11 – Commissioning and Service Delivery Chains (Threat)

² Corporate Risk 13 – Responsibilities for Public Health and Wellbeing (Opportunity)

³ Corporate Risk 1 – Political and Economic Environment (Threat)

⁴ Corporate Risk 6 – Evidenced Decision Making (Opportunity)

⁵ Corporate Risk 4 – Financial Control (Threat)

⁶ Corporate Risk 2 – Managing Expectations (Opportunity)

Annexes to Budget Report 2014 / 2017

February 2014

Annex 1 - A Profile of the Authority

Introduction

1. Cheshire East is bounded by Cheshire West and Chester to the west, by the Greater Manchester conurbation to the north, Warrington to the northwest, Shropshire and Newcastle-under-Lyme to the south and High Peak and Staffordshire Moorlands to the east.

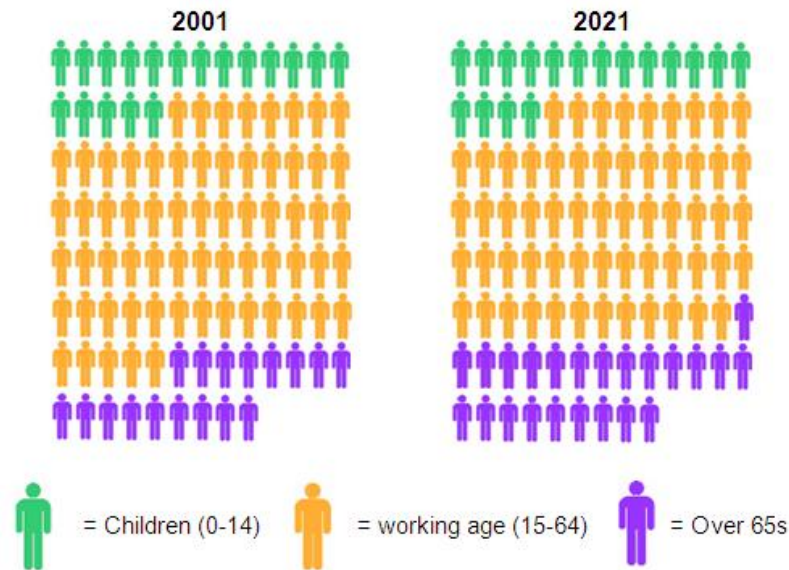
Geography of the Area

2. The mix of topography, soils and land use in Cheshire East presents an area of contrasting character, ranging from the highland and lowland rural areas to the more densely-populated areas in the northeast of the authority. Part of the eastern boundary is part of the Peak District National Park which rises significantly higher than the rest of the Council area.
3. Cheshire East is characterised by wonderful countryside assets such as Tegg's Nose Country Park, The Cloud and the Gritstone Trail as well as its splendid historic towns and its major national visitor attractions such as Tatton Park and castles built of the distinctive local sandstone.
4. The main rivers of Cheshire East are the Bollin and the Weaver - which both flow into the Mersey – and the Dane (a tributary of the Weaver). A number of canal systems - the Trent and Mersey, Shropshire Union and Macclesfield canals – make up the Borough's other major waterways.
5. There are excellent rail links both with Manchester and other parts of the country, in particular through the main West Coast routes from London through Crewe and Macclesfield to the north. The M6 is the main north-south road route, but important east-west links are established by the M56. Another main trunk road running through Cheshire East is the A556 from Knutsford to Bowden which connects people to Manchester.

Cheshire East and its population

6. Cheshire East has an area of 116,638 hectares. The population is 372,100¹, making it the 3rd largest unitary authority in the North West and 12th largest in England. Principal concentrations of population are in the towns of Crewe (73,400), Macclesfield (52,500), Congleton (26,700) and Wilmslow (23,900)¹. The Borough's other main towns – each with a population between 11,000 and 18,000 – are Alsager, Knutsford, Middlewich, Nantwich, Poynton and Sandbach².
7. The majority of the Borough's residents live in market towns, villages or hamlets and around two fifths of the population live in areas that are classified as being more rural than urban³.
8. The population in Cheshire East has steadily increased over the past 20 years, from 340,500 in 1991 to 370,700 in 2011 – an increase of almost 9%⁴. This increase in the total population is mainly due to net inward migration. The age structure of Cheshire East is slightly older than that of England and Wales. In 2011, 5.4% of Cheshire East's residents were aged under 5 (compared to 6.2% for England and Wales), 12.3% were aged 5 to 15 (12.6% for England and Wales) and 19.4% were aged 65 or above (16.5% for England and Wales).
9. The age structure of the population in Cheshire East has changed since 1991. The number of older people (aged 65+) has increased by 39%, from around 54,200 in 1991 to 75,300 in 2012, whilst the number of children (aged 0-15) has fallen slightly (down 1% over the same period) and now stands at 66,100 (against 66,800 in 1991)⁴. The latest in-house population forecasts suggest there will be a further decline in the number of children, decreases in the working-age population and increases in the older age groups, with the largest proportional increase being in the 85+ age group⁵.

Figure 1: Proportion of residents by broad age groups – change over 20 years^{3,5}

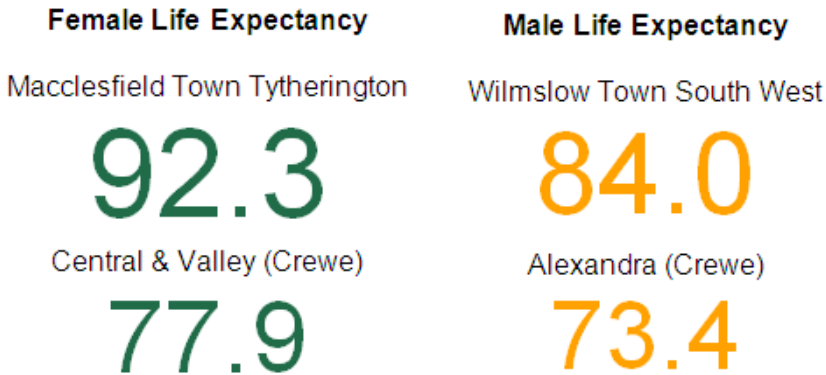


10. Cheshire East has a strong local economy. It contributes 5.6% of the North West region’s workforce⁶, but 7.6% of the region’s businesses⁷. Average household income is above the Great Britain average⁸. The Borough’s largest three industries in terms of economic output (Gross Value Added) in 2009 were Professional Services (12% share of GVA), Pharmaceuticals (9%) and Health and Social Work (8%). Forecasts suggest that, by 2025, Professional Services and Pharmaceuticals will make up even greater shares of Cheshire East’s GVA (14% and 12% respectively), with Computing Services (8% share) replacing Health and Social Work as the next largest sector⁹. The working age population (16-64 year olds) is forecast to fall by 4,200 (1.8%) during 2010-30⁵, which means that the Borough may need to rely on more inward migration or additional inward commuting to achieve employment growth.
11. The local economy is not immune from national and global factors and unemployment did rise sharply during the 2008/2009 recession, like in Great Britain as a whole. The proportion of 16-64 year-olds claiming Jobseeker’s Allowance or

JSA (1.9% in November 2013) has fallen significantly from its summer 2009 peak (3.2%), however this still exceeds pre-recession rates with more than a quarter of claimants (26.2%) receiving JSA for more than 12 months¹⁰. The broad measure of unemployment, which also includes people who are actively seeking work but not claiming Job Seekers Allowance, has remained at around 10,000-12,000 since 2008/2009¹¹. Unemployment is still more prevalent amongst young people, with 3.3% of the Borough’s 18-24 year olds claiming JSA in November 2013¹⁰.

12. Residents enjoy better health than elsewhere in the region and nationally¹². Life expectancy in the borough as a whole is above the national average and incidence of smoking cigarettes is lower¹³. However, there are notable differences in life expectancy, with females born in Central and Valley (Crewe) having a life expectancy 14 years lower than females born in Macclesfield Town Tytherington¹⁴.

Figure 2: Male and Female Life Expectancy at birth¹⁴

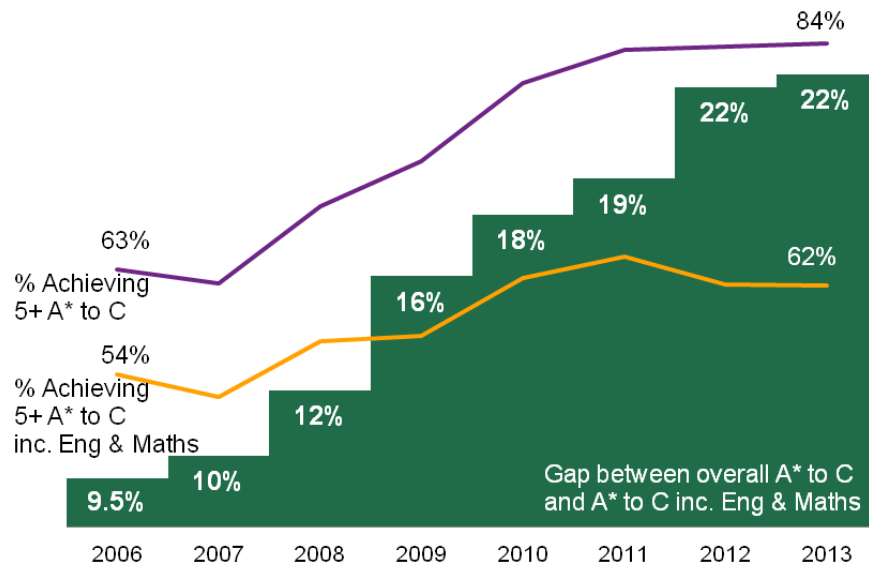


13. Educational attainment among school pupils - in terms of the percentage achieving Level 4+ in English at Key Stage 2 (primary school), Level 4+ in Maths at KS2 and five or more GCSE grades at A*-C grade (secondary) is, in each case, above the national (England) average¹⁵. Cheshire East schools

generally perform well; children get off to a good start with a large percentage of childcare establishments, nursery education and primary schools judged to be better than similar areas and better than standards found nationally. There is very little inadequate provision with only a very small number of schools judged as underperforming by Ofsted.

14. Since 2006 the percentage of pupils achieving five or more A*-C grades at GCSE (or equivalent) has increased by around 20 percentage points. However, those achieving five or more A*-C grades, including English and Maths, has increased by around 8 percentage points. As a result, the gap between those achieving five or more A*-C grades and those achieving five or more A*-C grades including English and Maths has increased. However, caution should be exercised, as there has been an increase in the number of courses available that are GCSE equivalents, as well as more pupils accessing these equivalent exams. Consequently the percent achieving five or more A* to C including equivalent qualifications has increased at a faster rate.

Figure 3: GCSE results 2006-2013¹⁶



15. The crime rate in Cheshire East is one of the lowest in the country¹⁷ and residents are less concerned about anti-social behaviour than elsewhere. However, there is significant anxiety about victimisation with four in ten (41%) respondents worried about being a victim of crime¹⁸.
16. There are sixteen areas (lower super output areas) which are among the 20% most deprived in England, according to the most recent 2010 Index of Multiple Deprivation, an increase from 14 areas in the 2007 IMD¹⁹. These sixteen areas – eleven of them in Crewe, two in Macclesfield, two in Wilmslow/Handforth and one in Congleton - contain 7.7% of the Borough's population¹.
17. Average house prices are considerably higher than the North West, at £145,600 for Cheshire East compared to £109,600²⁰ for the North West. Cheshire East is ranked as the fourth least affordable local authority area in the North West, with a ratio of average earnings to average house prices of 6.83²¹. Such high house prices are preventing access to home ownership for many, particularly for first time buyers²². High house prices increase demand for affordable housing.

