

***Cheshire East Council  
Medium Term Financial Strategy  
2020-24  
Executive Summary***

***February 2020***

***Working for a brighter future  together***

This document is available to download on the [Cheshire East Council](#) website. It will form part of the 4<sup>th</sup> February 2020 Cabinet Agenda and the recommended version will be distributed to all Members as part of the 20<sup>th</sup> February 2020 Council Agenda.

You can continue to provide feedback on the proposals in this report by speaking to your local Councillor  
– visit [Find Your Local Councillor](#) on the Cheshire East Council website for contact details.

# Executive Summary – Delivering Our Corporate Plan

## Overview

Cheshire East Council provides essential services such as Social Care, Education, Highways and Waste. These services are funded mostly from Council Tax, with additional contributions from Business Rates and Government Grants. As the population of the area increases, and ages, this creates additional demand for services, and, when coupled with increasing levels of complexity in some health needs, and inflation linked to pay and contracts, the Council is facing significant financial pressures. This situation continues to be exacerbated by very limited assurances from Government on how local government will be funded beyond 2020.

Cheshire East is the third largest Council in the Northwest of England, responsible for approximately 500 services and with a population of over 375,000. Our annual turnover exceeds £700m and our resources are well-managed through a transparent budgetary framework.

The Council continuously seeks to engage with the communities of Cheshire East in delivering services to people who need them.

## Achieving Objectives

The Council is achieving positive outcomes for local people. Education achievement rates for pupils in Cheshire East remain as one of the highest levels in the country, and social care for children and adults are receiving higher levels of investment in the medium term. Strong economic performance in Cheshire East is evidenced by continued growth in the Gross Value Added in Cheshire East, which is a measure of economic output per head. Infrastructure projects continue to unlock land and housebuilding numbers are exceeding targets. Employment is high, and the numbers of businesses in the area is as high as it is in Manchester. Life

expectancy for Cheshire East residents is also higher than both regional and national averages.

## Working for a brighter future together

The Council has a clear vision: “Working for a brighter future together”. Proposals within the Medium Term Financial Strategy build on the Council’s ability to work with residents and partners to deliver services that meet local needs. The set of core values, our FIRST values, continue to shape our approach to decision making and service delivery.

The Council is also implementing an organisational change programme under the heading of a “Brighter Future Together”. This wide-ranging programme focuses on key themes such as the Culture of the organisation, the Customer Experience and Commerciality. The programme is also overseeing the review of the Council’s use of its property and ICT assets.

## Financial Pressure

The costs associated with maintaining quality in our services and environment is very challenging. 60% of the Council’s net budget is spent on providing support for People based services, such as social care, but the housing growth in the area also brings additional challenges for our other key services such as increased waste collection and disposal and highway maintenance.

Almost 95% of our net budget is now funded from local taxation due to our very low levels of Central Government support. Growth in demand for services must therefore be funded locally, and this creates a requirement to increase council tax levels in line with Government restrictions. In recent years the Council has increased

council tax to specifically fund the pressures in Adults' and Children's Social Care to help keep up with the demand in these vital services.

## Financial stability

To manage the ambitions of the area with the accessible resources the Council has created a medium term financial strategy that balances the 2020/21 budget, but must continue to develop in order to balance the medium term financial challenges ahead.

In **2020/21** the headlines of the financial strategy are:

- Targeting cost effective service provision for residents and addressing increasing demand within the social care system. Council tax will **increase by 3.99%** to fund growing demand pressures in services.
- 2% (£4.3m) of the overall council tax increase will be solely utilised to fund increasing care costs with Adult Social Care.
- Revenue Support Grant from Central Government has ceased.
- Managing inflation pressures relating to pay, contracts and demand for services of £19.6m.
- Increasing expenditure in all our front line services.
- Boosting local economic prosperity through continued investment on capital projects, such as roads maintenance, infrastructure, education and regeneration.

**Table 1: Running costs (Revenue) and Investment in assets (Capital) are both increasing**

Table 1	2019/20*	2020/21 Budget	Change
	£m	£m	£m
<b>Revenue Budget</b>	281.0	301.0	+20.0
<b>Capital Budget</b>	132.7	171.5	+38.8

\* Approved Permanent Budget as at Quarter 3

### Net Revenue Budget 2020/21

- Income is estimated to vary from 2019/20 as follows:
  - Increase in Council Tax levels (+£8.6m)
  - Increase in Social Care grants (+£5.1m)
  - Growth in Council Taxbase (+£4.6m)
  - Increase in New Homes Bonus (+£1.9m)
  - Business Rates Retained (+£1.8m)
  - Other Specific grants (-£0.1m)
  - Council Tax Collection Fund Contribution change (-£1.9m)
- Net expenditure is estimated to increase by £20.0m from 2019/20 as set out in **Table 2**:

<b>Table 2</b>	<b>Change from 2019/20 Budget £m</b>	<b>2020/21 Budget £m</b>
Outcome 1 – Communities	+0.3	10.9
Outcome 2 – Economy	-0.3	5.6
Outcome 3 – Education	+0.7	10.4
Outcome 4 – Environment	+0.7	36.2
Outcome 5 – Health	+10.5	181.1
Outcome 6 – Responsible Organisation	+4.2	44.7
Contribution from Earmarked Reserves	+2.2	-0.7
Central Budgets	+1.7	12.8
<b>Total</b>	<b>+20.0</b>	<b>301.0</b>

**Annex 1** to the Executive Summary provides a further breakdown of the Council’s revenue budget.

### Capital Budget 2020/21 to 2023/24

The four year capital programme includes investment plans of around £0.5bn. 60% of the funding for this ambitious programme will come from Government grants or contributions from other external partners. In addition, 3% will come from the Council’s work to maximise the value of assets sales to support development in the local area.

- The main forecasted income sources are:
  - Government Grants (£215m / 45%)
  - Other external contributions (£72m / 15%)

- Receipts from Council Assets (£12m / 3%)
- Expenditure is estimated in the following areas:
  - Highways (£257m)
  - Growth & Enterprise (£101m)
  - Children & Families (including Schools) (£41m)
  - Finance & Customer Services (£41m)
  - Environment & Neighbourhoods (£20m)
  - ICT (£13m)

In addition to these investment plans a number of further schemes, totaling expenditure of £0.4bn are proposed but these projects will only commence on completion of detailed business cases and when funding for these projects is confirmed.

### Reserves

Reserves are focused on the Council’s ability to invest in opportunities and to manage exposure to financial risk. Where something has been identified as a specific risk or investment opportunity, then an amount will be earmarked for that purpose.

**Table 3: Good financial management can reduce the overall need for high Total Revenue Reserves**

<b>Table 3</b>	<b>Forecast Closing Balance</b>		<b>Change £m</b>
	<b>2019/20 £m</b>	<b>2020/21 £m</b>	
<b>General Reserves</b>	10.3	10.3	-
<b>Earmarked Reserves*</b>	26.8	24.9	-1.9
<b>Total Revenue Reserves</b>	<b>37.1</b>	<b>35.2</b>	<b>-1.9</b>

\* Earmarked reserves are spent in accordance with planned timescales and will increase or reduce accordingly

The Council's Reserves Strategy (**Annex 14**) provides the reasons for holding General or Earmarked Reserves at current levels.

## Achieving Outcomes for Residents

### Outcome 1

The Council will deliver a net increase of £0.3m for services to **local communities** including:

- Loss of major precept contribution for Community Safety services (+£0.07m)

### Outcome 2

Cheshire East Council will increase overall income by £0.3m to help ensure it has a **strong and resilient economy** including:

- The further development of an Investment Portfolio to create surplus income (over and above the cost of borrowing(-£0.3m))

### Outcome 3

Increasing budgets by £0.7m and ensuring people have the **life skills and education** they need to thrive including:

- SEND budget growth (+£0.5m)

### Outcome 4

Increasing budgets by £0.7m to help ensure Cheshire East is a **green and sustainable place** including:

- Investment to support delivery of the Environment Strategy and Carbon Action Plan (+£0.4m)
- Growth in Recycling and Waste Services linked to increased demand (+£0.6m)
- Offset by Income Generation and Efficiencies (-£0.6m)

### Outcome 5

Redesigning services to ensure People **live well and for longer** and investing an extra £10.5m including:

- Adults Social Care investment (+£4.0m)
- Cared for Children and Care Leavers investment (+£2.3m)

The Council also has a sixth underpinning outcome to ensure we continue to improve and be a **responsible, effective and efficient organisation**. Net cost increases reflect service demand but will be kept to a minimum (£4.2m) by delivering high productivity, enhancing return on investments, maximising value for money on contracts, streamlining processes and rationalising assets to focus investment on front line services.

## A Listening Council

The budget report reflects the Council's ongoing commitment to transparency, engagement and consultation. The process of budget development continues to be open and clear. The process demonstrates that we listen to residents and stakeholders.

### The stakeholder engagement process included:

- An appropriate timescale that supported the development and sharing of draft Budget ideas.
- Regular elected Member involvement through meetings and briefings.
- Wide ranging stakeholder engagement via open meetings, consultation and an online survey tool to gather feedback.
- Effective internal challenge processes including staff and union briefings.
- Listening to and meeting stakeholders to discuss important issues and future considerations.

During the consultation process the Council received notification of the Government provisional funding settlement. This confirmed the funding allocations for 2020/21 that were set out in the Spending Round announcements in September 2019. Therefore the funding levels consulted on remain substantially the same within this budget.

In addition to stakeholder feedback the Council also reviewed the impact of its third quarter financial forecasts.

Based on the feedback, and revised information, some changes have been made compared to the Pre-Budget Consultation Report. 'New' proposals have been marked as such within the MTFS, but include increases in budgets, for example, for Children's Services to reflect the ongoing demand pressures on this service.

The proposals within the MTFS are affordable in 2020/21 based on a council tax increase of 3.99%, which is in line with Government expectations. The Council's strategy to increase council tax over recent years to reflect growing expenditure in Adult Social Care has been successful as the service is performing within budget in 2019/20 and further growth is being managed by raising the further precept available, which is again ring-fenced specifically for Adult Social Care, in 2020/21. The Council is not proposing to exceed the referendum limit set by the Secretary of State. Since Local Government Reorganisation the cumulative increase in council tax by Cheshire East Council is significantly lower than inflation and is amongst the lowest of any unitary authority in England.

Where specific proposals have been amended these changes are included within **Section 1** of the MTFS. **Annex 2** of the MTFS also describes the engagement activities carried out by the Council.

## Changing the way we work and Invest

Cheshire East has established itself as a commissioning Council. This means we provide the service options that best fit the needs of our residents, regardless of historical approaches to service delivery. The current structure of service providers allows the Council to commission (or 'buy') the right services for the right people at the right price.

A sample of the main providers of services to Cheshire East is shown below:

### Privately owned contractors:

- Ringway Jacobs (Highways)
- BT (Superfast Broadband projects)
- Engie (Facilities Management)

### Delivery vehicles wholly or partly owned by the Council:

- Ansa Environmental Services Ltd (Waste Services, Street Cleansing, Grounds and Fleet)
- Transport Service Solutions Ltd
- Orbitas Bereavement Services Ltd
- Tatton Park Enterprise Ltd
- Cheshire & Warrington Local Enterprise Partnership

### Charitable organisations:

- Everybody Sport and Recreation Trust (Leisure Services)
- 81 Academies

### Collaborative Arrangements:

- Regional Adoption Agency
- Foster4
- Youth Offending Team (Pan Cheshire)
- Emergency Planning Team

- Shared Services with Cheshire West & Chester (Transactional Service Centre and ICT)
- NHS England

In-House Council Services:

- Libraries
- Planning
- Environmental Health
- Trading Standards
- Housing
- Children's Social Care
- Safeguarding
- Early Help and Prevention
- Schools Support Services (66 Local Authority maintained schools)

The Council has been reviewing the arrangements in relation to the Council's wholly owned companies during 2018/19 and 2019/20.

The result of that review resulted in the establishment of a Shareholder Committee to oversee the review programme and the overall business performance of the companies of the Council from the perspective of a Shareholder.

In addition, the individual reviews of the companies to date has resulted in the transfer of the services that were delivered by Engine of the North Limited, the Skills and Growth Company, and Civicance, back to the Council with agreements that the companies be closed.

The review has enabled the delivery of savings that support the current medium term financial strategy (agreed in February 2019).

The 2020-24 Medium Term Financial Strategy also includes a combination of strategies related to longer term ways to maintain financial stability. The Treasury Management Strategy, Capital Strategy, Investment Strategy and Reserves Strategy present a complex framework for utilising temporary and long term assets to support achievement of the Corporate Plan. The strategies are focused on:

- Investing available balances to achieve financial returns
- Utilising an appropriate approach to borrowing
- Providing opportunities for commercial investment that supports outcomes and provides financial returns
- Maintaining adequate reserves to manage financial risks and prevent short term deficits

The combination of the strategies provides longer term financial stability, whilst also allowing the Council to react to market conditions and maintain a balanced approach to managing investment opportunities and risks.

## The Medium Term Financial Strategy (Full Report)

As the Finance Portfolio Holder, I have developed the medium term strategy, with elected members and the professional support of Alex Thompson (Director of Finance and Customer Services, Section 151 Officer) alongside the Council's senior leadership teams.

This comprehensive report provides further information on the issues facing the Council in the medium term and shows how these are being addressed to present a balanced financial position for the 2020/21 financial year. The report also includes medium term estimates showing financial challenges through to 2024.

Additional detailed analysis of the Council's financial position is contained within the Council's [Value for Money](#) publication. This illustrates the Council's financial position through the use of clear evidence and comparative data that helps with the overall understanding of financial information.

Effective management of the budget has provided a solid financial platform, but current consultations on the Local Government Settlement provide little certainty on the models Central Government will use to determine future funding arrangements. The medium term forecasts show the extent of the financial challenge ahead. I am determined to deliver for local residents and to do everything I can to maintain Cheshire East as one of the best places to live in the Northwest.

In 2020 I will look to lead a financial review of the Council's sustainability. This process will engage members, officers and other stakeholders to ensure our plans can meet our priorities and can be implemented effectively.

*Cllr Amanda Stott*

Portfolio Holder for Finance, IT and Communication  
Cheshire East Council  
February 2020

During 2018/19 we emptied 51,364 gullies, completed 17,998 pothole repairs and carried out 9,487km of safety inspections across our total network

The most recent Sport England Active Lives Survey reported that Cheshire East is the most active Borough in North West (out of 39 authorities)

We empty over 13 million bins per year, and continue to exceed the national recycling target of over 50%

Our Early Help and Community Grant Scheme saw 45 grants being awarded in 2018/19 totalling £78,344, contributing to over £1.2 million worth of projects

Our Corporate Parenting Strategy 2018-21 sets out our ambition to improve outcomes for our cared for children and care leavers

10 Green Flag Awards were received by our parks and open spaces in July 2019

Over 3.6 million uses of Leisure Services facilities in 2018/19 – an annual rise of 7.2%

## Talking about Cheshire East

The Council worked with local primary schools to offer 98.4% of Cheshire East residents a place at a school of their choice for September 2019

727 affordable homes were delivered in 2018/19, significantly ahead of our 355 annual target

The Cheshire East visitor economy is on track to hit £1bn by 2020

1.44 million visitors to our libraries in 2018/19. Cheshire East libraries were reported as the #1 authority in the North West for issues per 1,000 population in the 2018 CIPFA Public Library statistics

195 Major and 3,372 Non-Major planning applications were registered in 2018/19, and we processed over 90% within targeted timescales

As of March 2019, 88% of Cheshire East schools are 'Good' or 'Outstanding'. This represents 136 out of 155 schools

89.2% of Adult Social Care users say our services have made them feel safe and secure

We have now switched away from landfill to 'energy from waste' as the main means of disposing of our black bin residual waste

# Annex 1

Estimated Budget and funding for Cheshire East Council 2020/21 to 2023/24 (excluding ring-fenced grants).

Summary position for 2020/21 to 2023/24	Budget Book 2019/20 (revised at Third Quarter Review) £m	Estimated Net Budget 2020/21 £m	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m
Outcome 1 - Our Local Communities are strong and supportive	10.6	10.9	11.1	11.4	11.6
Outcome 2 - Cheshire East has a strong and resilient economy	5.9	5.6	5.7	5.8	5.9
Outcome 3 - People have the life skills and education they need in order to thrive	9.7	10.4	10.3	10.7	11.0
Outcome 4 - Cheshire East is a green and sustainable place	35.5	36.2	35.6	36.7	37.4
Outcome 5 - People live well and for longer	170.5	181.1	187.7	194.2	200.9
Outcome 6 - A responsible, effective and efficient organisation	40.5	44.7	46.0	47.6	49.3
<b>Total Outcomes</b>	<b>272.7</b>	<b>288.9</b>	<b>296.4</b>	<b>306.4</b>	<b>316.1</b>
<i>CENTRAL BUDGETS:</i>					
Capital Financing	12.0	12.0	14.0	14.0	14.0
Past Pensions Adjustment	0.2	1.8	1.8	1.8	1.8
Income from Capital Receipts	-2.0	-1.0	0.0	0.0	0.0
New Homes Bonus Community Fund	1.0	0.0	1.0	0.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-2.9	-0.7	-0.3	-0.1	-0.1
<b>Total Central Budgets</b>	<b>8.3</b>	<b>12.1</b>	<b>16.5</b>	<b>15.7</b>	<b>15.7</b>
Additional changes to balance future years		0.0	0.0	-12.2	-18.3
<b>TOTAL: SERVICE + CENTRAL BUDGETS</b>	<b>281.0</b>	<b>301.0</b>	<b>312.9</b>	<b>309.9</b>	<b>313.5</b>
<i>FUNDED BY:</i>					
Council Tax	-216.2	-229.5	-236.4	-243.5	-250.7
Business Rate Retention Scheme	-48.0	-49.8	-49.1	-49.1	-49.1
Specific Grants	-14.7	-21.6	-15.2	-11.2	-9.2
Sourced from Collection Fund	-2.1	-0.1	0.0	0.0	0.0
<b>TOTAL: FUNDED BY</b>	<b>-281.0</b>	<b>-301.0</b>	<b>-300.7</b>	<b>-303.8</b>	<b>-309.0</b>
<b>Estimated Funding Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>12.2</b>	<b>6.1</b>	<b>4.5</b>

***Cheshire East Council  
Medium Term Financial Strategy  
2020-24***

***February 2020***

***Working for a brighter future  together***

# Foreword from the Finance, IT & Communication Portfolio Holder

## Dealing with financial Challenges

The Council is dealing with increasing demand for services, but with limited certainty around the future of Local Government funding. The high growth in housing and ongoing local commercial developments within Cheshire East provides additional funding towards the associated increases in demand for key services, such as highways maintenance, as well as education and waste services. An ageing population and increasing demand for Children's Services requires an important balance between the finances of individuals, the NHS and Cheshire East Council's resources.

The Council has relatively low levels of reserves, so must base future services on reliable funding sources to ensure they remain sustainable. With only a one year funding round from Central Government, and pending review of key income sources such as business rates and the New Homes Bonus, the medium term forecasts for Cheshire East Council highlight significant potential shortfalls in funding.

Current service levels are being maintained in most cases, but the Council will continue to review essential activity, and consider opportunities from transformation, in preparation for potential further uncertainty or even cuts in future funding levels.

## Local Services, engaging local people

The Council's Pre-Budget Consultation document, released in November 2019 was well publicised, but responses to the Council's proposals were limited in number. The proposals included an increase in council tax by up to 3.99% for the 2020/21 financial year, which included 2% solely for increasing demand for Adult Social Care. This approach will add £1 per week to the average household council tax bill each year.

## Achieving our plans

The proposals in this document reflect the feedback received from members and officers prior to the publication of the consultation, as well feedback from all stakeholders during the consultation. The proposals include important recognition of the Council's priority to reduce carbon emissions and focus on climate change.

The Council has also taken the opportunity to reduce the financial risks of underachieving large scale savings programmes. Estimates within this budget are based on good business cases. This reflects the need to deliver essential services within spending limits in-year and therefore reduce the likelihood of overspending requiring funding from reserves, which is not a sustainable option.

*Cllr Amanda Stott*

Cllr Amanda Stott, Finance, IT & Communication Portfolio Holder

# Comment from the Director of Finance and Customer Services (Section 151 Officer)

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

## Robust Estimates

The process to produce the Council's budget for 2020/21 engaged a wide array of stakeholders throughout 2019/20. This process included meetings available to all elected members of the authority and the running of a staff suggestion campaign prior to publication of the consultation process. During the consultation period there has been on-line access, briefings and further dedicated liaison with senior officers and elected members. All responses have been co-ordinated and the results provided to all members in advance of the February Council meeting. All changes proposed for the 2020/21 budget are backed with appropriate business cases and equality impact assessments.

The 2020/21 Budget relies upon the closing balances and performance forecasts from the 2019/20 financial year. The 2019/20 outturn is balanced, but this has required the use of reserves. Earmarked reserves were re-assessed during the year and transferred to support in-year spending based on relative priorities. Capital receipts have been applied to the revenue budget and the target to increase reserves in 2019/20, to £12m, has not been achieved. This is not a sustainable approach and analysis will take place to understand how the Council can manage within budget in the medium term.

Financial pressures in 2019/20 were linked to increasing demand within Children's Services. Unachievable savings targets, associated with Adult Services and Digital Services, are being removed from the MTFS to ensure a more stable position.

Demand led pressures across all services have been assessed based on trends and current performance, and appropriate growth has been factored in to the 2020/21 estimates. This provides the reassurance that such risks are being managed. Other significant estimates such as the council tax and business rates income forecasts, as well as grants to be received, are primarily based on government returns and published commitments.

Gross expenditure estimates within the 2020/21 budget are matched to gross income estimates and the use of available balances. This includes a basic council tax increase of 1.99%, which is lower than the government threshold of 2% and is therefore not subject to a referendum. A further increase of 2% is ring-fenced to fund growth within Adult Social Care, meaning the total increase in council tax is 3.99%. The budget also relies on income from fees and charges, investments and assumptions on borrowing costs and professional advice has been sought in forecasting these activities.

## Adequate Reserves

The Reserves Strategy provides information on the impact of the MTFS on the Council's reserves. In considering whether reserves are adequate I have reflected on recent work by CIPFA to produce a resilience index as well as considering local and national risks. Indicators from CIPFA are clear in that Cheshire East Council's

useable reserves are low compared to other similar authorities. This position is exacerbated as the majority of the Council's spending is associated with demand led services for Children and Adults. This position is somewhat counterbalanced by strong domestic and non-domestic taxbases and therefore low reliance on government grants.

The spending of reserves and capital receipts in 2019/20, was higher than forecast as a reaction to in-year financial pressure. Although the 2020/21 budget is balanced, the use of balances is not sustainable and the Council must now address how services can be managed within available resources without putting individuals, who may be dependent upon such services, at risk.

When looking at risks it is important to recognise that local funding of the Council's budget is higher than ever, that the budget has increased overall and that there are potential unknown impacts from government consultations on fairer funding and business rate retention. The Council's ability to achieve efficiency savings is reducing over time as the focus turns to ensuring services remain compliant. With this level of risk the 2020/21 Budget has been prepared on the basis that General Reserves can only remain at £10.3m. In the medium term it will be important to increase General Reserves to allow flexibility for investment and recognise the risks associated with essential transformation activity that can create a more sustainable position.

## Conclusion

Based on my engagement and observations of the process to determine a balanced budget for 2020/21 I believe that the budget presents a robust set of proposals. Based on my assessment of the risks the Council is facing I am satisfied that the Reserves Strategy presents an adequate level of reserves to manage risks within the

2020/21 financial year. I will monitor the impact of the closure of the 2019/20 financial year, and review in-year performance, in order to provide timely updates during 2020/21. During 2020/21 I will also work with the administration to address sustainability issues that are likely to remain within the medium term.

*Alex Thompson*

**Alex Thompson** CPFA

Director of Finance and Customer Services

(Section 151 Officer)

# Table 1 – Four Year Summary Position

Estimated Budget and funding for Cheshire East Council 2020/21 to 2023/24 (excluding ring-fenced grants)

Summary position for 2020/21 to 2023/24	Budget Book 2019/20 (revised at Third Quarter Review) £m	Estimated Net Budget 2020/21 £m	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m
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New Homes Bonus Community Fund	1.0	0.0	1.0	0.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-2.9	-0.7	-0.3	-0.1	-0.1
<b>Total Central Budgets</b>	<b>8.3</b>	<b>12.1</b>	<b>16.5</b>	<b>15.7</b>	<b>15.7</b>
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# Section 1 - Context

Cheshire East Council is responsible for providing approximately 500 local public services across an area of over 1,100km<sup>2</sup> for over 375,000 residents. The total amount of spending to deliver these services in the period April 2019 to March 2020 will be in the region of £795m, which is funded from a combination of local taxes, national taxes (in the form of Government grants) and payments direct from service users and other organisations.

As a place we have a fantastic mix of rural and urban environments. However, the most important element of Cheshire East is its people and we will strive to make sure we have a Council that serves its diverse communities well and delivers value for money. We want to see Cheshire East Council build a national reputation for customer services and partnership working, and to build a clear programme that continually delivers successful outcomes for all of its residents.



### Cabinet and Council meetings

- Cabinet and Council December 2019 (Taxbase)
- Cabinet February 2020 (MTFS & Budget Consultation Report)
- Council February 2020 (MTFS & Budget Consultation Report)

### All Member workshops

- Finance workshops covering the budget process, pressures, Council priorities and ideas for savings (August / September)
- Pre Budget Consultation briefing sessions (December)

### Updates for staff on budget progress

- Updates are available in Team Voice, on Centranet and on the Cheshire East Council website. This included the Pre-Budget Consultation launched on 1<sup>st</sup> November 2019.

## Engagement on the budget

### Overview and Scrutiny

- Opportunity to examine service budget proposals during the consultation period
- Examination of in-year performance reports

### Engagement events with other stakeholder groups

- Including businesses, Trades Unions, Town and Parish Councils, other key partners, voluntary, community and faith sector, and the Schools Forum
- These events highlighted how the Cheshire East Council budget will affect our stakeholders and helped to answer questions they may have had, to help us develop our relationship with our stakeholders and the wider community

### Residents

- Availability of local Councillors
- Information included with Council Tax bills
- Media releases
- Digital Influence Panel
- Social media

### Staff suggestions

- SUMS – Save Us Money staff suggestion scheme on ways to cut waste in the organisation or raise additional income

# Understanding the financial tables in this document

Budget changes in this document are expressed in cash terms compared to the Council's Approved Budget for 2019/20.

Each change is included in a table as described below:

Theme of the Potential Change(s) <i>(such as "Changing the way we work" or "Income Generation")</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Title of budget change (either Revenue or Capital) [Pre Budget Consultation Reference]</b> A narrative to describe what the budget change is  <i>Impact on Service Budget =</i>				
	-x.xxx	-x.xxx	-x.xxx	-x.xxx
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.            Values are not cumulative</i>				

Revenue expenditure is incurred on the day-to-day running of the Council. Examples include salaries, energy costs, and consumable supplies and materials.

Capital expenditure is incurred on the acquisition of an asset, or expenditure which enhances the value of an asset.

The specific Service Budget that will be affected is identified here. 2019/20 budgets are detailed in the Council's [Medium Term Financial Strategy](#).

Changes to Capital budgets are split by the year in which expenditure is incurred.

Figures represent an increase or decrease in spending compared to the 2019/20 Approved Budget.

If the change is permanent it is therefore repeated in each year.

If spending will vary across the four years each figure still represents the change from the existing 2019/20 Budget.

Negative numbers represent a budget saving or additional income. Positive numbers represent budget growth or reduced income.

# Outcome

# 1

Our local communities  
are strong and  
supportive

**Proposals to vary the Budget under Outcome 1 (Communities) are focused on these areas:**

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>Loss of major precept contribution for Community Safety services (Revenue Investment) [NEW]</b>  An agreement to retain £70,500 of funds relating to Second Home Council Tax precept has terminated. This income that the Council was previously able to utilise towards community safety services will no longer be available.  <i>Impact on Communities Services Budget =</i>	<b>+0.071</b>	<b>+0.071</b>	<b>+0.071</b>	<b>+0.071</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

# Outcome

# 2

Cheshire East has a  
strong & resilient  
economy

**Proposals to vary the Budget under Outcome 2 (Economy) are focused on these areas:**

Changing the way we work <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Tourist Information Services (Revenue Savings) [1]</b></p> <p>A review of these services has been conducted and efficiencies have been identified in the way they are delivered without impacting on the quality of services provided. The changes have already been made and so these savings can make a contribution to the overall budget plan for 2020/21.</p> <p style="text-align: right;"><i>Impact on Visitor Economy Service Budget =</i></p>	-0.005	-0.005	-0.005	-0.005
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>Investment Portfolio (Revenue Income Generation) [2]</b>  <p>The Council is able to invest its resources and make a return on that investment. This proposal relates to the acquisition of assets that generate an annual rent. This rent covers the cost of the investment and makes a surplus, thereby enabling the Council to make a contribution to the delivery of essential services. Before any specific investment is made, a full assessment is taken in relation to the cost, risk and rate of return.</p> <p style="text-align: right;"><i>Impact on Assets Service Budget =</i></p>	<b>-0.325</b>	<b>-0.325</b>	<b>-0.325</b>	<b>-0.325</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i></p>				
<p><b>Business Rate Costs for Council Facilities (Revenue Investment) [3]</b></p> <p>This increase in costs relates to the requirement to pay business rates for our buildings and facilities.</p> <p style="text-align: right;"><i>Impact on Facilities Management Service Budget =</i></p>	<b>+0.090</b>	<b>+0.090</b>	<b>+0.090</b>	<b>+0.090</b>
<p><b>Management of Risks Relating to Land (Revenue Budget adjustment) [4]</b></p> <p>In the last financial year, the Council was required to address some issues in a number of sites it has management responsibilities for e.g. former land fill sites. The investment was made last year and therefore a budget adjustment is required to reflect the fact that the funding was for one year only.</p> <p style="text-align: right;"><i>Impact on Assets and Facilities Management Service Budget =</i></p>	<b>-0.080</b>	<b>-0.080</b>	<b>-0.080</b>	<b>-0.080</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Reducing subsidy <i>Ensure limited resources are redirected to the areas with the most critical need.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Homelessness Reduction Act – removal of temporary revenue grant [5]</b></p> <p>A temporary grant was received to address the requirements of new legislation introduced in relation to tackling homelessness – the Homelessness Reduction Act. This proposal removes the 2019/20 instalment of the grant. There is no proposed reduction in the services for homelessness.</p> <p style="text-align: right;"><i>Impact on Strategic Housing Service Budget =</i></p>	-0.047	-0.047	-0.047	-0.047
<p><b>Community Transport (Revenue Savings) [6]</b></p> <p>The Council has reviewed the Council’s flexible transport Flexi-Link service and changes have been made in the way it is commissioned and delivered. This has enabled the service to be improved and deliver the efficiencies planned. There is no proposal to reduce this service.</p> <p>In addition, savings will be delivered through a combination of increased income through advertising and reduced costs with the contract with the Council’s company Transport Service Solutions Ltd which will not impact on the level of service provided to residents.</p> <p style="text-align: right;"><i>Impact on Client Commissioning - Transport Service Budget =</i></p>	-0.105	-0.130	-0.130	-0.130
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Reducing subsidy				
<i>Ensure limited resources are redirected to the areas with the most critical need.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Tatton Park (Revenue Savings) [7]</b></p> <p>These planned savings result from income and efficiencies generated through the investment programme in the facilities at Tatton Park, which will improve the visitor experience and reduce the overall subsidy the Council makes to Tatton Park.</p> <p style="text-align: right;"><i>Impact on Culture and Tourism Service Budget =</i></p>				
	<b>-0.018</b>	<b>-0.024</b>	<b>-0.052</b>	<b>-0.098</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

# Outcome

## 3

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

## Proposals to vary the Budget under Outcome 3 (Education) are focused on these areas:

Changing the way we work <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Review of Children and Families Transport Policies and delivery arrangements (Revenue Savings) [8]</b></p> <p>The Council currently spends a significant amount of its budget on transport within children’s services. As part of an ongoing review of transport we will work with the current school transport provider, Transport Service Solutions (TSS), and other interested groups, to explore all options to provide a more cost effective solution through effective commissioning of travel across all children and families services.</p> <p style="text-align: right;"><i>Impact on Education Participation and Pupil Support Service Budget =</i></p>	<b>-0.280</b>	<b>-0.560</b>	<b>-0.560</b>	<b>-0.560</b>
<p><b>Increased Transport costs for Children with Special Educational Needs and Disabilities (Revenue Investment) [9]</b></p> <p>Increased demand for the provision of statutory transport due to the increased numbers of cared for children, children with special education needs and school age pupils due to housing developments.</p> <p style="text-align: right;"><i>Impact on Education Participation and Pupil Support Service Budget =</i></p>	<b>+0.300</b>	<b>+0.300</b>	<b>+0.300</b>	<b>+0.300</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<p><b>Contribution to Cheshire Youth Justice Service (Revenue Savings) [10]</b></p> <p>Cheshire East experiences below the national average of youth offending; meaning we have relatively lower levels of young people who enter the youth justice system compared to Boroughs of a similar size and demographic. Cheshire East has been part of the single Cheshire-wide Youth Justice Service since 2016. The agreed financial contribution to the service was set at £334,000 per year but saw a request to increase annually in response to inflation and pay increases for staff. There has been no reduction in the level of Youth Justice service resources for three years from Cheshire East, where other neighbouring authorities have reduced their contribution. Therefore, the proposal is to reduce the Council's contribution to deliver a single Youth Justice Service by 20% across the Cheshire Constabulary area.</p> <p style="text-align: right;"><i>Impact on Youth Justice Service Budget =</i></p>	-	-0.045	-0.045	-0.045
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<p><b>Skills Strategy (Revenue Savings) [11]</b></p> <p>To adjust the Lifelong Learning Team contribution as this budget has underspent over the last two years. This team and the service offer is delivered through Education and Skills Funding Agency Grant. The team fully draws down the grant and therefore the Council budget used to subsidise the staffing on this team can be reduced without impact.</p> <p>This will be enabled through more efficient working supported by the development of a skills strategy for young people and new governance arrangements being established.</p> <p><i>Impact on Education Infrastructure and Outcomes Service Budget =</i></p>	<p><b>-0.020</b></p>	<p><b>-0.020</b></p>	<p><b>-0.020</b></p>	<p><b>-0.020</b></p>
<p><b>Locality Working (Revenue Savings) [12]</b></p> <p>To redesign Early Help Services on a locality delivery model, streamlining management arrangements to increase integration and reduce duplication. Evidence suggests that local areas that operate a joined-up model of locality working tend to have more positive outcomes for children and young people. We need to learn from the best to get the best for our children.</p> <p><i>Impact on Early Years and Family Service Budget =</i></p>	<p><b>-</b></p>	<p><b>-0.167</b></p>	<p><b>-0.167</b></p>	<p><b>-0.167</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p><i>Values are not cumulative</i></p>				

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>Rental Income for shared service delivery space – NHS and Nursery (Revenue Income Generation) [13]</b>  <p>The department has not introduced rental rates or income charges for Children Centres in the past three years. The proposal is to introduce rental charges for use of rooms and delivery spaces in the Childrens Centres. NHS agencies including delivery of the 0-19 service contract and midwifery contract currently use these facilities for free. The proposal also includes introducing room hire costs for training at Oakenclough.</p> <p style="text-align: right;"><i>Impact on Early Years and Family Service Budget =</i></p>	-0.020	-0.030	-0.030	-0.030
<b>Income from Outdoor Education (Revenue Income Generation) [14]</b>  <p>The proposal is to generate income to fund case workers through encouraging schools to buy Cheshire East services rather than from external providers. This will be done by developing the Council’s in-house Alternative Education Provision for Outdoor Education and alternative education from the Youth Prevention Service.</p> <p style="text-align: right;"><i>Impact on Early Years and Family Service Budget =</i></p>	-0.035	-0.085	-0.085	-0.085
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Essential Kitchen Infrastructure (Capital Investment) [15]</b></p> <p>To improve the kitchen facilities in the schools that buy-back the Catering Service by installing new dishwashers and combination ovens. The equipment will improve food quality and lead to service efficiencies which will enable the Catering Service to maintain the current levels of buy-back.</p> <p style="text-align: right;"><i>New Capital Investment 2020/21 =</i></p> <p style="text-align: right;"><i>New Capital Investment 2021/22 =</i></p>	+0.220	-	-	-
	-	+0.220	-	-
<p><b>Provision of Sufficient School Places - SEND (Capital Investment) [16]</b></p> <p>The Council has a statutory duty to ensure that there are sufficient school places in our schools to meet demands of the local children. Having the right educational placement for all children and young people is key to their development so this investment aims to increase the number of Special Education Needs and Disabilities (SEND) placements within Cheshire East schools.</p> <p style="text-align: right;"><i>New Capital Investment 2020/21 =</i></p> <p style="text-align: right;"><i>New Capital Investment 2021/22 =</i></p> <p style="text-align: right;"><i>New Capital Investment 2022/23 =</i></p>	+1.000	-	-	-
	-	+4.330	-	-
	-	-	+1.000	-
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Provision of Sufficient School Places – Basic Need (Capital Investment) [17]</b>				
The Council has a statutory duty to ensure that there are sufficient school places in our schools to meet demands of local children. Having the right educational placement for all children and young people is key to their development so this project aims to increase the number of placements within key Cheshire East planning areas across the Borough.				
<i>New Capital Investment 2020/21 =</i>	<b>+3.550</b>	-	-	-
<i>New Capital Investment 2021/22 =</i>	-	<b>+7.150</b>	-	-
<i>New Capital Investment 2022/23 =</i>	-	-	<b>+12.900</b>	-
<i>New Capital Investment 2023/24 =</i>	-	-	-	<b>+4.700</b>
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>SEND pressure (Revenue Investment) [NEW]</b>  In order to meet our statutory requirements it is necessary to ensure there is sufficient resource in the service to meet the increase in demand for education, health and care assessments and ensure sustainable caseloads which support the wellbeing of staff in the service and lead to improved relationships with our children and families. In particular, there is a need for additional capacity to enable the service to be compliant in relation to annual reviews of education, health and care plans and to secure and embed quality improvements.  <i>Impact on Education Partnership and Pupil Support Service Budget =</i>	<b>+0.500</b>	<b>+0.500</b>	<b>+0.500</b>	<b>+0.500</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

