



Third Quarter Review (FINANCE) 2020/21

February 2021

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

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

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Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 380,000 local people with annual spending of over £815m.

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

Demand for Council services is increasing, with more individuals and families needing support and services than ever before. This reflects an increase in population but also reflects changes in demographics. Excluding the impact of Covid-19 this demand is resulting in revenue pressures of £5.4m. These are offset by underspends across council services resulting in a forecast outturn of £301.2m against a net revenue budget of £302.4m.

The Council's budget is under unprecedented pressure due to the Coronavirus and the response required to protect both the health and economic wellbeing of local people and businesses during the Covid-19 Pandemic. To date the Council has received funding related to an array of activities in response to the crisis. The current forecast shows that, by deferring some impacts to later years, the Council will aim not to draw on reserves to fund Covid-19 costs in 2020/21. Due to the unpredictable nature of the pandemic this could change. The Council will continue to manage and review the financial forecasts in response to the emergency and how this affects the Council's revenue budget position and protect General Reserves.

When the 2020/21 budget was set, in February 2020, it was highlighted that the use of reserves was not sustainable in the

medium term. Net spending therefore needs to be contained within the estimates of expenditure that form the budget. This issue, and how Covid-19 affects this is considered as part of the ongoing planning for the Medium Term Financial Strategy.

To support openness and transparency, and provide evidence of strong governance, the report has two main sections, to provide background and context, and then seven supporting appendices with detailed information about allocation and management of public money during 2020/21:

Section 1 provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2020/21 is being funded, including the positions on overall service budgets, grants, council tax and business rates and centrally held budgets. Further details are contained in the appendices.

Section 2 provides a summary of the issues relating to the Council's Workforce Development Plan.

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

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

Contents

Introduction	1
2020/21 Revenue Forecast – Third Quarter Review Summary	3
Section 1 – Financial Stability	5
Section 2 – Workforce Development	14
Appendices	
Appendix 1 – Changes to Revenue Budget 2020/21 since Mid Year Review	20
Appendix 2 – Corporate Grants Register	22
Appendix 3 – Debt Management	43
Appendix 4 – Capital Strategy	44
Appendix 5 – Treasury Management Strategy	63
Appendix 6 – Investment Strategy	78
Appendix 7 – Reserves Strategy	86

2020/21 Outturn Forecast at Third Quarter Review - Financial Position (EXCLUDING THE IMPACT OF COVID-19)

2020/21 Third Quarter Review (GROSS Revenue Budget £647.2m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / (Underspend) £m	For further information please see the following sections
SERVICE DIRECTORATES				Note this table excludes the impact of Covid-19.
People	181.3	183.6	2.3	Section 1 - Paragraphs 5-26
Place	74.8	72.6	(2.2)	Section 1 - Paragraphs 27-37
Corporate	34.3	35.2	0.9	Section 1 - Paragraphs 38-48
Total Services Net Budget	290.4	291.4	1.0	
CENTRAL BUDGETS				
Capital Financing	12.0	12.0	-	Appendix 4
Transfer to/(from) Earmarked Reserves	(0.7)	(0.7)	-	Appendix 7
Corporate Contributions / Central Budgets	0.7	(1.5)	(2.2)	Section 1 - Paragraph 49
Total Central Budgets	12.0	9.8	(2.2)	
TOTAL NET BUDGET	302.4	301.2	(1.2)	
Business Rates Retention Scheme	(49.8)	(49.8)	-	Section 1 - Paragraphs 65-69
Specific Grants	(23.0)	(23.0)	-	Appendix 2
Council Tax	(229.5)	(229.5)	-	Section 1 - Paragraphs 54-64
Sourced from Collection Fund	(0.1)	(0.1)	-	
Central Budgets Funding	(302.4)	(302.4)	-	
FUNDING POSITION	-	(1.2)	(1.2)	
	Planned Contribution 2020/21 £m	Forecast Variance Outturn £m	Impact on Reserves Outturn £m	
Transfer to MTFS Reserve	-	1.2	1.2	Note the impact on reserves excludes the impact of Covid-19.
General Reserves Balance	Actual £m		Forecast £m	
Opening Balance April 2020	10.3		10.3	Section 1 - Paragraphs 51-52
2020/21 Impact on Reserves (see above)			-	

Impact of Covid-19 Outturn Forecast:– 1 March 2020 – 31st March 2021

2020/21 Third Quarter Review (GROSS Revenue Budget £647.2m)	Covid Financial Pressures		Forecast Over / (Underspend) £m	Notes										
	Expenditure	Income												
	£m	£m												
SERVICE DIRECTORATES														
People	7.5	2.2	9.7	Includes capital expenditure of £2m Includes capital expenditure of £4.005m includes capital expenditure of £2.673m prior year expenditure										
Place	10.1	6.7	16.8											
Corporate	4.8	1.7	6.6											
2019/20 Covid Expenditure	1.1		1.1											
Total Services Net Budget	23.5	10.7	34.1											
CENTRAL BUDGETS														
Deferred capital expenditure	-8.7		-8.7	Capital expenditure of £8.678m included in Directorate expenditure above will be capitalised and funded in future years.										
Transfer to COVID-19 Reserve	5.1		5.1											
Total Central Budgets	-3.5	0.0	-3.5											
TOTAL NET BUDGET	19.9	10.7	30.6											
Covid Emergency Grant (unringfenced)	-25.0	0.0	-25.0	<table><tr><td>Received 19th March 2020</td><td>9.2</td></tr><tr><td>Received 18th April 2020</td><td>10.5</td></tr><tr><td>Received 2nd July 2020</td><td>2.7</td></tr><tr><td>Received 22nd October 2020</td><td>2.6</td></tr><tr><td>Total Unringfenced Grant</td><td>25.0</td></tr></table>	Received 19th March 2020	9.2	Received 18th April 2020	10.5	Received 2nd July 2020	2.7	Received 22nd October 2020	2.6	Total Unringfenced Grant	25.0
Received 19th March 2020	9.2													
Received 18th April 2020	10.5													
Received 2nd July 2020	2.7													
Received 22nd October 2020	2.6													
Total Unringfenced Grant	25.0													
Emergency Grant provided to ESAR	0.5		0.5											
Sales, Fees & Charges compensation		-6.1	-6.1											
CENTRAL BUDGETS FUNDING	-24.5	-6.1	-30.6											
NET	-4.6	4.6	0.0											
Collection Fund			11.1	The impact on the Collection fund does not affect this financial year therefore it is not reported as part of 2020/21 outturn.										

1. Financial Stability

Introduction

1. The Council has a strong track record of sound financial management. Nevertheless, in common with all UK local authorities the Council finds itself in a position where pressures on the revenue budget are intensifying as a result of the Coronavirus pandemic, increased costs, growing demand and reducing Government grant. The Council has received funding in response to the pandemic, and, by also deferring £8.7m of capitalised costs and £11.1m of Collection Fund losses, is not forecasting a requirement to use reserves to cover Covid-19 related costs in 2020/21.
2. Demand and increasing complexity in cases for Children's and Adults' Social Care remains the most significant financial pressure for the Council in the medium term, particularly in Children's services where overspending is occurring compared to budget.
3. **Table 1** provides a service summary of financial performance at third quarter. The current forecast is that services will be £1m over budget in the current year on normal activities. The Financial Narratives provide further details and changes to service net budgets since mid year review are analysed in **Appendix 1**.
4. Further items impacting on the level of the Council's balances are detailed in the paragraphs below on Central Contingencies and Contributions.