Figure 4: Affordable housing required and completed 2004/2005 – 2012/2013²³



References for Annex 1

- ¹ Office for National Statistics (ONS) mid-year population estimates 2012. ONS Crown Copyright 2013.
- ² Spatial Planning Settlement definitions. LSOA level population estimates are for the new (post-2012) LSOA boundaries, which involve the splitting up of some of the old LSOAs in the Nantwich area. The definition of Nantwich town needs to be updated to reflect these LSOA boundary changes and therefore it is not appropriate to quote an exact 2011 Census figure for the town's population at this stage.
- ³ 2011 Census, Table: PP04, ONS, Crown Copyright and Rural Classification, 2004, Cheshire County Council.
- ⁴ ONS mid-year population estimates 1991-2012. ONS Crown Copyright 2013.
- ⁵ Cheshire West and Chester Council on behalf of Cheshire East Council, based on 2011 Census results and the latest Local Plan proposals for 1,350 dwellings per annum.
- ⁶ Business Register and Employment Survey 2012, ONS, NOMIS. ONS Crown Copyright. Note: Figures include working proprietors as well as employees.
- ⁷ Business Demography – 2012: Enterprise Births, Deaths and Survivals, ONS, Nov 2013.
- ⁸ Paycheck 2010 data, CACI Ltd.
- ⁹ Baseline projections from the Cheshire, Halton and Warrington Econometric Model (CHWEM). Projections were obtained using Cambridge Econometrics (CE)/IER LEFM software and are consistent with Cheshire East's UK Regional Forecast, as published on CE's Knowledge Base website in June 2012. Additional data preparation and aggregation by the Economic Development and Regeneration Team, Cheshire East Council.
- ¹⁰ JSA Claimant Count, ONS, NOMIS. Crown Copyright.
- ¹¹ Broad unemployment: model-based estimates of unemployment, Jul 2004 – Jun 2005 to Jul 2012 – Jun 2013, ONS, Crown Copyright.
- ¹² Life Expectancy at Birth: Dept of Health
- ¹³ Smoking prevalence: Office for National Statistics (ONS)
- ¹⁴ Life Expectancy at Birth for MSOAs, 2006-2010, Department for Health
- ¹⁵ "In Your Area" statistics, DfE website, accessed January 2014. Figures relate to 2011 and 2012 which are the latest available from the DfE website.
- ¹⁶ Education team, Cheshire East Council
- ¹⁷ Crime and Incident Data provided by Cheshire Constabulary – Extracted from Niche and Command and Control using Business Objects.
- ¹⁸ Influence Citizen's Panel, Autumn 2012 survey, Cheshire East Council
- ¹⁹ English Indices of Deprivation, 2010 and 2007, DCLG

²⁰ November 2013 House Price Index, Land Registry

²¹ Table 577: Ratio of median house price to median earnings by district, DCLG Live Tables.

²² Cheshire East Housing Strategy, Moving forward 2011/ 2016

²³ For completions, Congleton figures are from Annual Monitoring Report (AMR), Crewe and Nantwich are AMR apart from 2001 which are Housing Strategy Statistical Appendix (HSSA), Macclesfield are HSSA 2001-2005 and AMR 2005-2009. Therefore there will be discrepancy in some of the figures due to the different definitions used. For required, figures are the aggregated former district Housing Needs Surveys, then from 2008/2009 onwards are from the Arc4 Strategic Housing Market Assessment figures.

Annex 2 –The Budget Setting Process

Set Parameters

Gather Evidence

Consult and refine

Approve

July 2013

August 2013
to October 2013

November 2013
to January 2014

Cabinet
4th February 2014

Assumptions reported to
Cabinet:

Revenue	£m	
Budget 2014/2015		
Cost of services	272.3	→
Council Tax	-166.8	→
Government Grants	-97.2	→
Total	8.3	

Key Developments:

Review	£m	
Assumptions		
Increase caused by revised Pensions contributions and agreement of 2013/2014 Pay Award	+1.7	→
Determine Tax base (New properties less discounts)	-0.5	→
Grant estimates increased to reflect continuing funding from Department of Work and Pensions and Department for Education	-3.5	→
Sub Total	-2.3	

Corporate Leadership
Board / Cabinet 4th
December:

Confirm	£m	
Proposals		
Proposed reductions in costs (as summarised in this report)	-3.7	→
Tax base agreed		→
Grant estimate further increased due to proposed Council Tax Freeze and improvement in settlement	-2.3	→
Sub Total	-6.0	

Latest Position	£m
Cost of services	270.3
Council Tax	167.3
Government Grants	-103.0
Total	0

Annex 3 – Grant Funding Details

	2013/2014 £000	2014/2015 £000	2015/2016 £000	2016/2017 £000
SPECIFIC USE (Held within Services)				
Schools				
Dedicated Schools Grant	184,649	171,759	154,957	154,957
Pupil Premium	5,427	7,489	7,489	7,489
Sixth Forms	6,406	5,512	4,618	4,618
Total Schools	196,482	184,760	167,064	167,064
Housing Benefit Subsidy	84,518	84,518	84,518	84,518
Public Health	13,762	14,274	14,274	14,274
Local Enterprise Partnership	526	0	0	0
Adoption Improvement Grant	350	0	0	0
Restorative Justice Development Grant	0	8	0	0
TOTAL SPECIFIC USE	295,638	283,560	265,856	265,856
GENERAL PURPOSE (Held Corporately)				
Central Funding				
Revenue Support Grant	55,855	48,590	36,966	27,931
Business Rates Retention Scheme	37,159	37,883	38,929	38,929
Total Central Funding	93,014	86,473	75,895	66,860
Children and Families Services				
Skills Funding Agency	952	785	593	449
Youth Offending Service	353	0	0	0
Troubled Families	586	130	110	94
Troubled Families - Co-ordinator	100	100	85	72
Remand Funding	47	0	0	0
Sector Led Improvement	3	0	0	0
Adoption Improvement	554	0	0	0
Extended Right to Free Transport	284	153	0	0
Special Education Needs Reform	75	0	0	0
Adult Social Care and Independent Living				
Local Reform and Community Voices	254	262	262	0
Adult Social Care Data Collection	60	0	0	0
Independent Living Fund	0	0	1,500	0
Adult Social Care	0	0	1,723	0

	2013/2014 £000	2014/2015 £000	2015/2016 £000	2016/2017 £000
Environmental Protection & Enhancement				
Lead Local Flood Authorities	52	52	35	0
Economic Growth & Prosperity				
Neighbourhood Planning	10	0	0	0
Heat Networks Funding Stream	198	0	0	0
Monitoring Officer				
Individual Electoral Registration	13	0	0	0
Communities				
Housing Benefit and Council Tax Admin	2,000	1,760	1,000	1,000
NDR Admin	562	562	478	406
Social Fund - Programme Funding	612	612	0	0
Social Fund - Administration	129	119	0	0
Council Tax Support	148	135	0	0
Chief Operating Officer				
Education Services Grant	5,349	4,700	3,000	3,000
New Homes Bonus 2011/2012	870	870	870	870
New Homes Bonus 2012/2013	1,844	1,844	1,844	1,844
New Homes Bonus 2013/2014	1,037	1,037	1,037	1,037
New Homes Bonus 2014/2015	0	1,358	1,358	1,358
New Homes Bonus 2015/2016	0	0	1,223	1,223
New Homes Bonus 2016/2017	0	0	0	870
Affordable Homes 2012/2013	85	85	85	85
Affordable Homes 2013/2014	82	82	82	82
New Homes Bonus 2013/2014 - top slice	315	132	468	0
Council Tax Freeze Grant 2013/2014	1,805	0	0	0
Council Tax Freeze Grant 2014/2015	0	1,816	1,816	0
Council Tax Freeze Grant 2015/2016	0	0	1,800	0
Community Rights to Challenge	9	9	9	0
Community Rights to Bid	8	8	8	0
TOTAL GENERAL PURPOSE	111,410	103,084	95,281	79,250
TOTAL SPECIFIC AND GENERAL PURPOSE	407,048	386,644	361,137	345,106

Annex 4 – Minimum Revenue Provision

1. The annual Minimum Revenue Provision (MRP) Statement sets out the Council's responsibility to ensure it makes adequate provision for funding the consequences of its capital investment decisions.
2. Capital expenditure is expenditure that provides on-going benefits to the Council for a period of longer than 1 year. Accounting rules require that where this capital expenditure is not funded through external contributions, external grants, capital receipts or contributions from revenue budgets it must be charged against the Council's General Fund Balances. The period over which this charge is made should reflect the length of time that the expenditure will provide benefits to the Council.
3. DCLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.
4. Prior to 2010 the major proportion of MRP relates to the more historic debt liability that was outstanding at the time the Guidance was adopted. This will continue to be charged at the rate of 4%, in accordance with option 1 of the Guidance.
5. New capital expenditure for each subsequent year will in general be charged in accordance with Option 3 of the Guidance, which recommends that the annual charge should broadly equate to the anticipated life, or period of benefit, which is reflective of the nature of the expenditure. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.
6. Charges will commence in the year following the creation of the capital asset, i.e, in the assets first full year of operation.
7. In the case of long term debtors arising from loans or other types of capital expenditure made by the Council, which will be repaid under separate arrangements, there will be no minimum revenue provision made.
8. For those types of capital expenditure incurred by the Council which are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.
9. MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.
10. The MRP Statement will be submitted to Council before the start of the 2014/2015 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

Annex 5 – Prudential Borrowing Indicators

Prudential Indicators revisions to 2013/2014 and 2014/2015 – 2016/2017, and future years

Background

1. 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.