**Outcome**

**4**

Cheshire East is a  
green & sustainable  
place

## Proposals to vary the Budget under Outcome 4 (Environment) are focused on these areas:

Changing the way we work <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Markets Income (Revenue Income Foregone) [19]</b></p> <p>As part of the wider regeneration programme the Council is investing in Crewe Market and seeking a suitable operator for the market once current refurbishment works are completed. Therefore there is a need to suspend the income target until the completion of the project. A new income target will be established for 2021/22 when the new market operator has been appointed.</p> <p style="text-align: right;"><i>Impact on Environmental Services Budget =</i></p>	<b>+0.066</b>	<b>+0.066</b>	<b>+0.066</b>	<b>+0.066</b>
<p><b>Ansa income generation and efficiencies (Revenue Savings) [20]</b></p> <p>The Council has commissioned a composting facility which will receive and treat garden and food waste for the whole Borough. This enables the number of routes and vehicles to be reduced which will deliver savings. These changes are being implemented in Autumn 2019 and therefore the savings can make a contribution to the budget for 2020/21 onwards. In addition in future years' additional income can be generated through the composting material that is generated from the new facility.</p> <p style="text-align: right;"><i>Impact on Environmental Services Budget =</i></p>	<b>-0.400</b>	<b>-0.659</b>	<b>-0.659</b>	<b>-0.659</b>
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>Highway Maintenance Contract Efficiencies (Revenue Savings and Capital Investment) [21]</b>  The proposal includes efficiencies in the delivery of the highway maintenance contract but also includes proposals to improve the environmental performance of our operations such as changes to grass cutting to increase habitat creation and installing illuminated signs and bollards with low energy LED (light-emitting diode) units to reduce carbon emissions.  <p style="text-align: right;"><i>Impact on Highways Service Budget =</i></p> <p style="text-align: right;"><i>New Capital Investment 2020/21 =</i></p> <p style="text-align: right;"><i>New Capital Investment 2021/22 =</i></p> <p style="text-align: right;"><i>New Capital Investment 2022/23 =</i></p>				
	<b>-0.105</b>	<b>-0.260</b>	<b>-0.260</b>	<b>-0.260</b>
	<b>+0.680</b>	-	-	-
	-	<b>+0.680</b>	-	-
	-	-	<b>+0.680</b>	-
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Income generation <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Parking Strategy (Revenue Income Generation and Capital Investment) [22]</b></p> <p>The aim of this proposal is to review the car parking arrangements across the Borough with a particular emphasis on ensuring car parking supports the Council's priorities to improve the environment and vitality of the Borough's towns.</p> <p>These proposals would generate a net additional annual revenue contribution of £1.5m by 2023/24. The capital investment relates to installation of new pay and display machines.</p> <p>Any proposed changes to car parking tariffs would be subject to separate and specific consultation exercises and decision-making processes.</p> <p style="text-align: right;"><i>Impact on Parking Service Budget =</i>                    <b>-0.177</b></p> <p style="text-align: right;"><i>New Capital Investment 2020/21 =</i>                    <b>+0.350</b></p>				
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

Investment in services <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Planning Reserve – reversal of temporary funding (Revenue from use of Reserve) [23]</b></p> <p>This proposal reverses temporary funding that was allocated in previous years to support the development of the Local Plan and Local Plan part 2. There is no change to the permanent Planning budgets.</p> <p style="text-align: right;"><i>Impact on Spatial Planning Service Budget =</i></p>	<b>-0.200</b>	<b>-0.200</b>	<b>-0.200</b>	<b>-0.200</b>
<p><b>Environmental and Carbon Management (Revenue Investment) [24]</b></p> <p>We have committed to be carbon neutral by 2025 and to encourage all businesses, residents and organisations to reduce their carbon footprint in Cheshire East.</p> <p>This proposal relates to initial actions through further Council carbon reduction measures, sustainable energy production and carbon offset through locally focused environmental schemes. This will be funded from retained business rates income (from renewable energy assessments) as part of the Council's Carbon Commitments. This proposal will see investment of c.£1.65m over four years.</p> <p style="text-align: right;"><i>Impact on Environmental Services Budget =</i></p>	<b>+0.353</b>	<b>+0.449</b>	<b>+0.469</b>	<b>+0.388</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Parks and Green Spaces (Revenue Investment) [25]</b>  This proposal is to increase maintenance of parks and green spaces focused on additional needs of areas identified in the Cheshire East Joint Strategic Needs Assessment (JSNA) priority areas. This increase would commence from 2021/22 and increase to £372,000 by 2023/24 compared to 2019/20 expenditure levels.  <i>Impact on Environmental Services Budget =</i>	-	<b>+0.358</b>	<b>+0.365</b>	<b>+0.372</b>
<b>Regulatory Services and Environmental Health ICT procurement (Revenue Investment) [26]</b>  The purchase of a replacement ICT system to support Regulatory Services in carrying out their enforcement and intervention activities as well as provide efficiencies through the automation of tasks and work allocation to officers. The system will store all activity records and produce reports and statutory returns on performance.  <i>Impact on Regulatory Services and Environmental Health Service Budget =</i>	<b>+0.009</b>	<b>+0.009</b>	-	-
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>. Values are not cumulative</i>				

Investment in services <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Recycling and Waste Services (Revenue Investment) [27]</b>  These cost increases relate to the increases in new housing in the Borough which means there is more waste being generated. However, this is offset by increases in council tax income over the same period.  <i>Impact on Environmental Services Budget =</i>	<b>+0.625</b>	<b>+1.156</b>	<b>+1.800</b>	<b>+2.057</b>
<b>Orbitas income and management fee (Revenue Investment) [NEW]</b>  Adjustments to Orbitas income target and management fee in line with the company's Service Delivery Plan, and agreed by the commissioner.  <i>Impact on Environmental Services Budget =</i>	<b>+0.083</b>	<b>+0.115</b>	<b>+0.136</b>	<b>+0.136</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Electric Vehicle Car Pool Scheme (Revenue and Capital Investment) [28]</b></p> <p>As part of the Council's Carbon reduction policy it is necessary to decarbonise business mileage and to promote sustainable travel to work. This proposal would look into the feasibility of sustainable travel alternatives over the use of private cars.</p> <p style="text-align: right;"><i>Impact on Place Directorate Resources =</i> -</p> <p style="text-align: right;"><i>New Capital Investment 2020/21 =</i> <b>+0.060</b></p>				
<p><b>Crewe Town Centre Civic Heat Network (Revenue Savings and Capital Investment) [29]</b></p> <p>This proposed project is to deliver a local heat and power network to Crewe Town Centre , in accordance with the Carbon Action Plan. This is made up of external and Council funding.</p> <p style="text-align: right;"><i>Impact on Environmental Services Budget =</i> -</p> <p style="text-align: right;"><i>New Capital Investment 2021/22 =</i> -</p>				
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

Investment in services <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Public Rights of Way: Capital Structures Investments (Capital Investment) [30]</b>  This capital investment is required on a number of structures which carry Public Rights of Way over waterways. The assets in question are in need of repair and replacement in order to maintain the safety of the public.  <i>New Capital Investment 2020/21 =</i> <b>+0.039</b> <i>New Capital Investment 2021/22 =</i> - <b>+0.060</b> <i>New Capital Investment 2022/23 =</i> - <b>+0.131</b> <i>New Capital Investment 2023/24 =</i> - <b>+0.043</b>				
<b>Site Remediation Works – Malkins Bank Golf Course (Phase 3) (Capital Investment) [31]</b>  Remedial works to repair an underground culvert as part of the ongoing improvements at Malkins Bank Golf Course.  <i>New Capital Investment 2020/21 =</i> <b>+0.200</b>				
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>. Values are not cumulative</i>				

**Outcome**

**5**

People live well  
and for longer

## Proposals to vary the Budget under Outcome 5 (Health) are focused on these areas:

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2020/21</b> £m*	<b>2021/22</b> £m*	<b>2022/23</b> £m*	<b>2023/24</b> £m*
<b>Community Equipment Service (Revenue Savings) [32]</b>  The Community Equipment service is currently commissioned by Cheshire East Council, Eastern Cheshire and South Cheshire Clinical Commissioning Groups. The service aims to improve and maintain a person's health and wellbeing through increased independence, choice, control and quality of life of the individual with the provision of equipment. A review is being undertaken of the Community Equipment Service to ensure that it is the most efficient and effective service for the residents of Cheshire East, the outcome of which will inform future commissioning intentions.  <i>Impact on Commissioning - Other Service Budget =</i>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2020/21</b> £m*	<b>2021/22</b> £m*	<b>2022/23</b> £m*	<b>2023/24</b> £m*
<p><b>Combination of contracts provided by the Community and Voluntary Service (CVS) (Revenue Savings) [33]</b></p> <p>The Council currently commissions the Community and Voluntary Service Cheshire East (CVS) to provide a Joint Strategic Needs Assessment (JSNA) community contract. The purpose of the CVS liaison contract includes: gathering insight from the Voluntary, Community and Faith Sector (VCFS) and communities over JSNA projects specified by the contract manager; facilitating VCFS involvement in strategic decision making e.g. events, surveys.</p> <p>By combining these contracts and redesigning the offer, we will be able to maximise the joint resources, reduce management costs and by working in better collaboration with the new additional public health analysts, and better use of the community development officers, will enable efficiencies to be made.</p> <p style="text-align: right;"><i>Impact on Communities Service Budget =</i></p>	<b>-0.100</b>	<b>-0.100</b>	<b>-0.100</b>	<b>-0.100</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<p><b>FACT 22 Investment (Revenue Savings) [34]</b></p> <p>FACT 22 have successfully delivered a service across Crewe and Macclesfield, working intensely with Child in Need. This has been evidenced through feedback from children and families on the positive impact FACT 22 has had on their lives and also a reduction in the repeat referral rate to Children’s Social Care. Over the last 6 months Children’s Social Care have significantly improved the recruitment and retention of quality social work staff across the Children In Need/Child Protection services. As such, children’s social care will be able to deliver the work carried out by FACT 22 within our own service and use the residual funding in alternative ways. This new way of working will support children considered to be at risk of Contextual Safeguarding, on the edge of care or custody.</p> <p>The current contract is commissioned until March 2020 and it is proposed not to recommission this service.</p> <p style="text-align: right;"><i>Impact on Education Participation and Pupil Support Service Budget =</i></p>	<b>-0.150</b>	<b>-0.150</b>	<b>-0.150</b>	<b>-0.150</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Care4CE (Revenue Investment) [35]</b>  Care4CE has successfully managed its costs since 2009 but has seen its budget reduced by nearly 50%. A number of years ago Care4CE was given a £4.2m savings target. The service has done all it can to reduce its running cost but they are now at a tipping point with a proposal to go before Cabinet on its future configuration. This proposal is to reverse the unachievable savings that were attributed to the in-house service Care4CE in August 2016.  <i>Impact on Adult Social Care Operations Service Budget =</i>	<b>+2.391</b>	<b>+2.391</b>	<b>+2.391</b>	<b>+2.391</b>
<b>Electronic Call Monitoring (Revenue Savings) [36]</b>  The Council currently has no electronic means of monitoring providers to ensure that individual care calls meet planned activity as set out in care plans and, therefore, deliver best value for money. Electronic Call Monitoring offers an automated solution to monitor care visits undertaken by commissioned providers' staff which has the potential to realise efficiency savings for the Council through improved monitoring and control of service delivery as well as providing real time data for service providers to monitor performance and ensure the safety of their staff.  <i>Impact on Commissioning Service Budget =</i>	<b>-0.075</b>	<b>-0.120</b>	<b>-0.150</b>	<b>-0.150</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.            Values are not cumulative</i>				

<b>Changing the way we work</b> <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<p><b>0-19 Healthy Child Programme (Revenue Savings) [37]</b></p> <p>The 0-19 Healthy Child Programme is a universal programme available to all children and young people. The programme aims to ensure that every child gets the good start they need to lay the foundations of a healthy life. The programme recognises the importance of building on the support in the early years and sustaining this across the life course for school aged children and young people to improve outcomes and reduce inequalities through universal provision and targeted support. Recommissioning will look to reduce management costs and maintain current frontline provision.</p> <p style="text-align: right;"><i>Impact on Public Health Service Budget =</i></p>	<b>-0.150</b>	<b>-0.150</b>	<b>-0.150</b>	<b>-0.150</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Demand for Adult Social Care (Revenue Investment) [38]</b></p> <p>The Adults Social Care budget both here in Cheshire East, and across the country, remains under pressure as a result of a number of factors. These include young people transitioning into adulthood, care fee levels paid to external care providers, the rising demand generally and our older population requiring much more complex care. To ensure the Council is well placed to meet this demand it will invest in services that will deliver high quality support to our most vulnerable residents.</p> <p style="text-align: right;"><i>Impact on External Care Costs Service Budget =</i></p>				
	<b>+4.000</b>	<b>+8.000</b>	<b>+12.000</b>	<b>+16.000</b>
<p><b>Winter Pressures Social Care Grant funding (Revenue Investment) [39]</b></p> <p>The continuation of the additional grant funding for Winter pressures was announced as part of Central Government Spending Round 2019. The assumption is currently that this funding will continue over the medium term therefore there is no change forecast from the 2019/20 budget of £1.5m.</p> <p style="text-align: right;"><i>Additional Ring-fenced Grant Income =</i></p> <p style="text-align: right;"><i>Impact on External Care Costs Service Budget =</i></p>				
	-	-	-	-
	-	-	-	-
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

Investment in services <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Home Repairs for Vulnerable People (Capital Investment) [40]</b></p> <p>To provide home repairs grants and loans to support vulnerable homeowners by allowing them to continue to live in safe and warm homes by addressing serious hazards and cold homes.</p> <p style="text-align: right;"><i>New Capital Investment 2020/21 =</i> <b>+0.200</b></p> <p style="text-align: right;"><i>New Capital Investment 2021/22 =</i> -</p> <p style="text-align: right;"><i>New Capital Investment 2022/23 =</i> -</p>				
<p><b>Cared for Children and Care Leavers (Revenue Investment) [41]</b></p> <p>There has been a 17% increase in the numbers of cared for children in Cheshire East over the last year, which is a situation being experienced elsewhere, both regionally and nationally. Although we are still below national and local comparators, admissions to care have continued to exceed the number of discharges and the complexity of needs of individuals are increasing due to improved assessments and effective prevention arrangements. This increase in numbers and complexity has resulted in the need for additional placement purchases, including high cost placements, and additional staffing to support children, young people and care leavers.</p> <p style="text-align: right;"><i>Impact on Commissioning – Social Care – Cared for Children Service Budget =</i> <b>+2.300</b></p>				
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Children’s Social Care - special guardianship allowance (Revenue Investment) [NEW]</b>  Following improvements in permanency planning for cared for children, there has been a rise in the number of Special Guardianship arrangements and further resources are required to meet the increased level of need. This will ensure children and their carers are well supported to provide a stable and caring environment, where children are happy and thrive.  <i>Impact on Social Care - Cared for Children Service Budget =</i>	<b>+0.487</b>	<b>+0.487</b>	<b>+0.487</b>	<b>+0.487</b>
<b>Children’s Social Care - staffing pressures (Revenue Investment) [NEW]</b>  There has been an increase in the number of cared for children in Cheshire East. As corporate parents we have a statutory responsibility to ensure children are well cared for, safe and have the opportunity to thrive. The additional funding will ensure that we have sufficient staff in place.  <i>Impact on Social Care - Cared for Children Service Budget =</i>	<b>+0.300</b>	<b>+0.300</b>	<b>+0.300</b>	<b>+0.300</b>
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>Five Towns Leisure Programme – revenue implications of capital (Revenue Investment) [NEW]</b>  Everybody Sport and Recreation have an ambitious programme for improvement at five of its Leisure Centres; to improve the user experience the first of these are at Poynton and Nantwich. Whilst every effort is being made to ensure that energy and carbon efficiency measures are being taken, the introduction of spa facilities, building extension and increased car parking and increased footfall, will increase the building operational costs, for which additional budget is required.  <p style="text-align: right;"><i>Impact on Facilities Management Service Budget =</i></p>	<b>+0.046</b>	<b>+0.046</b>	<b>+0.046</b>	<b>+0.046</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Reducing subsidy	2020/21	2021/22	2022/23	2023/24
<i>Ensure limited resources are redirected to the areas with the most critical need.</i>	£m*	£m*	£m*	£m*
<b>Everybody Sport and Recreation Annual Management Fee (Revenue Savings) [42]</b> The Operating Agreement between the Council and Everybody Sport & Recreation requires a minimum of a 3% cash reduction of the annual management fee based on the previous year's agreed figure.  <p style="text-align: right;"><i>Impact on Leisure Service Budget =</i></p>	-0.045	-0.088	-0.130	-0.171
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

**Outcome**

**6**

**A Responsible,  
Effective & Efficient  
Organisation**

## Proposals to vary the Budget under Outcome 6 Services are focused on these areas:

Changing the way we work <i>Managing services in a way that achieves more for less. Investing in modern technology for better quality outputs, eliminating duplication and streamlining processes.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Digital Savings target (Revenue Savings Reversal) [43]</b></p> <p>The Council has been proactive in improving digital innovation and reducing costs across services. To improve clarity of budgets this proposal removes the budget held corporately as former digital savings which have been replaced by other proposals in this report.</p> <p style="text-align: right;"><i>Impact on Cross Service Budget =</i></p>	<b>+0.843</b>	<b>+0.843</b>	<b>+0.843</b>	<b>+0.843</b>
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>Commercial Workstream – fees and charges review and change project (Revenue Income Generation) [44]</b>  The Fees and Charges Review and Change Project will contribute to the Brighter Future Programme Commercial Workstream objective: Achieving financial sustainability through generating income. The Project will review the current status within service areas of the Council and deliver a change in policy and practice to maximise efficient and tangible income generation.  <i>Impact on Cross Service Budget =</i>	<b>-0.100</b>	<b>-0.100</b>	<b>-0.100</b>	<b>-0.100</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.            Values are not cumulative</i>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Local Election Costs (Revenue Investment) [45]</b></p> <p>All-out Borough, Town and Parish Council elections will next take place in May 2023. Previous practice has been to place any underspend in Electoral Services budget into an 'Elections Reserve' and this then be used towards the cost of these elections. Any underspend is affected by varying factors in each year e.g. the number of Borough by-elections, or changing legislation relating to elections and registration. As was the case in 2019, the reserve was not sufficient to meet the full costs and an additional £450,000 was required. To avoid having to find the additional cost in every fourth year, it is proposed to place an additional £150,000 into the reserve each year from 2021/22 to be used to meet the full costs in every fourth year.</p> <p style="text-align: right;"><i>Impact on Elections Service Budget =</i></p>	-0.450	-0.300	-0.300	-0.300
<p><b>Webteam expansion (Revenue Investment) [46]</b></p> <p>To add staffing resource to the web team to improve the digital customer experience and staff work flows.</p> <p style="text-align: right;"><i>Impact on Customer Service Budget =</i></p>	+0.120	+0.120	+0.120	+0.120
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</p> <p style="text-align: center;">Values are not cumulative</p>				

Investment in services <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Census 2021 (Revenue Investment) [47]</b></p> <p>Funding of £20,000 is required from the Council to support the promotion of the Census 2021 to ensure that the benefits of completion are well known by the residents of the Borough and to support the associated project management activities delivered by the Census Liaison Manager (CLM) and Assistant Census Liaison Manager (ACLM).</p> <p style="text-align: right;"><i>Impact on Business Intelligence Service Budget =</i></p>	<b>+0.020</b>	-	-	-
<p><b>Inflation - Business Rates / Energy / Utilities / Fuel (Revenue Inflation) [48]</b></p> <p>Inflationary increases on business rates, energy, fuel and water costs are outside the control of the local authority and therefore reasonable estimates for budget increases in line with relevant market indices in these areas are being proposed.</p> <p style="text-align: right;"><i>Impact on Cross Service Budget =</i></p>	<b>+0.294</b>	<b>+0.294</b>	<b>+0.294</b>	<b>+0.294</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<p><b>Coroners Service (Revenue Investment) [NEW]</b></p> <p>The Coroner's Service is run on a pan-Cheshire basis, with each Cheshire local authority paying a share of the Coroner's costs, based on an agreed formula. The Coroner has a statutory power to demand payment from local authorities. His costs must therefore be paid, and there is no option other than to do this. An additional sum needs to be built into the budget to meet such costs.</p> <p style="text-align: right;"><i>Impact on Governance and Democratic Services Budget =</i></p>	<b>+0.050</b>	<b>+0.050</b>	<b>+0.050</b>	<b>+0.050</b>
<p><b>Legal Services Structure Review (Revenue Investment) [NEW]</b></p> <p>The Legal Services structure has been reviewed to address the gap between the budget and the staffing establishment. This is being addressed in 2019/20 on a temporary basis. This proposal will regularise the base budget.</p> <p style="text-align: right;"><i>Impact on Legal Service Budget =</i></p>	<b>+0.700</b>	<b>+0.700</b>	<b>+0.700</b>	<b>+0.700</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>ICT Procurements 2020-24 (Revenue and Capital Investment) [49]</b>				
To implement a modern business architecture, including ICT systems which support innovation and affordable frontline delivery as part of a major change programme within the Corporate and People Directorates.				
<i>Impact on ICT Service Budget =</i>	<b>+0.669</b>	<b>+0.719</b>	<b>+0.769</b>	<b>+0.819</b>
<i>New Capital Investment 2020/21 =</i>	<b>+0.334</b>	-	-	-
<i>New Capital Investment 2021/22 =</i>	-	<b>+0.053</b>	-	-
<b>Operating System - Server Licences: Citrix Workspace (Revenue Investment) [NEW]</b>				
Additional funding is required to ensure that the appropriate number of licences can be secured for Cheshire East staff ensuring continuity of productivity and service whilst remaining legally compliant. These licences are User/Device subscription licences with either: Citrix Hybrid Rights for Virtual Apps and Desktop on premise User License.				
<i>Impact on ICT Services Budget =</i>	<b>+0.100</b>	<b>+0.100</b>	<b>+0.100</b>	<b>+0.100</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a> .				
Values are not cumulative				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>ICT Digital Strategy and Plan 2019-24 (Capital Investment) [50]</b>				
To deliver a Digital Business Strategy (which will inform and influence, place-based regional dialogue and delivery with respect to resident services, the local economy and local public service delivery), a road map and the associated technical digital enablers which underpin the Brighter Future Transformation Programme objectives. Capital investment will be required to implement such a strategy, and over time the Council is expecting to identify revenue savings associated with this approach.				
<i>New Capital Investment 2020/21 =</i>	<b>+1.413</b>	-	-	-
<i>New Capital Investment 2021/22 =</i>	-	<b>+1.100</b>	-	-
<i>New Capital Investment 2022/23 =</i>	-	-	<b>+0.783</b>	-
<i>New Capital Investment 2023/24 =</i>	-	-	-	<b>+0.583</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a> .				
Values are not cumulative				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Unified Communications (Revenue and Capital Investment) [51]</b>				
To modernise the Council’s communication systems including telephony and video conferencing.				
<i>Impact on ICT Service Budget =</i>	<b>+0.096</b>	<b>+0.368</b>	<b>+0.673</b>	<b>+0.992</b>
<i>New Capital Investment 2020/21 =</i>	<b>+0.366</b>	-	-	-
<i>New Capital Investment 2021/22 =</i>	-	<b>+0.300</b>	-	-
<i>New Capital Investment 2022/23 =</i>	-	-	<b>+0.310</b>	-
<i>New Capital Investment 2023/24 =</i>	-	-	-	<b>+0.230</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a> .				
Values are not cumulative				

Investment in services				
<i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Infrastructure Investment Programme (Revenue and Capital Investment) [52]</b>				
To enable the delivery of a modern business architecture, including all ICT systems which underpin and support innovation, and affordable frontline delivery.				
<i>Impact on ICT Service Budget =</i>	<b>+1.010</b>	<b>+1.320</b>	<b>+1.730</b>	<b>+2.250</b>
<i>New Capital Investment 2020/21 =</i>	<b>+4.220</b>	-	-	-
<i>New Capital Investment 2021/22 =</i>	-	<b>+2.350</b>	-	-
<i>New Capital Investment 2022/23 =</i>	-	-	<b>+1.560</b>	-
<i>New Capital Investment 2023/24 =</i>	-	-	-	<b>+1.380</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a> .				
Values are not cumulative				

# Section 2 - Financial Stability

## Introduction

1. Balancing Local Government budgets is continuing to prove very challenging. Some of the services Councils provide to local people are discretionary, such as parks, cultural services and grants to community organisations. Others, such as child protection, waste collection and recycling, and the safeguarding of older people, are statutory, so Councils have a legal obligation to provide them.
2. Year on year, Central Government reviews of funding and demand levels in statutory services has meant Councils constantly need to review the services they provide and how they provide them to get maximum value for money.
3. Local residents and businesses contribute to sustainable Council services through local taxation, contributions and charges; and Central Government provides grant funding mainly from national taxation. The Council manages these resources to achieve maximum efficiency and diverts as much funding as possible to front line services.
4. The Government's Spending Review in September 2019 confirmed a one year continuation of the current funding levels for Local Government with the addition of extra support for Adults and Children's Social Care for 2020/21 to help combat the continuing increasing pressures in these key service areas.
5. The national Fairer Funding review and changes planned to the Business Rates Retention Scheme are being delayed until 2021/22 at the earliest.

The key areas being covered in this section include:

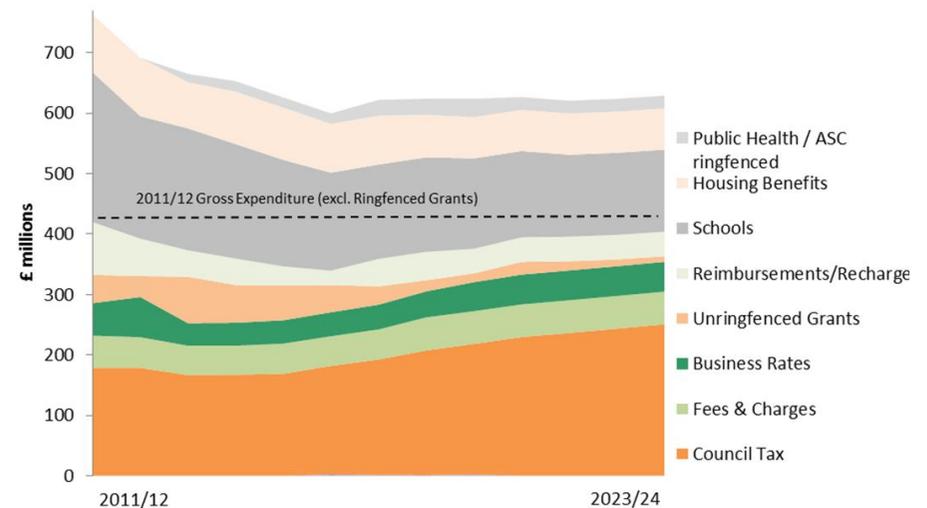
<b>Source of Funding</b>	<b>Paragraphs</b>
Balance of National vs Local Funding	4 to 12
Government Grant Funding of Local Expenditure	13 to 50
Collecting Local Taxes for Local Expenditure	51 to 84
Charges to Local Service Users	85 to 88
<b>Income and expenditure are also influenced by decisions and estimates of the Council in relation to:</b>	
Investment, Borrowing and the Capital Programme	89 to 108
Other Economic Factors	109 to 113
Managing the Reserves Position	114 to 115

## Balance of National vs Local Funding

4. Cheshire East Council continues to be heavily reliant on local funding and much less reliant on Central Government grant. The Provisional Local Government Settlement 2016/17 provided a shift in approach, where Government used potential council tax income to determine levels of local authority spending. This is highlighted by the fact that funding for Council services from council tax and business rates will be c.95% of the total net funding for 2020/21.
5. The financial stability of the Council, which determines the amount of money available for service expenditure, should be exposed to less risk from further Government funding shortfalls in the medium term if local funding can be retained at an appropriate level.
6. The Government Spending Review 2019 was unusual, though not unique, in that it only covers spending for a single year; spending reviews generally cover multiple years. Core spending power (the measure that Central Government uses to measure any increase in available revenue funding for local authorities) is set to increase by £2.9bn for Local Government for 2020/21. According to the Ministry for Housing, Communities and Local Government this includes the following:
  - a. £1bn social care grant;
  - b. £1.6bn additional council tax revenue from increased taxbase and an assumption of a 2% basic and 2% Adult Social Care (ASC) precept increase; and
  - c. £0.3bn from inflationary increases in business rate baseline funding levels.
7. These were confirmed as part of the Provisional Finance Settlement announced on 20<sup>th</sup> December 2019.

8. **Chart 1** illustrates how the balance between funding sources is changing over time placing increasing emphasis on support from local funding sources.
9. The 2020/21 Budget Report is based on the Provisional Local Government Finance Settlement released on 20<sup>th</sup> December 2019. The final settlement is expected in early 2020 with a debate in the House of Commons shortly after. Any further information on funding will be reported to Members as soon as practical and may require management through reserves.

**Chart 1: The Council continues the trend of being more reliant on local funding sources**



Source: Cheshire East Finance

10. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2019/20 and 2020/21. This shows how

local funding sources are being increased to fund the majority of the growth in service budgets, and how Government grants are contributing to a lesser extent in monetary terms.

Table 2 - Funding available to services	2019/20 £m	2020/21 £m	Change £m	Change %
Council Tax	-216.2	-229.5	13.3	6.2%
Government Grants	-14.7	-21.6	6.9	46.9%
Business Rates Retention	-48.0	-49.8	1.8	3.7%
Collection Fund Contribution	-2.1	-0.1	-2.0	-95.2%
<b>Funding Available to Services</b>	<b>-281.0</b>	<b>-301.0</b>	<b>20.0</b>	<b>7.1%</b>

Sources: Cheshire East Finance

Ministry of Housing, Communities and Local Government

11. The business rates retention funding system and control over council tax levels are placing greater responsibility on all Councils to determine their own funding levels.
12. In Cheshire East the Council is meeting this challenge in a number of ways and focusing on longer term financial stability through the following actions:
  - **Growing the domestic taxbase** - Each new home brings additional council tax revenue, New Homes Bonus and, since 1<sup>st</sup> March 2019, a community infrastructure levy where relevant. However, homes also bring additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully examined to achieve maximum value to ensure council tax increases for residents are kept to a minimum overall.

- **Promoting Economic Growth** - business growth can result in additional income being retained for local investment, subject to certain thresholds. Therefore, the Council continues to invest in driving economic growth and infrastructure projects that will unlock development land and support inward investment.
- **Increasing employment opportunities** - through economic growth resulting in fewer people relying on welfare benefits from the Council which releases funding for further investment or for direct provision of front line services.
- **Maintaining strong collection rates and challenge of taxbases** - to ensure fairness to all involved and ensure the Council maximises local income for local use.

This approach is very important and is embedded in the Council's actions.

## Government Grant Funding of Local Expenditure

13. The detailed funding settlement from Government impacts on longer term financial planning. Key dates for 2020/21 include:
  - The Spending Round announcement on 4<sup>th</sup> September 2019.
  - The release of the Provisional Settlement on 20<sup>th</sup> December 2019 confirming the approach to grants, council tax and calculation of business rates estimates.
  - Final Settlement announced early February 2020.

These have set out changes to:

- General funding levels – confirming the continuation of no Revenue Support Grant for the Council.
- Additional funding announcements, payable to local authorities, for the following areas:
  - Social care and support
  - Disabled Facilities Grant
  - Highways
  - Strategic Housing Deals

14. The Government Grants provided to local authorities can be categorised under several main headings:
- Revenue Support Grant (£0m in 2020/21)
  - Specific Grants (unring-fenced revenue) (£21.6m in 2020/21)
  - Specific Grants (ring-fenced revenue) (£233.2m in 2020/21)
  - Capital Grants (main programme) (£53.9m in 2020/21)

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

## Revenue Support Grant (RSG)

15. The Council will continue to receive no Revenue Support Grant in 2020/21 and means that all grants rolled into RSG over the years, including previous Social Care new burdens, and Council Tax Freeze Grants, have also been reduced to nil.

## Unring-fenced Specific Grants

16. A number of separately identified but unring-fenced Specific Grants have been retained totalling an estimated £21.6m in 2020/21. The detailed list is shown in **Annex 8** and summarised in **Table 3**. Note that Table 3 shows the original budget for 2019/20 and Annex 8 shows the revised in-year position including grants received after the budget was set.
17. Other than RSG, the list of Specific Grants mainly relates to funding for the New Homes Bonus (NHB) and Social Care Grants. Together they equate to 87% of the total unring-fenced specific grants expected in 2020/21.
18. As part of the Spending Review / Provisional Local Government Finance Settlement announced on 20<sup>th</sup> December 2019, there were funding allocations for 2020/21 of £7.6m to support social care for Cheshire East. This is made up of the continuation of the Social Care Support grant from 2019/20 (£2.5m) and a further allocation of £5.1m which is the authorities share of the £1bn announced new monies.

Table 3 - Specific grants have increased overall	2019/20 £m	2020/21 £m	Change £m	Overall Change %
Revenue Support Grant	0.0	0.0	0.0	
New Homes Bonus	-9.3	-11.2	1.9	
Social Care Grants	-2.5	-7.6	5.1	
Independent Living Fund	-0.9	-0.8	-0.1	
Other Grants	-2.0	-2.0	0.0	
<b>Total Specific Grants</b>	<b>-14.7</b>	<b>-21.6</b>	<b>6.9</b>	<b>46.9%</b>

Sources: Cheshire East Finance

Ministry for Housing, Communities and Local Government

19. Increasing development in Cheshire East means NHB is expected to exceed recent expectations. The grant continues to be paid over four years instead of the previous six years, and the threshold level before growth is to be paid out has been maintained at 0.4% of the housing stock. The 2020/21 allocation is to be paid for one year only as confirmed in the Spending Review and Provisional Settlement in September and December 2019. Previous legacy payments will continue as planned.

## Ring-fenced Specific Grants

### Dedicated Schools Grant (DSG)

20. The Government announced the allocations of DSG for 2020/21 on 19<sup>th</sup> December 2019. DSG is a ring-fenced grant provided to the Council to meet certain educational costs.

21. Following the introduction of several national funding formula (NFF) arrangements DSG is now allocated in funding blocks, namely the Schools Block, Early Years Block, High Needs Block and Central Schools Services Block.
22. The Schools Block allocation to the Council is now based on the schools block NFF. This takes October 2019 pupil data and provides a basic per pupil amount plus additional funding for issues such as deprivation and low attainment. The NFF also applies a minimum per pupil level of funding of £3,750 Primary and £5,000 Secondary in 2020/21.
23. Local authorities can continue to provide funding to schools through a local formula for 2020/21. The Schools Forum have agreed that formula using the NFF values but increasing the minimum per pupil level for primary schools as a result of any additional funding should be submitted for consideration at the February 2020 Cabinet.
24. The Council has applied to the DfE to be able to increase the primary minimum level and any update on that issue will be reported to Cabinet in due course.
25. Subject to confirmation from the DfE and Cabinet approval that formula will be used to allocate funding to schools for 2020/21. The per pupil figures in **Table 4** assume that formula is approved.
26. Pupils who are in Resource Provisions transferred into the schools block from 2018/19 and attract schools funding. They will continue to receive additional funding from the high needs block to meet their needs.

27. The Early Years Block is mainly comprised of:
- Funding for the universal 15-hour entitlement for all three- and four-year-olds.
  - Funding for the additional 15 hours for three- and four-year-old children of eligible working parents.
  - Funding for two year-olds.
  - Funding for the Early Years pupil premium plus a few other areas.
28. The High Needs Block is a single block for local authorities' high needs pupils / students aged 0-24. The block includes place funding for pre-16 and post-16 places in appropriate establishments such as maintained mainstream schools, maintained special schools and pupil referral units. The block includes top-up funding for pupils and students occupying places in such settings.
29. The high needs block is calculated through the high needs NFF. This is made up of a range of factors and weightings including:
- A basic entitlement
  - An historic spend factor
  - A population factor
  - Measures relating to low attainment and deprivation
  - A funding floor
  - An area cost adjustment
30. The Council has received some additional high needs funding for 2020/21 of £3.1m. The 2020/21 DSG figure in **Table 4** includes that amount. Under current year forecasts that will be used to bring the DSG Reserve back to balance.
31. The Central Schools Services Block is based on a NFF that includes:
- Historic commitments
  - Ongoing responsibilities
  - An area cost adjustment
32. The historic commitments element of the central block has been subject to a 20% reduction by the DFE for 2020/21. This is being reviewed to establish what the options are as historic commitments includes prudential borrowing costs and a contribution to Business Intelligence data systems and analysis.
33. **Table 4** shows the actual DSG received for 2019/20, the indicative DSG for 2020/21, and per pupil funding levels. (This excludes the adjustment for Academy recoupment).
34. For 2020/21 the Schools Forum has not agreed to a transfer of 0.5% of the Schools Block to High Needs to recognise pressures in that area. As a result the Council has submitted an application to the DfE to reverse that decision. The outcome is not yet known and an update will be provided to Cabinet. The transfer has been assumed for modelling purposes.
35. Other than the high needs transfer all the schools block funding is passported directly through to schools.

Table 4 - Dedicated Schools Grant are allocated in four notional blocks in 2020/21	Actual 2019/20 £m	Provisional 2020/21 £m	Change £m	Change %
Total Dedicated Schools Grant	273.9	289.4	15.5	5.7%
Comprising:				
Schools Block	212.6	224.9	12.3	5.8%
Central School Services Block	3.0	2.7	-0.3	-9.1%
Early Years Block	21.8	22.2	0.4	1.8%
High Needs Block	36.5	39.6	3.1	8.6%
<b>Per Pupil Funding</b>	<b>£ / pupil 2019/20</b>	<b>£ / pupil 2020/21</b>		
Dedicated Schools Grant:				
Schools Block				
Primary	3,935	4,073		
Secondary	4,934	5,175		
Central Schools Block (ongoing responsibilities)	31.21	31.26		
Early Years Block 3 and 4 hourly rate	4.30	4.38		
2 Year old hourly rate	5.28	5.36		
Figures quoted are before the Academy recoupment and before any High Needs Deductions.				
Figures are prior to de-delegation and assumes High Needs Transfer and Growth Funding are removed.				

Sources: Cheshire East Finance  
Education and Skills Funding Agency

## Dedicated Schools Grant (DSG) ~ Academy Funding

36. The Department for Education are clear that becoming an academy should not bring about a financial advantage or disadvantage to a school but rather, enable academies to have greater freedom over how they use their budgets.
37. The Schools Block funding receivable for the 81 academies which opened before or during 2019/20 has not been removed from the total DSG award to be received (as reflected in **Table 4**). The funding for these academies of approximately £143.3m (based on 2019/20 actual) will be

deducted from the Authority's DSG as part of the academy recoupment process (see **Annex 8**)

## Sixth Form Funding

38. Total sixth form funding of £2.2m is receivable for maintained schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known). In 2019/20 a balance of £12.2m was allocated directly to academies by the Education and Skills Funding Agency. The allocation for 2020/21 is not yet known.

## Pupil Premium Grant

39. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2020/21 are expected to be the same as in 2019/20 at £1,320 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 £2,300 and children whose parents are in the armed forces continue to attract £300 per annum. It is estimated that Cheshire East Council will receive £4.5m in relation to the Pupil Premium for 2020/21.

## Physical Education Grant

40. The Council expects to receive £1.1m for 2020/21. This is an estimate after any reduction for academies.

## Universal Infant Free School Meals (UIFSM)

41. The Council expects to receive £2m for 2020/21. This is an estimate for maintained schools. The figure is normally based on a set amount per eligible pupil. The grant is paid directly to local authorities or academies. The Council will comply with

the requirement to pass on the grant to maintained schools in full.