Table 1 - Service Revenue Outturn Forecasts

2020/21 Third Quarter Review (GROSS Revenue Budget £647.2m)	Revised Budget (NET) £m	Actual Forecast Outturn £m	Over / (Underspend) £m
SERVICE DIRECTORATES			
Directorate	0.8	0.7	(0.1)
Children's Social Care	40.2	42.7	2.5
Education & 14-19 Skills	15.1	15.8	0.7
Prevention & Early Help	8.4	7.8	(0.6)
Adult Social Care - Operations	28.0	27.8	(0.2)
Commissioning	88.8	88.8	-
Public Health	-	-	-
People	181.3	183.6	2.3
Directorate	1.0	0.9	(0.1)
Environment & Neighbourhood Services	41.3	41.5	0.2
Growth & Enterprise	20.6	19.1	(1.5)
Highways & Infrastructure	11.9	11.1	(0.8)
Place	74.8	72.6	(2.2)
Directorate	0.8	0.7	(0.1)
Finance & Customer Services	8.7	9.7	1.0
Governance & Compliance Services	10.0	9.3	(0.7)
Transformation	14.8	15.5	0.7
Corporate	34.3	35.2	0.9
Total Services Net Budget	290.4	291.4	1.0

Note this table excludes the impact of Covid-19

Financial Narratives

People Directorate

5. The base budget for the Children and Families Directorate for 2020/21 at third quarter is £64.5m.
6. There are a number of key pressures within the Directorate resulting in a forecast overspend against the base budget. Additional revenue costs arising from Covid-19 represent a significant factor and these are forecast at £2.3m. The position excluding Covid-19 costs is a £2.5m overspend.
7. The Covid-19 costs facing the Directorate include £0.9m in Children's Social Care from additional placements and higher costs being incurred as a result of delayed court proceedings plus £0.7m from the loss of income from parents for school meals during the lock down period covering the summer term 2020 when schools were only open for the children of key workers. These are net of any cost reductions that the services could achieve.
8. Particular issues are set out in the paragraphs below.

Children's Social Care

9. The overspend excluding Covid-19 costs is forecast at £2.5m.
10. This is mainly as a result of:
 - The increasing numbers of children in care (from 533 at the end of March 2020 to 542 at the end of October 2020). However, the position is beginning to stabilise. This is due to fewer admissions into care (a key objective in the Council's Creating Sustainable Futures Strategy) but this has been restricted somewhat by delays in progressing care plans through the Courts for areas such as care proceedings and adoption cases.

- The new residential services contract is expected to be optimised in-year. The use of the contract means additional costs of £1.7m which should be offset by cost avoidance from children moving from more costly spot purchase placements, currently commissioned from the North West Framework, into those settings.

There will be delays in making the expected savings and some associated costs where there have been challenges in mobilising the contract to full capacity. This additional overall cost is forecast at £0.5m.

- The Council has taken a robust approach to commissioning the new contract and agreed a 25% reduction in charges while the contract is rolled out.

11. The service is taking forward a number of demand management projects to reduce the pressure on the agency placements budget. These include:
 - Regular reviews of placements to ensure needs are met at the appropriate cost and improved gatekeeping.
 - Greater analysis of the budget basis, the increase in costs over time and unit costs.
 - Working as part of a regional adoption collaboration to increase adopters.
 - Further projects in 2020/21 to move to a "bespoke" service offer and undertake further challenge of costs.
12. The forecast assumes no further growth in placement numbers at this stage.

Prevention and Early Help

13. The department is forecasting an underspend of £0.6m due to holding vacancies. That is excluding Covid-19 costs of £0.16m for an additional manager, loss of income from rental

income and training and the need to provide food vouchers for families entitled to free school meals over the October 2020 half term.

Education and Skills

14. The Department is currently reflecting an overspend of £0.7m excluding Covid-19 costs. The key issues are:

- Special Educational Needs ~ £0.1m staffing expenditure (including permanent and agency staff).

The demands on the service from higher numbers of Education, Health and Care Plans (EHCPs) continues and there are statutory deadlines to meet.

The service is undertaking a number of projects to improve systems for different areas of SEND spend and this is requiring additional support. The service is also looking at different arrangements for procuring additional education psychologists time over a number of years.

- Transport ~ third quarter reflects a £0.7m pressure from transport. A detailed breakdown of the contracts and other issues causing the pressure is under review. TSS have implemented a new route planning system which could support delivery of future efficiencies.
- Education and Skills ~ the two services supporting schools are reflecting a £0.4m underspend through vacancies.
- Catering ~ there has been a significant loss of income due to Covid-19 of £0.7m. This has been offset by reductions in spend and other contributions to reflect a £0.3m pressure excluding the Covid-19 pressure. The forecasts assume that income from parents returns to normal from September 2020. That assumption will need to be revisited in light of the announcements on 4 January 2021.

Dedicated Schools Grant (DSG)

15. This is ring-fenced funding received for:

- schools
- high needs / special educational needs
- early years provision
- a number of central services including statutory costs and certain support costs.

16. The key pressure on DSG relates to the high needs block. For 2020/21 the amount of high needs DSG funding expected is £40m representing an increase of £3.1m (8.5%) on 2019/20.

17. However, the overspend from high needs of £4.2m has taken the Council's DSG reserve into a credit position of £2.6m at the 1 April. Therefore, the first call on that additional funding is to top up the reserve to nil.

18. The forecast for 2020/21 from high needs placements is a £7.6m overspend. This reflects the significant increase in EHCPs of 10% in 2019/20 and 30% for 2020/21.

19. The Council continues to create additional local capacity, but demand exceeds the current rate of local expansion. A robust process of significant challenge where increased costs are requested from providers is now in place. The service has made progress on reducing further pressure but overall this remains a challenge.

20. A significant number of measures to address this are being taken forward including:

- Restructuring the SEND team and increasing capacity.
- Using new systems to improve monitoring and forecasting.

- Developing an access to SEND services Framework to better understand the future demand and intervene early.
- Expanding local SEND provision and opening new facilities to reduce the need for expensive independent placements.
- Piloting a new banding system for funding pupils with SEND to give schools greater flexibility on how the funding is used.
- Challenging price increases from providers.

21. The DfE have produced a tool to support Local Authorities to manage their high needs deficit known as a Management Plan template. We are using this to support the management of the deficit.

Adult Social Care, Public Health and Communities

22. The Adult Social Care (Operations and Commissioning) and Public Health budget remain under continued pressure across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years, and relate to meeting the needs of our most vulnerable residents and this has been recognised in the 2020/21 budget where growth has been allocated.
23. Adult Social Care Commissioning have responded to this challenge by re-commissioning and developing new models of care to ensure there is a better offer to service users and more sustainability for care providers. In addition to this the Adult Social Care Commissioners have also introduced an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors.
24. Covid-19 is creating huge pressures and risks across the wide spectrum of services provided. This includes within the social care market and for our partners such as the NHS, as

well as the Voluntary, Community and Faith sectors. Adult Social Care Operations & Commissioners are working collaboratively with providers and our partners to ensure that people's needs continue to be met and that they are protected throughout this challenging time.

25. The service is reporting a forecast underspend of £0.2m at the Third Quarter Review point, excluding direct pressure from Covid-19 costs.
26. The forecast overspend for the People Directorate is therefore £2.3m at year end as identified in **Table 1** above.

Place Directorate

27. The underlying position for Place excluding Covid-19 pressures is a forecast £2.2m lower than budget.

Place Directorate £0.1m underspend

28. Savings arise from holding staff vacancies. Contributions to the Constellation Partnership are not expected to be made in 2020/21.

Environment & Neighbourhood Services

29. There is a pressure of £6.1m for Covid-19 costs, excluding these the service would overspend by £0.2m.
30. £2.7m of the Covid-19 pressure is from Ansa for additional staff, cleaning and PPE costs plus costs of household waste recycling centres and tonnage growth. Additional costs have arisen to support leisure centres (£1.4m) and for a body storage facility (£0.1m). The pandemic has also led to a loss of income across the Planning service including Building Control and Land Charges. Licensing income has also been reduced as has income within the Libraries service.

31. Excluding pressures related to Covid-19, there are also pressures for reduced recycling income, the revenue costs of rolling out food waste recycling and the refurbishment of Congleton Leisure Centre. These have been mitigated by staffing vacancies across most services and by reducing the expenditure on books within libraries.