Gross Debt and the Capital Financing Requirement

2. This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
3. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.
4. The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2013/2014, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Estimates of Capital Expenditure

5. This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	78.3	161.3	74.1	55.6	147.7

Source: Cheshire East Finance

6. Capital expenditure will be financed or funded as follows:

Capital Financing	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital receipts	11.3	32.9	22.4	31.4	50.5
Government Grants	42.9	71.8	19.0	19.9	85.3
External Contributions	3.1	16.6	11.5	2.8	11.9
Revenue Contributions	1.0	0.8	1.3	0.2	0
Total Financing	58.3	122.1	54.2	54.3	147.7
Prudential Borrowing	20.0	39.2	19.9	1.3	0
Total Funding	20.0	39.2	19.9	1.3	0.0
Total Financing and Funding	78.3	161.3	74.1	55.6	147.7

Source: Cheshire East Finance

7. The above table shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

Ratio of Financing Costs to Net Revenue Stream

8. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.
9. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	%	%	%	%
Total	4.58	4.93	5.76	5.98

Source: Cheshire East Finance

Capital Financing Requirement

10. The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	£m	£m	£m	£m
Total	203	234	242	252

Source: Cheshire East Finance

Actual External Debt

11. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2013	£m
Borrowing	134
Other Long-term Liabilities	27
Total	161

Source: Cheshire East Finance

Incremental Impact of Capital Investment Decisions

12. This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	£	£	£
Band D Council Tax	4.38	10.94	0

Source: Cheshire East Finance

Authorised Limit and Operational Boundary for External Debt

13. The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.
14. The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This

Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

15. The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).
16. The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
17. The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	2013/2014 Estimate £m	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m
Authorised Limit for Borrowing	212	245	255	265
Authorised Limit for Other Long-Term Liabilities	26	24	23	22
Authorised Limit for External Debt	238	269	278	287
Operational Boundary for Borrowing	202	235	245	255
Operational Boundary for Other Long- Term Liabilities	26	24	23	22
Operational Boundary for External Debt	228	259	268	277

Adoption of the CIPFA Treasury Management Code

18. This indicator demonstrates that the Authority has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 23 rd February 2012

The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

19. These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).
20. The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	Existing Level or (Benchmark level) at 07/01/2014 %	2013/2014 Approved %	2013/2014 Revised %	2014/2015 Estimate %	2015/2016 Estimate %	2016/2017 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0	100%	100%	100%	100%	100%

Source: Cheshire East Finance

21. The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

Maturity Structure of Fixed Rate borrowing

22. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at

times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

23. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.
24. The Lenders Option Borrowers Option (LOBO) is classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs can be called within 12 months the upper limit for borrowing maturing within 12 months has remained at 35% to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2014/2015

	Level as at 31 st March 2014 (based on Current Borrowing) %	Lower Limit for 2014/2015 %	Upper Limit for 2014/2015 %
Maturity structure of fixed rate borrowing			
under 12 months	22%	0%	35%
12 months and within 24 months	7%	0%	25%
24 months and within 5 years	14%	0%	35%
5 years and within 10 years	9%	0%	50%
10 years and within 20 years	19%	0%	100%
20 years and within 30 years	8%	0%	100%
30 years and within 40 years	13%	0%	100%
40 years and within 50 years	8%	0%	100%
50 years and above	0%	0%	100%

Credit Risk

25. The Authority considers security, liquidity and yield, in that order, when making investment decisions.

26. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.
27. The Authority also considers alternative assessments of credit strength, and information on corporate developments and market sentiment towards counterparties. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
 - Sovereign support mechanisms;
 - Credit default swaps (where quoted);
 - Share prices (where available);
 - Economic fundamentals, such as a country's net debt as a percentage of its GDP;
 - Corporate developments, news, articles, markets sentiment and momentum;
 - Subjective overlay.
28. The only indicators with prescriptive values remain credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Upper Limit for total principal sums invested over 364 days

29. The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	%	%	%	%
	40	40	40	40

Source: Cheshire East Finance

Annex 6 – Financial Summary Tables

Note: the 2013/2014 Budget, shown as the starting point in the following tables, takes account of any permanent changes made during the 2013/2014 financial year to date. There may be differences from the budget position at the Three Quarter Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

Summary of Budget Movements from 2013/2014 Budget at Three Quarter Review to Permanent Base Carried Forward

Commissioning Services	Current Net Budget 2013/2014 at Three Quarter Review £m	Less Cost of Investment budget £m	Less temporary specific grant allocations £m	Less other temporary in- year budget adjustments £m	Permanent Base Budget carried forward to 2014/2015 £m
Children and Families Services	57.8	-0.3	-1.1	0.3	56.7
Adult Social Care and Independent Living	98.3	-1.6	-5.2	-0.4	91.1
Public Health	0.0				0.0
Environmental Protection and Enhancement	38.0	-0.9		1.5	38.6
Public Protection and Enforcement	-0.2	-0.3		-0.2	-0.7
Communities	18.4	-0.1		-6.4	11.9
Economic Growth and Prosperity	7.0	-0.6	-0.2	7.4	13.6
Chief Operating Officer	48.1	-1.2		-3.4	43.5
Cross Service	0.0	-1.3		-0.7	-2.0
TOTAL:	267.4	-6.3	-6.5	-1.9	252.7

Many of the proposals reflected in the following tables, the Medium Term Financial Strategy Report and on the Council's website at www.cheshireeast.gov.uk/budget remain subject to separate consultation exercises and further Member decisions prior to being implemented.

CHESHIRE EAST COUNCIL REVENUE BUDGET SUMMARY

REVENUE

	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Children and Families Services	265,947	-209,207	56,740	250,094	-196,661	53,433	231,026	-178,539	52,487
Adult Social Care and Independent Living	124,164	-33,063	91,101	126,976	-34,720	92,256	145,056	-49,864	95,192
Public Health	13,762	-13,762	0	14,274	-14,274	0	14,274	-14,274	0
Environmental Protection and Enhancement	49,978	-11,364	38,614	49,644	-11,716	37,928	49,582	-12,004	37,578
Public Protection and Enforcement	14,034	-14,725	-691	14,209	-14,765	-556	14,509	-14,765	-256
Communities	89,227	-77,315	11,912	88,996	-77,315	11,681	87,915	-77,315	10,600
Economic Growth and Prosperity	33,465	-19,925	13,540	34,022	-21,299	12,723	33,616	-21,509	12,107
Chief Operating Officer	52,493	-9,004	43,489	52,281	-9,004	43,277	52,835	-9,004	43,831
Cross Service Budgets	-1,963	0	-1,963	0	0	0	0	0	0
Base Budget	641,107	-388,365	252,742	630,496	-379,754	250,742	628,813	-377,274	251,539
Changes to Budget Requirement									
	2014/2015			2015/2016			2016/2017		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Children and Families Services	-15,853	12,546	-3,307	-19,068	18,122	-946	696	0	696
Adult Social Care and Independent Living	2,812	-1,657	1,155	18,080	-15,144	2,936	-1,590	0	-1,590
Public Health	512	-512	0	0	0	0	0	0	0
Environmental Protection and Enhancement	-334	-352	-686	-62	-288	-350	-514	-19	-533
Public Protection and Enforcement	175	-40	135	300	0	300	351	0	351
Communities	-231	0	-231	-1,081	0	-1,081	79	0	79
Economic Growth and Prosperity	557	-1,374	-817	-406	-210	-616	238	-149	89
Chief Operating Officer	-212	0	-212	554	0	554	1,246	0	1,246
Cross Service Budgets	1,963	0	1,963	0	0	0	0	0	0
Financial Impact of Policy Proposals	-10,611	8,611	-2,000	-1,683	2,480	797	506	-168	338
	2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Budget Carried Forward	630,496	-379,754	250,742	628,813	-377,274	251,539	629,319	-377,442	251,877
Investment Proposals									
Children and Families Services	440	0	440	215	0	215	0	0	0
Adult Social Care and Independent Living	2,230	0	2,230	1,195	0	1,195	2,100	0	2,100
Public Health	0	0	0	0	0	0	0	0	0
Environmental Protection and Enhancement	857	0	857	310	0	310	0	0	0
Public Protection and Enforcement	20	0	20	0	0	0	0	0	0
Communities	200	0	200	140	0	140	0	0	0
Economic Growth and Prosperity	1,608	-60	1,548	858	0	858	200	0	200
Chief Operating Officer	721	0	721	238	0	238	238	0	238
Cross Service Budgets	0	0	0	0	0	0	0	0	0
Total Investment Proposals	6,076	-60	6,016	2,956	0	2,956	2,538	0	2,538
Total Cost of Service	636,572	-379,814	256,758	631,769	-377,274	254,495	631,857	-377,442	254,415

Note: This excludes any impact of closing later years funding gaps.

Children and Families Services

REVENUE

This service is responsible for the welfare and education of children and young people aged 0-19 across Cheshire East.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Directorate	3			0			0			0
Schools	3	183,024	-183,024	0	170,478	-170,478	0	152,356	-152,356	0
Education Support	3	29,173	-24,873	4,300	28,242	-24,873	3,369	27,902	-24,873	3,029
Home to School Transport	3	8,923		8,923	8,616		8,616	8,213		8,213
Children Social Care	3	30,247	-250	29,997	28,448	-250	28,198	27,648	-250	27,398
Early Help & Protection	3	11,818	-531	11,287	10,856	-531	10,325	10,856	-531	10,325
Safeguarding	3	2,762	-529	2,233	2,758	-529	2,229	2,758	-529	2,229
Indicative allocation of Pay and Pensions				0	696		696	1,293		1,293
Base Budget		265,947	-209,207	56,740	250,094	-196,661	53,433	231,026	-178,539	52,487

Changes to Budget Requirement

		2014/2015			2015/2016			2016/2017		
Home to School Transport	3	-307		-307	-403		-403			0
Early Help	3	-500		-500			0			0
Care	3	-3,196		-3,196	-1,140		-1,140			0
Academy Conversions	3	-15,903	15,903	0	-18,122	18,122	0			0
Increase in grant funding	3	2,120	-2,120	0			0			0
Extended responsibility for 2 year old education	3	1,237	-1,237	0			0			0
Indicative allocation of Pay and Pensions		696		696	597		597	696		696
Financial Impact of Policy Proposals		-15,853	12,546	-3,307	-19,068	18,122	-946	696	0	696

		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
Budget Carried Forward		250,094	-196,661	53,433	231,026	-178,539	52,487	231,722	-178,539	53,183

Investment Proposals										
Care	3	215		215	140		140			0
Early Help	3	150		150			0			0
Home to School Transport	3	75		75	75		75			0
Total Investment Proposals		440	0	440	215	0	215	0	0	0

Total Cost of Service		250,534	-196,661	53,873	231,241	-178,539	52,702	231,722	-178,539	53,183
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Children and Families Services - Schools: Grant Funded - Memorandum Page

REVENUE

This page provides details of budgets funded by specific ring fenced grants used to support schools, including Dedicated Schools Grant (£171.8m), Education Funding Agency 6th Form Grant (£5.5m) and Pupil Premium Grant (£7.5m) indicatively for 2014/2015. The largest proportion of the grant is allocated directly to schools, with a proportion also held back to fund Local Authority Schools-related expenditure. This Children and Families Services: Central Spend budget is funded by the Dedicated Schools Grant and is included here for information only.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Nursery Schools	3	214	-6	208	214	-6	208	214	-6	208
Primary Schools	3	106,980	-3,672	103,308	103,223	-3,423	99,800	92,006	-3,112	88,894
Secondary Schools	3	55,347	-1,289	54,058	44,174	-1,023	43,151	38,398	-911	37,487
Special Schools	3	6,329	-43	6,286	5,356	-32	5,324	4,227	-30	4,197
Pupil Referral Unit	3	761	-16	745	761	-16	745	761	-16	745
Private, Voluntary and Independent Nurseries	3	10,633		10,633	11,870		11,870	11,870		11,870
Other Schools Provision	3	2,760		2,760	4,880		4,880	4,880		4,880
Children and Families: Central Spend	3	18,783		18,783	18,783		18,783	18,783		18,783
Base Budget		201,807	-5,026	196,781	189,261	-4,500	184,761	171,139	-4,075	167,064

Changes to Budget Requirement

		2014/2015			2015/2016			2016/2017		
Academy Conversions & Funding Reforms										
Academy Conversions	3	-15,903	526	-15,377	-18,122	425	-17,697			0
Increase in grant funding	3	2,120		2,120			0			0
Extended responsibility for 2 year old education	3	1,237		1,237			0			0
Financial Impact of Policy Proposals		-12,546	526	-12,020	-18,122	425	-17,697	0	0	0
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
Budget Carried Forward		189,261	-4,500	184,761	171,139	-4,075	167,064	171,139	-4,075	167,064
Investment Proposals										
Total Investment Proposals		0	0	0	0	0	0	0	0	0
Total Cost of Service										
		189,261	-4,500	184,761	171,139	-4,075	167,064	171,139	-4,075	167,064

Adult Social Care and Independent Living

REVENUE

This service is responsible for the assessment and care management of vulnerable adults and providing advice about social care to the general public (including self funders).