### School Improvement Monitoring and Brokering Grant

42. This is a grant for local authorities to continue to monitor and broker school improvement provision for low-performing maintained schools and intervene in certain cases. The Council has received funding up to March 2020. However, there is no further information on the grant for 2020/21. The current grants register assumes £0.3m will be received in 2020/21.

### Milk Subsidy Grant

43. This grant has not yet been confirmed for 2020/21, however based on previous allocations, the current grants register assumes £21,000 will be received in 2020/21.

### DSG Reserve Forecasts

44. The Council holds a DSG Reserve created from some additional DSG funding provided several years ago. Over the last two years the pressure on high needs has been gradually reducing the reserve balance. Current forecasts suggest the reserve will become a negative reserve at the end of March 2020 and plans are being taken forward to reduce the spend pressure over the medium term.
45. The reserve position can be summarised as:

Table 5 - Dedicated Schools Grant Reserve	2019/20
	£
Brought Forward Position	1.6
Forecast Overspend for High Needs	-4.2
Early Years - additional hours	0.5
<b>Predicted Carry Forward</b>	<b>-2.1</b>

Sources: Cheshire East Finance

46. It is expected that high needs will continue to form a pressure on the reserve in 2020/21.

### Public Health Grant

47. Public Health responsibilities cover a wide range of services including: sexual health services; children's 0-19 services; NHS health check programmes; substance misuse services, infection control and One You services.
48. Public Health grant has been ring-fenced from 2013 and will continue to be so during 2020/21 to ensure expenditure is incurred in line with the public health framework.
49. Estimated allocations for 2020/21 maintain the grant levels at £16.0m showing no change from 2019/20. Confirmation of allocations were due to be received during December 2019 but have not been received until early 2020.
50. In 2020/21 the grant is being considered as one of a number of funding streams that could be rolled into the business rates Retention Scheme when it moves to 75% retention by local authorities.

## Collecting Local Taxes for Local Expenditure

### Business Rate Retention Scheme (BRRS)

51. Locally collected non domestic taxes that are directly retained by the Council will provide approximately 17% of the Council's net funding in 2020/21. The Council anticipates collection of approximately £146m (before accounting adjustments) in business rates in 2019/20, based on the Council's NNDR1 return to Central Government on 31<sup>st</sup> January 2019. Under the BRRS arrangements 50% of this funding is paid to Government with 49% being retained specifically to support Cheshire East Council services. 1% is paid to the Fire Authority. In addition to this reduction a tariff of £24.3m must be paid to Government which is used to top-up funding allocations to other local authorities.
52. Up to and including 2016/17, the Council continued to use the nationally set business rates baseline figures, plus levy savings as a result of being in the Greater Manchester Pool, for budget setting purposes. This was slightly below the NNDR 1 level reflecting a prudent approach to business rates growth. Since 2017/18, a growth estimate per annum of £0.5m in retained rates for the authority has also been factored in to take account of the steady rise in business rate growth in recent years.
53. For 2020/21 this approach has been maintained. Therefore, in addition to the forecast £1m levy saving (as a result of being in the Pool), a further £0.5m in retained business rate growth income is being forecast (see **Table 6**). This is in addition to the baseline inflationary increase of £0.8m for 2020/21.

54. Since the baseline funding level for business rates retention was set back in 2013/14, there have been many policy changes around reliefs for different business types. With each policy change, all local authorities are compensated for their share of business rates foregone. Up to and including 2018/19 these compensation grants have been set aside in a volatility reserve to help smooth cash flow changes in business rates that can arise when businesses are revalued or move out of the area. Due to more stable forecasts, from 2019/20, it has been appropriate to recognise compensation grants as a source of base funding. £3.6m was included in the total retained business rates figure for 2019/20 and a further £4.2m has been included in 2020/21 which means it is available to support the revenue budget.

Table 6 - Business Rates Retention	2019/20 £m	2020/21 £m	Change £m	Change %
Business Rate Retention Scheme - Baseline funding	-41.9	-42.5		
Growth in retained rates (cumulative)	-2.5	-3.1		
S31 compensation grants	-3.6	-4.2		
Business Rate Retention Scheme - Total funding	-48.0	-49.8	1.8	3.8%

Source: Cheshire East Finance

55. Growth in business rates can increase local funding, but this does take time and recent trends in rateable values have slowly increased. The Council continues to promote inward investment to the area. **Annex 6** sets out the forecasts for business rate growth over the medium term.

- 56. During 2019/20, the Council continued to be part of a BRRS Pool with Greater Manchester authorities and Cheshire West and Chester. This allows the authorities included within the pool to be treated as one entity for the purposes of tariff/top-up and levy/safety net payments potentially reducing the amounts to be paid over to Central Government.
- 57. The Impact Assessment at **Annex 3** identifies how changes in business rates could affect local business.

### Council Tax

- 58. Locally collected domestic taxes that are directly retained by the Council will provide approximately 76% of the Council's net funding in 2020/21. The Council therefore takes a very careful approach to managing the domestic taxbase in a way that reflects local growth ambitions and supports sustainable services in the medium term.
- 59. Growth in the local taxbase supports the ambition in the Corporate Plan of creating economic independence from Government grant. In 2020/21, there continues to be no general Government grant support to the revenue budget of Cheshire East Council. The speed of this change has been a major challenge and when increases in demand related to protecting vulnerable people and inflation in costs are taken into account, then this creates a requirement to continue to increase council tax levels in line with Government expectations.
- 60. The ability to raise additional council tax for use solely on Adult Social Care (ASC) was accepted in 2017/18, and 2018/19. Local authorities could raise up to 3% in any year from 2017/18 to 2019/20, but subject to a maximum of 6% over the three year period. The Provisional Finance Settlement in December 2019 confirmed a further 2% ASC precept could be levied in 2020/21 to help alleviate the continuing growth pressure.
- 61. The Provisional Finance Settlement also confirmed the referendum limit on base increases was to be set at 2%, this excludes the Adult Social Care precept and is in line with inflation. As such it is proposed that council tax is increased by 3.99% (including 2% ring-fenced for Adult Social Care pressures) for 2020/21 to give a Band D charge of £1,503.98 for 2020/21.
- 62. The proposed increases over the rest of medium term are currently 1.99% at this time.
- 63. The calculation of the council tax for 2020/21 is shown in **Table 7**.

Table 7 - The calculation of the Cheshire East Council Band D Council Tax			2020/21	
			£m	£m
Total Net Revenue Budget 2020/21				301.0
Specific Grants				-21.6
Revenue Budget recommended to Council on 20 <sup>th</sup> February 2020				279.4
Less:				
Business Rates Retention Scheme	-17.8%	<sup>1</sup>	-49.8	
Revenue Support Grant	0.0%	<sup>1</sup>	0.0	-49.8
Surplus on Council Tax	0.0%	<sup>1</sup>		-0.1
<b>Amount to be Raised from Council Tax</b>	<b>82.1%</b>	<b><sup>1</sup></b>		<b>229.5</b>
No. of Band D Equivalent Properties				152,597.84
<b>Band D Council Tax</b>				<b>£1,503.98</b>

Source: Cheshire East Finance

<sup>1</sup> Percentage of Cheshire East net budget

64. The impact on each council tax band and the number of dwellings in each band is shown in **Table 8**.

Table 8 – Impact of Council Tax on each Band				
Band	A	B	C	D
Council Tax £	1,002.66	1,169.76	1,336.87	1,503.98
No of Dwellings	30,868	36,811	34,808	26,408
Band	E	F	G	H
Council Tax £	1,838.20	2,172.41	2,506.64	3,007.96
No of Dwellings	20,900	14,121	12,379	1,863

Source: Cheshire East Finance

## Council Taxbase

65. The council taxbase quantifies the number of properties from which the Council is able to collect council tax. The taxbase is presented as an equivalent number of domestic properties in council tax Band D terms after adjusting for relevant discounts and exemptions (for example a Band H property counts as two Band D properties, whereas a Band A property counts as two thirds of a Band D). The level of council tax multiplied by the taxbase equals the expected income from local taxation.
66. The gross taxbase for 2020/21 (before making an allowance for non-collection) is calculated as 154,139.23. After taking into account current high collection rates, the non-collection rate has been maintained at 1.00% for 2020/21. This results in a final taxbase of **152,597.84** Band D equivalent domestic properties.
67. The taxbase for 2020/21 reflects an increase of 2.1% on the 2019/20 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of council tax support. The council taxbase was approved by [Council on 19<sup>th</sup> December 2019](#).
68. Cheshire East has a relatively high council taxbase compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands F to H in the Cheshire East area (16% in Cheshire East compared to the England average of 9%).
69. The taxbase has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords, under Section 13A of the Local Government Finance Act 1992. From 1<sup>st</sup> April 2020, the

period eligible for exemption is being reduced from six weeks to four weeks.

70. In common with most Billing Authorities, Cheshire East Council charges a council tax premium of 100% on property that has been empty for two years or more in order to encourage homes to be brought back into use. The Local Government Finance Act 1992 (amended) enables Councils to charge a premium on empty properties. The Autumn Budget 2017 allows Councils to increase the premium from 100% to 200% with effect from April 2020. Cheshire East Council will implement this change with effect from 1st April 2020.

### The impact of the Council Tax Support Scheme

71. From 1<sup>st</sup> 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 remain unaffected by this change.
72. The impact of council tax support reductions has slowly decreased in Cheshire East, reflecting a positive trend away from a dependence on support from the local authority. The local council tax support scheme was reviewed and consulted on during 2015 and a revised scheme was implemented from April 2016. A further review of the scheme to make it simpler to administer and easier for claimants to understand has taken place during 2019/20 and the revised scheme will be introduced from 1<sup>st</sup> April 2020.

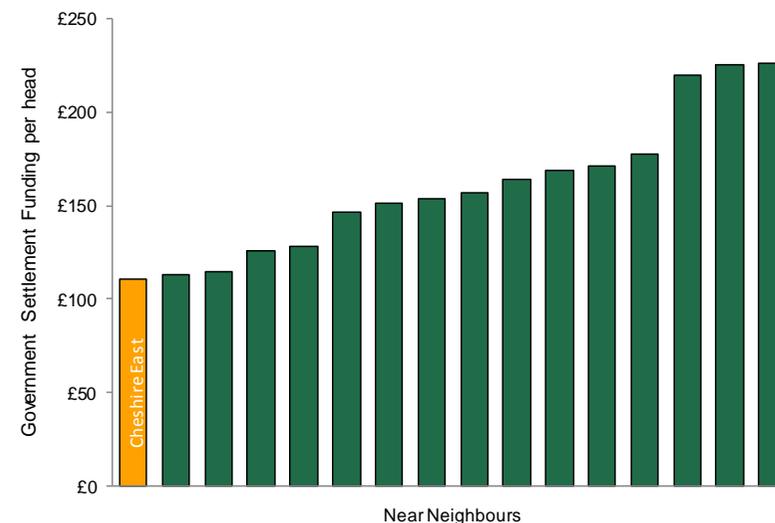
### Collection Fund

73. Receipts from council tax payers and businesses are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire Authority, Police and Crime Commissioner, Central Government and local Town and Parish Councils).
74. A predicted surplus in the Collection Fund can be drawn down to support revenue funding for the following annual budget, and vice versa in the case of a deficit. This can happen if actual changes in the taxbase vary from the predicted changes, or if collection rates exceed forecasts.
75. The estimated balance on the council tax collection fund has been forecast to be a £0.170m surplus at 31<sup>st</sup> March 2020. £0.147m of this surplus is retained by the Council and is factored in to the 2020/21 budget.
76. The year-end balance on the business rates collection fund is estimated to be a cumulative summary position of £0.06m, of which £0.03m will be payable to Cheshire East. This estimated surplus equates to 0.04% of the net rates forecast to be collected for 2019/20 (£146.2m before accounting adjustments). The Collection Fund Management earmarked reserve is used to manage surplus and deficit results.
77. The fluctuations in the business rates collection fund will continue to be managed through the earmarked reserve and use of the reserve reflects a risk based approach to future BRRS income streams.

## Funding Comparisons to similar Councils

78. Comparisons, based on available data, add context to Cheshire East's funding position. For further analysis of the Council's financial position please refer to the Council's [Value for Money](#) document.

**Chart 2: Cheshire East Council receives the lowest level of Government Settlement Funding per head compared to its Near Neighbours**



Sources: Cheshire East Finance  
CIPFA Council Tax Demands and Precept Statistics 2019/20  
Ministry for Housing, Communities and Local Government

## What is the Council doing about it?

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

### Responding to Key Consultations

80. 2019/20 has seen several consultations affecting Local Government. The Council has had the opportunity to input into the relevant responses collated by the Society of County Treasurers, Society of Unitary Treasurers and the Local Government Association (Cheshire East Council is a member

of all three) and therefore, in some cases, relied on their collective responses to make any relevant comments. The consultations that have taken place so far in 2019/20 are as follows:

- Rates Retention and Formula Grant
  - 2020-21 Local Government Finance Settlement Technical Consultation (closed October 2019)
- Education and Schools
  - SEND and AP provision (closed July 2019)
  - Clarifying the specific grant and ring-fenced status of the Dedicated Schools Grant (closed November 2019)
- Accounting and Audit
  - SeRCOP Invitation to Comment 2020/21 (closed May 2018)
  - New Code of Audit Practice from 2020 (closed May 2019)
  - CIPFA Financial Management Code Consultation (closed April 2019)
- Environmental and Rural Affairs
  - Consistency in Household and Business Recycling Collections in England (closed May 2019)
- General
  - Local Government Finance and Spending Review Enquiry (closed April 2019)

### **Membership of Collective Groups**

81. 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 Society of Unitary Treasurers
- The Sparse Rural Network
- The F40 Group

82. The Council is also continuing to make use of the Pixel Financial Management Service to assist with financial forecasts and strategy.

### **Monitoring Developments**

83. The Council is monitoring news alerts and public sector journals for any developments with the new business rates retention scheme and fairer funding review now due to be implemented from 2021/22 (postponed a year due to Brexit negotiations). Various authorities were involved in the pilot scheme to trial the 75% business rates retention scheme in 2019/20. Cheshire East applied to be part of this pilot scheme but was unsuccessful. There are no further pilot schemes planned for 2020/21.

### **Ongoing briefing with Members of Parliament**

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

## **Charges to Local Service Users**

85. 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.

86. Approximately 8% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.
87. The Cheshire East Council pricing structure has over 1,500 different charges. With the overall objective to reduce subsidy in charged for services some price rises may exceed inflation in the medium term. In such cases users are consulted and alternative service options are discussed.
88. 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 on request.

## Investment, Borrowing and the Capital Programme

89. The capital programme is ambitious, reflecting the Council's priority to promote local economic wellbeing. To support this ambition the Council actively pursues funding from private sector organisations and Government as well as attempting to maximise receipts from asset sales. Resources will be utilised accordingly to allow flexibility within the overall programme. Major highway infrastructure projects, for example, may require Council resources before capital receipts and developer contributions can be realised and therefore the funding requirement for future years will be updated as plans and funding streams are secured.
90. The Council applies an agreed Treasury Management Strategy (**Annex 12**) to ensure capital financing is affordable in the medium term. During 2017/18 the Council revised its approach to calculating the Minimum Revenue Provision

(MRP) to release revenue funding and mitigate overspending on services. Whilst within the existing policy, this consisted of a change from using the straight line to the annuity method under the Asset Life (Option 3). This will continue to deliver savings on the capital financing budget in 2020/21.

91. The capital financing budget for 2020/21 is shown in **Table 9**. This includes repayment of debt and interest payable on the Council's long-term loans. Costs are partly offset by the interest earned on the Council's investments. The Capital Financing budget remains at £12m in 2020/21 and will return to the level of £14m in 2021/22.

Table 9 - Capital Financing Budget	
	2020/21
	£m
Repayment of Outstanding Debt	11.1
Contribution from services	-2.1
Transfer from financing reserve	-1.2
Interest on Loans	5.1
Less: Interest Receivable on Cash Balances	-0.9
<b>Net Capital Financing Budget</b>	<b>12.0</b>

Source: Cheshire East Finance

92. Charges for the amount borrowed are made to the Council's income and expenditure account and, for 2019/20, comprise of the following elements:
- **For borrowing incurred prior to April 2008:** Cost is calculated at a 2% annuity rate over a 50 year period.

- **For borrowing incurred after April 2008:** Cost is calculated on an annuity basis over the anticipated life of the asset. These periods vary from five years to 50 years depending on the type of expenditure funded from the borrowing.

93. Details of the Council's Minimum Revenue Provision Policy are shown at **Annex 11**.
94. The Council currently has external borrowing of £132m of which £45m is temporary borrowing with other local authorities. The amount of interest paid on the Council's portfolio of loans is a mix of long term fixed rates of interest and low rate short term rates of interest (average 3.2%). Currently long term interest rates are around 2.8%.
95. The rate of interest to be earned on the Council's cash balances that are temporarily invested is budgeted to be £0.9m.
96. The Council sets out the approach to these issues in its Treasury Management Strategy which is set out in **Annex 12** of this report.

### Capital Programme Planning

97. The 2019/22 capital programme was approved by Council on 21<sup>st</sup> February 2019. Updates have been provided via quarterly reports to Cabinet during 2019/20.
98. The Third Quarter Review of Performance and the revised profile of spend for 2020/21 onwards forms the base for the 2020-24 programme, which is detailed in **Annex 11**.

99. Capital commitments have been reviewed to identify the profile of expenditure. There is recognition that the complexities around planning applications, public consultation and dependencies on third parties for external funding can mean that projects are delayed from one year to the next.
100. Spending plans are monitored to ensure a robust quality assurance framework is followed for each project. The governance arrangements safeguard against projects proceeding where costs may escalate beyond budgets. Potential variances from approved budgets may become subject to supplementary approval in accordance with Financial Procedure Rules. Further details on the governance arrangements for the capital programme are set out in **Annex 11**.

### Capital Programme Financing

101. The level of resources required to fund capital investment in the medium term is set out in **Table 10** and is based on the level of borrowing that the Council can undertake on a prudential basis, the level of Government grant, the level of capital receipts and external contributions that can be generated over the period.

<b>Table 10 - Capital Programme Summary</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total 2020-24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Committed Schemes	158.0	145.1	81.5	36.2	<b>420.8</b>
New Schemes	13.4	12.7	12.8	12.5	<b>51.4</b>
<b>Total Capital Programme</b>	<b>171.5</b>	<b>157.8</b>	<b>94.2</b>	<b>48.7</b>	<b>472.2</b>
<b>Financing:</b>					
Government Grants	84.9	76.6	39.0	14.1	<b>214.6</b>
External Contributions	15.2	20.9	12.8	22.7	<b>71.5</b>
Revenue Contributions	1.6	0.0	0.0	0.0	<b>1.6</b>
Capital Receipts	3.0	3.0	3.0	3.0	<b>12.0</b>
Prudential Borrowing	66.8	57.3	39.5	9.0	<b>172.5</b>
<b>Total Sources of Funding</b>	<b>171.5</b>	<b>157.8</b>	<b>94.2</b>	<b>48.7</b>	<b>472.2</b>

Source: Cheshire East Finance

102. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for £12m capital receipts for the period 2020/24 is based on a realistic approach based on the work plans of the Asset Management team and their most recently updated Disposals Programme.

103. The schemes in the Capital Programme, both existing and new proposals, have undergone a prioritisation exercise to ensure they represent value for money, attract external funding or alternatively are affordable within the capital financing budget and do not commit the Council to additional debt repayments that are not affordable in the medium term.

104. Longer term proposals are included in an addendum to the programme for planning purposes. Detailed business cases

will be developed for these schemes as precise details become known. Before work can commence, on schemes listed on the addendum, the business case will be required to provide significant certainty linked to:

- Strategic impact of the scheme
- Expenditure profiles
- Funding sources or associated return on investment

105. The schemes separately identified on the Addendum to the capital programme are still submitted for approval; subject to them meeting the above requirements in the future. At the stage where the business cases are sufficiently robust and are deemed to be affordable the Portfolio Holder for Finance, IT & Communication and the Section 151 Officer will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process. As detailed in **Table 11**:

<b>Table 11 Capital Programme ADDENDUM</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total 2020-24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Directorate</b>					
People	5.9	11.7	12.9	4.7	<b>35.2</b>
Place	40.5	50.3	36.4	66.5	<b>193.7</b>
Corporate	33.6	35.0	34.7	35.0	<b>138.3</b>
<b>Total Capital Schemes</b>	<b>80.0</b>	<b>97.0</b>	<b>84.0</b>	<b>106.2</b>	<b>367.2</b>

Source: Cheshire East Finance

## Borrowing for Capital Expenditure

106. The Council's capital investment complies 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.
107. The level of Prudential Borrowing required in 2020/21 and in future years is detailed in **Annex 11** Prudential Borrowing Indicators. The revenue consequences have been considered as part of the medium term strategy to ensure they can be afforded in future years.

## Government Capital Grants

108. **Annex 9** provides a list of Government grants that are supporting the Cheshire East capital programme.

## Other Economic Factors

109. The Council makes an assessment of its financial position over the next four years by using a model known as the financial scenario. It is based on a series of planning assumptions which were published in the Pre-Budget Consultation 2020-24 issued in November 2019, and updated through the year as more accurate forecasts become available. Allowance will be made in the 2020/21 budget for other economic factors, such as pay inflation and pay structures, review of £3.8m.
110. The Budget Report for 2020/21 reflects inflationary pressure in business rates and utility bills, but otherwise continues the theme of not including a central allowance for non-pay

inflationary pressures on the basis that this is being mitigated by effective contract management, service efficiency proposals or increased charges.

## Employer Pensions Contributions

111. The decision was made to pay past service pension deficit contributions for the three year period up to and including 2019/20 in one advance payment of £45m in April 2017. The discount available from early payment more than offset the cost of temporary borrowing where required. The forecast benefit over the three year period was around £2m which helped mitigate service costs as appropriate.
112. Future years contributions and a further one-off early contribution will be reviewed and assessed once the triannual results have been reviewed.
113. A valuation of the Cheshire Pension Fund was undertaken to determine the employer contribution rates for the Local Government Pension Scheme which comes into effect from 1<sup>st</sup> April 2020. Forecast contribution rates are unchanged from the 2019/20 rate for the next three years to reflect the improved position on the Fund.

## Managing the Reserves Position

114. The Council Reserves Strategy 2020/21 states that the Council will maintain reserves to protect against risk and support investment. The Strategy is updated each year and the latest update is provided at **Annex 14**.
115. 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 have been set aside for a specific purpose and will either be spent on that purpose or otherwise returned to General Reserves.

Further details, such as opening and closing balances and protection against financial risks, are contained within the Reserves Strategy.

## Summary of Financial Stability

116. **Table 12** summarises the position for 2020/21 to 2023/24.

<b>Table 12 - Summary position for 2020/21 to 2023/24</b>	<b>Estimated Net Budget 2020/21 £m</b>	<b>Estimated Net Budget 2021/22 £m</b>	<b>Estimated Net Budget 2022/23 £m</b>	<b>Estimated Net Budget 2023/24 £m</b>
Outcome 1	10.9	11.1	11.4	11.6
Outcome 2	5.6	5.7	5.8	5.9
Outcome 3	10.4	10.3	10.7	11.0
Outcome 4	36.2	35.6	36.7	37.4
Outcome 5	181.1	187.7	194.2	200.9
Outcome 6	44.7	46.0	47.6	49.3
<b>Total Outcomes</b>	<b>288.9</b>	<b>296.4</b>	<b>306.4</b>	<b>316.1</b>
<i>CENTRAL BUDGETS:</i>				
Capital Financing	12.0	14.0	14.0	14.0
Past Pensions Adjustment	1.8	1.8	1.8	1.8
Income from Capital Receipts	-1.0	0.0	0.0	0.0
New Homes Bonus Community Fund	0.0	1.0	0.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-0.7	-0.3	-0.1	-0.1
<b>Total Central Budgets</b>	<b>12.1</b>	<b>16.5</b>	<b>15.7</b>	<b>15.7</b>
Additional changes to balance future years	0.0	0.0	-12.2	-18.3
<b>TOTAL: SERVICE + CENTRAL BUDGETS</b>	<b>301.0</b>	<b>312.9</b>	<b>309.9</b>	<b>313.5</b>
<i>FUNDED BY:</i>				
Council Tax	-229.5	-236.4	-243.5	-250.7
Business Rate Retention Scheme	-49.8	-49.1	-49.1	-49.1
Specific Grants	-21.6	-15.2	-11.2	-9.2
Sourced from Collection Fund	-0.1	-0.1	0.0	0.0
<b>TOTAL: FUNDED BY</b>	<b>-301.0</b>	<b>-300.8</b>	<b>-303.8</b>	<b>-309.0</b>
<b>Funding Deficit</b>	<b>0.0</b>	<b>12.1</b>	<b>6.1</b>	<b>4.5</b>

117. Service expenditure for 2020/21 is shown as **£301.0m**. This represents an increase of £20.0m (7.1%) on the Budget at the [Third Quarter Review \(FINANCE\) 2019/20](#) position.
118. The Funding Available to Services in 2020/21 is estimated at **£301.0m** to give a balanced position.
119. Proposals were received in a Better Business Cases Five Case Model format, with associated Equality Impact Assessments, and were subject to detailed scrutiny by corporate enabling services through several iterations before being accepted into this budget; these business cases will be developed into the delivery phase.

## Forecasting the Medium Term Budget 2020/21 to 2023/24

120. The Council has a track record of balancing the revenue budget, spending in-line with the forecasts and maintaining adequate reserves to protect against risk and provide necessary investment, although in recent years this has proven to be a significant challenge requiring in-year mitigating activity.
121. Work with other organisations, as detailed from paragraph 79 (the “What are we doing about it?” section), will primarily aim to lengthen the planning process. The overall approach to funding is sound, and has been for some time, in that local sources such as council tax and business rates will fund a greater share of local costs in the future so a pro-growth approach is appropriate.

122. Council expenditure is forecast to continue to increase over the medium term and demand for services will continue to increase.
123. The Medium Term Financial Strategy reflects a balanced position for 2020/21 with a mix of specific policy proposals in each Service.
124. The position for the rest of the medium term presents a significant challenge as per the estimates in this document. This position will continue to be addressed during 2020/21 as changes are bedded in and cost pressures are firmed up as consultation of the Government’s approach to local authority funding are analysed and implemented.
125. Activity to balance the medium term financial position will commence early in the planning cycle. The Council adopts a standard five measures approach to balancing the budget and each measure is explored in relation to the medium term balancing of the MTFs. The measures are:

Measure	Description
Measure One ~ Challenge Financial Assumptions	Estimates related to Government funding and inflation in particular are checked against up to date indices and policies.
Measure Two ~ Review Local Taxation	Flexibility in council tax and business rates is explored in relation to emerging Government policy, demographic changes, local service ambitions and growth in the taxbase.
Measure Three ~ Manage Reserves	The impact of the Council's Reserves Strategy is analysed, particularly in relation to risk and investment.

Measure	Description
Measure Four and Five ~ Manage Cost Drivers & Income	Options for future service delivery are challenged to ensure outcomes will be achieved in a cost effective and efficient way.

## Options related to each of the five measures are set out below:

Measure	Table 13 – Forecasting the Medium Term Budget
Measure One Challenge Financial Assumptions	<ul style="list-style-type: none"> <li>• The September 2019 Spending Round (SR) set out public spending totals for the financial year 2020/21. SR2019 is unusual, though not unique (SR2013), in that it only covers spending for a single year; spending reviews generally cover multiple years. It is expected that a comprehensive multi-year spending review (CSR) will occur in 2020; however the length of CSR2020 is unconfirmed.</li> <li>• The usual overall ambition from Government is to maintain core spending over the life of the parliament in cash terms.</li> <li>• Core Spending Power includes:               <p><b>Business Rates</b></p> <ul style="list-style-type: none"> <li>- Business Rate income will rise with inflation (1.7% for September 2019), as controlled by the Government set multiplier. An above inflation increase of £0.5m for 2020/21 has been factored into the Cheshire East budget. The increase is prudent due to the ongoing significant risk associated with business rates income. No further increases above inflation have been included over the rest of the medium term due to the uncertainty around the revised business rates retention scheme.</li> <li>- The Provisional Local Government Finance Settlement in December 2017 announced the Government’s intention to increase the local share of business rates retention to 75% in 2020/21. Along with the Fairer Funding Review, this has now been delayed until 2021/22. The increased retention will be through incorporating existing grants into the scheme including the Revenue Support Grant, and potentially the Public Health Grant. The remaining 25% central share will be returned to HM Treasury and recycled back to Local Government. This may increase the level of business rates retained, but makes no actual difference in the level of core funding for the Council as tariff payments will be adjusted where retained rates exceeds grants rolled in to ensure each local authority is no better or worse off under the new arrangements. A greater share of the growth in business rates will be able to be retained after this time but will be negated to some degree at the start of the revised scheme as baseline funding levels (above which growth can be earned) are due to be fully or partially reset back to 2013/14 levels.</li> </ul> </li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
Measure One Challenge Financial Assumptions	<p><b>Revenue Support Grant (RSG)</b></p> <ul style="list-style-type: none"> <li>- RSG reduced to nil from 2019/20 for Cheshire East Council. The Government settlement continues to assume authorities can replace an element of lost grant with council tax increases. However this is a local discretion and is subject to referendum limits on base increases (decreased from 3% to 2% for 2020/21 in line with inflation levels).</li> </ul> <p><b>New Homes Bonus (NHB)</b></p> <ul style="list-style-type: none"> <li>- Increasing development in Cheshire East means NHB is expected to exceed recent expectations for 2020/21. However, this will be a one year allocation only rather than being payable for a four year period. Legacy payments will continue as planned.</li> </ul> <p><b>Specific Grants</b></p> <ul style="list-style-type: none"> <li>- These remain subject to ad-hoc information releases from Government departments. Where no information is available assumptions are used based on the reductions in general funding levels or past trends.</li> <li>- During the September 2019 Spending Round, additional funding for social care was announced and has been included in this budget either as an actual allocation for 2020/21 and then as assumed funding levels as part of the Fair Funding Review for 2021/22 onwards.</li> </ul> <p><b>Council Tax Estimates</b></p> <ul style="list-style-type: none"> <li>- Core Spending power also assumes all authorities will increase council tax in line with the maximum allowed before referendum limits. For 2020/21 this is 3.99% (including 2% ring-fenced for Adult Social Care) for all unitary authorities with responsibility for social care.</li> </ul> <p>There are indications that revisions to the way government approaches overall funding for local government, under Fairer Funding or Business Rate Retention, would focus on population, rewarding development and ignoring income from commercial activity. This could have a positive effect on Cheshire East Council in the medium to long term, but the Council cannot rely on this possibility to deliver funding for services in the short term, especially while reserves are at such a low level.</p>

Measure	Table 13 – Forecasting the Medium Term Budget
Measure Two Review Local Taxation	<p>The Council retains the opportunity to review current funding assumptions:</p> <ul style="list-style-type: none"> <li>• Council tax will rise in line with Government policy and to support Adult Social Care by the acceptance of raising a further 2% ring-fenced precept (3.99% in total).</li> <li>• Increases for later years will be reviewed annually but current assumptions are for 1.99% over the medium term which aligns with Bank of England inflation targets.</li> <li>• The Council will continue to review its taxbase in light of any further flexibility made available by legislation. The potential for development in the area, backed by the Council's continued support for economic growth, is also likely to carry on increasing the domestic and non-domestic taxbases over time.</li> <li>• The taxbase has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords, under Section 13A of the Local Government Finance Act 1992. Based on analysis of the locally determined, discretionary reduction period for landlords, it was recommended at the 19<sup>th</sup> December full Council meeting that it be reduced from six weeks to four weeks.</li> <li>• In common with most Billing Authorities, Cheshire East Council charges a council tax premium of 100% on property that has been empty for two years or more in order to encourage homes to be brought back into use. The Local Government Finance Act 1992 (amended) enables Councils to charge a premium on empty properties. The Autumn Budget 2017 allows Councils to increase the premium from 100% to 200% with effect from April 2020. Cheshire East Council will implement this change with effect from 1st April 2020.</li> <li>• Impacts from the continuation of the local council tax support (CTS) scheme will be reviewed and scrutinised during the medium term. The scheme may be amended where appropriate, but overall the ambition is to reduce claimant numbers in relation to out of work residents through the promotion of economic growth in the area. The Scheme was reviewed and consulted on during 2015 and a revised scheme was implemented from April 2016. A further review of the scheme to make it simpler to administer and easier understand for claimants has taken place during 2019/20 and the revised scheme will be introduced from 1<sup>st</sup> April 2020.</li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
	<ul style="list-style-type: none"> <li>• Increasing employment opportunities – through economic growth, resulting in fewer people relying on welfare benefits from the Council and releasing funding for further improvements.</li> <li>• As the potential benefits of investment in local infrastructure are realised local business may engage with the Council to consider the introduction of a Business Rate Supplement (BRS) to raise funds for specific local purposes. The total maximum BRS which may be levied by a levying authority is 2p per pound of rateable value and supplements are not applicable to properties with a rateable value of £50,000 or below, authorities do have the discretion to increase that threshold.</li> <li>• There is potential to work with local businesses to introduce business improvement districts for specific purposes.</li> <li>• Continued high collection rates may result in a surplus that can be released to support investment in improved services in the local area.</li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
Measure Three Manage Reserves	<ul style="list-style-type: none"> <li>• The Council adopts a rigorous approach to managing in-year expenditure. Service heads will sign off their Budget allocations to endorse accountability. In-year reporting will identify variances to budget.</li> <li>• The robustness of the proposals in the budget will improve budget management, significantly reducing the risks of unforeseen budget pressure.</li> <li>• The Reserves Strategy (see <b>Annex 14</b>) aims to maintain adequate reserve levels over the medium term, although emerging risks or opportunities may require short-term use of reserves.</li> <li>• Expenditure in 2019/20 was supported by significant drawdown of reserves, and spending in 2020/21 relies on the further use of reserves. This approach is not sustainable, and indicators provided by CIPFA have highlighted that reserve levels are already low. Work will begin early to develop a reserves strategy that looks to replenish reserves to a more appropriate level over the medium term.</li> </ul>
Measures Four and Five Manage Cost Drivers and Income	<ul style="list-style-type: none"> <li>• The Council's current proposals for change are contained within <b>Section 1</b> of the Medium Term Financial Strategy. Although the financial implications focus on 2020/21, many of these programmes will deliver further savings through to 2023/24 as highlighted by further savings figures in the later two years.</li> <li>• Some of the financial areas continually under review by budget holders and the Finance Team are: <ul style="list-style-type: none"> <li>- General pay inflation will be assumed at 2% for 2020/21 and 2% thereafter. This represents an element of expected turnover, but must be kept under review as recent impact from national living wage calculations may impact wage levels in the medium term.</li> <li>- Reviewing management control and staffing structures. Expenditure on employees' accounts for c.20% of the Council's revenue gross expenditure on services, and the reviews will look to ensure that the Council operates an effective commissioning model that focuses best fit service providers while achieving cost benefits and efficiency.</li> <li>- Ensuring Corporate back office services, which account for c.4% of the Council's net budget, continue to reflect changes that are making the Council a smaller organisation</li> <li>- Challenging discretionary services to ensure these meet priority needs, are paid for in the most effective way or are instead ceased or transferred to alternative providers.</li> <li>- Review and challenge of all Council contracts to ensure the most cost effective services are commissioned.</li> </ul> </li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
Measures Four and Five Manage Cost Drivers and Income	<ul style="list-style-type: none"> <li>• Maximising development opportunities from the increasing broadband coverage. Increasing commercial development located in Cheshire East would see returns from Business Rate Retention. For example a 1% increase in business rates would realise c.£0.4m of additional income per year under the current model for business rate retention.</li> <li>• Exploring opportunities to improve health and reduce dependency through integration of the local health programme with key partners. Net expenditure on Adult Services continues to account for c.40% of the Council's budget. This is the largest budget area so managing costs in this area is essential.</li> <li>• Engaging with voluntary, community and faith groups and local town and parish councils is essential to explore ways of transforming service delivery at a local level. Through the commissioning of services and allocation of grants many of the third sector providers are already financially engaged with Cheshire East Council which can often provide support to the 50,000 people that volunteer within the sector per annum. The third sector is a powerful economic partner, employing 2.5% of the workforce and generating an income of over £25m per annum, the vast proportion of which is invested back into our local communities and economies. Further opportunities will be explored as part of the Council's ambitions to work more collaboratively facilitating conversations between the Public Sector, Business and Industry and the third sector to maximise social value and corporate social responsibility.</li> <li>• Carrying out a further Capital Challenge to ensure the benefits of the ambitious programme are realised and that spending profiles are accurate.</li> <li>• Promoting "Digital Customer Services" approach across the Council where suitable to improve access to services, improve the customer experience and ensure services are cost effective.</li> <li>• Continuing to rationalise the Council's assets to minimise costs associated with utilities and rates and maximise receipts that can support economic growth outcomes.</li> <li>• Making sure that ways of working maximise the technology we have within the organisation and helping staff to take advantage of expertise and development opportunities that can increase productivity.</li> </ul>

***Annexes to the  
Medium Term Financial Strategy Report  
2020-24***

***February 2020***

***Working for a brighter future  together***

# 1. Corporate Plan 2017 to 2020



Source: Corporate Plan 2017-2020

\*Note: Corporate Plan is subject to review

## 2. Business Planning Process - Engagement

### Introduction

- 2.1 Cheshire East Council conducted an engagement process on its Medium Term Financial Plans through a number of stages running from November 2019 to Council in February 2020, and beyond that as proposals are implemented.
- 2.2 The [Pre-Budget Consultation](#), published on the 1<sup>st</sup> November 2019, included details of the proposals from each service area for the next four years. This report was made available to various stakeholder groups and through a number of forums.
- 2.3 Where consultation with specific stakeholder groups is required in relation to specific proposals, this is being identified as part of the proposal's High Level Business Case. Therefore, some of the proposals remain "subject to consultation", and further targeted consultation activity will be undertaken in advance of those specific proposals being implemented.
- 2.4 The Council acknowledges that such consultation activity may alter the outcome of the final proposal and mean the expected financial impact included within the budget is subject to change. The Council deals with financial risk by factoring into its minimum level of reserves an allowance for negative changes to proposals arising from consultation or delayed implementation.

### Background

- 2.5 Local authorities have a statutory duty to consult on their Budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with other stakeholder groups. The Council continues to carry out stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.
- 2.6 This analysis helps to inform the consultation process for each Budget and continues to identify additional channels of communication which are used to facilitate consultation with more of our stakeholder groups.

### Business Planning Process

- 2.7 The Business Planning Process for 2020-24 followed the standard timescale for consultation and allowed almost four months for consultation on the [Pre-Budget Consultation](#). The engagement exercise used existing meetings, as well as specific events, to provide a briefing on the Council's Priorities, Outcomes, the Budget Setting Process, and updates on progress for various stakeholder groups. It was based around the proposals that were published in the Council's [Pre-Budget Consultation](#) 2020-24, issued on 1<sup>st</sup> November 2019 and shared with [Corporate Overview and Scrutiny Committee](#) on 31<sup>st</sup> October 2019.