Growth & Enterprise

32. Covid-19 costs and loss of income total £1.7m within Growth & Enterprise. The underlying position excluding these is an underspend of £1.5m.
33. There is a forecast £0.8m loss of income at Tatton Park due to the pandemic. Other Covid-19 income losses are forecast across Assets, Public Rights of Way, Countryside and Visitor Economy. Some costs have fallen at Tatton because of complete or partial closures and these help to mitigate some of the income pressures. Services facing an increase in costs due to Covid-19 include Housing for increased support to the homeless, and Facilities Management.
34. Covid-19 pressures have been partly mitigated by staffing savings across several services including Housing, Economic Development and Facilities Management. Significant savings are forecast within Facilities Management due to lower costs of energy and water from the closure or reduced use of buildings and reduced costs of reactive maintenance.

Highways & Infrastructure

35. Covid-19 costs total £5m within Highways & Infrastructure. The underlying position excluding these is an underspend of £0.8m.
36. £3.8m of the £5.1m Covid-19 pressure is a forecast loss of income within Parking. This has increased from mid-year due to anticipated lower income during the second lockdown.

Other Covid-19 pressures are a reduction in income from developers and additional costs of social distancing and support to other services within Highways.

37. Underspends arise from vacancies within Highways and Civil Enforcement Officers within the Parking service. Highways income levels are also better than budget. TSS are reporting underspends on the Place side due to savings on public bus contracts due to the Better Deal for Buses Grant, concessionary fares and reduced costs of the Flexilink service.

Corporate Directorate

38. The £34.2m budget for Corporate Services, which includes the Housing Benefits (HB) Payments Centre is currently forecast to outturn at a £0.9m overspend (£1.1m at mid year review), this excludes £3.9m of revenue pressures as a result of the Covid-19 pandemic (£3.6m at mid year review).
39. Pressures elsewhere in the service continue to offset an underspend across the controllable service budgets achieved through an in-year budget remediation plan, which has been put in place to address legacy gaps in the base budget for Corporate Services. The controllable budgets are forecast to underspend by £2.5m (£2.0m at mid year review) however, this is being offset by the HB Payments Centre under-recovery (£1.2m), and additional one-off costs relating to implementing the Best4Business System totalling £2.3m (£2.1m at mid year review) split across various Corporate support services of £1.9m and the Transactional Service Centre (TSC) hosted by Cheshire West and Chester (CWACh) of £0.4m.
40. Best4Business pressures reported are mainly one-off additional costs that cannot be charged to the capital project or unachievable in-year savings that rely on the system going

live to achieve. These will be mitigated from the revenue budget wherever possible. The £2.3m pressure consists of £0.9m in Finance & Customer Services as a result of additional staffing costs and equalisation payments (£0.7m) and unachievable savings linked to the new system (£0.2m); £1.4m in Transformation relating to additional licences costs, additional software costs in ICT Strategy (£0.2m), irrecoverable income for ICT shared service staff time spent on B4B programme (£0.3m); unachievable savings within Human Resources (HR) linked to the new system (£0.5m); and additional staff costs in TSC shared service hosted by CWaC (£0.4m). The Shared Services Joint Committee is continuing to look into the detail of the additional costs.

Directorate

41. The Corporate Services Directorate area includes the cost of the Chief Executive and associated budgets, and the Executive Director of Corporate Services. The Directorate is forecast to underspend by £0.1m due to budget remediation actions to limit non-essential spend.

Finance & Customer Services

42. Finance and Customer Services, excluding Covid-19 related pressures, is forecast to overspend by £1.0m. Covid-19 related pressures in the service amount to £2m arising mainly from a £0.7m shortfall in Government funding for the administration of the Covid-19 hardship fund; an estimated £0.4m loss of overpayment recoveries on the HB Payments Centre; lost court costs income in Revenues (£0.5m); additional staffing costs through overtime and use of agency staff in Revenues (£0.2m) and Benefits (£0.1m); and additional staffing and B4B training costs in Finance (£0.1m).
43. The £1.0m non Covid-19 related service overspend masks £1.1m underspending achieved by implementing the budget remediation plan, Finance and Procurement is forecast to

underspend by £0.4m, and Customer Services by £0.7m. This has been achieved through delaying restructures, delaying filling vacancies, reduced travel claims, and savings on certain non-staff costs. These savings are being offset by a £1.2m under recovery on the HB Payments Centre due to a reduction in HB subsidy received, from the budgeted 99% (£65.9m) to a forecast 97.1% (£64.7m). This believed to be as a result of an increase in supported accommodation costs, which is being investigated as a matter of urgency. In addition, there are £0.9m additional costs and unachievable in-year savings linked to implementing the Best4Business System.

Transformation

44. Transformation, excluding Covid-19 related pressures, is forecast to overspend by £0.7m. Covid-19 related pressures total £1.0m of additional revenue expenditure.
45. The £0.7m non Covid-19 related service overspend masks £0.7m underspending on controllable budgets achieved by implementing the budget remediation plan, including the Human Resources (HR) budget being forecast to underspend by £0.9m due to underspending on Workforce Development (WFD) and Organisational Development due to the impact of the pandemic is having on delivering training, as well as staff vacancies; and a £0.2m underspend in ICT Strategy – however, this is offset by a £0.4m overspend in ICT Service Delivery.
46. The underspend across controllable budgets in Transformation is mainly offset by overspending attributable to additional costs of £1.4m relating to implementing the Best4Business System split across ICT of £0.5m; TSC hosted by CWaC £0.4m; and £0.5m additional costs and unachievable in-year savings within HR. ICT Service Delivery shared service is included in the above figures, an overall

pressure of £1.6m is being reported of which the CEC share is £0.8m relating to a reduction in commissioned project income due to unrecoverable time spent on implementing the Best4Business System and Covid-19 work, and additional software costs.

Governance & Compliance

47. Governance & Compliance, excluding Covid-19 related pressures, is forecast to underspend by £0.7m. The service is forecasting Covid-19 related pressures of £0.8m mainly in the Registrations Service due to lost marriage ceremonies income, and the Coroners service.
48. The non Covid-19 related service expenditure is forecast to underspend by £0.7m with both Legal Services and Governance & Democratic services forecasting an underspend of £0.3m along with a £0.1m underspend within Audit and Risk. This has been achieved by managing staff vacancies and other targeted measures to cut spend against non-staffing budgets in Governance & Democratic and Audit & Risk, and changes to the budget combined with reducing the use of locums within Legal Services has resulted in the temporary staffing budget not being required.

Central Contingencies and Contributions

49. It is currently forecast that there will be a £2.2m underspend variance to budget on the central budget. This is mainly due to lower past service employer pension contributions following a valuation after the budget was set. Budgeted transfers of £0.7m from earmarked reserves are expected to take place in-year as planned. Grants relating to business rates have been received centrally in-year that are additional to budget which will be transferred to reserves for future use.

50. Details of grants received and reserves can be found at **Appendix 2** and **Appendix 7** respectively.

Outturn Impact

51. The impact of the projected service outturn position is to maintain balances as reported above (**paragraph 3**). With the central budget items detailed above (**paragraph 49**), the financial impact could result in an increase in balances of £1.2m. Any surplus in non-Covid-19 related expenditure / income will be allocated to the Medium Term Financial Strategy Earmarked Reserve which is used to smooth the effects of variations in spending / income in any specific year.
52. The Council will continue to manage and review the financial forecasts in response to emerging guidance and the local response to the emergency and how this affects the Council's revenue budget.

Collecting Local Taxes for Local Expenditure

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

Council Tax

54. Council tax is set locally and retained for spending locally. Council tax was set for 2020/21 at £1,503.98 for a Band D property. This is applied to the taxbase.
55. The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect council tax from (after adjustments for relevant discounts, exemptions and an element of non-collection). The taxbase for 2020/21 was agreed at 152,597.84 which, when multiplied by the Band D charge, means that the expected income for the year is £229.5m.

56. In addition to this, Cheshire East Council collects council tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. **Table 3** shows these amounts separately, giving a total budgeted collectable amount of £282.5m.
57. This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the actual amount billed will therefore be more than the budget.
58. This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of discounts and exemptions, and changes in numbers and value of properties. The amount billed to date is £281.1m.