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Adults Social Care	5	11,064	-692	10,372	11,317	-692	10,625	12,880	-692	12,188
Adults Care Packages	5	78,986	-22,728	56,258	80,508	-22,928	57,580	81,086	-22,928	58,158
Care4CE (Internal Care Provision)	5	19,011	-2,818	16,193	19,011	-2,818	16,193	19,011	-2,818	16,193
Prevention and support	5	15,103	-6,825	8,278	15,212	-8,282	6,930	30,356	-23,426	6,930
Indicative allocation of Pay and Pensions				0	928		928	1,723		1,723
Base Budget		124,164	-33,063	91,101	126,976	-34,720	92,256	145,056	-49,864	95,192

Changes to Budget Requirement										
		2014/2015			2015/2016			2016/2017		
Social Care Demand	5	2,050	-200	1,850	3,300		3,300	2,000		2,000
Assessment Review	5	550		550	-100		-100			0
Better Care Fund	5	1,457	-1,457	0	15,144	-15,144	0			0
Social Care Bill	5			0	1,723		1,723			0
New Burdens	5			0	1,500		1,500			0
Service Efficiencies	5	-447		-447	-160		-160			0
Commissioning Reviews	5	-1,726		-1,726	-4,122		-4,122	-4,518		-4,518
Indicative allocation of Pay and Pensions	5	928		928	795		795	928		928
Financial Impact of Policy Proposals		2,812	-1,657	1,155	18,080	-15,144	2,936	-1,590	0	-1,590
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
Budget Carried Forward		126,976	-34,720	92,256	145,056	-49,864	95,192	143,466	-49,864	93,602
Investment Proposals										
Commissioning Reviews		1,410		1,410	1,125		1,125	2,100		2,100
Social Care Bill		770		770			0			0
Service Efficiencies		50		50	70		70			0
Total Investment Proposals		2,230	0	2,230	1,195	0	1,195	2,100	0	2,100
Total Cost of Service		129,206	-34,720	94,486	146,251	-49,864	96,387	145,566	-49,864	95,702

Public Health

REVENUE

Public Health is a new local authority responsibility transferred from Health in 2013/2014, the service will take the lead on promoting and commissioning services that improve the Public Health of the residents of Cheshire East.

	Outcome Reference	2013/2014 Budget				2014/2015 Budget				2015/2016 Budget		
		Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
Public Health Leadership	5	1,611	-1,611	0		2,123	-2,123	0		2,123	-2,123	0
Health Protection	5	956	-956	0		956	-956	0		956	-956	0
Infection, Prevention & Control	5	484	-484	0		484	-484	0		484	-484	0
Substance Misuse	5	3,758	-3,758	0		3,758	-3,758	0		3,758	-3,758	0
Sexual Health	5	3,260	-3,260	0		3,260	-3,260	0		3,260	-3,260	0
Tobacco	5	654	-654	0		654	-654	0		654	-654	0
Children Public Health	5	1,562	-1,562	0		1,562	-1,562	0		1,562	-1,562	0
Miscellaneous Public Health Services	5	1,477	-1,477	0		1,477	-1,477	0		1,477	-1,477	0
Base Budget		13,762	-13,762	0		14,274	-14,274	0		14,274	-14,274	0
Changes to Budget Requirement												
		2014/2015				2015/2016				2016/2017		
Public Health Commissioning Review	5	512	-512	0				0				0
Financial Impact of Policy Proposals		512	-512	0		0	0	0		0	0	0
		2014/2015 Budget				2015/2016 Budget				2016/2017 Budget		
Budget Carried Forward		14,274	-14,274	0		14,274	-14,274	0		14,274	-14,274	0
Investment Proposals												
Total Investment Proposals		0	0	0		0	0	0		0	0	0
Total Cost of Service		14,274	-14,274	0		14,274	-14,274	0		14,274	-14,274	0

Environmental Protection and Enhancement

REVENUE

This service is responsible for Waste Collection & Recycling services, Waste Disposal, Strategy & Minimisation, Streetscape Services (Grounds Maintenance (including Verges), Street Cleansing, Bereavement Services, Public Conveniences and Markets), and Parks Development (Parks, Open Spaces & Playing Fields), Highways (Strategic Client, Cheshire Highways & Public Rights of Way (PROW) / Countryside), Transport and Fleet.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Strategic Manager Environmental Protection & Enhancement	4	96		96	96		96	96		96
Environmental Operations	4	35,990	-7,603	28,387	35,422	-7,745	27,677	35,009	-7,733	27,276
Bereavement Services	4	1,044	-2,405	-1,361	1,118	-2,405	-1,287	1,010	-2,405	-1,395
Markets	4	288	-614	-326	284	-614	-330	284	-614	-330
Public Conveniences	4	47		47	89		89	89		89
Highways (including Street Lighting energy)	4	11,029	-404	10,625	10,852	-614	10,238	11,036	-914	10,122
PROW & Countryside	4	1,484	-338	1,146	1,403	-338	1,065	1,353	-338	1,015
Indicative allocation of Pay and Pensions				0	380		380	705		705
Base Budget		49,978	-11,364	38,614	49,644	-11,716	37,928	49,582	-12,004	37,578

Changes to Budget Requirement										
		2014/2015			2015/2016			2016/2017		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Environmental Operations - contracts & inflation	4	568	-10	558	341	-10	331	335		335
Reinstate staff time charged to revenue following major highways capital investment project	4			0	200		200			0
Waste Minimisation	4	153		153			0			0
Bereavement Company	4	85		85	-108		-108	-9		-9
Highways Contract - Inflation, Efficiency savings & reinstate winter review	4	63		63	98		98			0
Public Conveniences unparished areas of Macclesfield	4	45		45			0			0
PROW & Countryside - Service Review	4	-40		-40	-50		-50			0
Income Generation & base budget adjustment	4		-50	-50		30	30			0
Reduction in energy consumption - Street Lighting	4	-185		-185	-114		-114			0
New income generation	4		-210	-210		-300	-300			0
Cross cutting savings (Staffing, Car Mileage, Supplies)	4	-385		-385			0			0
Environmental Operations - Service Review	4	-400		-400	-200		-200			0
New Delivery Model - Environmental Operations	4	-618	-82	-700	-554	-8	-562	-1,220	-19	-1,239
Indicative allocation of Pay and Pensions		380		380	325		325	380		380
Financial Impact of Policy Proposals		-334	-352	-686	-62	-288	-350	-514	-19	-533
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
Budget Carried Forward		49,644	-11,716	37,928	49,582	-12,004	37,578	49,068	-12,023	37,045
Investment Proposals										
New Delivery Model - Environmental Operations		485		485	310		310			0
Closure of Automatic Public Conveniences Lease Buy		259		259			0			0
Crewe and Macclesfield Local Service Delivery		42		42			0			0
Mapping maintained assets for routing		50		50			0			0
Bereavement Company set up costs		21		21			0			0
Total Investment Proposals		857	0	857	310	0	310	0	0	0
Total Cost of Service		50,501	-11,716	38,785	49,892	-12,004	37,888	49,068	-12,023	37,045

Public Protection and Enforcement

REVENUE

This service focuses on safety within communities, regulatory services and providing accessible leisure services. Achievements within Public Protection and Enforcement will be measured by such things as reductions in crime, particularly for young offenders, increasing participation in leisure activities and managing significant improvements in local leisure facilities

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Car Parking Enforcement	1	814	-1,011	-197	810	-1,011	-201	810	-1,011	-201
Car Parking Pay and Display	1	294	-4,710	-4,416	290	-4,710	-4,420	290	-4,710	-4,420
Neighbourhood Enforcement	1	1,114	-81	1,033	1,095	-81	1,014	1,095	-81	1,014
Emergency Planning	1	164	-12	152	164	-12	152	164	-12	152
Regulatory Services	1	2,781	-1,028	1,753	2,647	-1,028	1,619	2,647	-1,028	1,619
Leisure Services	5	7,285	-6,763	522	7,282	-6,763	519	7,282	-6,763	519
Built Environment Protection	4	1,340	-1,120	220	1,339	-1,160	179	1,339	-1,160	179
Directorate Training	1	242		242	231		231	231		231
Indicative allocation of Pay and Pensions				0	351		351	651		651
Base Budget		14,034	-14,725	-691	14,209	-14,765	-556	14,509	-14,765	-256

Changes to Budget Requirement

		2014/2015			2015/2016			2016/2017		
Leisure Services - New Delivery model	5	100		100		0			0	
Cross cutting savings (Staffing, Car Mileage, Supplies)	1	-276	-40	-316		0			0	
Indicative allocation of Pay and Pensions		351		351	300	300		351		351
Financial Impact of Policy Proposals		175	-40	135	300	0	300	351	0	351
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
Budget Carried Forward		14,209	-14,765	-556	14,509	-14,765	-256	14,860	-14,765	95
Investment Proposals										
Enforcement Company Set up costs		20		20		0			0	
Total Investment Proposals		20	0	20	0	0	0	0	0	0
Total Cost of Service		14,229	-14,765	-536	14,509	-14,765	-256	14,860	-14,765	95

Communities

REVENUE

This service focuses on the role that the Council will play in leading our communities, shaping local areas and bringing public services together to create strong communities with a sense of independence and ability to influence what services we commission in the future. It brings together a diverse range of services that impact on localities such as customer services, communities and partnerships, libraries, revenue and benefits, transport and community safety and enforcement.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Transport	4	446		446	446		446	446		446
Local Community Services	1 & 5	87,118	-77,259	9,859	86,493	-77,259	9,234	85,228	-77,259	7,969
Local Area Working	1	1,663	-56	1,607	1,735	-56	1,679	1,642	-56	1,586
Indicative allocation of Pay and Pensions				0	322		322	599		599
Base Budget		89,227	-77,315	11,912	88,996	-77,315	11,681	87,915	-77,315	10,600
Changes to Budget Requirement										
		2014/2015			2015/2016			2016/2017		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Avaya contact centre costs	1	20		20			0			0
Transitional grants to Town & Parish Councils for the local Council Tax Support scheme	1	-58		-58	-93		-93			0
New operating model for Customer Services, Revenues and Benefits	1	-220		-220	-113		-113	-3		-3
Fall out of Housing & Council Tax Benefit admin grant	1			0	-240		-240	-240		-240
Fall out of Social Fund grant	1			0	-612		-612			0
Development of a sustainable Library service	1 & 5	-540		-540	-300		-300			0
Cross cutting savings (Staffing, Car Mileage, Supplies)	1 & 5	245		245			0			0
Indicative allocation of Pay and Pensions		322		322	277		277	322		322
Financial Impact of Policy Proposals		-231	0	-231	-1,081	0	-1,081	79	0	79
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Budget Carried Forward		88,996	-77,315	11,681	87,915	-77,315	10,600	87,994	-77,315	10,679
Investment Proposals										
New operating model for Customer Services, Revenues and Benefits		50		50	90		90			0
Development of a sustainable Library service		50		50	50		50			0
Refurbishment of war memorials in Cheshire East		100		100			0			0
Total Investment Proposals		200	0	200	140	0	140	0	0	0
Total Cost of Service		89,196	-77,315	11,881	88,055	-77,315	10,740	87,994	-77,315	10,679

Economic Growth and Prosperity

REVENUE

The Service is responsible for prioritising high value growth gains. Our attention to detail is as much about how we grow as the scale of growth. Dynamic and commercially focused, the services of Strategic and Economic Planning, Development, Visitor Economy, Culture and Tatton Park, Investment and Strategic Infrastructure are creating the right conditions for economic growth, ensuring productive and competitive businesses, and maximising Investment and Business Engagement.