2.8 As part of this year’s process an internal campaign was run for a second year during July 2019 to ask staff for ideas to help “Save Us Money”. The ideas put forward as part of this campaign were considered by the relevant Head of Service and Corporate Leadership Team member and taken forward where appropriate to do so. Member engagement events were also run, as a new stage to the budget setting process. Events took place prior to publication of the budget

consultation, where all members were invited to provide input to the Council budget setting process at an early stage.

2.9 The key events are outlined in **Table 1**.

2.10 All the feedback received by the Council, including the use of an online survey, is set out in detail in **Appendix B** to The Council’s Medium Term Financial Strategy 2020-24 Report.

**Table 1 – Key Engagement Events**

Event	Date	Comments
Corporate Leadership Team Budget Sessions	15 <sup>th</sup> May 2019 29 <sup>th</sup> May 2019	Confirm potential funding deficit for 2020/21 and the process to manage it. Set out budget setting timetable. Discuss high level proposals and possible mitigating actions.
Cabinet	11 <sup>th</sup> June 2019	<a href="#">Revenue 2018/19 Outturn.</a>
Save Us Money staff campaign	July 2019	Internal campaign on Centranet and posters displayed across the Council’s buildings to encouraged saving ideas to come forward.
Joint Corporate Leadership Group and Cabinet Members Budget Sessions	23 <sup>rd</sup> July 2019 30 <sup>th</sup> September 2019	Confirm potential funding deficit for 2020/21. Debate possible change proposals. Agree funding strategy.
All Member Workshops	9 <sup>th</sup> August 2019 4 <sup>th</sup> September 2019	Budget process, pressures, Council priorities and ideas for savings

Event	Date	Comments
Spending Round 2019	4 <sup>th</sup> September 2019	Announcements from Central Government
Corporate Overview and Scrutiny Committee	3 <sup>rd</sup> October 2019	Received <a href="#">Mid-Year Review (Finance) 2019/20</a> Report.
Cabinet	8 <sup>th</sup> October 2019	Received the <a href="#">Mid-Year Review (Finance) 2019/20</a> Report.
Corporate Overview and Scrutiny Committee	31 <sup>st</sup> October 2019	Received <a href="#">Pre-Budget Consultation</a> Report.
Cheshire East Council website	1 <sup>st</sup> November 2019	<a href="#">Pre-Budget Consultation</a> placed on Council's website and Centranet to launch consultation exercise.
Third Quarter – Review Meetings	7 <sup>th</sup> November to 2 <sup>nd</sup> December 2019	Provided updated baseline spending calculations for services and potential impact on calculations proposed within the MTFS.
Team Voice	6 <sup>th</sup> November 2019	Issued to all staff and Members to headline release of <a href="#">Pre-Budget Consultation</a> .
Environment & Regeneration Overview and Scrutiny Committee	<a href="#">11<sup>th</sup> November 2019</a>	Considered <a href="#">Pre-Budget Consultation</a> (relevant budget areas).
Trades Unions	18 <sup>th</sup> November 2019	Considered <a href="#">Pre-Budget Consultation</a> .
Town and Parish Council Conference	20 <sup>th</sup> November 2019	Engagement event with local town and parish councils.
Children & Families Overview	<a href="#">25<sup>th</sup> November 2019</a>	Considered <a href="#">Pre-Budget Consultation</a> (relevant budget areas).

Event	Date	Comments
and Scrutiny Committee		
Cabinet	3 <sup>rd</sup> December 2019	Consider the <a href="#">Domestic Taxbase</a> for recommendation to Council.
South Cheshire Chamber of Commerce Business Event	6 <sup>th</sup> December 2019	Considered <a href="#">Pre-Budget Consultation</a> .
Schools Forum	12 <sup>th</sup> December 2019	Considered <a href="#">Pre-Budget Consultation</a> .
All Member Briefing	16 <sup>th</sup> December 2019	Considered <a href="#">Pre-Budget Consultation</a>
Provisional Funding announcements	20 <sup>th</sup> December 2019	From Central Government.
Council	19 <sup>th</sup> December 2019	Agree the <a href="#">Domestic Taxbase</a> .
Individual Portfolio Holders	January 2020	Review of draft Capital Programme.
Pre Budget Consultation	6 <sup>th</sup> January 2019	Pre Budget Consultation period closes.
Corporate Overview and Scrutiny Committee	9 <sup>th</sup> January 2020	Consider the <a href="#">Pre-Budget Consultation</a> document alongside feedback from other Overview and Scrutiny Committees
North Cheshire Chamber of Commerce Business Event	23 <sup>rd</sup> January 2020	Considered <a href="#">Pre-Budget Consultation</a> .
Corporate Overview and	<a href="#">3<sup>rd</sup> February 2020</a>	Received MTFS Report/Review Final Budget Proposals.

Event	Date	Comments
Scrutiny Committee		
Cabinet	4 <sup>th</sup> February 2020	Received the <a href="#">Third Quarter Review of Performance</a> Report. Consider MTFS Report and Consultation feedback and recommend proposals to Council.
Final Funding announcements	February 2020	From Central Government.
Council	20 <sup>th</sup> February 2020	Debate and approval of 2020/21 budget.

# 3. Impact Assessment

## Household Calculator

- 3.1 The 2020/21 Budget 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 to services. 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.
- 3.2 A number of assumptions must be made in relation to property sizes and service usage. The Council uses existing data to inform this process.
- 3.3 **Chart 1** below illustrates the annual impact on six typical households accessing a variety of different services if a blanket increase in line with Retail Price Index (RPI), as at November 2019, were to be applied.

**Chart 1: Households could face £27 to £98 increases in costs if simple inflation was applied to charges**



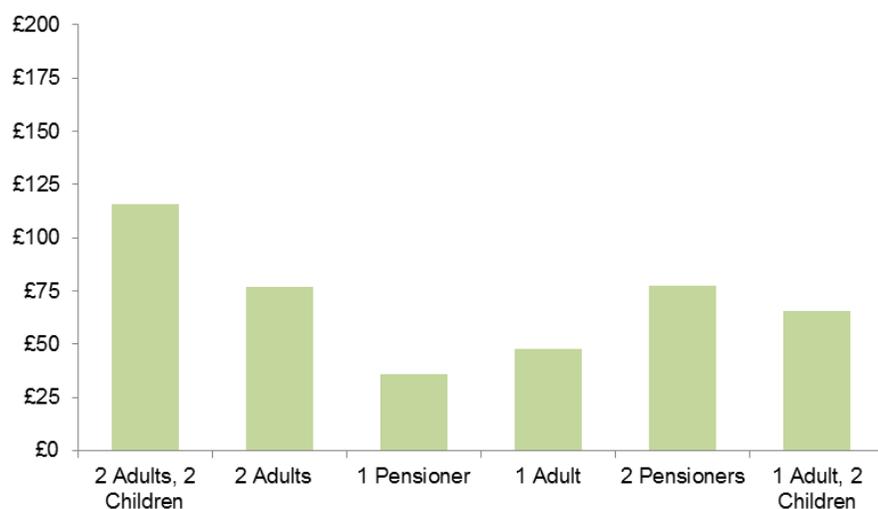
Source: Cheshire East Finance

- 3.4 Every service within the Authority is refining and updating a Charging and Trading Strategy which sets out the rationale for setting/changing fees and charges within that area.
- 3.5 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.

3.6 **Chart 2** below illustrates the anticipated annual increases per household when applied to the same variety of services.

**Chart 2: Forecast increases in costs are split appropriately across all groups**



Source: Cheshire East Finance

3.7 The anticipated average increase per household is £70. This is £12 higher than an average increase of £58 if RPI at 2.1% had been applied across all services. This is mainly due to the council tax increase of 3.99%. Fees and charges in these typical household examples are forecasted to rise by an average of £21 for 2020/21.

**Note:**

Typical households are made up as follows:

- 2 Adults with 2 Children living in a Band E property
- 2 Adults no Children living in a Band C property
- 1 Pensioner living in a Band C property
- 1 Adult (not Pensioner) living in a Band B property
- 2 Pensioners living in a Band D property
- 1 Adult with 2 Children living in a Band D property.

Each household average is based on typical use of chargeable services expected for that category such as school meals, libraries and environmental, and leisure services.

3.8 Further details on the impact on businesses, communities and the environment are shown in **Table 1** on the following pages.

3.9 As part of the Brighter Future Transformation Programme we are currently developing customer segments. This will enable us to further identify who our customer are and the services that are required.

**Table 1: Impact of the 2020/21 Budget Proposals on Businesses and the Economy**

**Typical Facts:**

- Non Domestic Rates are set by Government
- Supplementary Rates could be set by Cheshire East Council
- Businesses are liable to pay some Fees and Charges (for example licensing)



The Council takes a proactive 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.

**Economic Strategy**

A new Economic Strategy has been developed for the Borough. It is a five year plan outlining the main priorities that will support inclusive and sustainable growth across Cheshire East and delivery of the Council's Corporate Plan outcomes, particularly Outcome 2 that Cheshire East has a strong and resilient economy. For the period of this strategy by 2025 there is an ambition to grow the Cheshire East economy to at least £15 billion of gross value added (GVA) per year and to be 20% more productive than the UK average. We want Cheshire East to be a place that is attractive to a well-educated, skilled, adaptable workforce, delivers vibrant town centres and commercial spaces and offers high quality urban and rural places. However, it is acknowledged that this growth must be balanced with quality and focused on the right areas to not only improve productivity but ensure that this growth is inclusive and sustainable.

We sit in a strategically important location with a relatively strong economy and an outward looking and innovative business base, but we cannot be complacent and as a borough we need to be proactive and invest and intervene where it makes sense to:

- Protect and enhance the quality of place and environment that is so important to the character of Cheshire East, from its towns (there are already commitments to the regeneration of Crewe and Macclesfield town centres) to its rural areas, from its cultural offer to its green infrastructure and also intervene in the housing market to deliver the right houses in the right places.
- Secure investment in strategic infrastructure such as rail hub stations and major roads to enable housing and employment growth to be delivered in a sustainable manner in line with the Local Plan, capitalising on the potential growth opportunity of HS2 and improving connectivity options, efficiency and sustainability.
- Develop the workforce to provide the right skills for our economy by supporting our residents to improve their skills levels and ensuring education provision meets the demands of our employers.



- Create the right conditions for business growth with a focus on our key businesses and growth sectors through tailored support, the provision of inward investment opportunities and place marketing.
- Increase the economic contribution of the cultural and visitor economy and position Cheshire East as a visitor destination.

The Economic Strategy includes a set of strategic objectives to support the delivery of our growth ambitions which will help to direct future spending, project prioritisation and support funding bids.

### Town Centres

The Council has made significant commitments to the regeneration of Crewe town centre, acting as a catalyst for further private sector investment as the town prepares itself as a prospective HS2 station location. Over the 2019-23 period, £23.7m will be invested through the use of external funding, the Council's capital budget and the strategic use of its own land and property. By taking a mixed use approach that incorporate leisure, retail, public realm and event space, this will enhance the attractiveness of Crewe to its significantly growing resident base and increase confidence in the development and investment sectors.

The Council remains committed to the revitalisation of Macclesfield town centre. Following the approval of the Strategic Regeneration Framework for Macclesfield in October 2018, capital projects are being progressed to align with the strategy that document sets out. Key projects for 2020/21 will be the delivery of the Castle Street public realm scheme enhancing a key pedestrian street within the town's retail core. Within the MTFS there is provision for development of design work for a further phase of public realm work to be focused on Chestergate. To progress such work beyond design stage will require approval of a business case for funds from the Place Capital Addendum. Plans to reuse the Old Police Station and Butter Market are also still being progressed and will require utilisation of funds from the Investment in Heritage Assets Budget to be realised.

Work is also to be progressed over the course of the MTFS to develop Town Centre Vitality Plans for the Borough's Key Service Centres. These will identify a range of initiatives and projects which would support the revitalisation of town centres and are likely to identify projects for which capital funding may be required in future years.



### **Government sets new Business Rates multipliers for 2020/21**

- The multiplier for 2020/21 will increase by CPI (1.7% for September 2019). The provisional multipliers have been set as follows:-
  - Provisional 2020/21 Standard Multiplier at 51.2p\* in the £.
  - Provisional Small Business Multiplier 49.9p\*\* in the £.

\* Includes supplement to fund small business rate relief.

\*\* All occupied properties with a rateable value below £51,000 are charged using the lower multiplier – except for those ratepayers receiving mandatory rate relief.

### **Transitional Scheme for 2017 rating list**

- The transition scheme will continue to help businesses that would face a large increase or decrease in their rates payable following the revaluation in April 2017. Any relief under the transition scheme will be automatically calculated and will appear on rate demands.

### **Small Business Rate Relief (SBRR)**

- The Government announced in the budget in March 2016 that SBRR will permanently double.
- Properties with RV below 12,000 where the ratepayer meets the criteria will receive 100% relief and properties between 12,000 and 15,000 will receive tapered relief.
- Continuation of amended SBRR criteria to allow businesses in receipt of SBRR to keep it for one 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.



### Rural Rate Relief

Mandatory relief for rural businesses will continue at 100% for qualifying properties.

### Spring Budget Reliefs

In the Spring Budget of 2017 the Chancellor announced new reliefs for businesses affected by the revaluation of 2017. All reliefs are fully funded by the Government. Reliefs eligible in 2020/21 are:

- Supporting Small Business (SSB) – Relief for those ratepayers who have lost SBRR or rural rate relief as a result of the revaluation. This relief limits the increase in rates to £600 pa.
- Discretionary Revaluation Relief – Cheshire East Council will receive £1.3m over four years to grant relief to ratepayers who have faced an increase in rates payable as a result of the revaluation. The relief awarded as shown in the table below:

Amount of discretionary revaluation relief awarded to date				
Year 1	Year 2	Year 3	Year 4	Total
2017/18	2018/19	2019/20	2020/21	
£	£	£	£	£
742,338	359,448	143,687	-	<b>1,245,473</b>

Discretionary revaluation relief will be provided to properties with a RV of up to and including £100,000. The scheme will award all eligible ratepayers relief for the increase in rates due to the revaluation from 2016 to 2017. In most cases the relief will be awarded automatically without the need for application. State aid rules apply. The Council will review the percentage awarded for each new financial year to take account of the funding available from Central Government.



### **Retail Discount**

In the 2018 budget the Chancellor announced a new discount scheme for retail properties that have a rateable value of below £51,000. Under the scheme, eligible ratepayers will receive a one third discount of their daily chargeable amount. The discount will have effect for 2019/20 and 2020/21, state aid rules apply. Discounts totalling £2,678,304 have been awarded for 2019/20. This discount is fully funded by the Government.

### **Supplementary Business Rates**

There are no proposals for Cheshire East Council to charge supplementary rates in 2020/21.

### **Local Retention of Business Rates**

From 1<sup>st</sup> April 2013 Cheshire East Council retains c.28% of any local growth in the rates generated through increased occupancy of commercial premises subject to certain tolerances. The Medium Term Financial Strategy (**Annex 6**) sets out the Council's ambition and forecast income from promoting economic development.

### **Local Discretionary Rate Relief**

Cheshire East Council has the discretion to award rate relief to any ratepayer. 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.

### **Other measures to support local businesses with business rates**

Continuation of the option to spread business rates bills over 12 months rather than 10 months.

## Council Partners and Stakeholders

For Example: Town and Parish Councils, Health, Fire, Police, Schools, Colleges, Universities, Community, Voluntary and Faith Organisations, Housing Providers, Community Partnerships working across themes and places to overcome challenges.



A range of Council staff, partner agency staff and local residents coming together to support a local project (GoodGym) to promote physical exercise and build local relationships (above).

A Multi-faith conference focusing on working together to overcome social isolation (below).



The Council is continuously developing relationships across the sub-region, the borough and within local communities. We recognise working with a range of partners on a particular topic or within a particular geographical footprint is best practice to achieve most effective outcomes for our residents.

The Council is keen to build on existing relationships and always seek opportunities to develop new relationships to achieve a range of shared priorities.

The Council takes the health and wellbeing of local residents very seriously and encourages collaboration with partner organisations and local people to ensure Cheshire East is a great place to live, work or visit.

Some of the mechanisms that have been created to impact on strategic and local priorities are as follows:

- **Public Sector Transformation Board:** The vision is to support the Sub-region's ambition for sustainable and inclusive growth by tackling issues that prevent growth through a cross partner approach, focusing on health and wellbeing related cross cutting priorities across Cheshire and Warrington.
- **Social Corporate Responsibility:** Working with Business and Industry within the borough to support local organisations, places and people and channeling the resources the private sector are willing to offer into targeted areas of need will provide a shared sense of community development across the Public and Private sector.
- **Social Action Partnership:** The commissioning of a Voluntary, Community and Faith sector infrastructure organisation to focus on partnership working and building relationships will reduce competitive organisational silo working.
- **Care Communities:** Health and Local authority professionals working collaboratively to provide a range of integrated Health and Social Care services within eight Care Communities across Cheshire East.

Cheshire East Council My Bright Idea Fund to allow local people to apply to resolve local priorities (below).



- **Town Councils:** The funding of Cheshire Association of Local Councils to support the relationships and strong communication between Cheshire East Council and Town and Parish Council can provide consistent approaches to local communities.
- **Neighbourhood Partnerships:** The development of 15 place based Neighbourhood Partnerships brings together a range of partners including the Voluntary, Community and Faith sector, Public sector, Private sector and local residents to understand local priorities based on accessible data and local intelligence. As a partnership they collaboratively create and tailor projects to suit the communities needs building on existing assets.
- **Connected Communities Centres:** by recognising our key partners that have accessible venues in our communities, we have developed a social franchise model to host a range of activities and support local residents. Each of the 30 centres delivers services tailored to their community, from coffee mornings, computer classes and line dancing, to learning a language, sharing a problem and offering space and support for local residents to turn their interests and passions into a group or activity that will benefit their wider community.
- **Local Residents:** Local people are Cheshire East Councils key stakeholders. We work to consult and engage on various issues and changes the Council make across the borough. One example of how we encourage our communities to remain strong and supportive is the availability of the Cheshire East Bright Idea fund which allows the Voluntary, Community and Faith sector as well as local people to apply for funding to improve their local community.

## The Local Environment



In May of 2019, the Council committed to be carbon neutral by 2025, and to work to encourage businesses, residents and organisations in Cheshire East to reduce their carbon footprint, by reducing energy consumption and promoting healthy lifestyles. Over the coming year the Council will formally adopt a new Environment Strategy and Carbon Action Plan which sets out the Councils' policy on the Environment and how it will achieve carbon neutrality by 2025 and influence carbon reduction across the borough.

Since 2010 the Council has reduced its carbon emissions by 55% but recognises there is still much work to do to achieve carbon neutrality. We are committed to address this remaining carbon footprint by 2025 and to influence the wider borough. This will be achieved through further Council carbon reduction measures, sustainable energy production and carbon offset through locally focused environmental schemes such as large-scale tree planting sequestration (long term removal of carbon from the atmosphere). In doing so we seek to work in partnership with business and communities to influence carbon reduction together for the whole of the borough.



## 4. Workforce Strategy

### Working for a Brighter Future – Together

- 4.1 We are living and working in a world where residents and communities have high expectations of both business and public services.
- 4.2 Providing high quality services is increasingly challenging for public services where there is a need to respond to both increasing demand on services and increasing financial challenges.
- 4.3 As the climate within which our people operate is more difficult, it is the priority to support them to meet the needs of residents by improving the deal for our employees. Following a period of in-depth engagement activity with all our people, the new Vision, Employee Deal, Values and Behaviours were launched in July 2018.
- 4.4 Between 2018 and 2020 a programme of work to embed the new approach will run ensuring that our employees are valued and have the skills and support to provide the high quality services required.

### Workforce Plan 2018-20

- 4.5 Putting the right people in the right places at the right times is at the heart of the Council's success. To deliver the Council's ambitious plans within the context of the Vision and Employee

Deal, three priority areas come together to form the Council's Workforce Plan:

- **Our Culture – establishing and enabling our workplace vision**
- **Our organisational development and delivery**
- **Our employee experience**

### Workforce, Pay and Pensions

- 4.6 From the 1<sup>st</sup> April 2019 the lowest paid employee in CEC will receive £9.00 per hour which exceeds the National Living Wage and will going forward be increased accordingly above this level in line with future national pay awards. The Council will monitor going forward its position against the National Living Wage and take any appropriate action necessary at that time.
- 4.7 In relation to the national pay claims for 2020/21 the unions have submitted their claims for national employer's consideration. The claims submitted are well above the 2% award in 2019/20, however in line with the vast majority of Councils in the North West, Cheshire East Council is making an assumption of a 2% increase in pay. The National Employers have stated that they will not consider the claims submitted until after the General Election result is known.
- 4.8 As a result of the 2018-20 pay awards there were some changes implemented to the pay structure which involved the Council moving staff from the old Cheshire East Council pay structure onto the new NJC pay structure, with an additional

two incremental points at 44 and 45 being added to the pay spine. This was implemented as a transitional structure and it has been agreed that further work will be undertaken with the Trade Unions. The Council is currently planning to update both its current NJC and JNC pay structures to remedy some anomalies that have resulted. Work is due to commence on developing new pay structure proposals that will improve the interface between both structures and where appropriate review some employees terms and conditions of service including removing performance related pay. This will again be subject to appropriate consultation and a cabinet decision.

4.9 Through the Finance Act (2017), the payment of an apprenticeship levy became a statutory requirement in April 2017 and both the levy and apprenticeship new starts target are ongoing annually. The Council's liability remains at 0.5% of the pay bill which is forecast to be approximately £0.7m per year.

4.10 Based on current headcount, the 2.3% of the workforce to be made up of apprentices is estimated to be 167 apprenticeship new starts for the Council each year, including ASDVs and maintained schools. Increasing the number of new apprentices to the organisation will increase salary costs as will releasing existing staff to undertake the off the job training required for an apprenticeship.

4.11 A valuation of the Cheshire Pension Fund was undertaken to determine the employer contribution rates for the Local Government Pension Scheme which will come into effect from 1<sup>st</sup> April 2020. Forecast contribution rates will see no increase in employee costs for 2020/21.

4.12 Headcount and Full Time Equivalents (FTEs) have reduced steadily since Cheshire East Council was formed, following Local Government Reorganisation in 2009.

Date	Headcount	% change from previous year	FTE	% change from previous year
30-Apr-09	6,522	n/a	4,891.5	n/a
30-Apr-10	6,155	-5.63	4,582.8	-6.31
30-Apr-11	5,860	-4.79	4,385.4	-4.31
30-Apr-12	5,449	-7.01	4,080.2	-6.96
30-Apr-13	5,103	-6.35	3,880.7	-4.89
30-Apr-14	4,403	-13.72	3,232.7	-16.70
30-Apr-15	3,812	-13.42	2,883.5	-10.80
30-Apr-16	3,763	-1.29	2,891.7	0.28
30-Apr-17	3,623	-3.72	2,835.3	-1.95
30-Apr-18	3,587	-0.99	2,824.5	-0.38
30-Apr-19	3,556	-0.86	2,767.5	-2.02
30-Sep-18	3,580	-0.20	2,771.0	-1.89
30-Sep-19	<b>3,593</b>	+0.36*	<b>2,801.0</b>	+1.08*

\* As compared to September 2018

<b>Workforce</b> <i>Increasing productivity through workforce planning whilst meeting our statutory obligations regarding pay inflation and ensuring non-essential staff travel and supplies are minimised.</i>	2020/21 £m*	2021/22 £m*	2022/23 £m*	2023/24 £m*
<b>Pay Inflationary Increases and Pay Structure Review (Revenue Investment) [53]</b>  This proposal covers increases in employee related costs over the medium term. It includes spinal point incremental increases for eligible staff, annual nationally negotiated pay awards, holiday pay, living wage increases and new pay structure changes to both NJC and JNC existing structures and any resulting changes to some employees terms and conditions including the removal of performance related pay.  An element of the increases will be offset by vacancy provisions therefore an overall increase of 2% on pay budgets has been provided for in each year. There are no forecast increases in pension contributions over the medium term.				
<b>PEOPLE</b>	<b>+1.640</b>	<b>+3.019</b>	<b>+4.426</b>	<b>+5.860</b>
<b>PLACE</b>	<b>+1.188</b>	<b>+2.324</b>	<b>+3.491</b>	<b>+4.681</b>
<b>CORPORATE</b>	<b>+1.001</b>	<b>+1.573</b>	<b>+2.368</b>	<b>+3.167</b>
<i>Impact on Cross Service Budget =</i>	<b>+3.829</b>	<b>+6.916</b>	<b>+10.285</b>	<b>+13.708</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a> . Values are not cumulative				

<b>Workforce</b> <i>Increasing productivity through workforce planning whilst meeting our statutory obligations regarding pay inflation and ensuring non-essential staff travel and supplies are minimised.</i>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>	<b>2022/23</b> <b>£m*</b>	<b>2023/24</b> <b>£m*</b>
<b>Mutually Agreed Resignation Scheme 2020/21 (Revenue Savings) [54]</b>  <p>The MARS scheme, allows staff to voluntarily leave their posts through mutual agreement, with a one-off payment dependent upon their length of service. Savings have been achieved in 2018/19 and 2019/20. The reduction in costs, from staff leaving under the 2019/20 scheme allows savings of £250,000 to be included in the 2020/21 budget, without the requirement to run the scheme again. No increase in savings from the MARS scheme will be included in the MTFS until the scheme has been reviewed. Following the review further savings targets may be included as appropriate.</p> <p style="text-align: right;"><i>Impact on Cross Service Budget =</i></p>	<b>-0.250</b>	<b>-0.250</b>	<b>-0.250</b>	<b>-0.250</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2019/20</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>				

## 5. Risk Management

- 5.1 The Council continues to implement and embed an effective risk management framework and appropriate risk appetite to ensure that it is better placed to manage its performance; achieve its corporate objectives; and provide an enhanced level of service and outcomes to the community. Risk management is a key principle of effective corporate governance, and operating within the framework ensures that there is a mechanism in place to support effective decision making and appropriate risk responses.
- 5.2 Cheshire East recognises that in pursuit of its objectives and outcomes that it may choose to accept an increased degree of risk. Where the Council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood before developments are authorised, that it has sufficient risk capacity and that sensible measures to mitigate risk are established.
- 5.3 In this constantly evolving environment, with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, demographic and social changes, it is possible for managers and decision makers to miss risks that may arise suddenly or unexpectedly. The Council uses its risk management framework to help protect against this and the Corporate Leadership Team and Cabinet regularly review the Council's corporate risks and give assurance on the effectiveness of risk management through the Council's Audit and Governance Committee.
- 5.4 The highest rated risks on the Council's corporate risk register are around shifting costs for both the Council and its key partners and suppliers, and increased demand, which places additional strain on the Council's capacity, resources and its financial resilience.
- 5.5 At a strategic level, the Corporate Leadership Team and Cabinet are included as part of the process to review existing and dying risks and to identify new and emerging risks. Operationally risk management is integrated into service planning and decision making to ensure that:
- Risks are recognised and responded to appropriately throughout business management and decision making lifecycles.
  - Risk activity is focused on the delivery of key organisational objectives.
  - Risk registers are critically examined and refreshed throughout the year.
- 5.6 A risk around financial resilience is included as a corporate risk and general reserves are focused on the Council's potential exposure to risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose.

## 6. Business Rates – Forecasting over the medium term

- 6.1 The Government introduced the business rates retention scheme on 1<sup>st</sup> April 2013. There has been much uncertainty around the scheme as a result of appeals to the local list. This has resulted in the need to create and build upon a specific earmarked reserve and provision for appeals to protect against large fluctuations in any given year. This Annex provides an illustration of how the scheme has worked over time and what changes are likely over the medium term including estimates of future income.
- 6.2 The basic concept is that a baseline position is established and an element of growth over and above that can be retained. Central Government set the baseline over which growth is measured but the Council can budget on locally set figures. This can be informed by the NNDR1 form which contains estimates that must be provided to Government at the end of January each year.
- 6.3 As part of the last four budget cycles, growth estimates above baseline were calculated and the taxbase has been monitored to assess the robustness of those estimates. This has proved to be reasonably accurate so for 2020/21 the methodology is continuing to be used to estimate growth and this income has been included in the funding assumptions contained within this document. The methodology has been set out below.
- 6.4 For 2019/20 the NNDR1 return is forecasting retained rates of £2.6m above the funding baseline (of £41.9m) giving a contribution to the revenue budget of £44.4m. This budget above the baseline is accounting for the growth projections since the start of the BRRS plus levy savings that were forecast as part of the 2019-22 Medium Term Financial Strategy report.
- 6.5 Business rates compensation grants, payable by Central Government, for any new exemptions or discounts granted since the baseline funding levels were set back in April 2013 are also being used in part to support the revenue budget in 2019/20 which takes the total business rates income to £48.0m.
- 6.6 The use of the Collection Fund Management Earmarked Reserve, to hold differences between the NNDR1 and the outturn position, continues to provide an element of protection against future risks.

### Available Data

- 6.7 The Council has gathered information from several sources to judge likely levels of economic growth including:
- Information from the business engagement team.
  - Data from the Council's planning system.
  - Data from the team working to generate capital receipts.
  - Data from the Revenues collection service in terms of appeals and expected growth.
  - Data from the valuation office.
  - Financial Strategy & Reporting knowledge of the BRRS calculations.

## Method

- 6.8 This available data has been reviewed to generate broad estimates of the potential increase in Rateable Value (RV) over the medium term.
- 6.9 An allowance has been made for the average impact of timing delays, on appeals, on other RV nearby (displacement) and likely loss of RV where appropriate.
- 6.10 The end result has been converted to business rates and processed via a BRRS model developed and maintained by Strategy Finance.
- 6.11 This model also takes account of any impact of pooling.

## Results

- 6.12 **Table 1** sets out the results.
- 6.13 Retained rates income forecast from growth in the taxbase for 2020/21 is forecast to be £2.28m. After the central share and levy payments have been made it results in a net increase for Cheshire East of £0.91m as per **Table 1**.
- 6.14 The mix of data sources and balance of results provides a good indication that this methodology is maintaining a reliable baseline for future estimates in this area. Therefore, the prudent estimate of £0.5m growth for 2020/21 has been factored in.

- 6.15 Further estimates of growth from 2021/22 have not yet been included in the forecast funding position due to the revised business rates retention scheme that is due to be implemented from April 2021. This will be reviewed further as the design of the new system is fully understood.

Business Type	2020/21 £m	2021/22 £m	2022/23 £m	
Offices	0.98	0.00	0.00	0.00
Manufacturing	0.64	0.00	0.00	0.00
Retail	0.31	1.53	1.17	1.17
Industrial	0.26	0.00	0.00	0.00
Leisure	0.09	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
<b>Total Net Growth</b>	<b>2.28</b>	<b>1.53</b>	<b>1.17</b>	

<b>Total Retention for Cheshire East</b>	<b>0.91</b>	<b>0.61</b>	<b>0.47</b>
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Source: Cheshire East Finance

## 7. The Budget Setting Process

Set Parameters	Gather Evidence	Consult and Refine	Approve																																																																														
Apr to May 2019	June to Oct 2019	Nov 2019 to Jan 2020	Feb 2020																																																																														
<p>Assumptions reported to Cabinet / Council in Feb 2019</p> <table border="1"> <thead> <tr> <th>Revenue Budget 2019/20</th> <th>£m</th> <th></th> </tr> </thead> <tbody> <tr> <td>Cost of services</td> <td>293.4</td> <td>➡</td> </tr> <tr> <td>Local Taxation</td> <td>-271.2</td> <td>➡</td> </tr> <tr> <td>Government Funding</td> <td>-11.2</td> <td>➡</td> </tr> <tr> <td>Council Tax Collection Fund</td> <td>0.0</td> <td>➡</td> </tr> <tr> <td><b>Total</b></td> <td><b>11.0</b></td> <td></td> </tr> </tbody> </table>	Revenue Budget 2019/20	£m		Cost of services	293.4	➡	Local Taxation	-271.2	➡	Government Funding	-11.2	➡	Council Tax Collection Fund	0.0	➡	<b>Total</b>	<b>11.0</b>		<p>Develop Pre Budget Consultation to close the gap</p> <table border="1"> <thead> <tr> <th>Review Assumptions</th> <th>£m</th> <th></th> </tr> </thead> <tbody> <tr> <td>Additional net growth pressures forecast</td> <td>6.4</td> <td>➡</td> </tr> <tr> <td>Council Tax Increase from 1.99% to 3.99%</td> <td>-4.3</td> <td>➡</td> </tr> <tr> <td>Further Local Tax Base Increases</td> <td>-3.2</td> <td>➡</td> </tr> <tr> <td>Social Care Grants announcements (SR 2019)</td> <td>-7.6</td> <td>➡</td> </tr> <tr> <td>Other Grant Changes</td> <td>-2.3</td> <td>➡</td> </tr> <tr> <td>Council Tax Collection Fund</td> <td>0.0</td> <td>➡</td> </tr> <tr> <td><b>Total</b></td> <td><b>-11.0</b></td> <td></td> </tr> </tbody> </table>	Review Assumptions	£m		Additional net growth pressures forecast	6.4	➡	Council Tax Increase from 1.99% to 3.99%	-4.3	➡	Further Local Tax Base Increases	-3.2	➡	Social Care Grants announcements (SR 2019)	-7.6	➡	Other Grant Changes	-2.3	➡	Council Tax Collection Fund	0.0	➡	<b>Total</b>	<b>-11.0</b>		<p>Changes Post Pre Budget Consultation</p> <table border="1"> <thead> <tr> <th>Confirm Proposals</th> <th>£m</th> <th></th> </tr> </thead> <tbody> <tr> <td>Additional net growth pressures forecast</td> <td>2.5</td> <td>➡</td> </tr> <tr> <td>Change in use of Earmarked reserves</td> <td>-1.4</td> <td>➡</td> </tr> <tr> <td>New Homes Bonus refinement following provisional settlement</td> <td>-0.4</td> <td>➡</td> </tr> <tr> <td>Business Rates baseline refinement following provisional settlement</td> <td>0.1</td> <td>➡</td> </tr> <tr> <td>Business rates additional use of S31 compensation grants</td> <td>-0.7</td> <td>➡</td> </tr> <tr> <td>Council Tax Collection Fund</td> <td>-0.1</td> <td>➡</td> </tr> <tr> <td><b>Total</b></td> <td><b>0.0</b></td> <td></td> </tr> </tbody> </table>	Confirm Proposals	£m		Additional net growth pressures forecast	2.5	➡	Change in use of Earmarked reserves	-1.4	➡	New Homes Bonus refinement following provisional settlement	-0.4	➡	Business Rates baseline refinement following provisional settlement	0.1	➡	Business rates additional use of S31 compensation grants	-0.7	➡	Council Tax Collection Fund	-0.1	➡	<b>Total</b>	<b>0.0</b>		<p>Medium Term Financial Strategy</p> <table border="1"> <thead> <tr> <th>Budget Report</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Cost of services</td> <td>301.0</td> </tr> <tr> <td>Local Taxation</td> <td>-279.3</td> </tr> <tr> <td>Government Funding</td> <td>-21.6</td> </tr> <tr> <td>Council Tax Collection Fund</td> <td>-0.1</td> </tr> <tr> <td><b>Total</b></td> <td><b>0.0</b></td> </tr> </tbody> </table>	Budget Report	£m	Cost of services	301.0	Local Taxation	-279.3	Government Funding	-21.6	Council Tax Collection Fund	-0.1	<b>Total</b>	<b>0.0</b>
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## 8. Revenue Grant Funding

Corporate Grants Register 2020-24	Revised Budget 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
<b>SPECIFIC USE (Held within Services)</b>					
<b>People</b>					
<b>Schools</b>					
Dedicated Schools Grant	273,890	289,439	289,439	289,439	289,439
Less Academy Recoupment	143,294	150,459	157,982	165,881	174,175
Dedicated Schools Grant (Cheshire East)	130,596	138,980	131,457	123,558	115,264
Pupil Premium Grant (maintained schools only)	4,480	4,480	4,480	4,480	4,480
Year 7 Catch-up	70	70	70	70	70
Sixth Forms Grant (maintained schools only)	2,371	2,195	2,195	2,195	2,195
Universal Infant Free School Meals	2,070	1,957	1,957	1,957	1,957
Primary Physical Education Sports Grant	1,154	1,138	1,138	1,138	1,138
Free School Meals (FSM) Supplementary Grant	133	124	124	124	124
Teachers Pay Grant	908	908	908	908	908
Teachers Pension Grant	1,750	1,750	1,750	1,750	1,750
School Improvement Monitoring and Brokering Grant	264	264	264	264	264
Milk Subsidy	21	21	21	21	21
<b>Total Schools</b>	<b>143,817</b>	<b>151,887</b>	<b>144,364</b>	<b>136,465</b>	<b>128,171</b>
Children and Families	2,340	1,759	1,759	1,759	1,759
Adult Social Care and Health <sup>(1)</sup>	12,690	12,637	4,152	4,125	4,125
Public Health	15,967	15,967	15,967	15,967	15,967
Public Sector Transformation	410	0	0	0	0
<b>Total People</b>	<b>175,224</b>	<b>182,250</b>	<b>166,242</b>	<b>158,316</b>	<b>150,022</b>

<b>Corporate Grants Register 2020-24</b>	<b>Revised Budget 2019/20 £000</b>	<b>Forecast 2020/21 £000</b>	<b>Forecast 2021/22 £000</b>	<b>Forecast 2022/23 £000</b>	<b>Forecast 2023/24 £000</b>
<b>Place</b>					
Growth and Enterprise	652	263	0	0	0
Environment and Neighbourhood Services Directorate	4	0	0	0	0
	819	787	787	787	787
<b>Total Place</b>	<b>1,475</b>	<b>1,050</b>	<b>787</b>	<b>787</b>	<b>787</b>
<b>Corporate</b>					
Customer Operations	59,329	49,878	42,511	36,248	30,925
<b>Total Corporate</b>	<b>59,329</b>	<b>49,878</b>	<b>42,511</b>	<b>36,248</b>	<b>30,925</b>
<b>TOTAL SPECIFIC USE</b>	<b>236,028</b>	<b>233,178</b>	<b>209,540</b>	<b>195,351</b>	<b>181,734</b>

Corporate Grants Register 2020-24	Revised Budget 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
<b>GENERAL PURPOSE (Held Corporately)</b>					
<b>PEOPLE - Children and Families</b>					
Troubled Families (including Coordinator)	0	0	0	0	0
Staying Put Implementation Grant	117	0	0	0	0
Extended Rights to Free Transport	162	0	0	0	0
Extended Personal Adviser Duty Implementation	28	0	0	0	0
Extension of the role of Virtual School Heads	61	0	0	0	0
<b>PEOPLE - Adult Social Care and Independent Living</b>					
Social Care Support Grant	2,478	7,616	7,616	7,616	7,616
Independent Living Fund	861	818	818	0	0
Local Reform and Community Voices	207	207	207	0	0
Social Care in Prisons	73	73	73	0	0
War Pension Scheme Disregard	60	60	60	0	0
Controlling Migration Fund	21	0	0	0	0
<b>PLACE</b>					
Lead Local Flood Authorities	16	0	0	0	0
Neighbourhood Planning Grant for Local Planning Authorities	80	0	0	0	0
Homelessness Reduction Act - new burdens	47	0	0	0	0
Tobacco Products Directive and Age of Sale Grant	3	0	0	0	0

<b>Corporate Grants Register 2020-24</b>	<b>Revised Budget 2019/20 £000</b>	<b>Forecast 2020/21 £000</b>	<b>Forecast 2021/22 £000</b>	<b>Forecast 2022/23 £000</b>	<b>Forecast 2023/24 £000</b>
<b>CORPORATE - Customer Operations</b>					
Housing and Council Tax Benefit Administration	1,027	1,027	1,027	1,027	1,027
NNDR Administration Grant	571	571	571	571	571
<b>CORPORATE</b>					
New Homes Bonus	9,327	11,193	4,812	2,028	0
Individual Electoral Registration 2019/20	142	0	0	0	0
Local Authority EU Exit Preparation	210	0	0	0	0
Retail Discount	9	0	0	0	0
<b>CENTRAL ITEMS</b>					
Business Rates Additional Growth Pilot for 2017/18	148	0	0	0	0
Business Rates Relief: Additional Growth Pilot for 2019/20	15	0	0	0	0
Business Rates 2019/20 Tax Loss Compensation Payment	8,414	0	0	0	0
<b>TOTAL GENERAL PURPOSE</b>	<b>24,077</b>	<b>21,565</b>	<b>15,184</b>	<b>11,242</b>	<b>9,214</b>
<b>TOTAL GRANT FUNDING</b>	<b>260,105</b>	<b>254,743</b>	<b>224,724</b>	<b>206,593</b>	<b>190,948</b>

(1) In respect of Private Finance Initiatives, Cheshire East Council are currently reflecting the total PFI grant monies received, even though Beechmere Extra Care Housing building, which was destroyed in a fire, no longer stands. No agreement has been reached with the HM Treasury on any possible reduction of grant income and Cheshire East Council continues to pay the full amount of invoices to Advantage. Any decision will be dependent on the outcome of the fire investigation.