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

	£m
Cheshire East Council	229.5
Cheshire Police and Crime Commissioner	32.1
Cheshire Fire Authority	12.1
Town and Parish Councils	8.8
Total	282.5

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

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

Financial Year	CEC Cumulative			
	2016/17	2017/18	2018/19	2019/20
	%	%	%	%
After 1 year	98.3	98.2	98.2	97.9
After 2 years	99.1	99.1	99.0	**
After 3 years	99.3	99.4	**	**

**data not yet available

60. The council tax in-year collection rate for the period up to November 2020 is 73.9%. This is a decrease of 1.5% on the previous year and is caused by the effect of Covid-19 on taxpayer's ability to pay. In addition, normal processes to recover unpaid council tax were postponed during the pandemic. As the situation has changed those processes have recommenced in order to encourage payment where there is ability to pay.
61. Council tax support payments were budgeted at £16.9m for 2020/21 and at the end of the November the total council tax support awarded was £19.4m (including £2.1m hardship payments).
62. Following consultation changes were made to the Council Tax Support scheme for 2020/21. The scheme was confirmed by full Council in December 2019.

63. Council tax discounts awarded are £25.4m which is a slight increase on the same period in 2019/20. This is mainly due to an increase in single person discounts following the postponement of the discount review during Covid-19.
64. Council tax exemptions awarded is £6.3m which is an increase on the same period in 2019/20. This has been impacted by the postponement of exemption reviews during Covid-19.

Non-Domestic Rates (NDR)

65. NDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes annually in line with inflation and takes account of the costs of small business rate relief.
66. The small business multiplier applied to businesses which qualify for the small business relief was set 49.9p in 2020/21. The non-domestic multiplier was set at 51.2p in the pound for 2020/21.
67. Cheshire East Council continues to be in a pooling arrangement with the Greater Manchester (GM) Authorities (also includes Cheshire West and Chester from 2016/17) for the purposes of Business Rates Retention. The purpose of the pool is to maximise the retention of locally generated business rates to further support the economic regeneration of Greater Manchester and Cheshire Councils. As a pool the members will be entitled to retain the levy charge on growth that would normally be paid over to Central Government.

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

68. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.

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

Financial Year	CEC Cumulative			
	2016/17	2017/18	2018/19	2019/20
	%	%	%	%
After 1 year	97.7	98.3	98.5	98.2
After 2 years	99.2	99.4	99.4	**
After 3 years	99.8	99.7	**	**

**data not yet available

69. The business rates in-year collection rate for the period up to November 2020 is 68.9%. This is a reduction of 4.4% compared to the same period in 2019/20 and is caused by the effect of Covid-19 on ratepayer's ability to pay. In addition, normal processes to recover unpaid business rates have been postponed during the pandemic. As the situation changes those processes will be recommenced in order to encourage payment where there is ability to pay.

2. Workforce Development

70. This section sets out the Council's activities and progress in relation to HR, Organisational Development, Health and Safety and Workforce Development plans and changes for 2020/21.

Culture and Values

71. Following the Local Government Association's independent culture review in 2017 and acceptance of the report recommendations, overall delivery of the planned phases of the Brighter Future Together (Culture) Programme has been completed. The recommendations have been addressed through the programme and all are complete.
72. 'My Conversation' toolkits have been launched to guide staff in conversations in one to one meetings, team meetings and for the performance development meetings. The toolkits are aligned with the Vision for the Council's workplace culture and behaviours, and employee deal. This allows all staff to embed the behaviours in their day to day work alongside other developments such as utilising the behaviours within a recruitment toolkit, leadership and management skills programme, coaching programme and recognition events.
73. The Conversation Toolkit has been further developed to include a Workplace Wellbeing Toolkit. This supports discussions between line managers and their staff focussing on working from home and checking in on welfare and wellbeing. Further conversations will be developed to reflect future ways of working.
74. A pulse survey Flexible, Future Workplace was opened to staff during July with a very good response rate of 55%. The initial results are very positive in relation to having the technology to continue working from home, positive support from line managers and communication from the organisation. As expected, some concerns were reported around returning to the workplace whilst the Covid-19 pandemic continues. These matters have been addressed through the Workplace Recovery Workstream.
75. Work has continued to promote the 'Made my Day' scheme that enables staff to be recognised at every level across the Council. Made my Day has continued to be well used to thank colleagues. 931 nominations were made between July and November 2020. As the usual Making a Difference presentation cannot be held all the nominees received from June to the end of September have been sent their recognition certificate and a letter direct to their home during October.
76. Since April there has been a concentrated effort to provide wellbeing, resilience and mental health support on a regular basis through the Covid-19 brief. A weekly call, Time to Listen and Chat, was introduced in April to support staff during these very difficult times and continues to run with a relevant themes relating to wellbeing. Similar themed calls have latterly been introduced to support Managers to assist them with managing their teams virtually.
77. The month of October was dedicated to the virtual Winter Wellbeing programme of activities. There was a different

activity for staff to take part in every day during the month. The activities ranged from Dancercise to meet the mental health first aiders to film and book clubs. Some of the activities are continuing on a regular basis. All the sessions were delivered by members of staff.

78. Following the recent notification to people identified as clinically extremely vulnerable (CEV) a support group has now also been set up to support employees who find themselves in this group or are support a family member.

Building Capability and Capacity

79. The Corporate Training Programme and Continuous Professional Development Portfolios seek to ensure that the Council creates a workforce which is safe, knowledgeable and competent in performing their duties to the highest possible standard, providing the best quality services to the residents and businesses.
80. The Covid-19 pandemic has prevented the continuation of face to face training throughout 2020/21, but so far in 2020/21, 28 bespoke virtual courses have been offered to CEC employees with 66 individual sessions taking place. 16 employees successfully secured funding approval via the Continuous Professional Development Panel for role specific development and qualifications, seeing over £13,505 of investment. A suite of workplace and well-being e-learning packages is now in place to support staff with new ways of working.
81. Developing management capability at all levels has continued with 32 managers being on track to complete the Institute of Learning and Management (ILM) Level 3 and Level 5 Diploma qualifications. 39 Managers have completed their ILM

qualifications and a further four managers are due to start in August 2020.

Resourcing and Talent

82. The Council continues to support work placements at all levels with 17 social work students undertaking placements within Children's or Adult's social work teams and four due to start in January 2021.
83. The apprenticeship scheme continues to grow with 112 apprentices undertaking work-based learning across the Council. Of this figure, 88 are existing members of staff taking up the opportunity to develop their skills through the apprenticeship scheme.
84. Eight members of staff from the People Directorate are starting a Social Work degree apprenticeship in January 2021, developing talent from within.

Education HR Consultancy

85. In response to the Covid-19 pandemic, the training sessions for Safer Recruitment in Schools and Performance Management for governors have been successfully delivered virtually.
86. Support for schools continues to address the changing implications of national Covid-19 guidance as schools have opened and operated during Autumn 2020.

Health and Safety

87. The Council's Health and Safety team have continued to provide advice and guidance, ensuring that colleagues across

the Council, ASDVs and Schools are supported to work safely.

time equivalent (FTE) employees have increased during the second quarter of 2020/21.

Staffing Changes

88. As shown in the table below, Cheshire East Council's overall headcount has decreased slightly. However the number of full

Table 6: Cheshire East Council Employee Headcount and FTE Figures

Executive Directorate & Service	Employee Headcount June 2020	Employee Headcount September 2020	Employee FTE June 2020	Employee FTE September 2020
People	2152	2151	1613.6	1627.3
Adult Social Care & Health	901	901	716.3	718.9
Children's Services	1103	1099	763.2	769.8
Commissioning	141	138	128.2	125.7
Corporate	681	678	624.6	621.0
Audit & Risk	16	17	14.0	14.8
Legal Services	47	47	42.7	42.4
Democratic Services	94	91	74.1	72.6
HR	38	37	33.7	32.5
ICT	179	179	173.2	172.9
Business Change	57	55	55.9	53.9
Customer Services	172	172	154.2	154.2
Financial Support & Procurement	74	74	72.8	72.7
Place	766	762	583.0	580.2
Growth & Enterprise	359	362	251.8	253.8
Highways & Infrastructure	53	50	48.6	47.8
Environment & Neighbourhood Services	347	344	275.7	272.6
Cheshire East Council Total	3601*	3592*	2823.2*	2829.5*

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

Agency workers

89. Agency workers providing short term cover, project work and flexible specialist skills to maintain service delivery in areas such as social services, ICT and other professional services. Services keep the use of agency workers under regular review to manage this expenditure and, where appropriate, undertake permanent recruitment to provide longer-term stability.
90. The table below provides a summary of active agency worker assignments during 2020/21, together with agency worker assignments as a percentage of all Cheshire East assignments.