	2013/2014 Budget				2014/2015 Budget			2015/2016 Budget		
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Director	2	110		110	126		126	126		126
Strategic and Economic Planning	2 & 4	3,385	-2,998	387	3,261	-3,443	-182	2,861	-3,443	-582
Development	2 & 4	3,250	-2,181	1,069	2,911	-2,191	720	2,618	-2,191	427
Visitor Economy, Culture and Tatton Park	2 & 5	5,898	-4,165	1,733	5,937	-4,302	1,635	5,901	-4,512	1,389
Investment	2, 3 & 5	4,695	-990	3,705	4,976	-990	3,986	5,106	-990	4,116
Strategic Infrastructure	2	16,127	-9,591	6,536	16,585	-10,373	6,212	16,585	-10,373	6,212
Indicative allocation of Pay and Pensions				0	226		226	419		419
Base Budget		33,465	-19,925	13,540	34,022	-21,299	12,723	33,616	-21,509	12,107
Changes to Budget Requirement										
		2014/2015			2015/2016			2016/2017		
Strategic and Economic Planning: service review and income generation.	2	-25	-445	-470	-400		-400			0
Investment Service: budget growth to create a strong and commercially focused service, securing investment and funding	2	143		143	130		130			0
Tatton Park Vision - reduce subsidy to the trading a/c	5	-41	-82	-123		-231	-231	-10	-132	-142
Visitor Economy service efficiency	5	-20		-20	-7		-7	-6		-6
Culture: World War 1 Commemoration and Cheshire Record Office budget growth	5	109	-55	54	-29	21	-8	22	-17	5
Strategic Infrastructure: staffing budget growth to procure external funding/investment	2	45		45			0			0
Strategic Infrastructure: concessionary fares - new 2014/2015 scheme efficiencies	2	-300		-300			0			0
Strategic Infrastructure: LSTF grant funded scheme	2	782	-782	0			0			0
Assets: Rationalisation Project & income generation	4	-361	-10	-371	-293		-293	6		6
Cross cutting savings (Staffing, Car Mileage, Supplies)		-1		-1			0			0
Indicative allocation of Pay and Pensions		226		226	193		193	226		226
Financial Impact of Policy Proposals		557	-1,374	-817	-406	-210	-616	238	-149	89
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
Budget Carried Forward		34,022	-21,299	12,723	33,616	-21,509	12,107	33,854	-21,658	12,196
Investment Proposals										
Assets		400		400	350		350	100		100
Business Process Efficiency Review		60		60			0			0
Investment Service set up costs		148		148			0			0
Strategic Infrastructure temporary resource funding		250		250	150		150	100		100
Spatial Planning / Local Plan temporary resource and voluntary redundancy provision		350		350	358		358			0
Planning temporary resource funding		400		400			0			0
Strategic Infrastructure - LTSF Grant - Staff Time			-60	-60			0			0
Total Investment Proposals		1,608	-60	1,548	858	0	858	200	0	200
Total Cost of Service		35,630	-21,359	14,271	34,474	-21,509	12,965	34,054	-21,658	12,396

Chief Operating Officer

REVENUE

This Service is responsible for providing effective and proactive support functions to Commissioning Services in the form of Finance, ICT, Human Resources, Legal, in addition to Democratic and Governance Services.

	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Chief Operating Officer	52,493	-9,004	43,489	51,686	-9,004	42,682	51,729	-9,004	42,725
Indicative allocation of Pay and Pensions			0	595		595	1,106		1,106
Base Budget	52,493	-9,004	43,489	52,281	-9,004	43,277	52,835	-9,004	43,831

Changes to Budget Requirement									
	2014/2015			2015/2016			2016/2017		
Assets Energy Consumption Base Correction	60		60	60		60			0
Assets - Utilities change in charging mechanism and inflation	601		601	649		649	791		791
Assets - Carbon Reduction Tax	326		326	41		41	41		41
Assets Major Change Project	531		531	-394		-394	-181		-181
Finance - Develop SLE (CoSocius)	200		200	-613		-613			0
Finance - Reduction in Audit Fee	-100		-100			0			0
ICT - Capitalisation of New Generation Desktop	-650		-650			0			0
ICT - Capitalisation of PSN Expenditure	-300		-300	300		300			0
ICT - Cross Cutting Saving (to be allocated)	-245		-245			0			0
C&I - Developed Model for Corporate Services	-250		-250			0			0
C&I - Staffing and Consultancy	200		200			0			0
C&I - Capitalisation of Projects	-100		-100			0			0
MO - Staffing Capacity	-23		-23			0			0
G&D - Elections Service Efficiencies	-60		-60			0			0
OD - Harmonisation of Terms & Conditions	-174		-174			0			0
OD - HR OD Efficiency	-52		-52			0			0
Cross cutting savings (Staffing, Car Mileage, Supplies)	-771		-771			0			0
Indicative allocation of Pay and Pensions	595		595	511		511	595		595
Financial Impact of Policy Proposals	-212	0	-212	554	0	554	1,246	0	1,246
	2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
Budget Carried Forward	52,281	-9,004	43,277	52,835	-9,004	43,831	54,081	-9,004	45,077
Investment Proposals									
Assets - Major Change Project (Asset Rationalisation)	175		175	238		238	238		238
Strategic Commissioning - Capacity	316		316			0			0
HR Pay and Reward Strategy	230		230			0			0
Total Investment Proposals	721	0	721	238	0	238	238	0	238
Total Cost of Service	53,002	-9,004	43,998	53,073	-9,004	44,069	54,319	-9,004	45,315

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Committed Schemes - In Progress					
Children and Families Services	11,616	6,135	4,087	695	698
Early Help and Intervention	407	232	175	0	0
Adult Social Care and Independent Living	2,331	1,140	1,191	0	0
Environmental Protection and Enhancement	106,069	71,671	29,440	2,252	2,709
Public Protection and Enforcement	15,400	832	5,969	8,599	0
Communities	478	298	180	0	0
Economic Growth and Prosperity	62,232	21,528	28,074	11,221	1,409
Chief Operating Officer	93,897	33,998	41,137	10,582	8,180
Residual Budgets - Scheme's due for completion	3,015	2,787	226	0	0
Total Committed Schemes	295,445	138,621	110,479	33,349	12,996
Committed Schemes at Gate 1 Stage					
Children and Families Services	8,583	259	8,324	0	0
Early Help and Intervention	397	0	397	0	0
Economic Growth and Prosperity	1,959	130	1,235	594	0
Communities	700	0	500	200	0
Total Committed Schemes at Gate 1 Stage	11,639	389	10,456	794	0
Total Committed Schemes	307,084	139,010	120,935	34,143	12,996

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
Medium Term & Rolling Programmes					
Children and Families Services	18,600	0	5,900	6,300	6,400
Early Help and Intervention	1,955	0	760	995	200
Adult Social Care and Independent Living	2,350	0	750	800	800
Environmental Protection and Enhancement	15,300	150	6,515	5,045	3,590
Communities	100	0	100	0	0
Economic Growth and Prosperity	59,231	4,751	23,363	5,767	25,350
Total Medium Term & Rolling Programmes	97,536	4,901	37,388	18,907	36,340

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Longer Term Proposals					
Public Protection and Enforcement	17,000	0	500	8,500	8,000
Economic Growth and Prosperity	155,300	0	850	9,950	144,500
Chief Operating Officer	5,700	0	1,650	2,600	1,450
Total Longer Term Proposals	178,000	0	3,000	21,050	153,950
Total	582,620	143,911	161,323	74,100	203,286

Funding Requirement

Funded by:

Government Grants	84,073	71,753	19,037	105,784
External Contributions	2,969	16,557	11,508	15,275
Revenue Contributions	693	833	1,280	200
Capital Receipts	32,114	32,926	22,389	80,679
Prudential Borrowing	24,062	39,254	19,886	1,348
Total	143,911	161,323	74,100	203,286

GLOSSARY

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

Glossary of Terms

Approval is being sought for all items of Capital expenditure as detailed in the following tables. Estimates for capital expenditure may vary even during the lifetime of the project but particularly where a project is still being developed.

The following categories, used within the tables overleaf, describe the current status of the financial estimates:

Committed Schemes - in Progress

The project is established and activity is on-going. Expenditure is expected to occur in line with the value and timing described in this report and funding has been identified to manage that expenditure.

Committed Schemes - Gate 1 Stage

Project details have been drafted and are under review via the Technical Enabler Group (TEG) and Executive Monitoring Board (EMB). Expenditure levels, and the timing of expenditure, may be subject to change based on final estimates, the securing of available funding and workforce capacity.

Medium Term & Rolling Programmes and Longer Term

Projects under these headings are at an early stage. As capital projects can have lengthy preparation times these projects are entered here to demonstrate the Council's longer term investment requirements. Schemes are approved, as part of the budget setting process but will not commence until full project appraisal has been completed and funding has been secured.

Any necessary variations to capital spending requirements will be reported and approved in line with the Council's financial procedure rules.

Children and Families Services

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Committed Schemes - In Progress					
Primary Schools	6,032	3,300	2,695	37	0
Devolved Formula Capital	4,388	2,377	725	587	698
Springfield Special School	1,096	458	567	71	0
Re-organisation / Co-location of Services	100	0	100	0	0
Total Committed Schemes	11,616	6,135	4,087	695	698
Committed Schemes at Gate 1 Stage					
Primary Schools	4,268	259	4,009	0	0
School Maintenance Projects	3,675	0	3,675	0	0
Universal free school meals	640	0	640	0	0
Total Committed Schemes at Gate 1 Stage	8,583	259	8,324	0	0
Total Committed Schemes	20,199	6,394	12,411	695	698

Children and Families Services

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Medium Term & Rolling Programmes					
Basic Need	8,050	0	2,350	2,800	2,900
Capital Maintenance	10,550	0	3,550	3,500	3,500
Total Medium Term & Rolling Programmes	18,600	0	5,900	6,300	6,400
Total	38,799	6,394	18,311	6,995	7,098

Funding Requirement

Funded by:

Government Grants	5,785	17,569	6,924	7,098
External Contributions	602	742	71	0
Capital Receipts	0	0	0	0
Prudential Borrowing	7	0	0	0
Total	6,394	18,311	6,995	7,098

Early Help and Intervention

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Committed Schemes - In Progress					
Short Breaks for Disabled Children	407	232	175	0	0
Committed Schemes at Gate 1 Stage					
Free Early Years Education Grant for 2 year Olds	397	0	397	0	0
Total Committed Schemes	804	232	572	0	0
Medium Term & Rolling Programmes					
Partnership & Commissioning of New Models of Care and Support (Childrens Social Care)	960	0	460	300	200
Re-development of Hurdsfield Family Facilities	995	0	300	695	0
Medium Term & Rolling Programmes	1,955	0	760	995	200
Total	2,759	232	1,332	995	200

Early Help and Intervention

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
Funded by:					
Government Grants		181	448	0	0
External Contributions		0	0	0	0
Revenue Contributions		0	60	200	200
Capital Receipts		0	700	795	0
Prudential Borrowing		51	124	0	0
Total		232	1,332	995	200