## 9. Capital Grant Funding

	Expected Receipt 2020/21 £000	Application of Grants in 2020/21 £000	Expected Receipt 2021/22 £000	Application of Grants in 2021/22 £000	Expected Receipt 2022/23 £000	Application of Grants in 2022/23 £000	Expected Receipt 2023/24 £000	Application of Grants in 2023/24 £000
<b>SPECIFIC PURPOSE (Held Corporately)</b>								
<b>PEOPLE</b>								
<b>Education and 14-19 Skills</b>								
Short Breaks for Disabled Children Grant - 2016/17	0	4	0	0	0	0	0	0
Healthy Pupils Grant 2018/19	0	17	0	0	0	0	0	0
Early Years Sufficiency Fund - 2018/19	0	232	0	58	0	0	0	0
Special Provision Fund	0	843	0	0	0	0	0	0
School Condition Grant	1,816	2,037	1,560	1,600	1,560	1,560	1,560	1,560
Devolved Formula Capital Grant	400	988	390	537	389	389	385	385
Basic Need Grant	0	13,888	8,921	9,045	0	0	0	0
<b>TOTAL PEOPLE</b>	<b>2,216</b>	<b>18,009</b>	<b>10,871</b>	<b>11,240</b>	<b>1,949</b>	<b>1,949</b>	<b>1,945</b>	<b>1,945</b>
<b>PLACE</b>								
<b>Growth and Enterprise</b>								
Connecting Cheshire Digital 2020 - Super Fast Broadband	1,638	1,638	3,376	3,376	831	831	0	0
Local Growth Fund - Crewe Town Centre Regeneration	1,678	1,678	136	136	20	20	0	0
Disabled Facilities Grant	2,065	2,065	2,065	2,065	2,065	2,065	0	0
Department of Transport - Macclesfield Town Centre	0	5	0	0	0	0	0	0
Homes England Grant - North Cheshire Garden Village	0	0	10,895	10,895	6,525	6,525	0	0
PROW CMM A6 MARR	0	98	0	0	0	0	0	0
Schools Capital Maintenance	0	120	0	0	0	0	0	0
Homes England Grant - South Macclesfield Development Area	0	0	10,000	10,000	0	0	0	0
Warm Homes Fund	205	205	0	0	0	0	0	0

	Expected Receipt 2020/21 £000	Application of Grants in 2020/21 £000	Expected Receipt 2021/22 £000	Application of Grants in 2021/22 £000	Expected Receipt 2022/23 £000	Application of Grants in 2022/23 £000	Expected Receipt 2023/24 £000	Application of Grants in 2023/24 £000
<b>Infrastructure and Highways</b>								
Department for Transport S31 Grant - Congleton Relief Road	0	8,903	0	0	0	0	0	0
National Productivity Investment Fund (NPIF) - Flower Pot Junction, Macclesfield	1,464	2,904	0	0	0	0	0	0
Department of Transport Incentive Fund	1,751	1,751	1,751	1,751	1,751	1,751	1,751	1,751
Department of Transport Integrated Transport Grant	1,987	2,453	1,987	2,205	1,987	1,987	1,987	1,987
Department of Transport Maintenance Grant	8,409	8,409	8,409	8,409	8,409	8,409	8,409	8,409
Department of Transport S31 Grant - Middlewich Eastern Bypass	7,449	7,449	22,207	22,207	15,364	15,364	0	0
National Productivity Investment Fund (NPIF) - North West Crewe Spine Road Project	10,025	11,576	0	0	0	0	0	0
Local Growth Fund - Poynton Relief Road	13,290	13,290	4,009	4,009	0	0	0	0
Department for Transport - Safer Road Fund A532	0	978	0	0	0	0	0	0
Department for Transport - Safer Road Fund A536	0	1,656	0	331	0	83	0	0
Local Growth Fund - Sustainable Travel Access Programme	1,701	1,701	0	0	0	0	0	0
<b>TOTAL PLACE</b>	<b>51,662</b>	<b>66,879</b>	<b>64,835</b>	<b>65,384</b>	<b>36,952</b>	<b>37,035</b>	<b>12,147</b>	<b>12,147</b>
<b>TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING</b>	<b>53,878</b>	<b>84,888</b>	<b>75,706</b>	<b>76,624</b>	<b>38,901</b>	<b>38,984</b>	<b>14,092</b>	<b>14,092</b>

## 10. Financial Summary Tables (Revenue)

The 2019/20 Budget, shown as the starting point for the following tables, takes account of any permanent changes made during the 2019/20 financial year to date. There may be differences from the budget position at the [Third Quarter](#) Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

	Current Net Budget 2019/20 at Third Quarter Review £000	Less Temporary Specific Grant Allocations £000	Less Other Temporary In Year Budget Adjustments £000	Permanent Base Budget Carried Forward to 2020/21 £000
<b>PEOPLE</b>				
Directorate	884	-	-	884
Adult Social Care Operations	24,780	-	-	24,780
Children's Social Care	37,119	(145)	(17)	36,957
Commissioning	85,124	(24)	(104)	84,996
Education & 14-19 Skills	14,469	(222)	(24)	14,223
Prevention & Early Help	8,056	-	(40)	8,016
Public Health	-	-	-	-
Public Sector Transformation	-	-	-	-
	<u>170,432</u>	<u>(391)</u>	<u>(185)</u>	<u>169,856</u>
<b>PLACE</b>				
Directorate	663	-	-	663
Environment & Neighbourhood Services	39,454	(123)	29	39,360
Growth & Enterprise	20,533	(72)	(72)	20,389
Highways & Infrastructure	12,255	-	(104)	12,151
	<u>72,905</u>	<u>(195)</u>	<u>(147)</u>	<u>72,563</u>
<b>CORPORATE</b>				
Directorate	777	-	-	777
Finance & Customer Services	7,576	(9)	(62)	7,505
Governance and Compliance Services	9,997	(343)	(159)	9,495
Transformation	12,047	(79)	553	12,521
	<u>30,397</u>	<u>(431)</u>	<u>332</u>	<u>30,298</u>
<b>TOTAL SERVICE BUDGET</b>	<b>273,734</b>	<b>(1,017)</b>	<b>-</b>	<b>272,717</b>

	Current Net Budget 2019/20 at Third Quarter Review £000	Less Temporary Specific Grant Allocations £000	Less Other Temporary In Year Budget Adjustments £000	Permanent Base Budget Carried Forward to 2020/21 £000
<b>CENTRAL BUDGETS</b>				
Capital Financing	12,000	-	-	12,000
Corporate Contributions	(837)	-	-	(837)
Contribution to / from Reserves	(2,897)	-	-	(2,897)
	8,266	-	-	8,266
<b>TOTAL BUDGET</b>	<b>282,000</b>	<b>(1,017)</b>	<b>-</b>	<b>280,983</b>
<b>CENTRAL BUDGETS FUNDING</b>				
Business Rates Retention Scheme	(47,977)	-	-	(47,977)
Specific Grants	(15,684)	1,017	-	(14,667)
Council Tax	(216,243)	-	-	(216,243)
Sourced from Collection Fund	(2,096)	-	-	(2,096)
<b>TOTAL CENTRAL BUDGETS FUNDING</b>	<b>(282,000)</b>	<b>1,017</b>	<b>-</b>	<b>(280,983)</b>
<b>FUNDING POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# CHESHIRE EAST COUNCIL - Summary

# REVENUE BUDGET

Budget including Policy Proposals						
	2020/21			2021/22	2022/23	2023/24
	Expenditure	Income	Net	Net	Net	Net
	£000	£000	£000	£000	£000	£000
<b>Directorate</b>						
People	269,657	-88,689	180,968	187,049	193,725	200,460
Place	107,385	-33,577	73,808	73,887	75,661	76,940
Corporate	130,463	-96,356	34,107	35,434	36,994	38,682
<b>Total Cost of Service</b>	<b>507,505</b>	<b>-218,622</b>	<b>288,883</b>	<b>296,370</b>	<b>306,380</b>	<b>316,082</b>
Central Items	15,214	-3,095	12,119	16,445	15,675	15,655
Previous Year Budget Deficit					-12,155	-18,267
<b>Total Cost of Service</b>	<b>522,719</b>	<b>-221,717</b>	<b>301,002</b>	<b>312,815</b>	<b>309,900</b>	<b>313,470</b>
Policy Proposals included above						
<b>Policy Proposals</b>						
People	11,166	-55	11,111	6,081	6,676	6,735
Place	1,938	-693	1,245	79	1,774	1,279
Corporate	3,909	-100	3,809	1,327	1,560	1,688
Central Items	650	3,203	3,853	4,326	-770	-20
<b>Financial Impact of Policy Proposals</b>	<b>17,663</b>	<b>2,355</b>	<b>20,018</b>	<b>11,813</b>	<b>9,240</b>	<b>9,682</b>

## PEOPLE - Directorate Summary

## REVENUE BUDGET

Service Area	Budget including Policy Proposals					
	2020/21			2021/22	2022/23	2023/24
	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Adult Social Care Operations	34,138	-6,274	27,864	28,497	29,143	29,802
Children's Social Care	43,311	-3,094	40,217	41,829	43,447	45,072
Commissioning	131,298	-42,286	89,012	93,072	97,149	101,258
Directorate	1,208	-301	907	931	956	981
Education and 14-19 Skills	35,286	-20,421	14,865	14,728	14,874	15,023
Prevention and Early Help	8,158	-55	8,103	7,992	8,156	8,324
Public Health	16,258	-16,258	0	0	0	0
Public Sector Transformation			0	0	0	0
<b>Total Cost of Service</b>	<b>269,657</b>	<b>-88,689</b>	<b>180,968</b>	<b>187,049</b>	<b>193,725</b>	<b>200,460</b>

Policy Proposals	Policy Proposals included above					
	2020/21			2021/22	2022/23	2023/24
	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Adult Social Care Operations	3,083		3,083	633	646	659
Children's Social Care	3,243		3,243	1,612	1,618	1,625
Commissioning	4,016		4,016	4,060	4,077	4,109
Directorate	24		24	24	25	25
Education and 14-19 Skills	642		642	-137	146	149
Prevention and Early Help	158	-55	103	-111	164	168
Public Health			0	0	0	0
Public Sector Transformation			0	0	0	0
<b>Financial Impact of Policy Proposals</b>	<b>11,166</b>	<b>-55</b>	<b>11,111</b>	<b>6,081</b>	<b>6,676</b>	<b>6,735</b>

# PEOPLE - Adult Social Care Operations

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Care4CE		19,311	-4,602	14,709	14,709	14,709	14,709
East Adult Social Care		4,128		4,128	4,128	4,128	4,128
South Adult Social Care		5,180	-634	4,546	4,546	4,546	4,546
ASC Operations		456	-793	-337	-337	-337	-337
Mental Health and Learning Disability		2,453		2,453	2,453	2,453	2,453
Adult Safeguarding		1,989	-245	1,744	1,744	1,744	1,744
Pay & Pensions		621		621	1,254	1,900	2,559
<b>Total Cost of Service</b>		<b>34,138</b>	<b>-6,274</b>	<b>27,864</b>	<b>28,497</b>	<b>29,143</b>	<b>29,802</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
Care4CE	5	2,391		2,391			
Loss of major precept contribution for Community Safety services	1	71		71			
Pay & Pensions	3 / 5	621		621	633	646	659
<b>Financial Impact of Policy Proposals</b>		<b>3,083</b>	<b>0</b>	<b>3,083</b>	<b>633</b>	<b>646</b>	<b>659</b>

## PEOPLE - Children's Social Care

## REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Cared for Children and Care Leavers		32,247	-2,494	29,753	31,053	32,353	33,653
Children in Need and Child Protection		6,737		6,737	6,737	6,737	6,737
Children's Safeguarding		2,573	-600	1,973	1,973	1,973	1,973
Childrens Contracts		1,448		1,448	1,448	1,448	1,448
Pay & Pensions		306		306	618	936	1,261
<b>Total Cost of Service</b>		<b>43,311</b>	<b>-3,094</b>	<b>40,217</b>	<b>41,829</b>	<b>43,447</b>	<b>45,072</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
Cared for Children and Care Leavers	5	2,300		2,300	1,300	1,300	1,300
FACT 22 Investment	5	-150		-150			
Children's Social Care - Special Guardianship Allowance	5	487		487			
Children's Social Care - Staffing Pressures	5	300		300			
Pay & Pensions	3 / 5	306		306	312	318	325
<b>Financial Impact of Policy Proposals</b>		<b>3,243</b>	<b>0</b>	<b>3,243</b>	<b>1,612</b>	<b>1,618</b>	<b>1,625</b>

# PEOPLE - Commissioning

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Integrated Commissioning		118,736	-8,314	110,422	114,377	118,347	122,347
Buiness & Finance		1,935	-22,862	-20,927	-20,927	-20,927	-20,927
ASC Commissioning		8,383	-10,950	-2,567	-2,567	-2,567	-2,567
Contract Management and Quality		1,000		1,000	1,000	1,000	1,000
Children's Commissioning		853	-160	693	693	693	693
Pay & Pensions		391		391	496	603	712
<b>Total Cost of Service</b>		<b>131,298</b>	<b>-42,286</b>	<b>89,012</b>	<b>93,072</b>	<b>97,149</b>	<b>101,258</b>

		Policy Proposals included above					
		2020/21			2021/22	2022/23	2023/24
Policy Proposals	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Community Equipment Service	5	-50		-50			
Demand for Adult Social Care	5	4,000		4,000	4,000	4,000	4,000
0-19 Healthy Child Programme	5	-150		-150			
Combination of contracts provided by the Community and Voluntary Service (CVS)	5	-100		-100			
Electronic Call Monitoring	5	-75		-75	-45	-30	
Pay & Pensions	3 / 5	391		391	105	107	109
<b>Financial Impact of Policy Proposals</b>		<b>4,016</b>	<b>0</b>	<b>4,016</b>	<b>4,060</b>	<b>4,077</b>	<b>4,109</b>

# PEOPLE - Directorate

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Directorate		1,377	-301	1,076	1,076	1,076	1,076
Business Support Corporate Savings		-193		-193	-193	-193	-193
Pay & Pensions		24		24	48	73	98
<b>Total Cost of Service</b>		<b>1,208</b>	<b>-301</b>	<b>907</b>	<b>931</b>	<b>956</b>	<b>981</b>
		Policy Proposals included above					
Policy Proposals							
Pay & Pensions	3 / 5	24		24	24	25	25
<b>Financial Impact of Policy Proposals</b>		<b>24</b>	<b>0</b>	<b>24</b>	<b>24</b>	<b>25</b>	<b>25</b>

## PEOPLE - Education and 14-19 Skills

## REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Education Infrastructure and Outcomes		5,406	-2,814	2,592	2,592	2,592	2,592
Education Partnership and Pupil Support		11,930	-2,420	9,510	9,230	9,230	9,230
Special Educational Needs and Disabilities		17,808	-15,187	2,621	2,621	2,621	2,621
Pay & Pensions		142		142	285	431	580
<b>Total Cost of Service</b>		<b>35,286</b>	<b>-20,421</b>	<b>14,865</b>	<b>14,728</b>	<b>14,874</b>	<b>15,023</b>

		Policy Proposals included above					
		2020/21	2021/22	2022/23	2023/24		
<b>Policy Proposals</b>							
Review of Children and Families Transport Policies and delivery arrangements	3	-280			-280		
Increased Transport costs for Children with Special Educational Needs and Disabilities	3	300					
Skills Strategy	3	-20					
SEND pressure	3	500					
Pay & Pensions	3 / 5	142			143	146	149
<b>Financial Impact of Policy Proposals</b>		<b>642</b>	<b>0</b>	<b>642</b>	<b>-137</b>	<b>146</b>	<b>149</b>

# PEOPLE - Prevention and Early Help

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Children's Development and Partnerships		630		630	630	630	630
Preventative Services		7,370	-55	7,315	7,043	7,043	7,043
Pay & Pensions		158		158	319	483	651
<b>Total Cost of Service</b>		<b>8,158</b>	<b>-55</b>	<b>8,103</b>	<b>7,992</b>	<b>8,156</b>	<b>8,324</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
Rental Income for shared service delivery space - NHS and Nursery	3		-20	-20	-10		
Income from Outdoor Education	3		-35	-35	-50		
Contribution to Cheshire Youth Justice Service	3			0	-45		
Locality Working	3			0	-167		
Pay & Pensions	3 / 5	158		158	161	164	168
<b>Financial Impact of Policy Proposals</b>		<b>158</b>	<b>-55</b>	<b>103</b>	<b>-111</b>	<b>164</b>	<b>168</b>

# PEOPLE - Public Health

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Intelligence and Health Care		16,073		16,073	16,073	16,073	16,073
Health Improvement		185		185	185	185	185
Grant Income			-16,258	-16,258	-16,258	-16,258	-16,258
Pay & Pensions				0			
<b>Total Cost of Service</b>		<b>16,258</b>	<b>-16,258</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
		Policy Proposals included above					
Policy Proposals							
Financial Impact of Policy Proposals		0	0	0	0	0	0

# PEOPLE - Public Sector Transformation

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
	Public Sector Transformation			0			
	Pay & Pensions			0			
	<b>Total Cost of Service</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
		Policy Proposals included above					
	Policy Proposals						
	<b>Financial Impact of Policy Proposals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# PLACE - Directorate Summary

# REVENUE BUDGET

	Budget including Policy Proposals					
	2020/21			2021/22	2022/23	2023/24
Service Area	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Directorate	1,450	-779	671	679	687	695
Environment and Neighbourhood Services	51,547	-10,833	40,714	41,960	43,365	44,285
Growth and Enterprise	31,152	-10,663	20,489	20,770	21,034	21,286
Highways and Infrastructure	23,236	-11,302	11,934	10,478	10,575	10,674
<b>Total Cost of Service</b>	<b>107,385</b>	<b>-33,577</b>	<b>73,808</b>	<b>73,887</b>	<b>75,661</b>	<b>76,940</b>

	Policy Proposals included above					
Policy Proposals						
Directorate	8		8	8	8	8
Environment and Neighbourhood Planning	1,288	66	1,354	1,246	1,405	920
Growth and Enterprise	448	-348	100	281	264	252
Highways and Infrastructure	194	-411	-217	-1,456	97	99
<b>Financial Impact of Policy Proposals</b>	<b>1,938</b>	<b>-693</b>	<b>1,245</b>	<b>79</b>	<b>1,774</b>	<b>1,279</b>

# PLACE - Directorate

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Directorate		1,442	-779	663	663	663	663
Pay & Pensions		8		8	16	24	32
<b>Total Cost of Service</b>		<b>1,450</b>	<b>-779</b>	<b>671</b>	<b>679</b>	<b>687</b>	<b>695</b>
		Policy Proposals included above					
Policy Proposals							
Pay & Pensions	2 / 4	8		8	8	8	8
<b>Financial Impact of Policy Proposals</b>		<b>8</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>

# PLACE - Environment and Neighbourhood Services

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21		2021/22	2022/23	2023/24	
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Development Management		3,752	-4,108	-356	-356	-356	-356
Building Control Commissioning		1,722	-1,755	-33	-33	-33	-33
Director of Environmental & Neighbourhood Services		126		126	126	126	126
Spatial Planning		841		841	841	841	841
Neighbourhood Planning		443	-400	43	43	43	43
Environmental		34,003	-2,823	31,180	31,715	32,400	32,576
Regulatory Services		3,934	-1,392	2,542	2,542	2,533	2,533
Libraries		3,923	-355	3,568	3,568	3,568	3,568
Leisure Commissioning		1,874		1,874	1,831	1,789	1,748
Emergency Planning		151		151	151	151	151
Pay & Pensions		778		778	1,532	2,303	3,088
<b>Total Cost of Service</b>		<b>51,547</b>	<b>-10,833</b>	<b>40,714</b>	<b>41,960</b>	<b>43,365</b>	<b>44,285</b>

		Policy Proposals included above					
<b>Policy Proposals</b>							
Markets Income	4		66	66			
Planning Reserve - reversal of temporary funding	4	-200		-200			
Ansa income generation and efficiencies	4	-400		-400	-259		
Recycling and Waste Services	4	625		625	531	644	257
Environmental and Carbon Management	4	353		353	96	20	-81
Parks and Green Spaces	4			0	358	7	7
Regulatory Services and Environmental Health ICT procurement	4	9		9		-9	
Crewe Town Centre Civic Heat Network	4			0	-223	-7	-7
Everybody Sport and Recreation Annual Management Fee	5	-45		-45	-43	-42	-41
Inflation - Business Rates / Energy / Utilities / Fuel	6	39		39			
Orbitas income and management fee	4	83		83	32	21	
Five Towns Leisure Programme	5	46		46			
Pay & Pensions	2 / 4	778		778	754	771	785
<b>Financial Impact of Policy Proposals</b>		<b>1,288</b>	<b>66</b>	<b>1,354</b>	<b>1,246</b>	<b>1,405</b>	<b>920</b>

# PLACE - Growth and Enterprise

# REVENUE BUDGET

Budget including Policy Proposals							
Service Area	Outcome Reference	2020/21			2021/22	2022/23	2023/24
		Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Assets		2,043	-2,187	-144	-144	-144	-144
Facilities Management		14,738	-1,466	13,272	13,272	13,272	13,272
Farms		341	-708	-367	-367	-367	-367
Economic Development		1,563	-198	1,365	1,365	1,365	1,365
Housing		3,918	-1,011	2,907	2,907	2,907	2,907
Rural & Cultural Management		130		130	130	130	130
Tatton Park		4,764	-4,161	603	597	569	523
Public Rights of Way		591	-173	418	418	418	418
Cultural Economy		911		911	911	911	911
Countryside		1,090	-207	883	883	883	883
Visitor Economy		762	-552	210	210	210	210
Pay & Pensions		301		301	588	880	1,178
<b>Total Cost of Service</b>		<b>31,152</b>	<b>-10,663</b>	<b>20,489</b>	<b>20,770</b>	<b>21,034</b>	<b>21,286</b>
Policy Proposals included above							
<b>Policy Proposals</b>							
Tourist Information Services	2		-5	-5			
Investment Portfolio	2		-325	-325			
Business Rate Costs for Council Facilities	2	90		90			
Management of Risks Relating to Land	2	-80		-80			
Homelessness Reduction Act – removal of temporary grant	2	-47		-47			
Tatton Park	2		-18	-18	-6	-28	-46
Inflation - Business Rates / Energy / Utilities / Fuel	6	184		184			
Pay & Pensions	2 / 4	301		301	287	292	298
<b>Financial Impact of Policy Proposals</b>		<b>448</b>	<b>-348</b>	<b>100</b>	<b>281</b>	<b>264</b>	<b>252</b>

# PLACE - Highways and Infrastructure

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Car Parking		2,071	-6,314	-4,243	-5,614	-5,614	-5,614
Transport Policy		439	-48	391	391	391	391
Transport Commissioning		4,504	-19	4,485	4,460	4,460	4,460
Highways		14,465	-3,857	10,608	10,453	10,453	10,453
HS2		715	-102	613	613	613	613
Infrastructure		943	-962	-19	-19	-19	-19
Pay & Pensions		99		99	194	291	390
<b>Total Cost of Service</b>		<b>23,236</b>	<b>-11,302</b>	<b>11,934</b>	<b>10,478</b>	<b>10,575</b>	<b>10,674</b>

		Policy Proposals included above					
<b>Policy Proposals</b>							
Community Transport	2	-86	-19	-105	-25		
Highway Maintenance Contract Efficiencies	4	-105		-105	-155		
Parking Strategy	4	215	-392	-177	-1,371		
Inflation - Business Rates / Energy / Utilities / Fuel	6	71		71			
Pay & Pensions	2 / 4	99		99	95	97	99
<b>Financial Impact of Policy Proposals</b>		<b>194</b>	<b>-411</b>	<b>-217</b>	<b>-1,456</b>	<b>97</b>	<b>99</b>

# CORPORATE - Directorate Summary

# REVENUE BUDGET

Budget including Policy Proposals							
Service Area	Outcome Reference	2020/21			2021/22	2022/23	2023/24
		Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Directorate		795	-102	693	709	726	743
Finance and Customer Services		78,486	-69,806	8,680	8,894	9,112	9,335
Governance and Compliance Services		13,167	-3,182	9,985	10,316	10,500	10,688
Transformation		38,015	-23,266	14,749	15,515	16,656	17,916
<b>Total Cost of Service</b>		<b>130,463</b>	<b>-96,356</b>	<b>34,107</b>	<b>35,434</b>	<b>36,994</b>	<b>38,682</b>
Policy Proposals included above							
<b>Policy Proposals</b>							
Directorate		16	-100	-84	16	17	17
Finance and Customer Services		1,175		1,175	214	218	223
Governance and Compliance Services		490		490	331	184	188
Transformation		2,228		2,228	766	1,141	1,260
<b>Financial Impact of Policy Proposals</b>		<b>3,909</b>	<b>-100</b>	<b>3,809</b>	<b>1,327</b>	<b>1,560</b>	<b>1,688</b>

# CORPORATE - Directorate

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Chief Executive		381		381	381	381	381
Executive Director of Corporate Services		209	-2	207	207	207	207
Administrative Review Savings		-91		-91	-91	-91	-91
Corporate Services Growth		280		280	280	280	280
Commercial Workstream			-100	-100	-100	-100	-100
Pay & Pensions		16		16	32	49	66
<b>Total Cost of Service</b>		<b>795</b>	<b>-102</b>	<b>693</b>	<b>709</b>	<b>726</b>	<b>743</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
Commercial Workstream - fees and charges review and change project	6		-100	-100			
Pay & Pensions	6	16		16	16	17	17
<b>Financial Impact of Policy Proposals</b>		<b>16</b>	<b>-100</b>	<b>-84</b>	<b>16</b>	<b>17</b>	<b>17</b>

# CORPORATE - Finance and Customer Services

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Finance and Procurement		4,167	-1,272	2,895	2,895	2,895	2,895
Customer Services		74,219	-68,516	5,703	5,703	5,703	5,703
Manager		128	-18	110	110	110	110
Oracle Savings Target		-240		-240	-240	-240	-240
Pay & Pensions		212		212	426	644	867
<b>Total Cost of Service</b>		<b>78,486</b>	<b>-69,806</b>	<b>8,680</b>	<b>8,894</b>	<b>9,112</b>	<b>9,335</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
Webteam expansion	6	120		120			
Digital Savings target	6	843		843			
Pay & Pensions	6	212		212	214	218	223
<b>Financial Impact of Policy Proposals</b>		<b>1,175</b>	<b>0</b>	<b>1,175</b>	<b>214</b>	<b>218</b>	<b>223</b>

# CORPORATE - Governance and Compliance Services

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Governance and Democratic Services		5,679	-1,459	4,220	4,370	4,370	4,370
Legal Services		3,700	-573	3,127	3,127	3,127	3,127
Audit and Risk		3,452	-1,150	2,302	2,302	2,302	2,302
Director		146		146	146	146	146
Pay & Pensions		190		190	371	555	743
<b>Total Cost of Service</b>		<b>13,167</b>	<b>-3,182</b>	<b>9,985</b>	<b>10,316</b>	<b>10,500</b>	<b>10,688</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
Local Election Costs	6	-450		-450	150		
Coroners Service	6	50		50			
Legal Services Structure Review	6	700		700			
Pay & Pensions	6	190		190	181	184	188
<b>Financial Impact of Policy Proposals</b>		<b>490</b>	<b>0</b>	<b>490</b>	<b>331</b>	<b>184</b>	<b>188</b>

# CORPORATE - Transformation

# REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Human Resources		4,310	-854	3,456	3,456	3,456	3,456
Business Change		3,440	-1,156	2,284	2,264	2,264	2,264
ICT		29,230	-21,256	7,974	8,606	9,371	10,260
Transactional Services		1,213		1,213	1,213	1,213	1,213
Mutually Agreed Resignation Scheme		-501		-501	-501	-501	-501
Oracle Savings		-260		-260	-260	-260	-260
Pay & Pensions		583		583	737	1,113	1,484
<b>Total Cost of Service</b>		<b>38,015</b>	<b>-23,266</b>	<b>14,749</b>	<b>15,515</b>	<b>16,656</b>	<b>17,916</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
Mutually Agreed Resignation Scheme 2020/21	6	-250		-250			
Census 2021	6	20		20	-20		
ICT Procurements 2020-24	6	669		669	50	50	50
Unified Communications	6	96		96	272	305	319
Infrastructure Investment Programme	6	1,010		1,010	310	410	520
Operating System - Server Licences: Citrix Workspace Service	6	100		100			
Pay & Pensions	6	583		583	154	376	371
<b>Financial Impact of Policy Proposals</b>		<b>2,228</b>	<b>0</b>	<b>2,228</b>	<b>766</b>	<b>1,141</b>	<b>1,260</b>

## Central Items

## REVENUE BUDGET

		Budget including Policy Proposals					
		2020/21			2021/22	2022/23	2023/24
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Capital Financing		13,401	-1,401	12,000	14,000	14,000	14,000
Income from Use of Capital Receipts			-1,000	-1,000			
NHB Community Fund				0	1,000		
Past Service Pensions		1,813		1,813	1,813	1,813	1,813
Transfer to/(from) Earmarked Reserves			-694	-694	-368	-138	-158
<b>Total Cost of Service</b>		<b>15,214</b>	<b>-3,095</b>	<b>12,119</b>	<b>16,445</b>	<b>15,675</b>	<b>15,655</b>
		Policy Proposals included above					
<b>Policy Proposals</b>							
ASDV Dividend	Central		500	500			
Capital Receipts Income	Central		1,000	1,000	1,000		
Community Budgets funded from New Homes Bonus	Central	-1,000		-1,000	1,000	-1,000	
Minimum Revenue Provision	Central			0	2,000		
Past Service Pension Change	Central	1,650		1,650			
Reserves	Central		1,703	1,703	326	230	-20
<b>Financial Impact of Policy Proposals</b>		<b>650</b>	<b>3,203</b>	<b>3,853</b>	<b>4,326</b>	<b>-770</b>	<b>-20</b>

# 11. Capital Strategy

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## Executive Summary

- 11.1 Cheshire East Council's financial strategy includes a programme of capital investment which is aimed at delivering sustainable and inclusive economic growth in the Borough and supporting the delivery of essential front-line services. The Capital Programme therefore includes:
- Investment in projects to enable the delivery of the aim to be a Carbon Neutral Council by 2025
  - Town centre redevelopment and regeneration projects
  - Investment in strategic infrastructure to improve rail stations, capacity on the road network to reduce congestion and improve air quality
  - Investment to enable the delivery of strategic housing sites in the Borough such as the Handforth Garden Village
  - Investment in assets to support key front line services such as improvement to our leisure centres, expansion of our schools and planned investment to maintain the highway network
- 11.2 The Council will stop receiving many revenue Government grants by 2020 which means that Council services will need to be self reliant and only funded from council tax payments, business rates and direct charges for services. Achieving self reliance will be supported by creating economic growth, or other financial returns from assets in a way that can be sustained.

### Five Principles

- 11.3 Five Principles underpin the Capital Strategy for Cheshire East Council:

1. Capital expenditure is priority based and is aligned with the Council's Corporate Plan outcomes
2. The financial implications of capital projects are aligned with the Medium Term Financial Strategy
3. Capital projects will be focused on delivering the best return on investment
4. Decisions in relation to the programme will follow a clear framework
5. There will be a corporate approach to generating and applying capital resources

- 11.4 The overarching aim of the Capital Strategy is to provide a framework within which the Council's capital investment plans will be delivered. The plans are driven by the Corporate Plan. All capital schemes therefore contribute to the achievement of the corporate objectives.

*Frank Jordan*

**Frank Jordan**  
Executive Director – Place

## Comment from the Section 151 Officer

11.5 The Capital Strategy forms a key part of the Council's Medium Term Financial Strategy (MTFS) alongside the Treasury Management and Investment Strategies. Each of these strategies will be reviewed each year and will support my opinion in determining the robustness of the Council's financial plans.

11.6 In particular the capital strategy:

- provides a framework for the management and monitoring of the capital programme
- creates the process for bidding for additional capital resources
- sets out the approach to funding capital expenditure
- takes account of the significant revenue implications associated with capital investment

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

- setting the financial parameters for capital expenditure in the medium term
- confirming the flexible use of capital receipts in the medium term
- the option appraisal of capital project proposals
- deciding on the prioritisation of capital projects
- monitoring and evaluating approved schemes

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

*Alex Thompson*

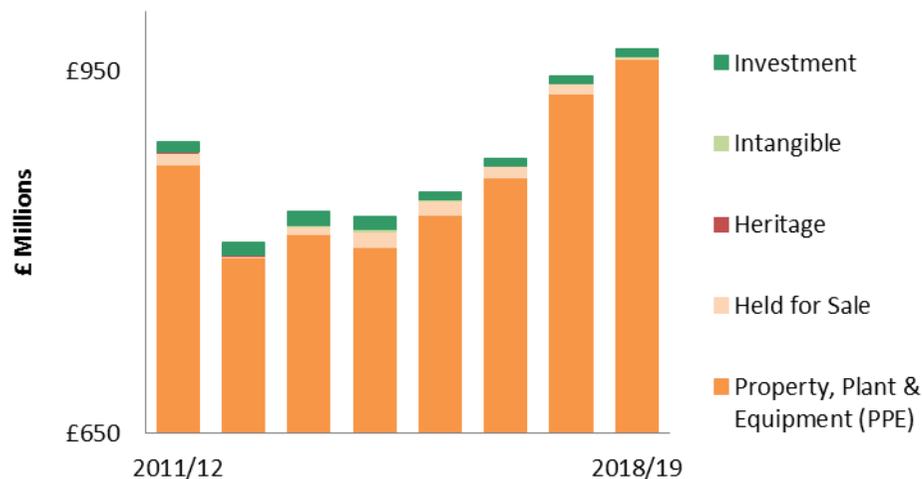
**Alex Thompson** CPFA

Director of Finance & Customer Services  
(Section 151 Officer)

# 1. Introduction

11.9 As a public sector organisation, with assets valued to be in excess of £950m, Cheshire East Council maintains a robust capital strategy that is clearly related to the corporate objectives; linked with infrastructure and asset planning; and includes a consistent approach to funding capital investment.

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



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

11.11 The programme is approved in line with the Council’s Constitution and covers a minimum period of four years. It is

reviewed annually by Council. The programme may include projects that require a longer time to develop and design and these will remain in the programme for many years.

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

**Definition of Capital Expenditure**

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

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

11.13 The accounting treatment of capital will be in accordance with International Accounting Standard 16 Property, Plant and Equipment.

11.14 Capital investment will be subject to due process, and assurance will be provided that ensures plans are prudent, affordable and sustainable in accordance with the Prudential Framework (the Prudential Framework being an umbrella term for a number of statutory provisions and professional requirements that allow authorities largely to determine their own plans).

11.15 Non capital expenditure will normally fall outside the scope of the framework and be charged to revenue in the year that it

occurs. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

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

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

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

### Capital Strategy Principles

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

The 5 Principles of the Capital Strategy	
<b>1.</b>	Capital expenditure is priority based and is aligned with the Council's priorities.
<b>2.</b>	The financial implications of capital projects are aligned with the Medium Term Financial Strategy and the Asset Management Plan.
<b>3.</b>	Capital projects will be focused on delivering the best return on investment. This will be demonstrated through: <ul style="list-style-type: none"> <li>- infrastructure which will generate local economic growth</li> <li>- investment in new service delivery models that provide reductions in revenue expenditure</li> <li>- improvements in the Council's asset base that generate a financial return or provide cost effective avoidance of future expenditure.</li> <li>- Capital Projects will be externally funded or supported by private sector investment in a way that maximises the Council's financial interest in the asset</li> <li>- Borrowing will be appropriate based on the lifetime benefits of a scheme and all investments will be subject to strong control arrangements and risk analysis.</li> <li>- The impact of financing capital expenditure will be reviewed annually to ensure it remains appropriate in terms of the expected return on the overall investment.</li> <li>- Capital investment will follow an agreed set of prudential limits and indicators in order to demonstrate that plans and borrowing are affordable, prudent and sustainable.</li> </ul>
<b>4.</b>	Decisions in relation to the programme will follow a clear framework with an appropriate gateway review and robust management of risk relating to capital projects.
<b>5.</b>	There will be a corporate approach to generating and applying capital resources.