Table 7: Active agency worker assignments

	Active Assignments on 30.06.20	Active Assignments on 30.09.20	% of all Workforce Assignments on 30.06.20	% of all Workforce Assignments on 30.09.20
People	74	74	3.3%	3.4%
Corporate	90	87	11.7%	12.8%
Place	4	5	0.5%	0.7%
Total	168	166	4.4%	5.0%

91. The overall number of active agency assignments has remained stable during the first two quarters of 2020/21 with a small decrease in the overall active assignments. The slight increase in the percentage of all workforce assignments is due to an overall decrease in workforce headcount between Quarter 1 and 2.

Absence

92. During the Covid-19 pandemic, absence figures were compiled on a daily basis initially (currently compiled weekly) by service areas to give a snapshot of the number of people absent from work due to sickness (Covid-19 related and for other reasons) or they have been self-isolating / shielding (because they could not undertake their job role from home). The majority of employees who were self-isolating or shielding continued to work from home during this period. Opportunities for redeployment continued to be considered for those who could not work from home in their substantive role.
93. At the mid-year stage, days lost to sickness (excluding Covid-19 self isolation) stood at 4.98 days against our annual target of 10 days or less. This is an improvement on the mid-year position in 2019/20 which was 5.13 days.

Table 8: Days lost to sickness absence per FTE employee

Cheshire East Council (excluding Schools)	2016/17	2017/18	2018/19	2019/20	2020/21
Q2 Absence April - Sept	5.19	5.21	4.89	5.13	4.98

Voluntary Redundancies

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

Appendices to Third Quarter Review (FINANCE) 2020/21

February 2021

Appendix 1

Changes to Revenue Budget 2020/21 since Medium Term Financial Strategy

	Mid Year Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Third Quarter Net Budget £000
PEOPLE				
Directorate	881	-	-	881
Adult Social Care Operations	28,120	-	(87)	28,033
Children's Social Care	40,190	-	-	40,190
Commissioning	88,778	-	(20)	88,758
Education & 14-19 Skills	15,068	61	(41)	15,088
Prevention & Early Help	8,351	-	1	8,352
Public Health	-	-	-	-
	181,388	61	(147)	181,302
PLACE				
Directorate	977	-	1	978
Environment & Neighbourhood Service	40,844	-	455	41,299
Growth & Enterprise	20,551	-	-	20,551
Highways & Infrastructure	11,909	-	36	11,945
	74,281	-	492	74,773
CORPORATE				
Directorate	693	-	101	794
Finance & Customer Services	8,678	-	-	8,678
Governance and Compliance Services	10,018	-	-	10,018
Transformation	14,728	-	53	14,781
	34,117	-	154	34,271
TOTAL SERVICE BUDGET	289,786	61	499	290,346

	Mid Year Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Third Quarter Net Budget £000
CENTRAL BUDGETS				
Capital Financing	12,000	-	-	12,000
Corporate Contributions	717	-	-	717
Contribution to / from Reserves	(694)	-	-	(694)
	12,023	-	-	12,023
TOTAL BUDGET	301,809	61	499	302,369
CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(49,786)	-	-	(49,786)
Specific Grants	(22,372)	(61)	(499)	(22,932)
Council Tax	(229,504)	-	-	(229,504)
Sourced from Collection Fund	(147)	-	-	(147)
TOTAL CENTRAL BUDGETS FUNDING	(301,809)	(61)	(499)	(302,369)
FUNDING POSITION	-	-	-	-

Appendix 2

Corporate Grants Register

Government Grant Funding of Local Expenditure

1. Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. The overall total of Government grant budgeted for in 2020/21 was £254.8m.
2. In 2020/21 Cheshire East Council's specific use grants held within the services was budgeted to be £233.2m based on Government announcements to February 2020. This figure was revised up at mid-year to £241.1m (an increase of £7.9m). At third quarter, this figure was revised up again to £257.7m (an increase of £16.6m on mid-year).
3. The increase at third quarter relates mainly to new Covid-19 related grants: People Directorate £14.7m; Place £1.6m; Corporate £0.3m. Additional grants of £1.2m have also been received in respect of various Local Enterprise Partnership (LEP) schemes. Requests for the allocation of the additional grants received are detailed in **Table 1**.
4. Spending in relation to specific use grants must be in line with the purpose for which it is provided.
5. In the Chancellors Budget on 11 March, two business grant schemes were announced to provide support for businesses as a result of the Covid-19 pandemic.
6. The Small Business Grant Fund (SBGF) is payable to small businesses – essentially those who are currently eligible for Small Business Rate Relief (SBRR) and Rural Rate Relief (RRR). The amount was increased from £3,000 in the Budget to £10,000 in the Chancellor's statement on 17 March.
7. The Retail, Hospitality and Leisure Grant (RHLG) is payable to smaller businesses in this sector, with £10,000 for businesses with rateable values of less than £15,000, and £25,000 for those with rateable values between £15,000 and £51,000 (i.e. those on the Small Business Rate Multiplier).
8. At the beginning of April, Cheshire East was paid £95.5m to passport directly to eligible businesses and by the end of August there had been payments made of £91.7m. The scheme officially closed at the end of August 2020 and any unspent grant will be repaid to central government.
9. Since August, further payments totalling £20.9m have been paid to Cheshire East to support businesses during the second national lockdown period.
10. General purpose grants were budgeted to be £21.6m. Further in-year grant announcements have increased the amount received to £117.0m at third quarter.
11. The Covid-19 pandemic has seen additional financial support issued by Central Government.
12. The Government announced in the Budget on 29 October 2018 that it would provide a Business Rates Retail Discount, to apply in the years 2019/20 and 2020/21. In response to the Coronavirus pandemic, in the Budget on 11 March the

Government announced that it would increase the discount to 100% and extend it to include the leisure and hospitality sectors. Following the announcement on 23 March 2020 of further measures to limit the spread of Coronavirus, the Government confirmed that some of the exclusions for this relief have been removed, so that retail, leisure, and hospitality properties that will have had to close as a result of the restriction measures were also eligible for the relief.

13. The estimated full cost for this additional relief for Cheshire East was £58.8m. Usually, local authorities would only be paid their Business Rates Retention share (49%) of any new burdens measures, but in this instance 100% of the funding is being paid to councils to help with cash flow shortfalls. At the end of the financial year, following a detailed reconciliation, the share relating to MHCLG (50%) will be repaid to Government.
14. On the 20 November, a further payment of £1.8m relating to Covid-19 Additional Business Rates Relief was received.
15. Additional general purpose grants of £9.7m have also been received during the year to date. These include further Covid-

19 related grant payments of £9.6m and an additional £0.1m in respect of Children and Families related grants. Requests for the allocation of the additional grants received are detailed in **Table 1**.

16. Business Rates 'Tax Loss Compensation grants' of £9.2m have also been received during 2020/21. This grant reimburses the Council for providing extra discounts to businesses in line with government guidance. £4.2m of the grant is required to fund services and is included as part of the revenue budget approved in February 2020. The remaining amount will be transferred to the Collection Fund Management earmarked reserve at year end in accordance with the Reserves Strategy.
17. **Table 3** provides a summary of the updated budget position for grants in 2020/21 by type and service. Further details of grants are shown in **Table 4** Corporate Grants Register
18. **Table 2** provides a summary of Covid-19 grants that have already been approved.