Adult Social Care and Independent Living

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Committed Schemes - In Progress					
Supporting the Front Line	1,558	611	948	0	0
Building Base Review	773	529	243	0	0
Total Committed Schemes	2,331	1,140	1,191	0	0
Medium Term & Rolling Programmes					
Community Capacity Grant	2,350	0	750	800	800
Total	4,681	1,140	1,941	800	800

Funding Requirement

Funded by:

Government Grants	1,140	1,941	800	800
External Contributions	0	0	0	0
Revenue Contributions	0	0	0	0
Capital Receipts	0	0	0	0
Prudential Borrowing	0	0	0	0
Total	1,140	1,941	800	800

Environmental Protection and Enhancement

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Committed Schemes - In Progress					
Highway Investment Programme	23,149	12,355	10,795	0	0
Roads Maintenance Block - Local Transport Plan	7,748	0	7,748	0	0
Integrated Transport Block - Local Transport Plan	3,208	0	3,208	0	0
Alderley Edge Bypass Scheme Implementation	63,111	52,769	5,401	2,232	2,709
Carbon Initiatives - Street Lighting carbon reduction programme	2,363	1,813	550	0	0
Local Sustainable Transport Fund	1,273	813	460	0	0
Bridge Maintenance Minor Works	2,249	1,799	450	0	0
King George V Pavilion Project	250	10	240	0	0
S106 Funded Schemes	676	495	181	0	0
Road Safety Schemes Minor Works	770	620	150	0	0
Local Area Programme	560	410	150	0	0
S278 Funded Schemes	712	587	107	20	0
Total Committed Schemes	106,069	71,671	29,440	2,252	2,709

Environmental Protection and Enhancement

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Medium Term & Rolling Programmes					
Investment in Depot Infrastructure	9,500	150	2,400	3,500	3,450
Waste Fleet Replacement	3,000	0	3,000	0	0
Queens Park Pathway Project	500	0	500	0	0
Crewe Crematorium Refurbishment	1,500	0	420	1,080	0
Cranage Holmes Chapel Path Project	400	0	65	335	0
Open Spaces Development Fund	250	0	80	80	90
Replacement Litter Bins	150	0	50	50	50
Total Medium Term & Rolling Programmes	15,300	150	6,515	5,045	3,590
Total	121,369	71,821	35,955	7,297	6,299

Funding Requirement

Funded by:

Government Grants	53,358	12,813	0	0
External Contributions	782	466	20	0
Revenue Contributions	266	420	1,080	0
Capital Receipts	1,896	9,154	6,197	6,299
Prudential Borrowing	15,519	13,102	0	0
Total	71,821	35,955	7,297	6,299

Public Protection and Enforcement

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Committed Schemes - In Progress					
Lifestyle Centre Crewe	15,400	832	5,969	8,599	0
Total Committed Schemes	15,400	832	5,969	8,599	0
Longer Term Proposals					
Congleton Lifestyle Centre	12,000	0	500	3,500	8,000
Macclesfield Leisure Centre	5,000	0	0	5,000	0
Total Longer Term Proposals	17,000	0	500	8,500	8,000
Total	32,400	832	6,469	17,099	8,000

Public Protection and Enforcement

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
Government Grants		0	0	0	0
External Contributions		0	0	0	0
Revenue Contributions		0	0	0	0
Capital Receipts		0	500	8,500	8,000
Prudential Borrowing		832	5,969	8,599	0
Total		832	6,469	17,099	8,000

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Committed Schemes - In Progress					
Customer Access - Developing Access to Poynton Library and Civic Centre.	478	298	180	0	0
Committed Schemes at Gate 1 Stage					
Sustainable Libraries	700	0	500	200	0
Total Committed Schemes	1,178	298	680	200	0
Medium Term & Rolling Programmes					
Community Facilities Grants	100	0	100	0	0
Total	1,278	298	780	200	0

Funding Requirement

Funded by:	0	0	0	0
Government Grants	0	0	0	0
External Contributions	0	0	0	0
Revenue Contributions	0	0	0	0
Capital Receipts	0	100	0	0
Prudential Borrowing	298	680	200	0
Total	298	780	200	0

Economic Growth and Prosperity

CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Economic Growth and Prosperity					
Crewe Green Link Road Phase 2	25,747	2,381	15,878	7,338	150
Tatton Park Investment	6,260	0	6,260	0	0
Disabled Facilities Grants	3,892	1,962	940	990	0
Congleton Relief Road (Option Development)	3,606	1,806	900	900	0
Farms Strategy	3,380	358	852	911	1,259
Tatton Vision	2,363	506	775	1,082	0
Crewe Transformation Projects	823	173	650	0	0
Poynton Relief Road (Option Development)	1,100	600	500	0	0
Private Sector Assistance	1,336	993	343	0	0
Housing Development	500	165	335	0	0
Affordable Housing Initiatives (S106 Holly Lodge)	870	560	310	0	0
Poynton Revitalisation	4,892	4,752	140	0	0
Feasibility Studies	190	87	103	0	0
Parkgate - Regeneration	359	296	63	0	0
Crewe Rail Exchange	6,914	6,889	25	0	0
Total Committed Schemes	62,232	21,528	28,074	11,221	1,409

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
Committed Schemes at Gate 1 Stage					
Gypsy and Traveller Sites	515	30	485	0	0
Regeneration & Development Programme	1,444	100	750	594	0
Total Committed Schemes at Gate 1 Stage	1,959	130	1,235	594	0
Total Committed Schemes	64,191	21,658	29,309	11,815	1,409
Medium Term & Rolling Programmes					
Corporate Landlord Model - Non-Operational	1,280	0	930	300	50
Sydney Road Railway Bridge	5,000	0	300	300	4,400
A500 J16 Widening Scheme	3,000	45	2,455	500	0
Basford West Spine Road	7,600	0	7,600	0	0
Development Programme for Housing and Jobs	34,351	4,706	10,578	3,167	15,900
Crewe Transformation Projects - Phase 2	8,000	0	1,500	1,500	5,000
Total Medium Term & Rolling Programmes	59,231	4,751	23,363	5,767	25,350

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
Longer Term Proposals					
Knutsford Shared Space	2,000	0	0	2,000	0
A6 Corridor Improvements	2,000	0	0	500	1,500
A34 Corridor (Including Handforth East)	16,000	0	200	300	15,500
Macclesfield Town Centre Improvements	6,300	0	200	200	5,900
Cheshire East Strategic Corridor A51/A500 Nantwich	4,000	0	0	1,000	3,000
South Macclesfield Link Road	15,200	0	200	500	14,500
Poynton Relief Road	20,800	0	0	5,200	15,600
Crewe Transformation Projects - Phase 3	16,500	0	250	250	16,000
Congleton Relief Road	70,000	0	0	0	70,000
Cheshire Archives and Local Studies Premises	2,500	0	0	0	2,500
Total Longer Term Proposals	155,300	0	850	9,950	144,500
Total	278,722	26,409	53,522	27,532	171,259

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
£000	£000	£000	£000	£000

Funding Requirement

Funded by:

Government Grants	15,600	22,507	10,159	97,886
External Contributions	467	7,509	9,169	14,175
Revenue Contributions	170	353	0	0
Capital Receipts	6,234	11,758	4,717	57,850
Prudential Borrowing	3,938	11,395	3,487	1,348
Total	26,409	53,522	27,532	171,259

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
Annual Programmes					
Connecting Cheshire	31,692	6,814	23,376	1,502	0
Asset Management Maintenance Programme	28,079	16,390	5,688	3,000	3,000
Core System Stability	17,208	5,133	5,376	2,900	3,800
Location Independent Workforce	7,325	1,854	4,131	1,340	0
Core Financials	7,339	3,503	1,836	1,000	1,000
Enabled Citizens and Businesses	1,114	304	450	360	0
Maximisation of Corporate Landlord Model - Operational	1,140	0	280	480	380
Total Annual Programmes	93,897	33,998	41,137	10,582	8,180
Longer Term Proposals					
Connecting Cheshire Phase 2	5,700	0	1,650	2,600	1,450
Total Longer Term Proposals	5,700	0	1,650	2,600	1,450
Total	99,597	33,998	42,787	13,182	9,630

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
Funded by:					
Government Grants		6,157	16,357	1,154	0
External Contributions		882	7,802	2,248	1,100
Revenue Contributions		0	0	0	0
Capital Receipts		23,977	10,714	2,180	8,530
Prudential Borrowing		2,982	7,914	7,600	0
Total		33,998	42,787	13,182	9,630



Reserves Strategy

2014/2017

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Executive Summary

Cheshire East Council is maintaining adequate reserves for two main purposes:

1. to protect against risk, and;
2. to support investment

This strategy reflects how these two purposes are intrinsically linked as financial risks will reduce through appropriate investment in schemes that will generate long term returns. However, at present the risks associated with overall changes in local government funding, and the need to invest now to realise returns in the medium term, increase the need to hold higher reserves in the short term.

The Reserves Strategy presents information about the requirements to maintain financial reserves and provides statements on the types of reserves and current and predicted balances.

The strategy is normally revised annually, in line with the process to determine the Council's Budget, and sets out a clear purpose for the holding of reserves, using risk assessments and setting out principles for the management of balances in the medium term.

Cheshire East Council's Reserve Strategy was last approved at Council on 28th February 2013, an update was presented to Cabinet on 19th August 2013 to reflect the Outturn Position for 2012/2013.

The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2014/2017 is being reported to Cabinet and Council in February 2014.

This strategy represents the latest position, following a review of the balances previously held, to ensure they meet the needs of Cheshire East Council.

For further information on trends in the Council's financial performance and how this affects reserve levels please refer to: [Guidance and Data on the Financial Resilience of the Council](#).

Peter Bates

CPFA, Chief Operating Officer, Section 151 Officer

Note: The strategy follows guidance issued by the Chartered Institute of Public Finance & Accountancy ~ *LAAP Bulletin 55 – February 2003: Guidance Note on Local Authority Reserves and Balances*. Compliance with the guidance is recommended in the Institute's 2003 Statement on the Role of the Finance Director in Local Government and the regulatory framework and role of the Section 151 Officer are set out in **Annex A**.

1. Introduction

Types of Reserves

1. When reviewing medium term financial plans and preparing annual budgets the Council considers the establishment and maintenance of reserves. Two types of Revenue Reserves will be held:

General Reserves (see Section 2)

This represents the non-ringfenced balance of Council funds. There are two main purposes of general reserves: firstly to operate as a **working balance** to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing, and; secondly to provide a **contingency** to cushion the impact of emerging events or genuine emergencies. The target level of reserves retained will be risk based. General Reserves must be adequate and will increase and decrease as follows:

Increasing General Reserves

- *Planned repayment* as set-out in the Medium Term Financial Strategy, usually to recover to an adequate level in relation to a detailed risk assessment, or to prepare in advance for future risks or investment.
- Allocation of an *operating surplus* at the close of the financial year.

Decreasing General Reserves

- *Planned draw-down* of reserves to create investment, and to counteract the possibility of over-taxing in any financial year.
- Allocation of an *operating deficit* at the close of the financial year.

Earmarked Reserves (see Section 3)

These provide a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives. Discipline is required around setting up and maintaining earmarked reserves, and this strategy sets out the Council's approach to this. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on specific intended purposes.

Assessing the Adequacy of Reserves

2. In order to assess the adequacy of unallocated general reserves when setting the budget, the Section 151 Officer will take account of the strategic, operational and financial risks facing the Authority. The Council will therefore adopt formal risk management processes. The Audit Commission Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks will be assessed in the context of the Authority's overall approach to risk management.