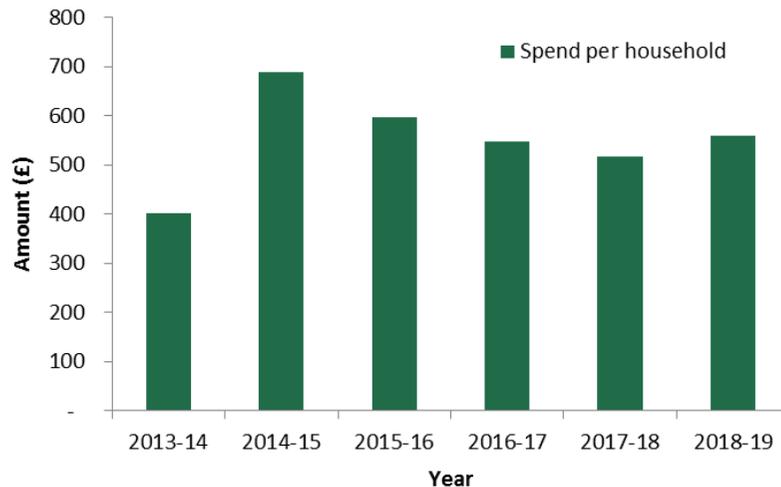
11.20 These principles will be achieved through a process of prioritisation, setting financial parameters, asset management and managing risk as set out in the following chapters.

## 2. Prioritisation of Capital Expenditure

- 11.21 Capital Projects will be submitted for approval to the Council's Capital Programme based on how they will meet the needs of the Council as expressed in the Corporate Plan and how they adhere to the Principles of the Capital Strategy.
- 11.22 Capital ambitions in most Councils exceed the potential capital resources, particularly given recent funding cuts and demand pressures in the public sector. Cheshire East Council will manage this issue by making decisions, about which projects will be included in the approved capital programme, by prioritising projects on a variety of factors.
- 11.23 The Capital Strategy stands above operational strategies that are needed for key services such as housing, transport, education and other spending areas.
- 11.24 The Council agrees a rolling four year programme each year consistent with the Capital Strategy and the resources available. The proposed capital programme includes investment plans of £0.5 billion. 60% of the funding is planned to come from Government grants or contributions from other external partners. In addition, 3% will come from the Council's work to maximise the value of asset sales to support development in the local area.
- 11.25 The budget process has also identified £203m of new projects which will require business cases to be developed prior to being submitted for approval to be added to the Capital Programme.
- 11.26 The starting point for the Capital Strategy is the Council's Corporate Plan and identification of the aims for capital investment that will help to achieve these outcomes.

1. Our local communities are strong and supportive
  2. Cheshire East has a strong and resilient economy
  3. People have the life skills and education they need in order to thrive
  4. Cheshire East is a green and sustainable place
  5. People live well and for longer
  6. Cheshire East Council is a responsible, effective and efficient organisation
- 11.27 The capital programme includes investment in private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services; all of which contribute to achieving these outcomes.
- 11.28 The capital programme also provides opportunities for the construction industry to bid for schemes that provide employment opportunities for the duration of these contracts.

## Capital spend per household



11.29 The Strategic Objectives of the Council are outlined in the Council's corporate plan and therefore capital investment must be prioritised and targeted to the projects that are key to achieving them.

11.30 The Council has adopted the Five Case Business Model, which was developed by HM Treasury and the Welsh Government specifically for public sector business case development. The business cases for major projects include full option appraisal and links to core strategy to ensure they are delivering on key Council objectives.

11.31 The Five Case Business Model includes:

- Strategic Case (Contribution to the Corporate Plan)
- Economic Case

- Commercial Case
- Financial Case
- Management Case

Assessing all these areas within the business case will ensure that all aspects of a potential scheme are analysed and the impact on all stakeholders identified. Therefore, the Council will be able to gain a full understanding on how a specific scheme will impact on the overall strategy, the local economy, officers and resources of the Council.

11.32 The 'full' model is appropriate for major infrastructure projects but not for all proposals; equally, the 'light touch' version is insufficiently detailed for many of our key major change projects. We have therefore taken the 'best of both' to construct an iterative, scalable version that is not a 'one size fits all' but sufficiently flexible for our need. The Section 151 Officer will determine the level of training required by business case authors.

11.33 The Annexes to the Business Case will provide supporting information, including benefits realisation, risks, constraints and dependencies, contractual arrangements, costs and funding, governance arrangements and key milestones.

11.34 High Level Business Cases are submitted as part of the Business Planning process and the Section 151 Officer will analyse these in accordance with the 5 Principles of the Capital Strategy and then grade each project as High, Medium or Low Priority in accordance with the following table.

Priority	Description
<b>High</b>	Essential replacement and enhancement of existing assets
	Investment in infrastructure that meets the strategic priorities of the Local Plan and attracts Government infrastructure investment
	An agreed service provision that is defined within the MTFS
	Projects required to meet compliance and legislative needs
	Fully funded by external sources
<b>Medium</b>	Self-funding projects with high level financial returns
	Cost effective replacement and enhancement of existing assets
	Projects with positive financial returns
<b>Low</b>	Part funded projects of strategic importance to outcomes
	Unfunded projects without financial returns

11.35 High Priority projects are most likely to be recommended for approval within the capital programme. Medium Priority projects will only be recommended if funding is available within the financial parameters of the MTFS, however they are likely to be recommended for inclusion on the programme addendum (see para. 11.39). Low priority projects are unlikely to be recommended for approval, unless specific strategic importance is associated with the project, or public demand is significant.

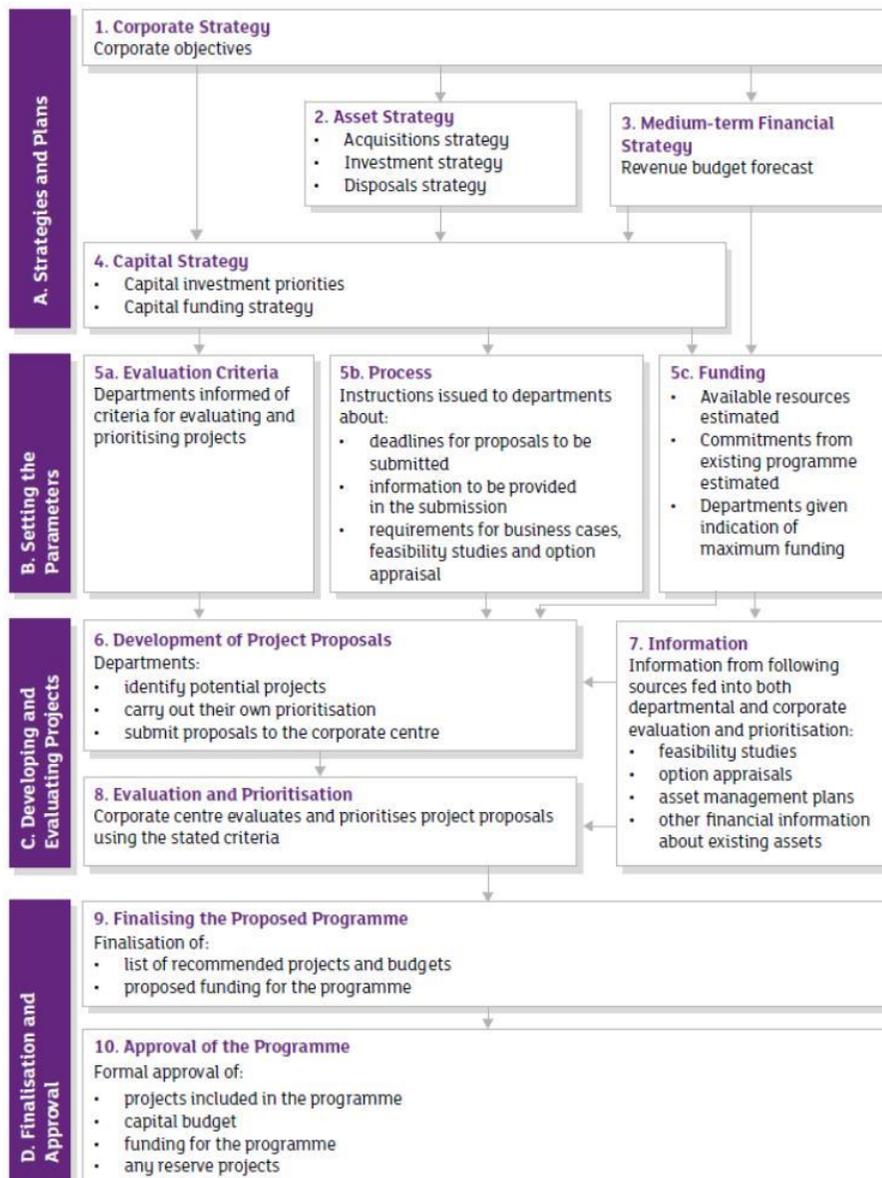
11.36 **Annex A** provides the current Capital Programme for the Council with a clear indication of the priority status of each project.

11.37 The capital programme is presented in two separate parts; the main programme includes capital schemes in progress and new schemes with approval to commence spend in April 2020. The addendum includes proposals which are included for planning purposes but are awaiting more detailed business cases to be developed.

11.38 Before work can commence on schemes listed on the addendum, the business case will be required to provide significant certainty linked to:

- Strategic impact of the scheme
- Expenditure profiles
- Funding sources or associated return on investment

11.39 The schemes separately identified on the Addendum to the capital programme are still submitted for approval; subject to them meeting the above requirements in the future. At the stage where the business cases are sufficiently robust and are deemed to be affordable the Portfolio Holder for Finance, IT & Communication and the Section 151 Officer will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process.



## 3. Financial Controls

### Setting Financial Parameters

- 11.40 The Medium Term Financial Strategy (MTFS) provides the overall basis for budget forecasts and annual budget planning both in terms of revenue and capital expenditure. This describes the activities to be carried out over the next four years to achieve the corporate priorities and objectives and the revenue and capital resources which will be needed to deliver those improvements.
- 11.41 As part of the revenue budget setting process, the estimated financing costs for the capital programme and for existing debt are calculated to update the Capital Financing budget (CFB). The flexible use of capital receipts will also be considered and these values set the parameters of affordability for projects within the Capital Programme.
- 11.42 The Financial Parameters will be reviewed by the Portfolio Holder for Finance, IT and Communication and proposals will be put forward as part of the Council's pre-budget consultation. In considering the value of the Financial Parameters the Portfolio Holder will consider, forecast outturn data and emerging issues.
- 11.43 The Section 151 Officer will invite bids for Capital Expenditure on an annual basis, and present a full capital programme to Council at each Budget Council meeting prior to the start of each financial year. Bids will be presented as High Level Business Cases by Executive Directors following consultation with elected members. The Section 151 Officer will determine the prioritisation of bids (see Section 2) and the financial implications on the MTFS to assess whether bids are

affordable within the Financial Parameters of the Capital Strategy and will then report their findings to members for appropriate information and/or approval in line with the Financial Procedure Rules.

- 11.44 The Council’s strategic management of the capital programme will allow new schemes to be added to the programme, and/or schemes to be transferred from the addendum to the main programme. These will be reported to Cabinet on a quarterly basis through the Finance Update reports.
- 11.45 If the value of the CFB is likely to vary from the strategy in any year the Portfolio Holder will consider options to top-up or draw down temporarily from the Financing Earmarked Reserve and will report this approach to members.
- 11.46 Current forecasts are that the CFB will continue at 4% to 5% of the Net Revenue budget in the medium term.
- 11.47 **Table 1**, provides the Financial Parameters for the period 2020/21 to 2023/24, followed by the strategy behind each element of the calculation.

**Table 1: Financial Parameters for 2020/21 to 2023/24**

Parameter	Value (£m)			
	2020/21	2021/22	2022/23	2023/24
<b>Repayment of Borrowing</b>				
<b>Minimum Revenue Provision*</b>	11.1	13.9	17.0	17.4
<b>External Loan Interest</b>	5.1	4.8	4.8	4.7
<b>Investment Income</b>	(0.9)	(0.9)	(0.9)	(0.9)
<b>Contributions from Services Revenue Budgets</b>	(2.1)	(2.2)	(2.2)	(1.9)
<b>Total Capital Financing Costs</b>	<b>13.2</b>	<b>15.6</b>	<b>18.7</b>	<b>19.3</b>
<b>Use of Financing EMR</b>	<b>(1.2)</b>	<b>(1.6)</b>	<b>(4.7)</b>	<b>(5.3)</b>
<b>Actual CFB in MTFS</b>	<b>12.0</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>
<b>*Capital Receipts targets</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>Flexible use of Capital Receipts</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

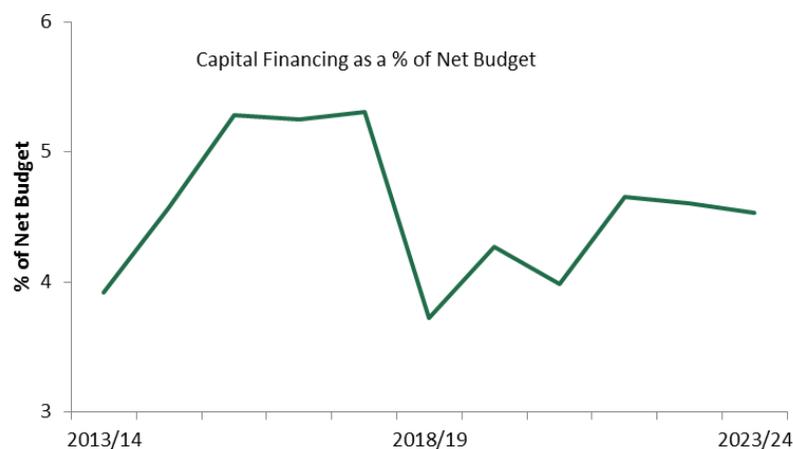
\* Anticipated MRP based on achieving capital receipts targets

### Repayment of Borrowing

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

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

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



11.50 The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is shown in **Annex B**. This highlights the level to which the Council is internally borrowed (being the difference between the CFR and external debt), and the expected repayment profile of the external debt.

11.51 The nature and scale of the Council's capital programme means that it is a key factor in the Council's treasury management, including the need to borrow to fund capital works. The treasury management strategy for the Council is included in **Annex 12** of this report.

11.52 The Council's current strategy is to use available cash balances, known as 'internal borrowing' and to borrow short term loans. As short-term interest rates are currently much lower than long-term rates this is likely to be more cost effective.

### Investment Income

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

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

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

### Contributions from Services

11.56 All business cases supporting capital expenditure will include full analysis of the financial implications of the scheme alongside a clear indication of how the financial implications will be managed within the Medium Term Financial Strategy.

11.57 When including any scheme in the Council's Capital Programme the Section 151 Officer will determine the appropriate impact on the Revenue Budget. This impact will require service budgets within the MTFS to fund either all, part or none of the net capital costs of the scheme.

11.58 In making a determination about funding capital schemes from revenue budgets the level of potential revenue savings or additional revenue income will be considered. If a capital scheme will increase revenue costs within the MTFS, either from the future costs of maintaining the asset or from the costs of financing the capital expenditure, then the approach to funding such costs must be approved as part of the business planning process before the scheme can commence.

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

### Use of Financing Earmarked Reserve

11.60 To allow a longer term approach to setting the Financial Parameters of the Capital Strategy the Council will maintain an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.

11.61 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any under or overspending of the CFB within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. In balancing the CFB over the period of the MTFS the Section 151 Officer may also recommend appropriate use of the Financing Earmarked Reserve over the period.

11.62 The Council's current strategy is to draw-down the remaining balance of £9.6m from the Financing Earmarked Reserve and £3.2m from the Capital Receipts Reserve for the period 2020/21 to 2023/24.

### Capital Receipts from Asset Disposals

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

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

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

11.66 The Council will continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas unless a suitable business case is made available, but instead subject to any claw back provisions, to allocate resources in accordance

with key aims and priorities. Capital receipts have been a significant source of finance in previous financial years. £68m during the period 2009-2019.

11.67 In considering the 2020/21 capital programme, a prudent approach has been taken and there has been no assumption of any significant additional capital receipts. A small amount of additional capital receipts has been anticipated in 2020/21. The Council anticipates using up to £1m of capital receipts in 2020/21 to support transformational projects, the detail of which is yet to be determined.

11.68 The Council's current strategy is to realise net receipts of £12m for the period 2020/21 to 2023/24 and that these receipts will support two financial aims:

1. Reduce the overall Capital Financing Budget.
2. Support Transformation costs of £1m <sup>(see below)</sup>

### Flexible use of Capital Receipts

11.69 Following the 2015 Spending Review, in March 2016 MHCLG published statutory guidance on the flexible use of capital receipts for a three year period covering 2016/17 to 2018/19. This guidance allows Local Authorities to use capital receipts to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners. As part of the 2018/19 Provisional Local Government Finance Settlement, the Secretary of State announced an extension of this flexibility for a further three years to 2022 and updated the previous direction accordingly.

11.70 The Council's strategy is to utilise up to £1m of capital receipts to support Transformation Projects over the period 2020/21 to 2023/24.

### Government Grants

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

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

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

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

### Developer Contributions

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

and to help facilitate the infrastructure needed to support sustainable development.

- 11.75 Development proposals will be expected to provide a contribution to the cost of infrastructure including initial design, capital costs and ongoing revenue such as the maintenance of services and facilities.
- 11.76 The Council's strategy is to forward fund anticipated Section 106 contributions for major infrastructure schemes.

### Community Infrastructure Levy (CIL)

- 11.77 The Community Infrastructure Levy (CIL) is a planning charge on new development which became operational in Cheshire East on 1<sup>st</sup> March 2019. The Levy allows the Council to raise financial contributions from certain chargeable development in the Borough i.e. housing (except affordable housing, self-build housing and apartments) and retail development at the Crewe Grand Junction and Handforth Dean retail parks. The CIL regulations require Councils to spend the monies raised on the infrastructure needed to support the development of their area. The definition of infrastructure allows a broad range of facilities to be funded such as play areas, open spaces, parks and green spaces, cultural and sports facilities, as well as those relating to transport, health and education. CIL monies can be used in conjunction with S106 contributions and other monies to deliver infrastructure.
- 11.78 The Council passes on either 15% or 25% of its CIL receipts to the town or parish council where the CIL chargeable development has taken place, with the higher amount being paid to those Councils with a made Neighbourhood Plan. The Council will use the MTFs process to allocate the remaining

CIL receipts and this will be done within the general framework detailed below:

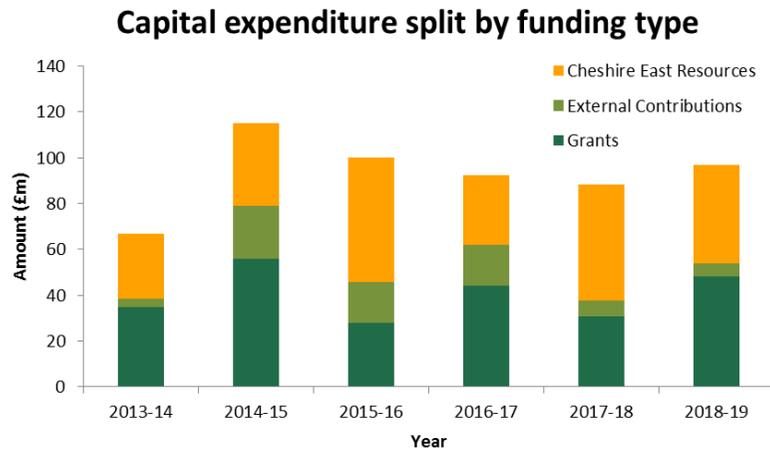
- Up to 5% of the receipts will go towards the costs of administering CIL and the rest will be used to deliver the Council's planned infrastructure priorities;
- The Council's infrastructure priorities will be identified in its annual Infrastructure Funding Statement (IFS) which will be published on the Council's website by the end of December each year. This will also contain details on the amount of CIL receipts received, spent and remaining unspent in the previous financial year;
- CIL monies will only be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of Cheshire East;
- The MTFs process requires a business case to be made for the funding of projects. Where CIL monies are being sought, the business case for the proposed infrastructure must identify how it will support the planned development of the area. This should include reference to how it relates to and meets the priorities identified in the current IFS, the Council's Local Plan and the Infrastructure Delivery Plan;
- CIL spending decisions will be primarily based on achieving the delivery of published infrastructure priorities and the growth identified in the Local Plan. Other considerations will include the extent to which non CIL funding sources can be leveraged into the infrastructure project and assurance that the ongoing operational and maintenance costs of the project will be met over the life of the infrastructure; and

- The reasons and decisions made on all CIL funding bids considered through the MTFFS process will be published to ensure transparency.

## Funding Capital Expenditure

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

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



11.81 The Council has a good track record of producing business cases that are supported by government and then backed by subsequent grants and for aligning expenditure with local

developments that are then backed by external developer contributions.

11.82 Main forecasted income sources are:

- Government Grants (£215m / 45%)
- Other external contributions (£73m / 15%)
- Receipts from Council Assets (£12m / 3%)

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

11.84 Capital budgeting differs from revenue budgeting because:

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

- 11.85 The Section 151 Officer will therefore use judgement, as part of the medium-term financial planning process, to determine how schemes can be accommodated within the overall programme, depending on the organisation's overall financial position and its capital investment priorities.
- 11.86 The Council will ensure every effort is made to provide value for money from capital expenditure, and to maximise the local benefits from capital projects the Council will always target alternative funding sources before committing to contributions from the funding parameters set within the MTFs. All high level business cases will therefore contain reference to benefits realisation.
- 11.87 All high level business cases will include information on how alternative funding sources have been considered. All capital scheme budget managers will also provide regular updates on the status of all funding sources, as required by the Section 151 Officer. Funding sources will be categorised as either 'received', 'contractually committed' or 'in negotiation'.

## 4. Investment & Risk Strategy

- 11.88 The Council is faced with diminishing capital finance and reduced access to grants and external funding. Spend will need to be monitored effectively against available funds. However, less dependence and more self reliance will tend to reduce the exposure to risk.
- 11.89 A risk management framework in place and the core of this framework is set out in the Corporate Risk Management Strategy. Each directorate has its own operational risk register which integrates the relevant directorate Performance Strategy, improvement plans and budgets. In accordance with

the HM Treasury Five Case model, a detailed Risk Assessment must be completed for each capital scheme.

- 11.90 Supporting the Council's budget with adequate reserves is a key element to creating financial resilience and a flexible approach to transferring money from general and earmarked reserves provides protection for council tax payers against year on year fluctuations in expenditure.
- 11.91 The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of this strategy. Effective procurement is therefore essential and the Council seeks to apply rigorous procurement standards in the selection of suppliers and contractors throughout the life of a project.
- 11.92 The Capital Programme should be kept under review having regard to the prevailing economic climate, property market and Government policy. Capital receipts estimates should therefore be kept under review with any significant changes reflected in reporting.
- 11.93 Cheshire East's strong taxbase and independence provides financial stability and offers some "local protection" from the impact of national economic fluctuations and total spending per head of population is below average when compared to neighbouring authorities. Given this national and local context, overall financial risk profile should continue to reduce.

## 5. Governance

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

- The Capital Strategy, including the overall Capital Programme to be presented annually as part of the Medium Term Financial Strategy at full Council.
- Updates to the capital programme will be reported to Cabinet on a quarterly basis.
- All schemes are subject to approval in accordance with the Finance Procedure Rules.
- Portfolio holders are assigned projects in line with their responsibilities.
- A senior officer group exists known as the Assets Board which meets monthly and is chaired by the Executive Director for Place. The Board will play a key role in the development and implementation of the capital strategy and review performance of the capital programme on a quarterly basis.
- The board provides the strategic oversight of the Council's land and property assets including recommendations and reports on acquisition, disposal, development and management strategies.
- The Assets Board delegates responsibility for the detailed tasks to a sub-group ~ Capital Programme Board. The board's membership includes project managers from each directorate supported by the enabling services

### Capital Programme Board – Terms of Reference

- The detailed appraisal of projects, taking into consideration the Council's priorities and annual aims and objectives.
- To provide a forum for establishing and providing robust challenge of the business cases and debate around the capital programme.

- Undertake gateway reviews and risk management reviews of major capital projects.
- Undertake a detailed annual review of the capital programme.
- Review the capital programme on an ongoing basis and to ensure it is achieving the agreed outcomes.
- Receive post project completion reports to assess benefit realisation and lessons learnt.

11.95 The Capital Programme Board will assess all submissions for capital expenditure with the exception of schemes fully funded by external resources (e.g. specific grant, developer contributions); these will be approved in accordance with Finance Procedure Rules (paragraph 2.45, Supplementary Capital Estimates and paragraphs 3.31 to 3.34, Capital Block Provisions).

11.96 The Capital Programme Board provides monthly updates and makes recommendations to the Assets Board who will refer decisions to the appropriate decision maker, whether this is a Portfolio Holder under delegated responsibility, Cabinet or Council.

### Knowledge and Skills

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

- 11.98 The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities. He is a professionally qualified accountant and follows an ongoing CPD programme.
- 11.99 All of the Senior Responsible Officers and Project Managers managing a capital project have attended capital training in 2019/20 which provided up to date information on the CIPFA Code of Practice, the Prudential Code, principles of capital accounting including eligible capital expenditure, capital funding and the capital financing budget.

## Background Papers

Cheshire East Reports –

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

Arlingclose Ltd, Independent Treasury Management Advisors –

- Capital Strategy Template
- Strategy Workshop

Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (CIPFA, 2019)

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

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

## Annex A: Capital Programme

### CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

#### CAPITAL PROGRAMME 2020/21 - 2023/24

	Prior Years £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000
<b>Committed Schemes - In Progress</b>						
People	21,837	24,449	12,728	2,200	1,945	<b>63,159</b>
Place	338,363	112,450	119,035	69,664	26,284	<b>665,796</b>
Corporate	61,797	21,149	13,306	9,617	8,012	<b>113,881</b>
<b>Total Committed Schemes - In Progress</b>	<b>421,997</b>	<b>158,048</b>	<b>145,069</b>	<b>81,481</b>	<b>36,241</b>	<b>842,836</b>

#### CAPITAL PROGRAMME 2020/21 - 2023/24

	Prior Years £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000
<b>New Schemes</b>						
People	0	0	0	0	0	<b>0</b>
Place	0	13,044	12,447	12,447	12,247	<b>50,185</b>
Corporate	0	366	300	310	230	<b>1,206</b>
<b>Total New Schemes</b>	<b>0</b>	<b>13,410</b>	<b>12,747</b>	<b>12,757</b>	<b>12,477</b>	<b>51,391</b>
<b>Total Capital Schemes</b>	<b>421,997</b>	<b>171,458</b>	<b>157,816</b>	<b>94,238</b>	<b>48,718</b>	<b>894,227</b>

# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

## CAPITAL PROGRAMME 2020/21 - 2023/24

### Funding Requirement

	Prior Years £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000
<b>Indicative Funding Analysis:</b> (See note 1)						
Government Grants	201,172	84,888	76,625	38,983	14,092	<b>415,760</b>
External Contributions	36,215	15,176	20,892	12,796	22,650	<b>107,729</b>
Revenue Contributions	1,134	1,594	0	0	0	<b>2,728</b>
Capital Receipts	2,458	3,000	3,000	3,000	3,000	<b>14,458</b>
Prudential Borrowing (See note 2)	181,018	66,800	57,299	39,459	8,976	<b>353,552</b>
<b>Total</b>	<b>421,997</b>	<b>171,458</b>	<b>157,816</b>	<b>94,238</b>	<b>48,718</b>	<b>894,227</b>

#### Note 1:

The funding requirement identified in the above table represents a balanced and affordable position, in the medium term. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for capital receipts over the next three years 2020-24 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

#### Note 2:

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

# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

## CAPITAL PROGRAMME 2020/21 - 2023/24

	<b>Budget 2020/21 £000</b>	<b>Budget 2021/22 £000</b>	<b>Budget 2022/23 £000</b>	<b>Budget 2023/24 £000</b>	<b>Total Budget £000</b>
<b>Addendum</b>					
People	5,931	11,700	12,900	4,700	<b>35,231</b>
Place	40,525	50,335	36,422	66,463	<b>193,745</b>
Corporate	33,593	34,991	34,724	34,983	<b>138,291</b>
<b>Total Addendum</b>	<b>80,049</b>	<b>97,026</b>	<b>84,046</b>	<b>106,146</b>	<b>367,267</b>

The addendum includes projects that have been added to the programme owing to their strategic importance to the Council. However detailed business cases are not yet in place as the precise details are not yet known. Work is currently being progressed for these projects, however they will only be commenced once a detailed business case has been completed and approved, the business case will also need to demonstrate the strategic impact of the scheme, an expenditure profile and funding sources or associated return on investment to enable the project to be delivered. At the stage where the business cases are sufficiently developed and they are deemed to be affordable the Portfolio Holder for Finance, IT & Communication and the Section 151 Officer will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process.

CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total Budget	Government Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>											
<b>Adults Social Care</b>											
Electronic Call Monitoring System	0	389	0	0	0	389	0	0	0	389	0
<b>Childrens Social Care</b>											
Foster Carer Capacity Scheme	336	239	60	0	0	635	0	0	0	0	299
Short Breaks for Disabled Children	234	4	0	0	0	238	4	0	0	0	0
<b>Education and 14-19 Skills</b>											
Adelaide Academy	27	318	0	0	0	345	148	0	0	0	170
Alsager High School	2,670	135	0	0	0	2,805	135	0	0	0	0
Brine Leas High School	1,164	94	0	0	0	1,258	94	0	0	0	0
Congleton Planning Area	0	0	1,600	0	0	1,600	1,515	85	0	0	0
Cranberry Primary School	1,071	107	27	0	0	1,205	104	30	0	0	0
Devolved Formula Grant	5,811	988	537	390	385	8,111	2,300	0	0	0	0
Elworth CoE Primary School	421	868	217	0	0	1,506	327	758	0	0	0
Expansion of Park Lane School	795	1,461	365	0	0	2,621	0	0	0	0	1,826
Future Years Basic Need	156	387	0	0	0	543	387	0	0	0	0
Healthy Pupils Capital Fund	331	17	0	0	0	348	17	0	0	0	0
Holmes Chapel Planning Area	0	1,200	300	0	0	1,500	1,500	0	0	0	0
Macclesfield Planning Area - Secondary	0	2,760	690	0	0	3,450	3,270	180	0	0	0
Malbank High School	550	769	192	0	0	1,511	961	0	0	0	0
Middlewich High School	285	72	0	0	0	357	0	72	0	0	0
Middlewich Planning Area	0	1,200	300	0	0	1,500	1,368	132	0	0	0
Monks Coppenhall SEN Expansion	0	80	20	0	0	100	0	0	0	0	100
Nantwich Planning Area - Primary	0	960	490	250	0	1,700	1,101	599	0	0	0
Nantwich Planning Area - Secondary	0	560	140	0	0	700	700	0	0	0	0
Puss Bank SEN Expansion	180	216	54	0	0	450	0	0	0	0	270
Sandbach Boys School - Basic Need	600	720	225	0	0	1,545	795	150	0	0	0
Sandbach High School - Basic Need	320	624	156	0	0	1,100	489	291	0	0	0
Sandbach Planning Area (Secondary Schools - 300	3	680	125	0	0	808	805	0	0	0	0
Schools Condition Capital Grant	2,240	2,057	1,599	1,560	1,560	9,016	6,756	0	20	0	0
SEN Placement Expn - Phase 2	0	1,638	410	0	0	2,048	0	0	0	0	2,048

CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total Budget	Government Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>											
Shavington Primary School	2,593	23	0	0	0	2,616	0	0	0	0	23
Special Provision Fund Capital Grant	164	857	0	0	0	1,021	843	0	14	0	0
St Johns CoE Primary School	139	249	83	0	0	471	18	314	0	0	0
Vernon Primary School	101	25	0	0	0	126	25	0	0	0	0
Wilmslow High School BN	800	3,400	4,800	0	0	9,000	7,942	210	0	0	48
Wilmslow Primary Planning Area	0	1,120	280	0	0	1,400	1,250	150	0	0	0
<b>Prevention and Support</b>											
Early Years Sufficiency Capital Fund	846	232	58	0	0	1,136	290	0	0	0	0
<b>Total Committed Schemes - In Progress</b>	<b>21,837</b>	<b>24,449</b>	<b>12,728</b>	<b>2,200</b>	<b>1,945</b>	<b>63,159</b>	<b>33,144</b>	<b>2,971</b>	<b>34</b>	<b>389</b>	<b>4,784</b>
<b>Total Capital Schemes</b>	<b>21,837</b>	<b>24,449</b>	<b>12,728</b>	<b>2,200</b>	<b>1,945</b>	<b>63,159</b>	<b>33,144</b>	<b>2,971</b>	<b>34</b>	<b>389</b>	<b>4,784</b>

CAPITAL PROGRAMME 2020/21 - 2023/24										
Scheme Description	Forecast Expenditure					Forecast Funding				
	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
<b>Addendum Schemes</b>										
<b>Education and 14-19 Skills</b>										
Congleton Planning Area - Primary	150	3,250	0	0	3,400	0	3,400	0	0	0
Congleton Planning Area - Secondary	1,000	800	0	0	1,800	0	608	0	0	1,192
Congleton Planning Area - New school	0	200	2,000	1,000	3,200	0	3,200	0	0	0
Macclesfield Planning Area - Secondary	0	450	2,400	1,200	4,050	688	450	0	0	2,912
Nantwich Planning Area -Primary	0	0	2,000	0	2,000	0	1,716	0	0	284
Nantwich Planning Area - Secondary	1,300	1,000	1,000	0	3,300	0	3,300	0	0	0
Provision of Sufficient School Places - SEND	1,000	4,330	1,000	0	6,330	0	0	0	0	6,330
School Catering Service : Investment in essential kitchen infrastructure.	220	220	0	0	440	0	0	0	0	440
Shavington Planning Area - Secondary	250	1,250	1,000	0	2,500	0	129	0	0	2,371
Shavington Planning Area - New Primary School	0	200	500	2,500	3,200	0	2,360	0	0	840
Wilmslow Planning Area - New Primary School	850	0	0	0	850	0	674	0	0	176
Wilmslow Planning Area - Secondary	0	0	3,000	0	3,000	0	1,933	0	0	1,067
<b>Prevention and Support</b>										
Childcare Sufficiency Capital Programme	234	0	0	0	234	0	0	0	0	234
Ash Grove Nursery Expansion	226	0	0	0	226	226	0	0	0	0
Beechwood Nursery Expansion	701	0	0	0	701	701	0	0	0	0
<b>Total Addendum Schemes</b>	<b>5,931</b>	<b>11,700</b>	<b>12,900</b>	<b>4,700</b>	<b>35,231</b>	<b>1,615</b>	<b>17,770</b>	<b>0</b>	<b>0</b>	<b>15,846</b>

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding					
	Prior	Budget	Budget	Budget	Budget	Total	Government	External	Revenue	Capital	Prudential	
	Years	2020/21	2021/22	2022/23	2023/24	Budget	Grants	Contributions	Contributions	Receipts	Borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Committed Schemes - In Progress</b>												
<b>Highways and Infrastructure</b>												
A34/A538 West junction	0	501	1,125	375	0	2,001	0	2,001	0	0	0	0
A500 Dualling Scheme	6,421	79	0	0	0	6,500	0	79	0	0	0	0
A5020 Weston Gate roundabout	0	1,000	875	625	0	2,500	0	2,500	0	0	0	0
B5077/B5078 North Junction	0	300	100	0	0	400	0	400	0	0	0	0
A537 Adams Hill junction imp	0	300	0	0	0	300	0	300	0	0	0	0
A54/A533 Leadsmithy St, Mwich	83	245	235	0	0	563	0	480	0	0	0	0
A6 MARR CMM - Disley	1,540	460	122	0	0	2,122	0	128	0	0	454	0
A6 MARR CMM Handforth	449	51	300	0	0	800	269	48	0	0	34	0
A556 Knutsford to Bowdon	354	150	0	0	0	504	0	150	0	0	0	0
Active Travel (Cycle/Walking route) Investment	1,696	75	0	0	0	1,771	75	0	0	0	0	0
Air Quality Action Plan	97	75	0	0	0	172	75	0	0	0	0	0
Alderley Edge By-Pass Scheme	60,129	386	96	0	0	60,611	0	0	0	0	482	0
Alvaston roundabout junction	0	500	700	400	0	1,600	0	1,600	0	0	0	0
Brook St/Hollow Ln Junction	0	400	100	0	0	500	0	500	0	0	0	0
Burford junction improvements	0	875	1,000	625	0	2,500	0	2,500	0	0	0	0
Car Parking Improvements (including Residents Parking)	254	20	20	28	0	321	0	0	8	0	60	0
Congleton Link Road	46,058	16,410	9,041	4,311	14,924	90,744	8,903	20,800	0	0	14,983	0
Crewe Green Link Road PH2	24,817	930	0	0	0	25,747	0	653	0	0	277	0
Crewe Green Roundabout	6,987	234	200	53	26	7,500	0	513	0	0	0	0
Crewe HS2 Hub Project Dev	7,310	5,091	0	0	0	12,401	0	0	0	0	5,091	0
Digital Solutions - Parking	92	48	0	0	0	140	0	0	0	0	48	0
Flowerpot Phs 1 & pinch point	596	4,864	40	0	0	5,500	2,904	0	0	0	2,000	0
Highway S106 Schemes	206	431	0	0	0	637	0	431	0	0	0	0
Highway S278 Schemes	1,310	830	27	0	0	2,168	0	857	0	0	0	0
Local Area Programme	4,631	25	0	0	0	4,656	25	0	0	0	0	0
Macclesfield Movement Strategy	38	162	100	0	0	300	62	0	0	0	200	0
Middlewich Eastern Bypass	5,750	7,449	29,477	16,474	1,104	60,253	45,019	7,270	0	0	2,215	0
North-West Crewe Package	4,779	15,009	11,302	5,410	0	36,500	11,576	13,050	0	0	7,095	0
Old Mill Rd/ The Hill Junction	33	299	530	338	0	1,200	0	1,167	0	0	0	0
Part 1 Claims	34	78	0	0	0	113	78	0	0	0	0	0
Pay and Display Parking Meters	531	89	0	0	0	620	0	0	0	0	89	0
Peacock roundabout junction	0	163	400	187	0	750	0	750	0	0	0	0

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior	Budget	Budget	Budget	Budget	Total	Government	External	Revenue	Capital	Prudential
	Years	2020/21	2021/22	2022/23	2023/24	Budget	Grants	Contributions	Contributions	Receipts	Borrowing
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>											
Poynton Relief Road	8,244	13,289	15,821	3,781	9,522	50,657	17,298	7,700	0	0	17,415
Replacement Route Planning System	0	195	0	0	0	195	0	0	195	0	0
Road Safety Schemes Minor Works	4,661	100	0	0	0	4,761	100	0	0	0	0
Roundabout London Rd Holmes Chapel (S106)	14	200	200	189	0	603	0	589	0	0	0
Safer Roads Scheme A532	51	979	0	0	0	1,030	979	0	0	0	0
Safer Roads Scheme A536	240	1,656	331	83	0	2,310	2,070	0	0	0	0
Sustainable Travel Access Prog	299	2,250	146	0	0	2,695	1,701	195	0	0	500
Sydney Road Bridge	10,109	363	29	0	0	10,501	0	392	0	0	0
Taylor Dr/Edmund Wright Way	455	35	0	0	0	490	0	0	0	0	35
Winter Service Facility	250	550	0	0	0	800	0	0	0	0	550
<b>Environment and Neighbourhood Services</b>											
Barony Sports Park Improvements	255	51	10	3	0	319	0	0	0	0	64
Cemetries Computer System Upgrade	0	35	0	0	0	35	0	0	35	0	0
Congleton Leisure Centre	2,008	5,513	2,463	616	0	10,600	0	0	0	0	8,592
Energy Improvements at Cledford Lane	600	350	0	0	0	950	0	0	0	0	350
Household Waste Recycling Centre	515	485	0	0	0	1,000	0	0	0	0	485
Macclesfield Leisure Centre Improvements	3,610	390	0	0	0	4,000	0	0	0	0	390
Nantwich Pool Improvements	672	807	161	98	0	1,739	0	0	0	0	1,066
Next Generation - Self Service	329	45	0	0	0	374	0	0	0	0	45
Organic Waste Treatment Plant	7,662	3,838	0	0	0	11,500	0	0	0	0	3,838
Poynton Leisure Centre	400	3,360	672	174	0	4,606	0	0	0	0	4,206
Regulatory Systems & Environmental Health ICT System	10	193	0	0	0	203	0	0	0	0	193
Weston Cemetery Extension	39	171	0	0	0	210	0	0	0	0	171