Table 1 – Requests for Allocation of Additional Grant Funding

Service	Type of Grant	£000	Details
People – Adult Social Care & Health	Covid-19 Infection Control Fund (Tranche 2) (Specific Purpose)	4,713	The primary purpose of this fund is to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of Covid-19 transmission in and between care homes and support wider workforce resilience.
People – Public Health	Covid-19 Contain Outbreak Management Fund (Specific Purpose)	6,500	As at the end of Dec 2020 CEC has received 2 payments of Contain Outbreak Management funding totaling £3.1m which have been approved via urgent decisions. The LA has been notified that it will receive additional funding from the 2 December every 28 days linked to which Tier Cheshire East is in (details below) to be reviewed in Jan 2021. This estimate of up to £6.5m is based on £4 per head of population from December 2020 to March 2021. As well as the review in Jan 2021 National restrictions have been introduced in early January 2021, therefore the values may change and this is an estimated SRE at the current time.
Central Budgets	Covid-19 Emergency Funding Tranche 4 (General Purpose)	2,578	The Covid-19 Emergency Funding is additional grant received due to the rising costs caused by the pandemic.
Central Budgets	Covid-19 Business Rate Tranche 2 (General Purpose)	1,775	The Government agreed, given the exceptional circumstances regarding the pandemic and the scale of business rates reliefs in 2020-21, that it would make further s.31 grant payments in respect of the underestimates made by authorities of the amount of expanded retail discount and nursery discount, during the course of the year.
Central Budgets	Covid-19 Business Support Grant (Specific Purpose)	4,372	Further funding to support small businesses in local areas have been made available through the Discretionary Local Authorities Grants.
Allocation For Council Approval		19,938	

Service	Type of Grant	£000	Details
Place – Directorate	Local Enterprise Partnership (LEP): NP (Northern Powerhouse) 11 (Specific Purpose)	620	<p>This grant is paid to Cheshire East Council as Accountable Body to the CWLEP (Cheshire & Warrington Local Enterprise Partnership).</p> <p>To enable the 11 Northern LEPs (the NP11) to develop a more unified Northern Powerhouse economic development programme and voice. The NP11 will work together on issues where a pan-Northern approach to economic development can add value.</p>
Central Budgets	Covid-19 Local Restrictions Support Grant (Specific Purpose)	921	The Grant is offered to you as part of the wider set of measures to support the nation's economy and its businesses in response to Coronavirus Covid-19) and specifically for businesses that have been severely impacted, required to close while subject to Tier 2: High alert restrictions entered into on 2 December 2020.
Allocation for Cabinet Approval		1,541	
People – Children & Families	Covid-19 Coronavirus Schools Fund (Schools Emergency Support) (Specific Purpose)	257	<p>The provision is to support schools during the Covid-19 pandemic by providing funding for additional costs. All schools are encouraged to continue to manage their budgets in the most effective way possible, and to redirect their existing resources to best support all their pupils, particularly vulnerable children and children of critical workers. The DfE have identified areas where it is believed most likely that schools may face additional costs, as a result of the coronavirus (Covid-19) outbreak. These are:</p> <ul style="list-style-type: none"> • increased premises related costs • support for free school meals for eligible children who are not attending school • additional cleaning
People – Children & Families	Covid-19 Catch Up Premium (Specific Purpose)	353	The government has announced £1 billion of funding to support children and young people to catch up. This includes a one-off universal £650 million catch-up premium for the 2020 to 2021 academic year to ensure that schools have the support they need to help all pupils make up for lost teaching time. The Council has a responsibility to support delivery of service in school, if the funding is not transferred then this may lead to

Service	Type of Grant	£000	Details
			overspends on school budgets or young people not receiving a high-quality education. The provision is to ensure all children and young people return to education from the beginning of the autumn term. Schools should use this funding for specific activities to support their pupils to catch up for lost teaching over the previous months.
People – Children & Families	Remand Grant (Specific Purpose)	31	Children and Young People (CYP) who are remanded in youth detention accommodation will be given Looked After Children (LAC) status. The grant is to cover the costs of the LA's responsibility and gives LA's incentives to reduce their secure remands and reinvest any savings achieved in Youth Justice (YJ).
People – Adult Social Care & Health	Covid-19 Shielding Grant for the Clinically Extremely Vulnerable Cohort (Specific Purpose)	211	On 31 October, Government announced that new national restrictions would be implemented across England, effective from 5 November until 2 December. This funding has been allocated to Cheshire East to support our residents throughout that period, who have registered on the National Shielding Service System (NSSS) as Clinically Extremely Vulnerable (CEV). The funding will be spent on contacting CEVs, triaging individuals' needs, and providing support via connection with community groups.
Place – Growth & Enterprise	Covid-19 Next Steps Accommodation Programme Grant (Specific Purpose)	56	Next Steps short term funding of £56k will be for 'floating support' (£27,733) and rent in advance (£28,267) for the support of 38 individuals.
Place – Growth & Enterprise	Homeless Prevention Grant (Specific Purpose)	216	The Homelessness Prevention Grant is to be used for homelessness prevention activities in the Strategic Housing Service. It is a named grant, allocated to Local Authorities through the Revenue Support Grant. It is part of a number of Government funding streams put in place to assist Local Authorities to prevent homelessness and deal with the additional pressures that new legislation has placed on them.

Service	Type of Grant	£000	Details
Place – Environment & Neighbourhood Services	Covid-19 Local Authority Compliance and Enforcement Grant (Specific Purpose)	159	<p>Compliance and Enforcement Activity with respect to Covid-19 to include:</p> <ul style="list-style-type: none"> • Practical support to aid and encourage compliance, such as dedicated staff in public areas, business support, or support for individuals • Measures to aid public and business awareness and understanding of regulations and guidance • Any activity associated with enforcement of Covid-19 regulations or guidance.
Place – Highways & Infrastructure	Bus Service Operators Grant (Specific Purpose)	348	The Bus Service Operators Grant is a grant paid to operators of eligible bus services and community transport organisations to help them recover some of their fuel costs. The amount each bus operator receives is based on their annual fuel consumption.
Place – Highways & Infrastructure	Better Deal for Buses - Supported Bus Services (Specific Purpose)	320	The funding for supported bus services in 2020/21 is being provided to local authorities as revenue support to help them provide more bus services in their area. To be used to improve the provision of local bus services in their area in one or more of the following ways: to improve current local bus services e.g. increasing evening or weekend frequencies, or supporting additional seasonal services in tourist areas; to restore lost bus routes where most needed to ensure people have access to public transport services; to support new bus services, or extensions to current services, to access e.g. new housing, employment opportunities, healthcare facilities, etc.
Place – Highways & Infrastructure	Covid-19 Bus Services Support Grant (Restart) - Tranche 2 and 3 (Specific Purpose)	336	Covid-19 Bus Services Support Grant can only be spent on supporting bus services that have been affected by or need to be adjusted because of the impact of Covid-19. It is to be used as additional support on top of normal funding for local bus services, not as a replacement of that funding.
Place – Directorate	Local Enterprise Partnership (LEP):	175	This grant is paid to Cheshire East Council as Accountable Body to the CWLEP (Cheshire & Warrington Local Enterprise Partnership).