3. There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts. The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control, as required by professional standards.
4. Setting the level of general reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account will also be taken of the key financial assumptions underpinning the budget alongside a consideration of the Authority's financial management arrangements.
5. **Table 1** sets out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow.
6. These factors can only be assessed properly at local level. A considerable degree of professional judgment is required. The Section 151 Officer may choose to express advice on the level of balances in cash and / or as percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the Authority for that particular year.
7. Advice will be set in the context of the Authority's process to manage medium term financial stability and not focus on short term considerations, although balancing the annual budget by drawing on general reserves may be a legitimate short term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit, and will occur only to pump prime investment and not to regularly support such costs. Advice will be given on the adequacy of reserves over the lifetime of the Medium Term Financial Strategy.

Table 1: Holding adequate reserves will depend on a number of key factors

Budget Assumptions	
<ul style="list-style-type: none"> - The treatment of inflation and interest rates - Estimates of the level and timing of capital receipts - The treatment of demand led pressures - The treatment of planned efficiency savings / productivity gains - The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments - The availability of other funds to deal with major contingencies and the adequacy of provisions 	
Financial Standing & Management	
<ul style="list-style-type: none"> - The overall financial standing of the Authority (including: level of borrowing, debt outstanding, Council Tax collection rates) - The Authority's track record in budget and financial management including the robustness of the medium term plans - The Authority's capacity to manage in-year budget pressures - The strength of the financial information and reporting arrangements - The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level - The adequacy of the Authority's insurance arrangements to cover major unforeseen risks 	

Source: CIPFA ~ LAAP Bulletin 55, 2003

8. The current guidance requires the purpose, usage and the basis of transactions of earmarked reserves to be identified clearly. A review of the levels of earmarked reserves will be undertaken as part of annual budget preparation.

2. General Fund Reserves (Revenue)

Purpose

9. The purpose of general reserves is to minimise the possible financial impacts to the Authority from:
 - Emergencies.
 - In-year emerging issues.
 - Reacting to investment opportunities
10. The Finance Procedure Rules set the parameters for the use of general reserves.
11. The in-year use of general reserves requires Council approval and must not be used for any level of recurring spending unless that spending will be included in revenue budgets in the following financial year or a suitable payback period is agreed in advance.
12. In all cases the use of reserves should be approved by the Section 151 Officer.

Opening Balances

13. The 2013/2014 Budget anticipated that the Council would hold general reserves of £13.2m. However, an improved final outturn position resulted in a revised balance of £19.0m.
14. At 1st April 2014, it is anticipated that the Council will hold general reserves of £19.3m. This balance is calculated from:

	Final Outturn 2013 £m
Amount of General Fund Balance available for new expenditure (Source: 2012/2013 Statement of Accounts)	19.0
The impact of performance against the 2013/2014 Revenue Budget (Source: 2013/2014 Three Quarter Year Review of Performance)	0.3
	<hr/> 19.3 <hr/>

Estimated Movement in Reserves (2013/2014 onwards)

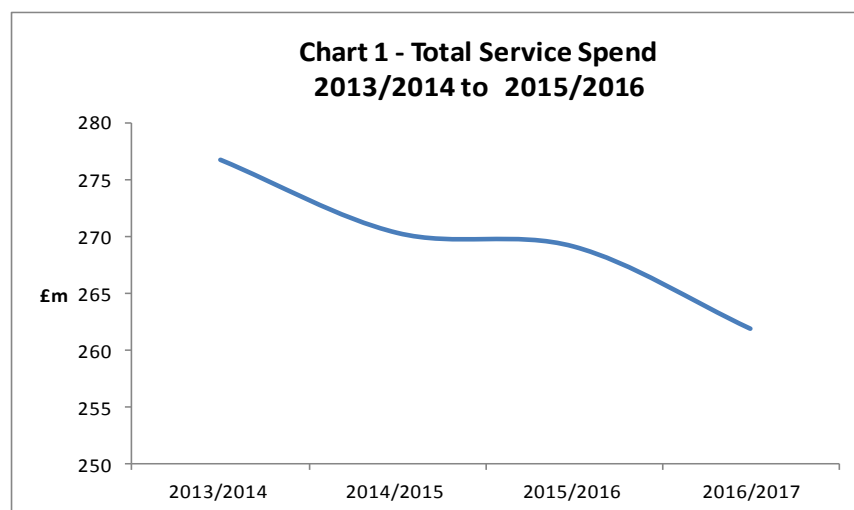
15. **Table 2** (overleaf) summarises the current estimated movements in general reserves from 2013 to 2016. This position makes a clear assumption that any recently identified in-year, or future, emerging financial pressures will be met from within the Council's funding envelope.
16. In addition the level of reserves needed will be assessed each year according to the risks facing the Authority (see Risk Assessment overleaf).

Table 2 - Reserves levels will be maintained in the medium term	2013/2014	2014/2015	2015/2016	2016/2017
	£m	£m	£m	£m
Estimated Balance @ 1st April	19.0	19.3	14.0	14.0
Estimated Impact of Spending	0.3	0.0	0.0	0.0
Planned Contribution to Reserves	0.0	-5.3	0.0	0.0
Forecast General Reserves @ 31st March	19.3	14.0	14.0	14.0

Risk Assessed Minimum Level - Feb 2014 13.2 14.0 14.0 14.0

Source: Cheshire East Finance

17. **Chart 1** shows how the medium term financial outlook reflects a reduction in real terms expenditure on Council Services.

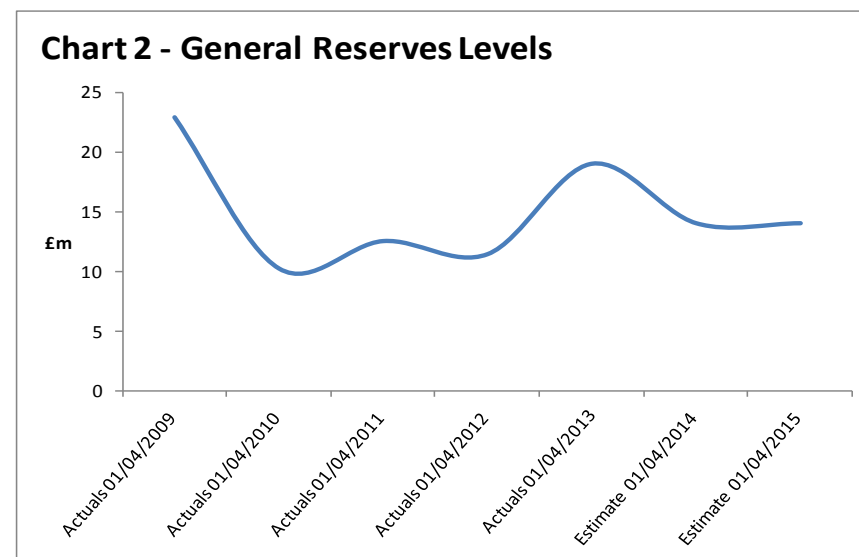


Source: Cheshire East Finance

18. Reducing expenditure over time reflects the reductions in government funding. At the same time the Council is minimising the impact on local residents by not raising Council Tax. However,

this approach can require up-front investment in change management that will sustain the financial resilience of the Council. For example reducing staffing numbers may require expenditure on severance payments, automation of services may require investment in information technology. Investment in infrastructure can generate receipts from the Council's estate, and from new business and domestic premises in the area.

19. Strategically the Council is therefore utilising short term funding to support investment and change and not to build up reserves balances.
20. **Chart 2** reflects how Cheshire East Reserves are used to support large scale investment, and are being stabilised over the medium term.



Source: [Guidance and Data on the Financial Resilience of the Council](#) (as updated January 2014)

21. The level at which reserves are set for 2014/2015, reflects the aim of Cheshire East Council to match the Risk Assessed Minimum Level, ensuring reserves are adequate, and provide sufficient flexibility to manage short term cashflow. This approach has also allowed flexibility within the 2014/2015 budget to provide for costs associated with investment.

General Fund Reserves - Risk Assessment

22. The risks facing each local area will vary, and in the case of Cheshire East, the impact of rising demand for services, the economic climate, emerging Government policies, particularly in relation to business rates, and pressure on public services to reduce overall expenditure are relevant. And these present the potential for significant emerging risk.

23. The minimum target level of reserves is quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts.

24. Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume a level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year by smoothing the impact on citizens.

25. Risks are categorised, and potential values are applied to them, this presents the potential exposure to financial risk. **Table 3** shows the risk areas and the level of reserves Cheshire East Council should retain to mitigate that risk. In each case the value of the risk retained has been calculated as a percentage of the potential impact. The percentage is based on the likelihood of the risk actually achieving that total impact in any year.

- The level of risk in the Medium Term Financial Strategy reduced following improvements in reporting and achievement of budget targets. New Medium Term risks are emerging as the Council is undertaking significant change to adapt to a commissioning approach and there is still significant uncertainty about the long term effect of changes to funding from business rates. Overall risks are therefore slightly increasing for the period 2014/2017

26. £14m remains a relatively prudent overall target for reserves at 5.5% of the net budget. This reflects the following potential negative financial issues facing the Council in the medium term:

- Further changes to the local government financial settlement may create funding deficits, and the medium term strategy of the Council remains unbalanced at present.
- Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.
- There is a significant pensions deficit which may need to be managed outside of the current medium term estimates, despite significant additional budget being provided for in the Medium Term Financial Strategy, to reflect increasing contribution rates from 1st April 2014 following the triennial valuation.

27. It is also possible that a number of events could happen in a single year and the Council could be exposed to new unidentified risks. For this reason the analysis also contains a Strategic Reserve calculated as a percentage of gross expenditure (in this case 0.6%).

28. Risks will be included and managed using the following basic principles:

- a. The risk may impact within the medium term.
- b. Risks are potential one-off events.
- c. The risk will have genuine financial consequences.
- d. Mitigating actions will be in place to minimise the potential requirement for financial support.
- e. If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate Revenue Budget estimates.
- f. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

Table 3: A robust level of reserves is guided by an assessment of potential risks

Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	Risk Assessment
Health & Safety	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	£400,000
	Loss of income	Substantial disruption to income streams / Robust disaster recovery	
	Lost reputation	Cost of new advertising to regain confidence / Effective Communication Plans	
	Effect on recruitment	Additional advertising costs to attract staff / Employment options on standby	
Fire / Structural damage	Major loss of service	Premises not operational / Robust disaster recovery plan	£900,000
	Epidemic	High staff or resident sickness & absence costs / raise awareness of safety measures and introduce robust emergency response plans	
	Severe Weather	Additional staffing, transport and materials costs / robust emergency plans	
	Insurance claims create rising premiums or cost to insurance reserves	Budget growth to cover premiums or self insurance costs / Good claims management	

Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	Risk Assessment
Budget Pressures	<p>Opening Balances vary from current predictions</p> <p>Efficiency savings challenged by changing priorities, and reduced income from economic downturn and additional VR costs.</p> <p>Higher than anticipated Inflation arising in year</p> <p>Potential decrease in Council Tax collection rate</p> <p>Potential decrease in assumed Business Rates income</p> <p>Changes to Government forecasts of Business Rates during the year.</p>	<p>Impact on opening balances / apply prudent assumptions to opening balances.</p> <p>Impact of 2013/2014 projected outturn / robust remedial plans and monitoring of progress</p> <p>In-Year emerging issues / Robust plans and monitoring of progress</p> <p>Increased inflation on contracts and services / contract management and robust remedial plans</p> <p>New payers unable to pay / debt recovery procedures</p> <p>Lower than forecast income or increased reliefs / robust assessment criteria</p> <p>Potential to change income received through the Business Rate Retention Scheme</p>	£7,700,000

Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	Risk Assessment
Legal costs	Legal challenges to Council service delivery	Court costs and Claims for compensation / clear processes and good workforce management	£500,000
	Data corruption and need to improve security	ICT service days to repair, loss of service / robust security policies and firewalls	
Industrial relations / External organisations	Disruption to service and possible costs of arbitration / tribunal	Loss of income, costs of providing essential services or direct costs of resolution, reduced pay budget / emergency planning	
Strategic Reserve		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes	£4,500,000
OVERALL RISKS			£14,000,000
% of Net Revenue Budget			5.5%

Source: Cheshire East Finance

29. The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance. This is equivalent in total to **£14m**.

30. It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2014/2015 Revenue Budget. The key factors are:

- the capacity of the organisation to deliver proposed growth or achieve the proposed level of savings entirely,
- potential underachievement of cost reduction targets following consultation processes,
- demand for services rising above estimated trends,

- changes to Government settlements.