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding					
	Prior	Budget	Budget	Budget	Budget	Total	Government	External	Revenue	Capital	Prudential	
	Years	2020/21	2021/22	2022/23	2023/24	Budget	Grants	Contributions	Contributions	Receipts	Borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Committed Schemes - In Progress</b>												
<b>Growth and Enterprise</b>												
Archive Option Development	150	246	0	0	0	396	0	0	0	0	246	
Connecting Cheshire 2020	945	1,638	3,734	933	0	7,250	5,845	0	0	0	460	
Connecting Cheshire Phase 2	5,770	107	286	72	0	6,235	0	313	0	0	152	
Connecting Cheshire	28,929	595	0	0	0	29,524	0	48	0	0	547	
Corporate Landlord - Operational	878	92	18	5	0	993	0	0	0	0	115	
Countryside Vehicles	511	77	31	0	0	619	0	0	0	0	108	
Crewe Strategic Acquisition	21,987	250	63	0	0	22,300	0	0	0	0	313	
Crewe Town Centre Regeneration	10,350	1,678	136	19,474	0	31,637	1,834	0	0	0	19,454	
Culture & Tourism S106 Schemes	63	54	0	0	0	117	0	54	0	0	0	
Disabled Facilities	12,280	2,400	2,400	2,400	0	19,480	6,195	0	0	0	1,005	
Farms Strategy	1,737	381	387	437	438	3,380	0	0	0	1,643	0	
Fire Remedial Works	80	96	24	0	0	200	0	0	0	0	120	
Gypsy and Traveller Sites	1,087	128	0	0	0	1,215	0	0	0	23	105	
Investment in Heritage Assets	642	146	72	0	0	860	0	0	0	0	218	
Leighton Green	1,456	330	125	185	0	2,096	0	0	0	0	640	
Macclesfield Town Centre	691	868	174	43	0	1,776	5	0	0	0	1,080	
Malkins Bank Golf Course - Phase 3	1,160	200	0	0	0	1,360		0	0	0	200	
Modular Construction (Gawsworth)	91	34	0	0	0	125	0	0	0	0	34	
North Cheshire Garden Village	4,408	1,935	10,895	12,220	270	29,728	17,420	0	0	0	7,900	
North Congleton Acquisitions	85	1,930	0	0	0	2,015	0	0	0	0	1,930	
Premises Capital (FM)	22,161	3,917	4,375	0	0	30,452	0	0	0	0	8,292	
PROW CMM A6 MARR	2	98	0	0	0	100	98	0	0	0	0	
Schools Capital Maintenance	2,863	120	0	0	0	2,983	120	0	0	0	0	
Septic Tanks	189	358	89	0	0	636	0	0	0	0	447	
South Macclesfield Development Area	2,499	1,695	20,495	125	0	24,814	10,000	0	0	0	12,315	
St Annes Car Park	161	0	17	0	0	178	0	0	0	0	17	
Tatton Park Investment Phase 2	2,067	363	91	0	0	2,521	0	0	0	0	454	
Temporary Accommodation	291	125	0	0	0	416	0	125	0	0	0	
Warm Homes Fund	212	205	0	0	0	417	205	0	0	0	0	
<b>Total Committed Schemes - In Progress</b>	<b>338,363</b>	<b>112,450</b>	<b>119,035</b>	<b>69,664</b>	<b>26,284</b>	<b>665,796</b>	<b>132,856</b>	<b>65,593</b>	<b>238</b>	<b>1,666</b>	<b>127,080</b>	

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total Budget	Government Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>New Schemes</b>											
<b>Highways and Infrastructure</b>											
Integrated Transport Block - LTP		1,987	1,987	1,987	1,987	7,948	7,948	0	0	0	0
Maintenance Block - LTP		8,409	8,409	8,409	8,409	33,636	33,636	0	0	0	0
Incentive Fund - LTP		1,751	1,751	1,751	1,751	7,004	7,004	0	0	0	0
Parking Meters		350	0	0	0	350	0	0	0	0	350
<b>Environment and Neighbourhood Services</b>											
Kerbside wheeled bins		50	50	50	50	200	0	0	0	0	200
Litter and Recycling Bins		50	50	50	50	200	0	0	0	0	200
<b>Growth and Enterprise</b>											
Astbury Marsh Caravan Park		247	0	0	0	247	0	0	0	0	247
Home Repairs for Vulnerable People		200	200	200	0	600	0	0	0	0	600
<b>Total New Schemes</b>		<b>13,044</b>	<b>12,447</b>	<b>12,447</b>	<b>12,247</b>	<b>50,185</b>	<b>48,588</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,597</b>
<b>Total Capital Schemes</b>	<b>338,363</b>	<b>125,494</b>	<b>131,482</b>	<b>82,111</b>	<b>38,531</b>	<b>715,981</b>	<b>181,444</b>	<b>65,593</b>	<b>238</b>	<b>1,666</b>	<b>128,677</b>

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure					Forecast Funding				
	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
<b>Addendum Schemes</b>										
<b>Highways and Infrastructure</b>										
A500 Dualling Scheme	16,319	26,894	18,004	1,073	<b>62,290</b>	52,460	4,301	0	0	5,529
A51 Shropshire Union Canal Embankment Work	0	0	3,500	0	<b>3,500</b>	0	0	0	0	3,500
Crewe Surface Access Strategy	1,375	1,200	5,200	57,440	<b>65,215</b>	55,432	0	0	0	9,783
Highways Investment Programme	5,000	0	0	0	<b>5,000</b>	0	0	0	0	5,000
Middlewich Southern Link OBC	1,875	625	0	0	<b>2,500</b>	0	0	0	0	2,500
Replacement LED units in illuminated signs and bollards	680	680	680	0	<b>2,040</b>	0	0	0	0	2,040
Safer Roads Scheme A537	2,490	0	0	0	<b>2,490</b>	2,490	0	0	0	-
<b>Transport Studies to Support Growth:-</b>					<b>0</b>	0	0	0	0	-
Middlewich Southern Link Road	50	0	0	0	<b>50</b>	17	0	0	0	33
Clive Green Lane Upgrade	40	0	0	0	<b>40</b>	13	0	0	0	27
A51/A500 Corridor Nantwich	80	0	0	0	<b>80</b>	27	0	0	0	53
Rail Studies	55	0	0	0	<b>55</b>	18	0	0	0	37
<b>Environment and Neighbourhood Services</b>										
Carbon Offset Investment	400	400	400	400	<b>1,600</b>	0	0	0	0	1,600
Crewe Town Centre Civic Heat Network	0	2,972	0	0	<b>2,972</b>	0	2,672	0	0	300
Congleton Household Waste Recycling Centre	2,000	2,000	0	0	<b>4,000</b>	0	0	0	0	4,000
Electric Vehicle Car Pool Scheme	60	0	0	0	<b>60</b>	0	0	0	0	60
Everybody Sport & Leisure Investment , 5 Towns Programme	4,159	5,160	1,000	0	<b>10,319</b>	0	0	0	0	10,319
Green Investment Costs	0	1,300	1,300	1,300	<b>3,900</b>	0	0	0	0	3,900

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure					Forecast Funding				
	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
<b>Addendum Schemes</b>										
<b>Growth and Enterprise</b>										
New Archives Premises	0	1,030	2,707	2,707	6,444	0	0	0	0	6,444
Demolition of Crewe Library (linked to Archives Project)	0	1,200	0	0	1,200	0	0	0	0	1,200
Gypsy & Traveller Site	500	1,001	0	0	1,501	0	0	0	0	1,501
Housing Development Fund	0	940	0	0	940	0	0	0	940	0
Macclesfield Town Centre Regeneration Phased Public Realm Enhancement Programme	2,500	2,500	0	0	5,000	0	0	0	2,500	2,500
Modular Construction (Gawsworth)	1,000	734	0	0	1,734	0	0	0	1,734	0
Multi Site Solar PV Scheme	342	342	0	0	684	0	0	0	0	684
Premises Capital (FM)	0	0	3,500	3,500	7,000	0	0	0	0	7,000
Premises Capital (West Park Museum)	450	450	0	0	900	0	0	0	0	900
Starter Homes - Phase 1	616	244	0	0	860	0	0	0	0	860
Public Rights of Way: Capital Structures Investments	39	60	131	43	273	0	0	0	0	273
Tatton Park Investment	495	494	0	0	989	0	0	0	0	989
Towns Centre Vitality Programme	0	109	0	0	109	0	0	0	0	109
<b>Total Addendum Schemes</b>	<b>40,525</b>	<b>50,335</b>	<b>36,422</b>	<b>66,463</b>	<b>193,745</b>	<b>110,457</b>	<b>6,973</b>	<b>0</b>	<b>5,174</b>	<b>71,141</b>

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total Budget	Government Grants	External Contributions	Revenue Contributions	Capital Receipts	Prudential Borrowing
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>											
<b>Transformation</b>											
Care Act Phase 2	2,920	735	1,055	1,604	0	6,314	0	0	0	0	3,394
Core Financials	6,996	526	117	0	0	7,639	0	0	0	0	643
IADM (Information Assurance and Data Management)	11,691	1,774	0	0	0	13,465	0	0	0	0	1,774
Infrastructure Investment Programme (IIP)	21,875	5,197	0	0	0	27,072	0	0	0	1,662	3,535
Vendor Management	442	528	36	0	0	1,006	0	0	0	0	564
<b>Finance and Customer Services</b>											
Best4Business Programme	15,688	5,900	0	0	0	21,588	0	2,950	933	934	1,083
Strategic Capital Projects	2,185	6,489	12,098	8,013	8,012	36,797	0	0	0	7,738	26,874
<b>Total Committed Schemes - In Progress</b>	<b>61,797</b>	<b>21,149</b>	<b>13,306</b>	<b>9,617</b>	<b>8,012</b>	<b>113,881</b>	<b>0</b>	<b>2,950</b>	<b>933</b>	<b>10,334</b>	<b>37,867</b>

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
<b>New Schemes</b>											
<b>Transformation</b>											
Unified Communications Project		366	300	310	230	1,206	0	0	0	0	1,206
<b>Total New Schemes</b>	<b>0</b>	<b>366</b>	<b>300</b>	<b>310</b>	<b>230</b>	<b>1,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,206</b>
<b>Total Capital Schemes</b>	<b>61,797</b>	<b>21,515</b>	<b>13,606</b>	<b>9,927</b>	<b>8,242</b>	<b>115,087</b>	<b>0</b>	<b>2,950</b>	<b>933</b>	<b>10,334</b>	<b>39,073</b>

## CAPITAL PROGRAMME 2020/21 - 2023/24

Scheme Description	Forecast Expenditure					Forecast Funding				
	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
<b>Addendum Schemes</b>										
<b>Transformation</b>										
Core Financials	0	300	433	500	1,233	0	0	0	0	1,233
Corporate Contracts Renewals	59	11	0	0	70	0	0	0	0	70
Digital Strategy	2,703	1,100	738	583	5,124	0	0	0	0	5,124
Elections Replacement System	30	0	0	0	30	0	0	0	0	30
Information Assurance and Data Management Phase 3	0	1,750	1,500	1,500	4,750	0	0	0	0	4,750
Infrastructure Investment Programme (IIP)	0	1,777	2,050	2,400	6,227	0	0	0	0	6,227
People ICT Systems Procurement	275	42	0	0	317	0	0	0	0	317
Place ICT System Procurement	526	11	3	0	540	0	0	0	0	540
<b>Finance and Customer Services</b>										
Strategic Commercial Activities	30,000	30,000	30,000	30,000	120,000	0	0	0	0	120,000
<b>Total Addendum Schemes</b>	<b>33,593</b>	<b>34,991</b>	<b>34,724</b>	<b>34,983</b>	<b>138,291</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>138,291</b>

## Annex B: Prudential Indicators revisions to: revisions to: 2019/20 and 2020/21 – 2023/24

### Background

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

### Estimates of Capital Expenditure

11.101 In 2020/21, the Council is planning capital expenditure of £171.5m as summarised below:

Capital Expenditure	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
<b>Total</b>	132.7	171.5	157.8	94.2	48.7

Source: Cheshire East Finance

### Capital Financing

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

Capital Financing	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital receipts	7.2	3.0	3.0	3.0	3.0
Government Grants	64.4	84.9	76.6	39.0	14.1
External Contributions	11.0	15.2	20.9	12.8	22.7
Revenue Contributions	1.1	1.6	0.0	0.0	0.0
<b>Total Financing</b>	<b>83.7</b>	<b>104.7</b>	<b>100.5</b>	<b>54.8</b>	<b>39.8</b>
Prudential Borrowing	49.0	66.8	57.3	39.4	8.9
<b>Total Funding</b>	<b>49.0</b>	<b>66.8</b>	<b>57.3</b>	<b>39.4</b>	<b>8.9</b>
<b>Total Financing and Funding</b>	<b>132.7</b>	<b>171.5</b>	<b>157.8</b>	<b>94.2</b>	<b>48.7</b>

Source: Cheshire East Finance

### Replacement of debt finance

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

Replacement of debt finance	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
<b>Total</b>	<b>9.7</b>	<b>11.2</b>	<b>13.9</b>	<b>17.0</b>	<b>17.5</b>

Source: Cheshire East Finance

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

## Estimates of Capital Financing Requirement

11.105 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £52m during 2020/21. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Capital Financing Requirement	2019/20 Forecast	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
<b>Total</b>	<b>375</b>	<b>427</b>	<b>484</b>	<b>487</b>	<b>466</b>

Source: Cheshire East Finance

## Asset disposals

11.106 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation project until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £12m of capital receipts in the coming financial years as follows.

Capital Receipts	2019/20 Forecast	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Asset Sales	7.2	3.0	3.0	3.0	3.0
Loans Repaid	0.2	0.2	0.2	0.2	0.2
<b>Total</b>	<b>7.4</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>

Source: Cheshire East Finance

## Gross Debt and the Capital Financing Requirement

11.107 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.8%) and long-term fixed rate loans where the future cost is known but higher (currently 2 – 3%).

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

Gross Debt and the Capital Financing Requirement	2019/20 Forecast	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Borrowing	109	80	78	77	77
Finance Leases	1	1	1	1	0
PFI Liabilities	22	20	20	19	18
<b>Total Debt</b>	<b>132</b>	<b>101</b>	<b>99</b>	<b>97</b>	<b>95</b>
<b>Capital Financing Req.</b>	<b>375</b>	<b>427</b>	<b>484</b>	<b>487</b>	<b>466</b>

Source: Cheshire East Finance

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

## Liability Benchmark

11.110 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £260m and is forecast to rise to £317m over the next four years.

Borrowing and the Liability Benchmark	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Outstanding Debt	132	101	99	97	95
Liability Benchmark	199	260	320	332	317

Source: Cheshire East Finance

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

## Affordable borrowing limit

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

	2019/20 limit £m	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m
Authorised Limit for Borrowing	362	416	473	477	458
Authorised Limit for Other Long-Term Liabilities	23	21	21	20	18
<b>Authorised Limit for External Debt</b>	<b>385</b>	<b>437</b>	<b>494</b>	<b>497</b>	<b>476</b>
Operational Boundary for Borrowing	352	406	463	467	448
Operational Boundary for Other Long-Term Liabilities	23	21	21	20	18
<b>Operational Boundary for External Debt</b>	<b>375</b>	<b>427</b>	<b>484</b>	<b>487</b>	<b>466</b>

Source: Cheshire East Finance

## Investment Strategy

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

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

Treasury Management Investments	31/03/20 Forecast £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Short term	0	0	0	0	0
Long term	20	20	20	20	20
<b>Total Investments</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

Source: Cheshire East Finance

- 11.115 Further details on treasury investments are in pages of the Treasury Management Strategy, **Annex 12**.
- 11.116 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury activity are reported to Cabinet as part of the Finance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.
- 11.117 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Annex 13**.

### Revenue budget implications

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

Ratio of Financing Costs to Net Revenue Stream	2019/20 Forecast	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Financing Costs (£m)	12.0	12.0	14.0	14.0	14.0
Proportion of net revenue stream %	4.27%	4.00%	4.66%	4.61%	4.53%

Source: Cheshire East Finance

- 11.119 Further details on the revenue implications of capital expenditure are on paragraphs 89-96 of the 2020-2024 Medium Term Financial Strategy (**Appendix C**).
- 11.120 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable. The longer term revenue implications have been considered and built into the revenue budget forecasts post the period of the current Medium Term Financial Strategy.

## Annex C: Minimum Revenue Provision

- 11.121 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.
- 11.122 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 11.123 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the guidance.
- For capital expenditure incurred before 1<sup>st</sup> April 2008 and for supported capital expenditure incurred on or after that date, MRP will be charged at 2% annuity rate over a 50 year period.
  - For capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, as the principal repayment on an annuity rate of 2%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (*Option 3 in England and Wales*)
  - For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
  - For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.
- 11.124 Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22.

# 12. Treasury Management Strategy

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## 1. Background

- 12.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 12.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 12.3 In preparing this strategy the Council has had regard to the advice received from its appointed Treasury Management advisors, Arlingclose Ltd who have helped shape the content of this strategy. The current contract for advice expires 31<sup>st</sup> December 2020.
- 12.4 Investments held for service purposes or for commercial profit are considered in the Investment Strategy (see **Annex 13**).

## 2. External Context

- 12.5 **Economic background:** The UK's progress negotiating its exit from the European Union, together with future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.
- 12.6 UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.
- 12.7 GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.
- 12.8 The Bank of England maintained Bank Base Rate at 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to

some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

- 12.9 Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.
- 12.10 In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.
- 12.11 **Credit outlook:** Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile the post financial crisis banking reform is now largely complete, with the new ring-fenced banks embedded in the market.
- 12.12 Looking forward, the potential for a "no-deal" Brexit and/or global recession remain the major risks facing banks and

building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

- 12.13 **Interest rate forecast:** The Authority's treasury management adviser, Arlingclose, is forecasting that Bank Base Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.
- 12.14 Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.
- 12.15 The cost of Local Authority (LA) borrowing from the Public Works Loans Board (PWLB) is linked to gilts which dragged these rates to historic lows. The Government has become increasingly worried about some Local Authorities borrowing large amounts cheaply from PWLB whilst investing heavily in assets and projects outside of their geographical areas. This led to the sudden decision on 9<sup>th</sup> October to increase the margin on all PWLB lending rates by 1%. This now means PWLB rates are starting to look expensive when

compared to other forms of borrowing, particularly the LA to LA market.

- 12.16 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Annex A**.
- 12.17 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 2.8%, which takes into account strategic fund investments, and that new borrowing in the form of short term loans will be borrowed at an average of 0.90%.

### 3. Local Context

- 12.18 As at 31<sup>st</sup> October 2019 the Authority currently has borrowings of £156m and treasury investments of £32m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in Table 1.

**Table 1: Balance Sheet Summary and Forecast**

	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
General Fund CFR	375	427	484	487	466
Less: Other long-term liabilities *	(23)	(21)	(21)	(20)	(18)
<b>Loans CFR</b>	<b>352</b>	<b>406</b>	<b>463</b>	<b>467</b>	<b>448</b>
Less: External borrowing **	(109)	(80)	(78)	(77)	(76)
<b>Internal (over) borrowing</b>	<b>243</b>	<b>326</b>	<b>385</b>	<b>390</b>	<b>372</b>
Less: Usable reserves	(93)	(92)	(90)	(85)	(82)
Less: Working capital	(80)	(75)	(73)	(71)	(69)
<b>Treasury Investments (or New borrowing)</b>	<b>(70)</b>	<b>(159)</b>	<b>(222)</b>	<b>(234)</b>	<b>(221)</b>

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

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

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

12.20 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £96m over the forecast period.

12.21 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2020/21.

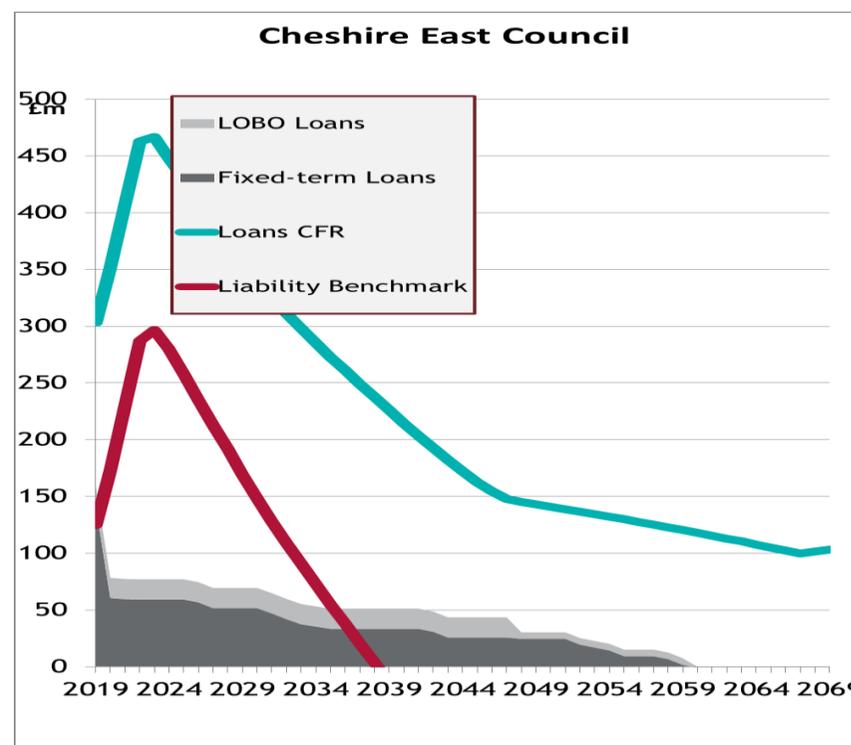
12.22 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £20m (increased from £10m in 2019/20) at each year-end to maintain a core strategic investment.

**Table 2: Liability Benchmark**

	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Loans CFR	352	406	463	467	448
Less: Usable reserves	(93)	(92)	(90)	(85)	(82)
Less: Working capital	(80)	(75)	(73)	(71)	(69)
Plus: Minimum investments	20	20	20	20	20
<b>Liability Benchmark</b>	<b>199</b>	<b>259</b>	<b>320</b>	<b>331</b>	<b>317</b>

12.23 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £15m a year, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in **Chart 1** below.

**Chart 1: Liability Benchmark Chart**



## 4. Borrowing Strategy

- 12.24 The Authority currently holds loans of £156m, a slight decrease of £2m since 31<sup>st</sup> March 2019 but this will increase to a higher level, currently forecast as £177m at 31<sup>st</sup> March 2020. PWLB debt has been reducing by £6m per year whilst cash flow shortfalls caused by internal borrowing and prepayment of the pension fund deficit is being funded through cheaper short term borrowing. The Authority may also borrow additional sums to pre-fund future years' requirements providing this does not exceed the authorised limit for borrowing.
- 12.25 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 12.26 Given the significant cuts to public expenditure and in particular to Local Government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use both internal resources and to borrow short-term loans instead.
- 12.27 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Our treasury advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 12.28 Alternatively, the Authority may arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 12.29 In addition, the Authority may borrow further short-term loans to cover unexpected or planned temporary cash flow shortages.
- 12.30 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board and any successor body
  - UK local authorities
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - UK public and private sector pension funds (except Cheshire Pension Fund)
  - capital market bond investors
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

- European Investment Bank
- Salix Finance Ltd energy efficiency loans

- 12.31 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
  - hire purchase
  - Private Finance Initiative
  - sale and leaseback
- 12.32 The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board but the Government increased PWLB rates by 1% in October 2019 making it now a relatively expensive options. The Authority will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
- 12.33 **Municipal Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and

knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

- 12.34 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBO's have options during 2020/21, and although the Authority understands that the lender is unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.
- 12.35 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).
- 12.36 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or reduction in risk.

## 5. Treasury Investment Strategy

- 12.37 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £10m and £59m. Levels of around £36m are expected to be maintained in the forthcoming year.
- 12.38 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 12.39 If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 12.40 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to maintain its diversification for longer term investments into higher yielding asset classes during 2020/21 and increasing this if prudent to do so. The Authority is in the process of

increasing investments in higher yielding asset classes from £10m to £20m with the remaining surplus cash invested for liquidity purposes in short-term unsecured bank deposits, money market funds and with other Local Authorities.

- 12.41 Under the new IFRS9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 12.42 The Authority may invest its surplus funds with any of the counterparties in table 3 below, subject to the cash limits (per counterparty) and time limits shown.

**Table 3: Approved Investment Counterparties and Limits**

Credit Rating	Banks * Unsecured	Banks * Secured	Government	Corporates	Registered Providers
UK Government	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£12m 50 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years
AA-	£6m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years
A+	£6m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years
A	£6m 13 months	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	£6m 6 months	£12m 13 months	£6m 5 years	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	£12m 25 years	£100,000 5 years	£6m 5 years
Pooled funds and real estate investment trusts		£12m per fund			

\* Banks includes Building Societies

- 12.43 **Credit Rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 12.44 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 12.45 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- 12.46 **Government:** Loans, bonds and bills issued or guaranteed by National Governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 12.47 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £100,000 per company as part of a diversified pool in order to spread the risk widely. It is unlikely that loans will be made to companies as part of standard treasury management operations. These are more likely to be considered under the Council's separate Investment Strategy.
- 12.48 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving Government support if needed.
- 12.49 **Pooled Funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

- 12.50 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 12.51 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.
- 12.52 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept to the lowest practical levels per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 12.53 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and;
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 12.54 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 12.55 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential Government support, reports in the quality financial press and analysis and advice from the Authority's treasury management advisor. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

12.56 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in Government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

12.57 **Investment Limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £90m on 31<sup>st</sup> March 2020. In order that no more than 7% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £6m. Secured investments will have a higher limit of £12m per organisation. A group of banks under the same ownership will be treated as a single organisation for limit purposes. The limits on fund managers, investments in brokers' nominee accounts and Real Estate Investment Trusts (REIT's) are higher as the investment is diversified over a greater range of counterparties within those funds. These funds are generally held to generate higher ongoing returns but with a long term view on the value of the fund which may fluctuate significantly; e.g. REIT's underlying value will reflect the property market movements in whichever sector

or geographic region in which that REIT operates. For foreign countries and other sectors with a total limit, the individual organisation limits still apply. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table 4: Investment Limits**

Type of Counterparty	Cash Limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£12m per country
Registered Providers and Registered Social Landlords	£25m in total
Unsecured investments with Building Societies	£12m in total
Loans to unrated corporates	£12m in total
Money Market Funds	£12m in each (£50m in total)
Real Estate Investment Trusts	£25m in total

12.58 **Liquidity management:** The Authority maintains a cash flow forecasting model to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

## 6. Treasury Management Indicators

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% <b>rise</b> in interest rates	£545,000
Upper limit on one-year revenue impact of a 1% <b>fall</b> in interest rates	£0

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2020/21 so a fall in rates would lead to savings rather than incurring additional cost.

12.61 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper	Lower
Under 12 months	70%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively high and has been increased to 70% from 50% as there is no shortage of liquidity in the market and short term funding is currently considerably cheaper than alternatives. This will enable the Council to finance temporary cashflow shortfalls at year end more economically. This will be kept under review as it does increase the risk of higher financing costs in the future.

12.62 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the

total principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£25m	£15m	£10m

- 12.63 The Authority has not adopted the voluntary measures disclosures on security of investments or liquidity.
- 12.64 Security of investments can be measured by the credit rating assigned to the counterparty but for many of our investments (principally other Local Authorities and strategic high yielding funds) there is no assigned credit rating. Also the credit rating assigned to Money Market Funds is typically AAA but the underlying investments are considerably lower. Any measure adopted would therefore add little value.
- 12.65 Liquidity is a self imposed measure generally on the minimum value of funds which the Council must keep as being immediately available in order to meet unexpected payments. Alternatively a measure linked to borrowing may be considered. In practice the Councils cash varies throughout the year meaning that at certain times the focus of liquidity is on investments and at other times on borrowing. Setting a minimum amount to hold for liquidity purposes may mean that the Council has to borrow unnecessarily to cover short periods. For example if a liquidity limit of £10m is set and cash is predicted to fall to say £4m for a few days we would have to borrow the additional £6m usually at a slightly higher cost than we receive for investment due to commissions payable. In the unlikely event that an unexpected payment would result in a need to borrow then availability of funds from inter LA

markets is high and borrowing would be limited to need. Cash flow forecasting is carried out daily thereby allowing any borrowing to be planned and limited to need.

## 7. Other Items

- 12.66 The CIPFA code requires the Authority to include the following in its treasury management strategy.
- 12.67 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 12.68 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 12.69 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative

counterparty will count against the counterparty credit limit and the relevant foreign country limit.

- 12.70 In line with the CIPFA code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 12.71 **Markets In Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services including advisers, banks, brokers and fund managers, allowing it to access a greater range of services without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this seems to be the most appropriate status.

## 8. Financial Implications

- 12.72 Anticipated investment income in 2020/21 is £0.9m, based on an average investment portfolio of £36m at an interest rate of 2.80%. The budget for debt interest paid in 2020/21 is £5.1m, based on an average debt portfolio of £154m at an average interest rate of 3.00%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

## Annex A: Economic & Interest Rate Forecast

### Underlying assumptions:

- The Global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- Brexit has been delayed until 31<sup>st</sup> January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitional period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.
- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.
- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

### Forecast:

- Although we have maintained our Bank Base Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependent on General Election outcomes and the evolution of the global economy. Arlingclose judges that the risks are weighted on the downside.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK Government spending will be key influences alongside UK monetary policy. We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>3-month money market rate</b>														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>1yr money market rate</b>														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.60
<b>5yr gilt yield</b>														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	0.37
Arlingclose Central Case	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.56
<b>10yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.00	1.00	0.88
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.45
<b>20yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45
<b>50yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45

## Annex B: Existing Investment & Debt Portfolio Position

	31/10/19 Actual Portfolio £m	31/10/19 Average Rate %
<b>External Borrowing:</b>		
PWLB - Fixed Rate	68	4.26%
Local Authorities	45	0.93%
LOBO Loans	17	4.63%
Other	2	-
<b>Total External Borrowing</b>	<b>132</b>	<b>3.11%</b>
<b>Other Long Term Liabilities:</b>		
PFI	22	-
Finance Leases	2	-
<b>Total Gross External Debt</b>	<b>156</b>	<b>-</b>
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	13	0.70%
Notice Accounts	8	0.90%
<i>Managed externally</i>		
Multi Asset Funds	3	5.92%
Property Funds	8	4.64%
<b>Total Investments</b>	<b>32</b>	<b>2.22%</b>
<b>Net Debt</b>	<b>124</b>	<b>-</b>

# 13. Investment Strategy

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# 1. Purpose

- 13.1 The purpose of the Investment Strategy is to:
- set out the Council's approach to managing investment in 2020/21
  - establish financial limits for various classifications of investment
  - recognise the role and responsibilities of the Investment Board and its position as the main conduit through which investment opportunities should be recommended to Cabinet
- 13.2 The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
- 13.3 The Council has a Capital Strategy (prepared in line with the requirements of the Prudential Code); and a Treasury Management Strategy (prepared in line with the requirements of the Treasury Management Code) – relevant disclosures are made within each document.
- 13.4 Consequently, this Investment Strategy is part of a suite of related documents, and focuses predominantly on matters not covered by the Capital Strategy and Treasury Management Strategy.

## Introduction

- 13.5 On 2<sup>nd</sup> February 2018 the Ministry of Housing, Communities & Local Government (MHCLG) published updated statutory guidance on capital finance, in respect of Local Government investments and the minimum revenue provision. The MHCLG guidance may be found at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/678866/Guidance\\_on\\_local\\_government\\_investments.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf)
- 13.6 The guidance was issued to reflect concerns raised by MHCLG and Treasury Select Committees over changes in patterns of local authority behaviour. Some local authorities are investing in non-financial assets, with the primary aim of generating profit. Others are entering into very long term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects that are in line with their wider role for regeneration and place making.
- 13.7 There is ongoing concern that some local authorities are exposing themselves to high levels of financial risk through their borrowing and investment decisions which could have a detrimental impact on services if investments do not perform as expected. The requirement to produce this annual Investment Strategy, to be approved by Full Council, is an attempt to recognise this and ensure that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.
- 13.8 The Authority invests its money for three broad purposes:

1. because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
2. to support local public services by lending to or buying shares in other organisations (**service investments**), and
3. to earn investment income (known as **commercial investments** where this is the main purpose).

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

## 2. Treasury Management Investments

- 13.10 The Authority typically receives its income (e.g. from taxes and grants) before it pays for its expenditure (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of Central Government. These activities, plus the timing of borrowing decisions, can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £20m and £60m during the 2020/21 financial year.
- 13.11 The Constitution of the Authority delegates the power to manage and make Treasury Management Investments to the Section 151 Officer via the Treasury Management Strategy.

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

13.13 **Further details:** Full details of the Authority's policies and plans for 2020/21 for treasury management investments are covered in the Treasury Management Strategy (**Annex 12**).

## 3. Service Investments: Loans

13.14 **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth.

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

13.16 In March 2013, Astra Zeneca announced it was relocating its R&D function from Alderley Park to Cambridge. In order to retain the expertise in the region and to stimulate local economic growth the Council has invested in Alderley Park Holdings Ltd by way of equity investment and loans.

13.17 In addition, the Council has committed to investing £5m (and lent £3.6m as at November 2019) in the Greater Manchester & Cheshire Life Science Fund, a venture capital fund investing in a range of life science businesses. Partners in the Fund include the Greater Manchester Combined Authority, Cheshire & Warrington Local Enterprise Partnership and Alderley Park Ltd. The Fund has a regional

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

13.18 The Authority is working alongside Cheshire West and Chester Council and Warrington Borough Council to each provide the Cheshire and Warrington Local Enterprise Partnership with a £10m loan facility that will be used to invest in economic development schemes across the Enterprise Zones in the sub-region, subject to the necessary approvals. The existing Strategic Capital Projects budget will be utilised for this purpose (see **Annex A** below).

13.19 The Council may consider making further Service Investment Loans in 2020/21, subject to business cases and where the balance of security, liquidity and yield have been considered as part of robust risk assessment.

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

**Table 1: Loans for service purposes in £'000**

Category of borrower	31/03/19 Actual	31/03/20 Forecast			2020/21 Approved Limit
		Balance owing	Loss allowance	Net figure in accounts	
Subsidiaries	0	0	0	0	2,000
Suppliers	24	24	1	23	500
Local businesses	4,679	10,531	56	10,475	30,000
Local charities	679	582	57	525	2,500
<b>TOTAL</b>	<b>5,382</b>	<b>11,137</b>	<b>114</b>	<b>11,023</b>	<b>35,000</b>

13.21 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

13.22 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans. Each application for a loan requires completion of a business case. This is followed by a process of due diligence taking into account creditworthiness and financial standing and the Council's corporate objectives. External advisors are used where appropriate, dependent on materiality and scope of

the loan arrangement. Each application is considered on a case by case basis.

13.23 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is also contracting party to loans provided to organisations from the Growing Places Fund. This £12m Fund was established with Government grants and is “owned” by the Local Enterprise Partnership; consequently these investments are not made using Cheshire East’s resources and are not reflected in the table above, as regards investments made, or affecting upper limits of lending.

## 4. Service Investments: Shares

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

13.25 As noted above, the Authority has invested in Alderley Park Holdings Limited in order to maintain and stimulate this key strategic industry of life sciences within the Borough. Cheshire East is a 10% shareholder in Alderley Park, and has invested in the development of the site along with Bruntwood (51% shareholder) and Manchester Science Partnerships (MSP; 39% shareholder). As part of the original arrangements, the Council also invested in MSP, taking a 3% equity stake which was sold in 2019 yielding a profit of £1.63m.

13.26 The Council also has shares in its subsidiary, wholly owned companies. However they are of nominal value, and

consequently whilst the turnover of the group of companies is significant (£61m in aggregate) the share values are not considered material in the context of this Investment Strategy.

13.27 As reflected in this strategy a key objective of future investments will be to yield a return to benefit the Council’s Revenue Account. However the Council may consider acquiring shares in companies if there is a compelling business case demonstrating strong potential for growth in capital value.

13.28 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

**Table 2: Shares held for service purposes in £’000**

Category of company	31.3.2019 actual	31.3.2020 forecast			2019/20
	Value in accounts	Amounts invested	Gains or losses	Value in accounts	Approved Limit (at cost)
Local businesses	5,952	1,070	2,810	3,880	10,000
<b>TOTAL</b>	<b>5,952</b>	<b>1,070</b>	<b>2,810</b>	<b>3,880</b>	<b>10,000</b>

13.29 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/ customer

needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and being part of the entities' governance arrangements, having a seat on the Board, and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

13.30 Investments in shares are approved via a detailed Business Case and due diligence that is approved by Cabinet.

13.31 **Liquidity:** With regard to the existing equity stake in Alderley Park, it was deemed to be a long-term investment, supporting a business and site development plan through to at least 2025. As described above, regular monitoring and receipt of updated business plans will help to inform considerations in regards to the selling of shares; and it is important to note, as a minority shareholder in Alderley Park, that shares must first be offered to other shareholders in those private enterprises (and consequently the prospects for disposing of shares should be seen as good as evidenced by the sale of MSP shares in 2019).

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

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

## 5. Commercial Investments: Property

13.34 Note that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

13.35 **Contribution:** The Council invests in local commercial and residential property, and land, with the intention of making a profit that will be spent on local public services.