Service	Type of Grant	£000	Details
	Growth Hub Supplementary Funding (Specific Purpose)		The Supplementary Grant is offered under Section 11 of the Industrial Development Act 1982 to support further development of Growth Hubs aligned to the Government's commitment to ensure that businesses in every region have access to high quality free and impartial advice and guidance via Growth Hubs. In recognition of the short-term pressures faced by Growth Hubs as a result of Covid-19, an agreed percentage of the Supplementary Grant is available for spend on activities and solutions to alleviate immediate pressures on businesses caused by Covid-19.
Place – Directorate	Local Enterprise Partnership (LEP): Growth Hub Cluster Network - Peer Networks (Specific Purpose)	135	<p>This grant is paid to Cheshire East Council as Accountable Body to the CWLEP (Cheshire & Warrington Local Enterprise Partnership).</p> <p>Expenditure is reasonably incurred by the Cheshire and Warrington LEP for Cheshire East Borough Council via its Growth Hub in undertaking the programme of Peer Networks to provide support, advice and training to assist businesses to navigate the challenges facing them in relation to Covid-19 by working through with peers actions and solutions. The Cheshire East Borough Council via its Growth Hub will act as the delivery body for the networking scheme; recruiting participants, organising facilitators/coaches, organising virtual and physical venues, liaising with the evaluation partner and reporting to on performance (the "Funded Activities").</p>
Place – Directorate	Local Enterprise Partnership (LEP): EU Transition - Growth Hub Funding (Specific Purpose)	136	<p>This grant is paid to Cheshire East Council as Accountable Body to the CWLEP (Cheshire & Warrington Local Enterprise Partnership).</p> <p>For Growth Hubs to support the EU transition business readiness activity, through more direct contact, in addition to passive communications activity, to increase the reach and intensity of information (including to vulnerable sectors and regions), guidance and support.</p>

Service	Type of Grant	£000	Details
			<p>Funding is to provide basic advisory resource to the 31st March 2021 across the LEP Network for outreach and proactive business support. The outline conditions of funding are:</p> <ul style="list-style-type: none"> • It is ringfenced for securing additional advisers and for adviser salaries only; Advisers must be hired on temporary contracts or on a similar basis; • Funding will be available from 1st November 2020 until 31st March 2021; • This funding should not create any recurring liabilities beyond Financial Year 2020-21.
Place – Directorate	Local Enterprise Partnership (LEP): Skills Advisory Panel (Specific Purpose)	75	<p>This grant is paid to Cheshire East Council as Accountable Body to the CWLEP (Cheshire & Warrington Local Enterprise Partnership).</p> <p>Skills Advisory Panels are local partnerships that work to identify and address local skills priorities. They aim to strengthen the link between employers and skills providers – including colleges, independent training providers and universities.</p>
Place – Directorate	Local Enterprise Partnership (LEP): Education & Skills Funding Agency - Industry Placement Grant (Specific Purpose)	5	<p>This grant is paid to Cheshire East Council as Accountable Body to the CWLEP (Cheshire & Warrington Local Enterprise Partnership).</p> <p>Industry placements: capacity and delivery fund (CDF) for providers delivering in 2020 to 2021 academic year.</p>
Place – Directorate	Covid-19 Getting Building Fund Capacity Grant (Specific Purpose)	45	<p>This grant is paid to Cheshire East Council as Accountable Body to the CWLEP (Cheshire & Warrington Local Enterprise Partnership).</p> <p>Capacity funding to help manage the Getting Building Fund delivery: Getting Building Fund is to deliver jobs, skills and infrastructure across the country. This investment is being targeted in areas facing the biggest</p>

Service	Type of Grant	£000	Details
			economic challenges as a result of the pandemic. It is supporting the delivery of shovel-ready infrastructure projects, agreed with mayors and Local Enterprise Partnerships to boost economic growth, and fuel local recovery and jobs.
Corporate – Finance and Customer Services	Covid-19 Test and Trace Support (Specific Purpose)	251	Standard grant, discretionary grant & grant administration.
Corporate – Finance and Customer Services	Housing Benefit (HB) Award Accuracy Initiative (Specific Purpose)	18	<p>The HB Award Accuracy Initiative is mandatory from 2021-22. DWP is funding LAs that confirm their participation to undertake the following activities:</p> <ul style="list-style-type: none"> • HB Full Case Reviews (FCRs) – looking at current claim details & evidence held to review HB amount • HB Matching Service (HBMS) referrals, including: <ul style="list-style-type: none"> - self-employed Earnings Reviews (SERs) • the correct recording of cases and the return of management information (MI) to DWP, including: <ul style="list-style-type: none"> - the correct recording of case outcomes on LA IT systems to inform SHBE (Single Housing Benefit Extract) - the return of clerical MI to DWP for HBMS case outcomes <p>The funding is to be utilised to drive activity under the three initiatives</p>
People – Children & Families	Extension of the role of Virtual School Heads (General Purpose)	61	<p>The purpose of the grant is to provide support to local authorities in England, to help them meet their duty to appoint a Virtual Schools Head for previously looked-after children and make information and advice available to the following parties for the purposes of promoting the education of eligible previously looked-after children:</p> <ul style="list-style-type: none"> • any person that has parental responsibility for the child;

Service	Type of Grant	£000	Details
			<ul style="list-style-type: none"> providers of funded early years education, designated teachers for previously looked-after children in maintained schools and academies; and any other person the authority considers appropriate for promoting the educational achievement of relevant children.
Place	Covid-19 Culture Recovery Fund (Specific Purpose)	180	Funding to be administered as a Culture Recovery Fund by the Arts Council England (ACE) Grants Programme. The purpose of the fund is to help maintain England's cultural ecology by supporting significant cultural organisations which were financially sustainable before Covid-19, but are now at imminent risk of failure and have exhausted all other options for increasing their resilience.
Place	Covid-19 Rough Sleepers (Specific Purpose)	6	Rough sleepers, or those at risk of rough sleeping have been supported by £3.2 million of initial emergency funding if they need to self-isolate to prevent the spread of COVID-19.
Place	Covid-19 Cold Weather Fund (Specific Purpose)	6	A new Cold Weather Fund for local areas to bring forward COVID-secure accommodation this winter to support rough sleepers off the streets over the winter period.
People	Covid-19 Domestic Abuse Duty Capacity Building Fund (Specific Purpose)	50	Funding to support local authorities in England to prepare for the new statutory duty to provide domestic abuse support in safe accommodation
Central Budgets	Covid-19 Christmas Support Payment (Specific Purpose)	237	The Grant is offered to you as part of the wider set of measures to support the nation's economy and its businesses in response to Coronavirus Covid-19). Local Authorities will receive a one-off payment amounting to £1,000 per wet-led pub in each eligible Local Authority where Tier 2 or Tier 3 restrictions are imposed following the scheduled Tier review dates of 2 December and 16 December.

Service	Type of Grant	£000	Details
Corporate	Local Authority Discretionary Grant Fund – New Burdens (Specific Purpose)	77	To meet the additional costs resulting from Covid-19 grant delivery, reconciliation and post payment assurance processes and the parliamentary constituency data exercise for the Small Business Grant Fund, Retail Hospitality and Leisure Grant Fund and Local Authority Discretionary Grant Fund.
Total Allocation less than £500,000		3,744	
Total Allocation 2020/21		25,223	

Table 2 - Summary of Covid-19 Grants already Approved

Service	Type of Grant	£000	Details
Public Health	Covid-19 Infection Control (Specific Purpose)	5,320	The primary purpose of this fund is to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of Covid-19 transmission in and between care homes and support wider workforce resilience.
Public Health	Covid-19 Test, Track and Contain (Specific Purpose)	1,533	The purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of Covid-19.
Place	Covid-19 Towns Fund (Specific Purpose Capital Grant)	750	The Towns Fund works with places to address growth constraints and to chart a path of recovery from the impact of Covid-19. The overarching aim of the Towns Fund is to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth.
Central Budgets	Covid-19 Business Support Grant (Specific Purpose)	95,514	Funding provided to local authorities to passport directly to eligible businesses applying for business support grants due to the pandemic.
Central Budgets	Covid-19 Emergency Funding Tranches 2 and 3 (General Purpose)	13,251	The Covid-19 Emergency Funding is additional grant received due to the rising costs caused by the pandemic.
Central Budgets	Covid-19 Business Rate Holiday (Specific Purpose)	58,786	<p>Eligible businesses in the retail, hospitality and leisure sectors in England will not have to pay business rates for the 2020 to 2021 tax year. This grant compensates local authorities for the business rates income not received.</p> <p>The grant has been received based on 100% of the discount value to help local authority cash flow situations. A reconciliation will be undertaken at the end of the year to pay back MHCLGs 50% share of this funding accordingly.</p>

Service	Type of Grant	£000	Details
Central Budgets	Covid-19 Council Tax Hardship (Specific Purpose)	2,063	New grant funding to support economically vulnerable people and households in their local area.
Place	Covid-19 Emergency Active Travel Fund (Specific Purpose)	774	To develop and deliver a borough-wide programme of Active Travel measures to support Covid-19 recovery by improving active travel provision for workplaces, schools and town centres. £155,000 has been received and £619,000 is pending. £69,000 is for revenue and £705,000 is for capital.
Corporate	Covid-19 Emergency Assistance Grant for Food & Essential Supplies (Specific Purpose)	326	This grant is for local authorities in England to use to support people who are struggling to afford food and other essentials due to Covid-19.
Corporate	Covid-19 Local Authority Discretionary Grant (Specific Purpose)	170	This grant is intended to fund costs incurred in the administration of business support grants including staff costs, software updates, print & postage and other 3 rd party support.
Place	Covid-19 Reopening High Streets Safely (Specific Purpose)	340	This additional funding is to support the safe reopening of high streets and other commercial areas. The money will allow local authorities in England to put in place additional measures to establish a safe trading environment for businesses and customers, particularly in high streets, through measures that extend to the end of March 2021.
Place	Covid-19 Bus Support Restart (Specific Purpose)	157	This funding is available to increase capacity on buses in order to help keep passengers safe during the Covid-19 crisis, and also to prepare for a recovering economy.