Adequacy of General Reserves

31. A duty of the Section 151 Officer is to comment on the adequacy of financial reserves (**see Annex A**).

32. The estimates contained within the medium term financial strategy must be sufficiently robust to achieve certainty that reserves are adequate. The Section 151 Officer will use information contained within the Reserves Strategy to comment specifically in the annual Budget Report on the adequacy of reserves.

3. Earmarked Reserves (Revenue)

Purpose

33. The purpose of earmarked reserves is:

- a. To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
- b. To set aside amounts for projects that extend beyond 1 year.

34. Once Earmarked reserves have been established by Cheshire East Council it is the responsibility of Chief Officers, in consultation with the Section 151 Officer, to ensure balances are spent in line with their purpose.

35. **Table 4** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

36. For each earmarked reserve held by Cheshire East Council there will be a clear protocol setting out:

- the purpose of the reserve,
- how and when the reserve can be used,
- procedures for the reserve's management and control,
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy,
- clear indication of payback periods and approach (if applicable).

Table 4: All earmarked reserves should have a clear rationale

Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations.	Where expenditure is planned in future accounting periods, it is prudent to build up resources in advance.
Insurance reserves.	An Insurance Fund has been established to meet the potential costs of insurance excesses arising from claims in respect of fire and consequential loss, public and employer liability, and vehicles relating to both Cheshire East Council and the former Cheshire County Council.
Reserves of trading and business units.	Surpluses arising from in-house trading may be retained, or may have to be retained by statute to cover potential losses in future years, or to finance capital expenditure.
Reserves retained for service departmental use.	Increasingly, authorities have internal protocols that permit year-end surpluses at departmental level to be carried forward.
School Balances.	These are unspent balances of budgets delegated to individual schools.

Source: CIPFA ~ LAAP Bulletin 55, 2003

37. When establishing reserves, Cheshire East Council will ensure that it complies with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions.
38. The protocol for Cheshire East Council earmarked reserves is set out below. The Section 151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.
39. Earmarked Reserves will be:
- Set up by Full Council, on recommendation by the Section 151 Officer,
 - Supported by a business case,
 - Normally held for a maximum of 3 years, except where the business case justifies a longer retention,
 - Subject to a minimum value, set initially at £60,000, unless the business case supports a lower level,
 - Be reviewed at least annually.
40. Services may also carry forward balances in accordance with Financial Procedure Rules.
41. Earmarked reserves have the effect of transferring the tax burden across financial years as current taxpayers' funds are being used to support future years' spending. It is therefore recommended that Cheshire East Council's earmarked reserves are subject to annual review, at least as part of the budget-setting process to ensure that they are still appropriate, relevant and adequate for the intended purpose.

Opening Balances

42. At 1st April 2014, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £10.5m. It is estimated that balances will reduce by £5.1m by the end of 2014/2015. **Table 5** (overleaf) shows the position on each earmarked reserve.
43. The 2014/2017 Budget Report highlights the increasing reliance on funding from local taxation, as opposed to funding from Central Government grant. Council are therefore asked to approve establishment of a specific earmarked reserve to support activity to increase the longer term financial resilience of the Council. Activity funded from this reserve could relate to investment in schemes that can increase locally controlled income sources such as the commercial or domestic tax bases.
44. The estimated position on the Insurance Reserve includes the settlement of an historic claim for additional contributions from the administrators of Municipal Mutual Insurance.

Table 5: Earmarked Reserves that are statutory or essential have been retained for 2014/2015

Service Description	Estimated Available Balances 2014/2015 £000	Forecast Movement in 2014/2015 £000	Estimated Balance at 31 March 2015 £000	Reason / Use
Children and Families Services				
Long Term Sickness	233	0	233	LTS Insurance Scheme, surplus premiums paid by schools ~ operated as a trading account.
Education All Risks (EARS)	261	0	261	Carried forward surplus of insurance premiums paid by schools ~ operated as a trading account
Adults Social Care and Independent Living				
Extra Care Housing (PFI)	1,428	300	1,728	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Environmental Protection & Enhancement				
Crematoria	0	0	0	Mercury abatement income set aside to fund potential replacement cremators as per the capital programme.
Economic Growth & Prosperity				
Building Control	131	0	131	Ring-fenced surplus (could be used to offset service deficit, if applicable)
Tatton Park	238	0	238	Ring-fenced surplus on Tatton Park trading account
Economic Development	100	-100	0	Support for town centres and economic development initiatives
Climate Change	0	0	0	Renewable Energy project

Service Description	Estimated Available Balances 2014/2015 £000	Forecast Movement in 2014/2015 £000	Estimated Balance at 31 March 2015 £000	Reason / Use
Communities				
Enabling Local Delivery	225	-225	0	Available to promote local delivery
Partnerships & Grants Support	89	-89	0	Funding issued to groups who meet the Council's criteria. It is planned to use the reserve in 2013/2014.
Chief Operating Officer				
Invest-to-Save	0	0	0	Central reserve to support invest-to-save projects
Elections	200	200	400	To provide funds for Election costs every 4 years
Insurance & Risk	2,212	190	2,402	To settle insurance claims and manage excess costs.
Investment	5,300	-5,300	0	To support investment that can increase longer term financial independence and stability of the Council.
Cross Service				
Service Manager carry forwards	75	-75	0	Specific funding for expenditure slipped against previous year's budget e.g. Pay Harmonisation.
Totals	10,492	-5,099	5,393	

Source: Cheshire East Finance

4. Capital Reserves

45. Following the application of £27.8m of capital receipts to repay capital expenditure that had taken place in previous years the balance of the reserve at 31st March 2013 was reduced to £1.077m. In 2013/2014, capital receipts received in year will be fully applied to finance the capital programme and therefore no capital receipts reserves will be held by the Council.
46. Where revenue contributions are used to finance capital expenditure these will be held in reserve until such time as the expenditure is incurred.

5. Reserves Strategy Conclusion

- 47. Overall Cheshire East Council is establishing reserves that match the minimum risk levels while retaining flexibility react to investment opportunities. This approach can be supported during the medium term based on recent performance against budget.
- 48. This recognises local issues and allows the Section 151 Officer to comment favourably on the adequacy of reserves.
- 49. The maintenance of protocols around the use of balances improves control and increases openness in financial reporting and management. This approach assists with financial planning and increases understanding of Cheshire East Council's financial position. Reserves' positions will continue to be reviewed throughout the financial year.

Background Papers

[Cheshire East Council ~ Final Accounts 2012/2013](#)

[Cheshire East Council ~ Budget Report 2013/2014](#)

[Cheshire East Council ~ First Quarter Review of Performance 2013/2014](#)

[Cheshire East Council ~ Mid Year Review of Performance 2013/2014](#)

[Cheshire East Council ~ Three Quarter Review of Performance 2013/2014](#)

General Fund Reserves ~ Risk Assessment Working Papers 2014

CIPFA, Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves & Balances (2003)

[Guidance and Data on the Financial Resilience of the Council](#)

Annex A to Reserve Strategy

Protocol & Controls

The Existing Legislative / Regulatory Framework

Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

There are three significant safeguards in place that militate against local authorities over-committing themselves financially:

1. The balanced budget requirement.
2. Chief Finance Officers' S114 powers.
3. The External Auditor's responsibility to review and report on financial standing.

The balanced budget requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Finance Officer to report to all the Authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. The Authority's full Council must meet within 21 days to consider the S114 notice and during that period the Authority is prohibited from entering into new agreements involving the incurring of expenditure.

While it is primarily the responsibility of the local authority and its Chief Finance Officer to maintain a sound financial position, External Auditors have a responsibility to review the arrangements in place to ensure that financial standing is soundly based. In the course of their duties External Auditors review and report on the level of reserves taking into account their local knowledge of the Authority's financial

performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

The Role of the Chief Finance Officer

It is the responsibility of the Chief Finance Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. There is no statutory minimum.

Local authorities, on the advice of their Chief Finance Officers, are required to make their own judgements on the level of reserves taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

Good Governance

It is important that Members take responsibility for ensuring the adequacy of reserves and provisions when they set the budget. CIPFA recommend that the respective roles of officers and Councillors in relation to reserves should be codified locally and given due recognition in the Constitutions. This codification should:

- state which council bodies are empowered to establish reserves
- set out the responsibilities of the Chief Finance Officer and Councillor – or group of Councillors – responsible for finance
- specify the reporting arrangements

A New Reporting Framework

The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Chief Finance Officer. To enable the Council to reach its decision, the Chief Finance Officer should report the factors that influenced his or her judgement and ensure that the advice given is recorded formally. Where the advice is not accepted this should be recorded formally in the minutes of the Council meeting.

CIPFA recommended that:

The Business Planning report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the additional contribution to / withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure this should be accompanied by a statement from the Chief Finance Officer on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the Authority's medium term financial strategy.

A statement reporting on the annual review of earmarked reserves should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions / withdrawals and the estimated closing balances.

Annex 8 – Abbreviations

1. This annex provides details of the abbreviations used in the Report in alphabetical order.

Term	Meaning
ASDV	Alternative Service Delivery Vehicles
BRRS	Business Rates Retention Scheme – a new system of funding introduced on 1 st April 2013.
CSR	Comprehensive Spending Review 2010 – a major announcement in October 2010 in relation to Local Government funding levels for 2011/2012 to 2014/2015.
DCLG / CLG	Department for Communities and Local Government – the Government department responsible for supporting local government and communities.
DSG	Dedicated Schools Grant – grant received from Government to fund schools.
FQR	First-Quarter Review of Performance
HR	Human Resources – one of the Council's corporate service areas.
ICT	Information and Communication Technologies – service responsible for technology at Cheshire East Council.
LACSEG	The Local Authority Central Spend Equivalent Grant
LSOA	Lower Super Output Areas - geographical areas, based on population size, each containing a minimum population of 1,000 people and on average (mean) around 1,500 people. There are 231 LSOAs in Cheshire East and 32,482 LSOAs in England.
MYR	Mid-Year Review of Performance
NNDR	National Non Domestic Rates – the contribution to local authority costs by businesses. The rate is set by central Government.
PCC	Police and Crime Commissioner – the new arrangement for Commissioning Police Services.
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works.
RSG	Revenue Support Grant – a grant that forms part of the Business Rate Retention Scheme.
SLE	Separate Legal Entity – a delivery model for delivering services in a different way.
TQR	Third-Quarter Review of Performance