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

Property	Actual	31/03/19 actual		31/03/20 expected		2020/21 Approval Limit
	Purchase cost	Gains or (losses) in-year	Value in accounts (includes gains/ (losses) to date	Gains or (losses)	Value in accounts	
Industrial Units	907	0	1,443	0	1,443	
Enterprise Centres	770	0	1,297	0	1,297	
Retail	23,350	0	4,370	0	25,370	
Residential	600	0	675	0	675	
<b>Total</b>	<b>25,627</b>	<b>0</b>	<b>7,785</b>	<b>0</b>	<b>28,785</b>	<b>100,000</b>

13.36 **Security:** In accordance with Government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

13.37 **Where value in accounts is at or above purchase cost:** A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and

the underlying assets provide security for capital investment. Should the 2019/20 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

13.38 **Where value in accounts is below purchase cost:** The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested. These actions include annually reviewing the Commercial Properties portfolio and where the fair value is below the original purchase price alternative uses for the assets are considered by the Authority such as changing the use of the asset to earn additional investment income such as refurbishing the asset to make the asset look more desirable or to be re-used within the Council itself as a operational property where services to the public will be provided from. If no alternative service uses are considered viable the asset will be classed as surplus to requirements and steps will be taken to market the asset for sale to realise a capital receipt.

13.39 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by:

- Before entering into any commercial property investment the Authority assesses the local market conditions, by establishing the supply and demand of the need for a certain type of commercial property investment, what

competition currently exists locally, nationally and globally dependent on the type of activity that will take place in the asset for example retail units, industrial units or residential properties. These decisions are made alongside the expertise, knowledge and market evidence collected from our Economic Development Service.

- The Authority also ensures that when setting rental income on the assets the Authority completes a cost of use and sensitivity analysis to future proof the running maintenance costs of the assets so that rents are set at a level where they are competitive in the local market but will ensure that the income will provide that additional financial security.
- Whilst holding the commercial properties we continually review market prices, look out for changes in the market, and assess the competition.
- The Authority constantly monitors any changes in the political environments, locally, nationally and globally to assess any potential impact on the local rental markets.

13.40 Since the last Investment Strategy was prepared a significant investment in commercial property was made (see **Annex A** below). This was subject to detailed due diligence with a thorough review of the market sector and conditions. Through the MTFs process of approving the Investment Strategy, the Approved Limit (in Table 3 above – for 2021 this is £100 million) is set by Council. Should any investments be identified then the Portfolio Holder for Finance, IT and Communication in conjunction with the

Section 151 Officer has the ability to move funds within the Approved Limit into the main Capital Programme.

- 13.41 Currently, due to the nature of the transactions which can require the Authority to move in line with the market, the approval to acquire specific commercial property is delegated to the Executive Director of Place in conjunction with the Portfolio Holder for Environment and Regeneration.
- 13.42 This Investment Strategy acknowledges the role of the Investment Board as the body that should consider future investments and make recommendations to Cabinet for ultimate approval of individual investments.
- 13.43 The £100m limit has not been split across sectors so that individual investment opportunities can be considered on their merits. However, given that significant commercial retail property has been purchased more emphasis will need to be given towards the category of any future investment to ensure that the portfolio is diversified and not overly reliant upon a single sector.
- 13.44 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority constantly monitors the use of all assets and where there is a market for a particular asset or asset type will look in to realising the capital receipt on those assets if it outweighs the long-term benefits of holding the asset for a potential rental stream.

## 6. Commercial Investments: Loans

13.45 **Contribution:** The Council does not currently provide loans primarily or partially to **make** a profit (i.e. as above, loans are provided for Service Investment purposes).

13.46 Going forward, the Authority is considering making commercial investment loans, but **importantly** there will always be a Council policy-related objective (e.g. regeneration; economic development) in addition to the objective of financial benefit (yield) to the Council's Revenue Account (i.e. interest received) being greater than the costs to the Revenue Account (e.g. debt financing).

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

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

Category of borrower	2020/21
	Approved Limit £000
Partner Organisations	20,000

13.48 **Risk assessment:** The Authority assesses the risk of loss before entering into commercial loans with a thorough due diligence process by: assessing the proposition, taking into

consideration the market (the nature and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

13.49 Each application for a loan will require completion of a business case. Each loan application is considered on a case by case basis. For commercial loans, the intent is that they will be approved in line with those rules being developed in accordance with Section 10 below. Currently, the approval route will be based upon the source of the funding identified for the Loan.

## 7. Loan Commitments and Financial Guarantees

- 13.50 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is acting as Entrusted Entity to a £20m European Regional Development Fund (ERDF) supported Urban Development Fund which is intended to commence in Quarter 4, 2019/20.
- 13.51 The Fund is designed to provide loan finance to specific projects across Cheshire and will not generate a return for the Authority. As such the balances are not included in the investment tables above. The workings of the fund are subject to detailed scrutiny and will be managed by a firm of experienced fund managers with a strong track record of providing loans that minimise the risk of default. The Council, as contracting party, will provide guarantees in respect of the amounts provided through ERDF though this will be offset by the professional indemnity insurance held by the fund manager.

## 8. Proportionality

- 13.52 The Authority is only partially dependent on profit generating investment activity to achieve a balanced revenue budget, in respect of Place services. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial

Plan. Such is the low proportion that it represents, should it fail to achieve the expected net profit, the Authority's contingency plans for continuing to provide these services include effective budget management and tight cost control.

**Table 4: Proportionality of Investments in £'000**

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Gross service expenditure - Directorate Level	76,924	72,905	74,082	73,809	75,542
Investment income	(1,787)	(1,434)	(1,698)	(1,698)	(1,698)
Proportion	2%	2%	2%	2%	2%

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

## 9. Borrowing in Advance of Need

- 13.53 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council currently follows this guidance and ensures that investments are made to meet the strategic needs of the Authority, its residents and local businesses.
- 13.54 However, following several years of austerity, significant reductions in Government grants and with ongoing constraints in central funding, there may be a need in the future to consider investing for financial gain in order to help balance the budget in the medium term, and continue to

keep pace with the growing demand for essential services, including social care.

- 13.55 The Council's policies as regards borrowing to make investments and managing the associated risks are set out in this Strategy; and any future opportunities to borrow purely to profit from the investment will be considered on a case-by-case basis and be subject to the robust due diligence, governance and decision making processes described in this Strategy.

## 10. Capacity, Skills and Culture

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

- 13.57 The Authority has established an Investment Board comprised of members, supported by Executive Officers and where necessary, external advisors, and acts on recommendations from officers that consider opportunities to enhance the Revenue & Capital Budgets of the Council through strategic investments, whether that involves using capital/cash resources or borrowing and lending powers.

- 13.58 The Investment Board is not a formal decision making body and instead makes recommendations. There is an ongoing requirement to refer matters to Cabinet for decision, to ensure that approval of individual investment decisions is made in accordance with existing procedure rules.

- 13.59 The Board is made up of the following individuals:
- The Leader of the Council (Chair)
  - Portfolio Holder for Finance, IT & Communication
  - Portfolio Holder for Environment & Regeneration

- 13.60 Support is provided by:
- Executive Director Corporate Services
  - S151 Officer
  - Executive Director Place
  - Monitoring Officer
  - Director of Growth and Enterprise

- 13.61 The Authority continues to identify best practice from across the sector and will incorporate this into the evolving Investment Strategy. The future governance arrangements for considering and approving Investments are currently being reviewed and it is likely that further recommendations in this regard will come forward in the new financial year.

- 13.62 It is recognised that in order to support decision making there will be a need to engage external advisors from time to time. The Authority has appointed Arlingclose Limited as treasury management advisors and receives specific advice

on investment, debt and capital finance issues. Other consultants, such as property consultants, are engaged as required.

- 13.63 **Commercial deals:** Steps have been taken to ensure that those negotiating and reporting commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate. A team of officers from Place, Finance, Legal, and Procurement are responsible for ensuring that the framework is followed. Where appropriate staff are provided with additional training and up to date skills via CIPFA and other providers.
- 13.64 **Corporate governance:** Corporate governance arrangements have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values and Constitution.
- 13.65 The MHCLG requirement to produce an Investment Strategy, approved annually by full Council is a key component of the corporate governance framework.
- 13.66 The Investment Strategy is presented and approved annually as part of the Medium Term Financial Strategy at full Council. Updates to the Investment Programme will be reported to Cabinet on a quarterly basis.

## 11. Investment Indicators

- 13.67 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.
- 13.68 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

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

Total investment exposure	31/03/19 Actual	31/03/20 Forecast	31/03/21 Forecast
Treasury management investments	28,827	20,000	20,000
Service investments: Loans	5,382	11,137	16,137
Service investments: Shares	5,952	3,880	5,000
Commercial investments: Property	28,785	28,785	50,000
Commercial Investments: Loans	0	0	20,000
<b>TOTAL INVESTMENTS</b>	<b>68,946</b>	<b>63,802</b>	<b>111,137</b>
Commitments to lend	1,897	1,025	0
<b>TOTAL EXPOSURE</b>	<b>70,843</b>	<b>64,827</b>	<b>111,137</b>

13.69 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. Currently the Authority's investments are funded by usable reserves and income received in advance of expenditure.

13.70 However in 2020/21 there is a possibility if the Authority decides to increase its investments in commercial properties and loans that they may require funding from borrowing.

**Table 6: Investments funded by borrowing in £'000**

Investments funded by borrowing	31/03/19 Actual	31/03/20 Forecast	31/03/21 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	5,000	10,000
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	25,000
Commercial Investments : Loans	0	0	20,000
<b>TOTAL FUNDED BY BORROWING</b>	<b>0</b>	<b>5,000</b>	<b>55,000</b>

13.71 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex Local Government accounting framework, not all

recorded gains and losses affect the revenue account in the year they are incurred.

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

Investments net rate of return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury management investments	1.75%	2.34%	2.80%
Service investments: Loans	2.52%	0.24%	0.45%
Service investments: Shares	107.67%	16.31%	0.00%
Commercial investments: Property	6.66%	5.59%	6.66%

## 12. Glossary of Terms

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

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

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

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

### Specified Investments

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

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

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

The **Prudential Code** means the statutory code of practice, issued by CIPFA: "*The Prudential Code for Capital Finance in Local Authorities, 2017 Edition*".

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

## Annex A: Investment Activity

- 13.72 The Authority has made a significant investment in commercial property in the period since the last Investment Strategy was approved and subject to obtaining the necessary approvals intends to enter into a new loan arrangement with Cheshire and Warrington LEP (see 13.18 above).
- 13.73 **Investment in Commercial Property – Crewe:** In April 2019 the Authority purchased for £21m a commercial property site on Weston Road, Crewe.
- 13.74 **Divestment of MSP Shares:** The Council purchased 17,267 shares in Manchester Science Partnerships Ltd (MSP) in 2014 at a cost of £739,200. The MSP shares were sold in September 2019. The total receipt was £2,366,925 generating a gain of £1,627,725.
- 13.75 **GM Life Science fund:** Further advances were made to the GM Life Science fund of £939,000 with a further advance expected before year end. The expected loan advance by year end is expected to be £4m.
- 13.76 **Enterprise Zone Loan Facility:** The Cheshire & Warrington Local Enterprise Partnership (LEP) has a proposal to pump-prime developments in the Enterprise Zones (EZs) in the Sub Region via a £30m loan facility – i.e. £10m from each of the local authorities.
- 13.77 As reported to the LEP Board (16 October 2019) and its Enterprise Zone Committee (12 September 2019), a pipeline of projects has been identified, which are expected to generate in excess of £90m of additional business rates across the EZs in the Sub Region, which will be retained by the LEP via the EZ arrangement.
- 13.78 Subject to obtaining the necessary approvals Cheshire East, Cheshire West & Chester, and Warrington Councils intend to enter into new loan arrangements with Cheshire and Warrington LEP. The current proposal is that the loans will enable the LEP to provide grants to developers to progress schemes – and the local authority loans will be repaid, with interest, from the additional business rates income generated and retained by the LEP under the EZ rules.
- 13.79 Following consideration of the matter by S151 Officers of the three local authorities, and the LEP, terms and conditions for the loan facility have been developed and are close to finalisation (subject to internal approval by each local authority). These terms currently include a single interest rate approach common to all loans, of 2.05% above Public Works Loan Board rate at the time of each loan advance. This would mean that additional investment income to Cheshire East would reach up to £205,000 per annum, once the total £10m is advanced (i.e. net interest income, over and above that received to cover the cost of any borrowing required to provide the facility).
- 13.80 Approval of investments in individual projects would be made through the LEP’s EZ investment approval process, which includes the EZ Board. It is also proposed that a

Credit Committee is established, made up of Senior Finance representatives from the three local authorities, to provide

further assurance as regards security of the loans.

# 14. Reserves Strategy

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## Executive Summary

- 14.1 Cheshire East Council is maintaining adequate reserves for two main purposes:
1. To protect against risk, and;
  2. To support investment
- 14.2 This strategy reflects how these two purposes are intrinsically linked as financial risks will reduce through appropriate investment in schemes that will generate sustainable returns. 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 reserves in the short term.
- 14.3 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.
- 14.4 The Strategy is 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.
- 14.5 Cheshire East Council's Reserve Strategy was last approved at Council on 21<sup>st</sup> February 2019.
- 14.6 The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2020-24 is being reported to Cabinet and Council in February 2020.
- 14.7 This strategy represents the latest position, following a review of the balances previously held, to ensure they meet the needs of Cheshire East Council.
- 14.8 Additional detailed analysis of trends within the Council's finances is provided in the Council's [Value for Money](#) publication demonstrating the sound financial position of the Council.

*Alex Thompson*

**Alex Thompson** CPFA

Director of Finance & Customer Services  
(Section 151 Officer)

# 1. Introduction

## Types of Reserves

14.9 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)

14.10 This represents the non ring-fenced 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:

#### 14.11 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.

#### 14.12 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)

14.13 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

14.14 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.

14.15 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.

- 14.16 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.
- 14.17 **Table 1** sets out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow.
- 14.18 These factors can only be assessed properly at a 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 a percentage of budget (to aid understanding), so long as that advice is tailored to the circumstances of the Authority for that particular year.
- 14.19 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

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings / productivity gains
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
- The availability of other funds to deal with major contingencies and the adequacy of provisions

Financial Standing and management

- The overall financial standing of the Authority (including: level of borrowing, debt outstanding and council tax collection rates)
- The Authority's track record in budget and financial management including the robustness of the medium term plans
- The Authority's capacity to manage in-year budget pressures
- The strength of the financial information and reporting arrangements
- The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level
- The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

Source: CIPFA – LAAP Bulletin 55, 2003

14.20 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)

### Purposes

14.21 The purpose of general reserves is to minimise the possible financial impacts to the Authority from:

- Emergencies
- In-year emerging financial issues
- Reacting to investment opportunities

14.22 The Finance Procedure Rules set the parameters for the use of general reserves.

14.23 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.

14.24 In all cases the use of reserves should be approved by the Section 151 Officer.

### Opening Balances

14.25 The 2019/20 Budget anticipated that the Council would hold general reserves of £12m. This included a planned transfer from earmarked reserves of £1.7m.

14.26 Following a review of the risk assessed minimum level requirement general reserves will remain at £10.3m.

14.27 At 1<sup>st</sup> April 2020, it is anticipated that the Council will hold general reserves of £10.3m, as calculated in **Table 2**.

Table 2	Estimated Balance 1 <sup>st</sup> April 2020 £m
<b>Amount of General Fund Balance available for new expenditure</b>	<b>10.3</b>
<b>The impact of performance against the 2019/20 Revenue Budget</b>	<b>0.0</b>
(Source: Third Quarter Review (FINANCE) 2019/20)	
	<b>10.3</b>

### Estimated Movement in Reserves (2019/20 onwards)

14.28 **Table 3** (overleaf) summarises the current estimated movements in general reserves from 2020 to 2022.

14.29 The level of reserves needed is assessed each year according to the risks facing the Authority (see Risk Assessment overleaf).

14.30 During 2019 CIPFA have published a financial management code designed to support the Local Government sector as it faces continued financial challenge, the Code recognises

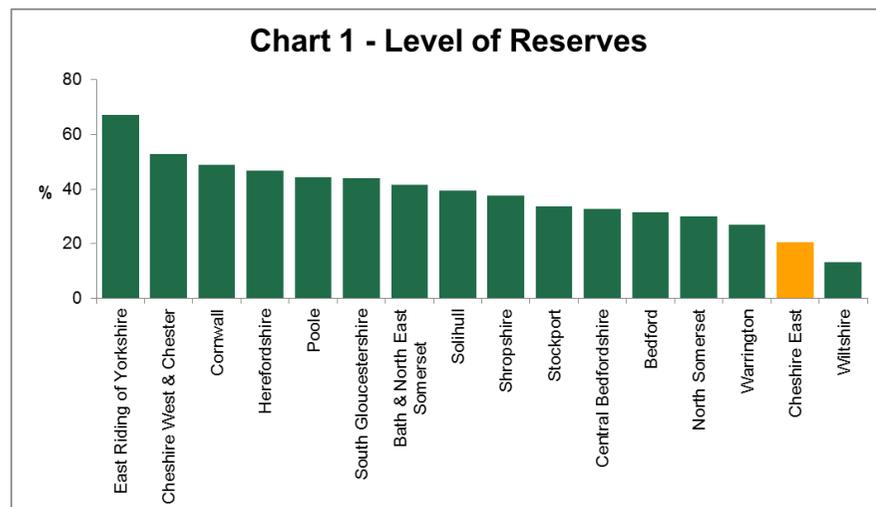
'that using the financial reserves to finance a deficit or to avoid difficult decisions around spending cuts provides temporary relief, but is *not sustainable in the long term.*'

- 14.31 This guidance from CIPFA follows the National Audit Office (NAO) report on financial sustainability in local authorities, published following the crisis at Northamptonshire County Council. This indicated that there is a heightened risk of more Council's over the next four years falling into special measures as a result of not reconciling the pressure on budgets.
- 14.32 The Resilience Index for 2018/19 has revealed that one in ten Council's are showing signs that their finances are at risk. Cheshire East Council's resilience indicators are low compared to neighboring authorities and compared to unitary Councils across England (see Chart 1 below).
- 14.33 The measure showing the level of general reserves as a proportion of net revenue expenditure indicated that the Council's reserve was lower than average in the comparator group analysis. Plans to increase General Reserves in 2019/20 were not completed. This prompted significant effort during the consultation period, to review and minimise any level of risk associated with service spending in 2020/21.
- 14.34 The reserves position will continue to be monitored and reviewed during 2020/21 to ensure the risk assessed level of £10.3m remains adequate. General reserves as a proportion of net revenue expenditure is 3.4%.

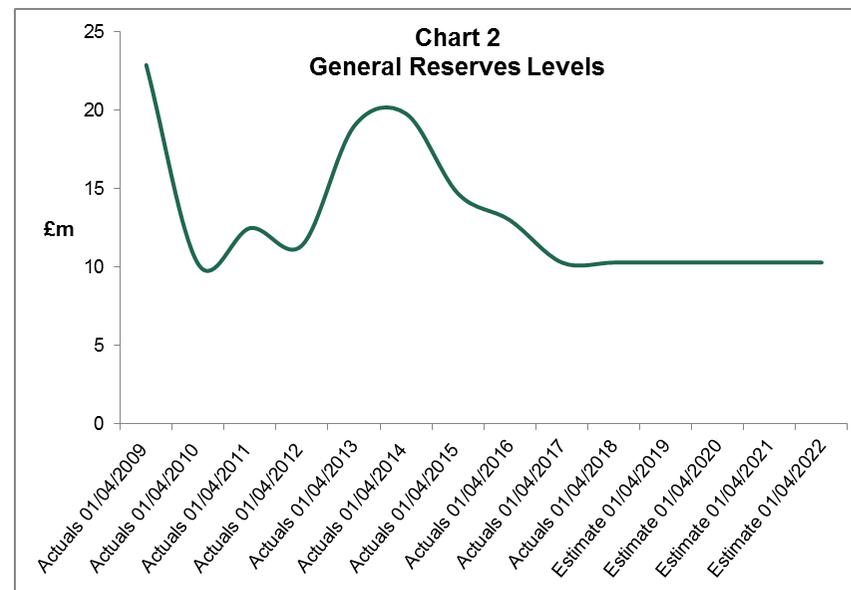
<b>Table 3:</b> The level of reserves will be maintained in the medium term	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Estimated Balance @ 1 <sup>st</sup> April	10.3	10.3	10.3	10.3
Estimated Impact of Spending	0.0	0.0	0.0	0.0
Planned Contribution from Earmarked Reserves	0.0	0.0	0.0	0.0
<b>Forecast General Reserves @ 31<sup>st</sup> March</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>
Risk Assessed Minimum Level	10.3	10.3	10.3	10.3

Source: Cheshire East Finance

14.35 **Chart 1** compares the Council's 2018/19 overall level of reserves to its nearest neighbours.



14.36 **Chart 2** reflects how Cheshire East Reserves are being stabilised over the medium term.



Source: Cheshire East Finance

14.37 The level at which reserves are set for 2020/21, 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.

### General Fund Reserves – Risk Assessment

14.38 The risks facing each local area will vary. In the case of Cheshire East, the impact of rising demand for services, the economic climate, Brexit, 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.

- 14.39 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.
- 14.40 Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume an appropriate level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year thereby smoothing the impact on citizens.
- 14.41 Risks are categorised, and potential values are applied to them. This presents the potential exposure to financial risk. **Table 4** 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.
- 14.42 The Risk Assessment for 2020/21 provides for the Minimum Level to be set at £10.3m. This is considered a relatively prudent overall target for reserves at 3.4% 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 in later years at present.
  - Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.
  - Maintained schools are predicting significant deficit budget positions in their three year forecasts as a result of staffing costs and special educational needs costs increasing at a faster rate than funding.
- 14.43 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 0.75%).
- 14.44 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 beyond insurance cover.
  - 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 4: 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 (a)	Value of Risk Area (b)	Value of risk retained (a x b)	Sub-Total	Risk Assessment
<b>Health &amp; Safety</b>	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	7.0%	£1,000,000	£70,000	<b>£120,000</b>	<b>£100,000</b>
	Lost reputation / Effect on recruitment	Additional cost of new advertising to regain confidence and recruit staff / Effective Communication Plans and Employment option plans	25.0%	£200,000	£50,000		
<b>Fire / Structural damage</b>	Major loss of service	Premises not operational / Robust disaster recovery plan	10.0%	£1,000,000	£100,000	<b>£416,000</b>	<b>£400,000</b>
	Severe Weather	Additional staffing, transport and materials costs / robust emergency plans	30.0%	£1,000,000	£300,000		
	Insurance claims create rising premiums or cost to insurance reserves	Budget growth to cover premiums or self insurance costs / Good claims management	5.0%	£313,000	£16,000		
<b>Budget Pressures</b>	Opening Balances vary from current predictions	Impact on opening balances / apply prudent assumptions to opening balances	2.0%	£10,300,000	£206,000	<b>£1,975,000</b>	<b>£2,000,000</b>
	Savings proposals challenged by changing priorities.	Impact of 2018/19 outturn / robust remedial plans and monitoring of progress	0.1%	£282,000,000	£282,000		
	Forecast deficit budgets in maintained schools	In-Year emerging issues / Robust plans and monitoring of progress	10.0%	£6,000,000	£600,000		
	Higher than anticipated inflation arising in year	Increased inflation on contracts and services / contract management and robust remedial plans	1.0%	£61,000,000	£610,000		
	Potential decrease in Council Tax and Business Rates collection rate	Lower than forecast income or increased reliefs/ robust assessment criteria and debt recovery procedures	0.1%	£277,000,000	£277,000		
<b>Legal &amp; IT costs</b>	Legal challenges to Council service delivery / charges for services	Court costs and claims for financial settlement / clear processes and good workforce management	50.0%	£750,000	£375,000	<b>£3,077,000</b>	<b>£3,000,000</b>
	Data corruption and need to improve security	ICT service days to repair, loss of service / robust security policies and firewalls	30.0%	£1,000,000	£300,000		
			10.0%	£500,000	£50,000		
<b>Industrial relations / External organisations</b>	Disruption to service and possible costs of arbitration / tribunal	Loss of income, costs of providing essential services or direct costs of resolution, reduced pay costs / emergency planning	1.6%	£147,000,000	£2,352,000		
<b>Strategic Reserve</b>		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes Impact of Brexit on national and local economy	0.8%	£646,000,000	£4,845,000	<b>£4,845,000</b>	<b>£4,800,000</b>
<b>OVERALL RISKS</b>						<b>£10,433,000</b>	<b>£10,300,000</b>
<b>% of Net Revenue Budget</b>							<b>3.4%</b>

14.45 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 £10.3m.

14.46 It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2020/21 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.

circumstances. Imposing a statutory minimum would therefore be against the promotion of local autonomy and would conflict with the financial freedoms offered to local authorities.

14.49 The Secretary of State in England has reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the Section 151 Officer. The Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently and disregards the advice of its Section 151 Officer.

### Adequacy of General Reserves

14.47 The Local Government Finance Act 1988 and 1992 and the Local Government Act 2003 emphasises the importance of sound and effective financial management in England and Wales by the statutory duty of the Section 151 Officer to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves.

14.48 CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their Section 151 Officer. There is no statutory or recommended minimum level of reserves as they are established by the Section 151 officer making judgements on such matters taking into account all the relevant known and expected local

### 3. Earmarked Reserves (Revenue)

#### Purpose

- 14.50 The purpose of an earmarked reserve is:
- To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
  - To set aside amounts for projects which extend beyond one year.
- 14.51 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.
- 14.52 **Table 5** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.
- 14.53 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 5: 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

- 14.54 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.
- 14.55 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.
- 14.56 Earmarked Reserves will be:
- Set up by Full Council, on recommendation by the Section 151 Officer,
  - Supported by a business case,
  - Normally held for a maximum of 3 years, except where the business case justifies a longer retention,
  - Be reviewed at least annually.
- 14.57 Services may also carry forward balances in accordance with Financial Procedure Rules.
- 14.58 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.
- 14.59 The 2019/20 position on earmarked reserves is reported in the Third Quarter Review (FINANCE) 2019/20 Report, as part of the 4<sup>th</sup> February Cabinet Agenda.
- 14.60 All reserves will be subject to revised business cases to ensure that only the required levels are carried over into 2020/21.
- 14.61 At 1<sup>st</sup> April 2020, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £26.8m. It is estimated that balances will reduce by £1.9m by the end of 2020/21. **Table 6** (overleaf) shows the position on each earmarked reserve.

<b>Table 6</b>	<b>Opening Balance</b>	<b>Movement in</b>	<b>Closing Balance</b>	
<b>Name of Reserve</b>	<b>1st April 2020</b>	<b>2020/21</b>	<b>31st March 2021</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>People</b>				
PFI Equalisation - Extra Care Housing	<b>2,504</b>	114	<b>2,618</b>	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Other Useable reserves (<£500,000 in value)	<b>144</b>	0	<b>144</b>	Includes Public Health and Domestic Abuse Partnership.
<b>Place</b>				
Strategic Planning	<b>670</b>	(374)	<b>296</b>	To meet costs associated with the Local Plan.
Other Useable reserves (<£500,000 in value)	<b>242</b>	(242)	<b>0</b>	Includes Royal Arcade Crewe.
<b>Corporate</b>				
Financing Reserve	<b>9,589</b>	(1,468)	<b>8,121</b>	To provide for financing of capital schemes, other projects and initiatives.
Collection Fund Management	<b>6,265</b>	3,456	<b>9,721</b>	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Insurance (Cheshire East & Cheshire County Funds)	<b>4,577</b>	0	<b>4,577</b>	To settle insurance claims and manage excess costs.
MTFS Reserve	<b>2,113</b>	(346)	<b>1,767</b>	To support the financial strategy and risk management.
Other Useable reserves (<£500,000 in value)	<b>352</b>	0	<b>352</b>	Includes Elections.
<b>Central</b>				
Revenue Grants - Dedicated Schools Grant	<b>(2,058)</b>	(942)	<b>(3,000)</b>	Grant carried forward into 2020/21.
Revenue Grants - Other	<b>2,402</b>	(2,142)	<b>260</b>	Grant carried forward into 2020/21.
<b>TOTAL</b>	<b>26,800</b>	<b>(1,944)</b>	<b>24,856</b>	

## 4. Capital Reserves

- 14.62 Capital receipts received in-year are fully applied to finance the capital programme. A small amount of capital receipts are held in reserve to cover future commitments where receipts are to be used flexibly to fund transformational projects.
- 14.63 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

- 14.64 Overall, Cheshire East Council is establishing reserves that match the minimum risk levels while retaining flexibility to react to investment opportunities. This approach can be supported during the medium term based on recent performance against budget.
- 14.65 This recognises local issues and allows the Section 151 Officer to comment favourably on the adequacy of reserves.
- 14.66 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

- 14.67 General Fund Reserves – Risk Assessment Working Papers 2020.
- CIPFA Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves and Balances (2003).
- CIPFA Financial Resilience Index 2018/19
- CIPFA Financial Management Code 2019
- Cheshire East Statement of Accounts 2018/19

## 15. Financial Authorisation Limits

- 15.1 Financial control is achieved through the mechanism of the Financial Procedures Rules (Chapter 3, Part 4 of the Constitution) and the Financial Schemes of Delegation.
- 15.2 This Annex provides details of the financial authorisation limits for the year 2020/21 to be approved at Budget Council. The financial limits ensure decisions are made at the right level, are formally delegated and involve appropriate consultations with Senior Management, Statutory Officers and Members.
- 15.3 It is appropriate to review these limits on an annual basis to reflect the most up to date financial framework, following a review this annex confirms the current levels are appropriate for 2020/21.
- 15.4 These limits are in line with the approved Constitution and for 2020/21 apply for the net revenue budget of £301m and the capital budget of £171.5m.

## Scheme of Virement

15.5 Approval limits for virements are as follows:

### Revenue Virements

Virement Amount	Approval Level
Up to and including £100,000	Head of Service
In excess of £100,000 up to and including £500,000	Corporate Leadership Team (Relevant Executive Director)
In excess of £500,000 up to and including £1,000,000	Corporate Leadership Team (Relevant Executive Director) in consultation with Portfolio Holder for Finance, IT and Communication and relevant Portfolio Holder
Over £1,000,000 (where virement is within budget and policy framework)	Cabinet
Over £1,000,000 (where virement is outside budget and policy framework)	Council

### Capital Virements

Virement Amount	Approval Level
Up to and including £100,000	Head of Service
In excess of £100,000 up to and including £500,000	Corporate Leadership Team (Relevant Executive Director)
In excess of £500,000 up to and including £1,000,000	Corporate Leadership Team (Relevant Executive Director) in consultation with Portfolio Holder for Finance, IT and Communication and relevant Portfolio Holder
In excess of £1,000,000 up to and including £5,000,000	Cabinet
Over £5,000,000	Council with recommendation from Cabinet

## Supplementary Revenue Estimates

15.1 Approval limits for fully funded supplementary revenue estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £100,000	Corporate Leadership Team (Relevant Executive Director)
In excess of £100,000 up to and including £250,000	Corporate Leadership Team (Relevant Executive Director) in consultation with the Portfolio Holder for Finance, IT and Communication
In excess of £250,000 up to and including £500,000	Portfolio Holders and (Relevant Executive Director) in consultation Portfolio Holder for Finance, IT and Communication
In excess of £500,000 up to and including £1,000,000	Cabinet
Over £1,000,000	Council with recommendation from Cabinet

15.2 Approval limits for supplementary revenue estimates which are to be funded from earmarked reserves or contingencies are as follows:

Supplementary Estimate Amount	Approval level	
	From Earmarked Reserves	From Contingencies
Up to and including £250,000	Section 151 Officer	Section 151 Officer
In excess of £250,000 up to and including £500,000	Section 151 Officer in consultation with the Portfolio Holder for Finance, IT and Communication	Section 151 Officer
In excess of £500,000 up to and including £1,000,000	Cabinet	Section 151 Officer in consultation with the Portfolio Holder for Finance, IT and Communication
Over £1,000,000	Council with recommendation from Cabinet	Cabinet

## Supplementary Capital Estimates

15.3 Approval limits for supplementary capital estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £100,000	Corporate Leadership Team
In excess of £100,000 up to and including £250,000	Corporate Leadership Team in consultation with the Portfolio Holder for Finance, IT and Communication
In excess of £250,000 up to and including £500,000	Portfolio Holders and Corporate Leadership Team in consultation Portfolio Holder for Finance, IT and Communication
In excess of £500,000 up to and including £1,000,000	Cabinet
Over £1,000,000	Council with recommendation from Cabinet

## Asset Disposal / Write-off

15.4 The Section 151 Officer may authorise the write off of losses up to £5,000, or disposals, of obsolete or surplus equipment, materials, vehicles or stores up to a disposal value of £5,000. Where the sum exceeds £5,000 but is less than or equal to £25,000 this should be done in consultation with the Portfolio Holder for Finance, IT and Communication. Where the value exceeds £25,000, approval must be sought from the Portfolio Holder for Finance, IT and Communication. Any write off which arises as a result of theft or fraud must be notified to the Head of Audit and Risk immediately.

## Early Retirement / Severance

15.5 The Chief Executive or Executive Director (Corporate Services) must approve all requests up to £100,000 including pension strain. All requests in excess of £100,000 including pension strain must be approved by the Staffing Committee.

## Grants and Donations

15.6 Grants, donations and contributions will be paid by the Council in accordance with the policies determined under paragraph 6.29 of the Financial Procedure Rules, subject to there being adequate provision in service budgets and the appropriate approvals being sought.

Approval level	Amount
Officers	Up to and including £50,000 (where grant is within approved grant policy)
Portfolio Holder	Between £50,000 and £100,000 (where grant is within approved grant policy)
Cabinet	All Grants of £100,000 or more.  All grants which do not fall within existing approved grant policy require Cabinet approval.

## Bad Debts

15.7 Bad Debts may be written off as follows:

Approval level	Amount
Section 151 Officer	Up to and including £5,000
Section 151 Officer in consultation with the Monitoring Officer	Over £5,000 and up to and including £10,000
Portfolio Holder in consultation with the Portfolio Holder for Finance, IT and Communication	Over £10,000

15.9 Heads of Service are responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year end and that contributions to this provision are included in budgetary projections and outturn reports.

## 16. Abbreviations

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

Term	Meaning
ASC	Adult Social Care
ASDV	Alternative Service Delivery Vehicles – part of the Council's commissioning approach to funding services
BCF	Better Care Fund
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1 <sup>st</sup> April 2013
CAG	Corporate Assurance Group
CDRP	Crime and Disorder Reduction Partnership
CEC	Cheshire East Council
CEFS	Cheshire East Family Support
CERF	Cheshire East Residents First
CFB	Capital Financing Budget
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CSC	Children's Social Care
CTS	Council Tax Support
DfE	Department for Education
DSG	Dedicated Schools Grant – grant received from Government to fund schools
EqIA	Equality Impact Assessment
EIP	Early Intervention and Prevention
ERP	Enterprise Resource Platform
ESG	Education Support Grant
FQR	First Quarter Review (not produced for 2019/20)

Term	Meaning
FTE	Full Time Equivalent
GP	General Practitioner
GVA	Gross Value Added
HLBC	High Level Business Case
HM	Her Majesty's
HR	Human Resources – one of the Council's corporate service areas
ICT	Information and Communication Technology – the service responsible for computers, networks, software, phones, etc.
LA	Local Authority
LED	Light Emitting Diode
LGA	Local Government Association
LOBO	Lenders Option Borrows Option
LSCB	Local Safeguarding Children's Board
MARS	Mutually Agreed Resignation Scheme
MHCLG	Ministry of Housing, Communities and Local Government (formerly Department for Communities and Local Government – DCLG)
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
MYR	Mid-Year Review
NEETs	Not in Education, Employment or Training
NFF	National Funding Formula
NHB	New Homes Bonus Grant
NHS	National Health Service
NJC	National Joint Council
NNDR	National Non Domestic Rates – the contribution to general local authority costs by businesses. The rate is set by central Government
PHE	Public Health England
PiP	Partners in Practice
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works
RPI	Retail Price Index
RSG	Revenue Support Grant

Term	Meaning
S151	Section 151 (Officer)
SAGC	Skills and Growth Company
SBRR	Small Business Rate Relief
SCIES	Safeguarding Children in Education Settings
SEN	Special Educational Needs
SEND	Special Educational Needs and Disabilities
SLA	Service Level Agreement
SLE	Separate Legal Entity – a delivery model for delivering services in a different way
SOS	Signs of Safety
SSB	Supporting Small Business
TC	Town Centre
TQR	Third Quarter Review
TUPE	Transfer of Undertakings (Protection of Employment) regulations
VIC	Visitor Information Centres

# 17. Forecasts (February 2019)

Forecasts presented to the Council in February 2019 reported the potential budget position in the medium term.

Proposals in the Pre-Budget Consultation focused on ensuring that increased growth projections were fully reflected.

Summary position for 2019/20 to 2021/22	Budget Book 2018/19 (revised at Third Quarter Review) £m	Estimated Net Budget 2019/20 £m	Estimated Net Budget 2020/21 £m	Estimated Net Budget 2021/22 £m
Outcome 1 - Our Local Communities are strong and supportive	22.0	22.7	23.2	23.7
Outcome 2 - Cheshire East has a strong and resilient economy	12.4	12.7	12.8	13.2
Outcome 3 - People have the life skills and education they need in order to thrive	19.6	22.4	22.7	22.9
Outcome 4 - Cheshire East is a green and sustainable place	42.9	44.6	44.7	45.9
Outcome 5 - People live well and for longer	128.0	134.2	140.9	142.3
Outcome 6 - A responsible, effective and efficient organisation	33.2	36.3	36.9	37.9
<b>Total Outcomes</b>	<b>258.1</b>	<b>272.9</b>	<b>281.2</b>	<b>286.0</b>
<i>CENTRAL BUDGETS:</i>				
Capital Financing	10.0	12.0	12.0	14.0
Past Pensions Adjustment	0.3	0.2	1.2	1.2
Income from Capital Receipts	-2.0	-2.0	-1.0	0.0
Contingency	1.0	0.0	0.0	0.0
New Homes Bonus Community Fund	1.0	1.0	1.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-0.3	-2.9	-0.9	-0.9
<b>Total Central Budgets</b>	<b>10.0</b>	<b>8.3</b>	<b>12.3</b>	<b>14.3</b>
Additional changes to balance future years		0.0	0.0	-11.0
<b>TOTAL: SERVICE + CENTRAL BUDGETS</b>	<b>268.1</b>	<b>281.2</b>	<b>293.4</b>	<b>289.2</b>
<i>FUNDED BY:</i>				
Council Tax	-206.4	-216.2	-222.7	-229.4
Business Rate Retention Scheme	-43.0	-48.0	-48.4	-48.9
Revenue Support Grant	-5.4	0.0	0.0	0.0
Specific Grants	-12.3	-14.9	-11.2	-11.1
Sourced from Collection Fund	-1.0	-2.1	0.0	0.0
<b>TOTAL: FUNDED BY</b>	<b>-268.1</b>	<b>-281.2</b>	<b>-282.4</b>	<b>-289.5</b>
<b>Funding Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>11.0</b>	<b>-0.3</b>

## 18. Feedback

We want you to be involved in decision making in Cheshire East.

To register to be involved in consultations undertaken by Cheshire East Council, you can do so by joining the Digital Influence Panel.

Please use CTRL and Click on the light bulb to join.

If you would like to view the results of previous consultations undertaken by Cheshire East Council, please click [here](#).