Service	Type of Grant	£000	Details
Place	Covid-19 Local Bus Network (Specific Purpose)	180	Additional support for bus services that have been affected by, or need to be adjusted because of, the impact of Covid-19. Conditions apply and any underspend will need to be returned to DfT.
People – Children & Families	Covid-19 Wellbeing for Education Return (Specific Purpose)	55	This grant seeks to better equip schools and colleges to promote children and young people's wellbeing, resilience, and recovery in response to Covid-19.
People – Children & Families	Covid-19 Home to School Transport (Specific Purpose)	295	Thousands of students will be supported with new dedicated school and college transport to get them to school or college in the Autumn term. This funding will help them create extra capacity and allow hundreds of thousands more students to use alternatives to public transport, while social distancing measures remain in place.
Central Budgets	Fees and Charges Compensation	2,137	First instalment for compensation relating to reduced fees and charges due to Covid-19 (forecast for the full year is £6.1m).
Central Budgets	Covid-19 Winter Grant Scheme	880	The Department for Work and Pensions (DWP) will provide funding to County Councils and Unitary Authorities, under section 31 of the Local Government Act 2003, who will administer the scheme and provide direct assistance to vulnerable households and families with children particularly affected by the pandemic.
Central Budgets	Covid-19 Business Support Grant (Specific Purpose)	15,263	Funding provided to local authorities to passport directly to eligible businesses applying for business support grants due to the pandemic relating to the second national lockdown.
People – Public Health	Covid-19 Contain Outbreak Management Fund (Specific Purpose)	1,152	The purpose of this grant is to fund the following activities: <ul style="list-style-type: none"> Targeted testing for hard-to-reach groups out of scope of other testing programmes. Additional contact tracing.

Service	Type of Grant	£000	Details
			<ul style="list-style-type: none"> • Enhanced communication and marketing e.g. towards hard-to-reach groups and other localised messaging. • Delivery of essentials for those in self-isolation. • Targeted interventions for specific sections of the local community and workplaces. • Harnessing capacity within local sectors (voluntary, academic, commercial). • Extension/introduction of specialist support (behavioural science, bespoke comms). • Additional resource for compliance with, and enforcement of, restrictions and guidance.
People – Public Health	Covid-19 Contain Outbreak Management Fund (Tranche 2) (Specific Purpose)	1,921	On Thursday 5 November, the country went into a second period of national lockdown restrictions. As a result, the level of grant income was increased by a further grant of £1.921m, as the allocation basis had been increased from £3.00 per head to £8.00 per head.

Urgent decisions made following Member consultation

Date	Summary of decision	Decision on behalf of	Members, MO/S151 consulted/ content?	Status
26 05 20	Covid-19 Discretionary Grant Fund: approval of supplementary revenue estimate of funds made available from Government, to make payments to businesses in the sum of £4,287,250. Delegation of the design and implementation of a policy and scheme for the distribution of funds.	Council	Yes	Decision made and Members notified
08 06 20	Approval of supplementary revenue estimate of £5.32m relating to the Covid-19 Infection Prevention Fund for Local Authorities' allocation for Cheshire East Council. Authorisation of the distribution of the first 75% of the Grant to eligible care home providers in the Cheshire East Borough in accordance with the DoHSC Grant conditions. Delegated authority to utilise the 25% balance of the Grant to support the wider care market with Infection Control measures.	Council	Yes	Decision made and Members notified

Urgent decisions made by the Chief Executive relating to Covid-19 funding under general delegation dated 2 July 2020

Date	Summary of decision	MO/S151 consulted	Status
07 07 20	Acceptance of the offer of the £750,000 Town Fund allocation for Crewe; agree a Supplementary Capital Estimate; expenditure delegated to the Executive Director of Place, subject to first consulting the Portfolio Holder for Environment and Regeneration.	Yes	Decision made and all Members notified on 08 07 20
08 07 20	Test and Trace: Acceptance of the Council's allocated grant of £1.53m. Authorisation of a Supplementary Revenue Estimate, for the 2020/21 Financial Year, of £1.53m. Authorisation of the Executive Director-People, in consultation with the Portfolio Holder for Public Health and Corporate Services, to distribute the grant in accordance with the conditions which have been attached to it.	Yes	Decision made and all Members notified on 08 07 20 Further clarification provided to all Members on 10 th July 2020 that the previous reference to the Portfolio Holder for Adult Social Care and Health had been corrected.

Table 3 - Summary of Grants

	Original Budget	Revised Forecast MYR	Revised Forecast TQR	Change from MYR
	2020/21 £m	2020/21 £m	2020/21 £m	2020/21 £m
SPECIFIC USE				
Held within Services	233.2	241.1	257.7	16.6
GENERAL PURPOSE				
Business Support Grant	0.0	95.5	116.3	20.8
Service Funding:				
People - Childrens and Families	0.0	0.4	0.5	0.1
People - Adult Social Care and Health	8.8	8.8	8.8	0.0
Place	0.0	0.3	0.3	0.0
Corporate	12.8	14.9	14.9	0.0
Central Items	0.0	81.2	92.5	11.3
TOTAL GENERAL PURPOSE	21.6	201.1	233.3	32.2
TOTAL GRANT FUNDING	254.8	442.2	491.0	48.8

Source: Cheshire East Finance

Table 4 – Corporate Grants Register

Corporate Grants Register 2020/21	Original Budget 2020/21 £000	Revised Forecast MYR 2020/21 £000	Revised Forecast TQR 2020/21 £000	Change from MYR 2020/21 £000	Treatment of Grant <i>Notes 2 - 5</i>
SPECIFIC USE (Held within Services)					
PEOPLE					
Schools ¹	151,887	150,383	150,555	173	
Children and Families	1,759	2,021	2,019	(3)	
Adult Social Care	12,637	18,284	29,708	11,424	
Public Health	15,967	18,291	21,364	3,073	
Total	182,250	188,979	203,646	14,667	
PLACE					
Growth and Enterprise	263	1,572	1,506	(67)	
Environment and Neighbourhood Services	0	0	159	159	
Highways and Infrastructure	0	336	1,340	1,004	
Directorate	787	1,561	2,047	486	
Total	1,050	3,469	5,052	1,582	
CORPORATE					
Finance and Customer Services	49,878	48,618	48,964	346	
Total	49,878	48,618	48,964	346	
TOTAL SPECIFIC USE	233,178	241,066	257,661	16,595	

Corporate Grants Register 2020/21	Original	Revised	Revised	Change from	Treatment of
	Budget	Forecast MYR	Forecast TQR	MYR	Grant
	2020/21 £000	2020/21 £000	2020/21 £000	2020/21 £000	Notes 2 - 5
GENERAL PURPOSE (Held Corporately)					
Central Funding					
Business Support Grant	0	95,514	116,307	20,793	Balances
People - Children and Families					
Staying Put Implementation Grant	0	113	113	0	
Extended Rights to Free Transport (Home to School Transport)	0	201	201	0	
Extended Personal Adviser Duty Implementation	0	42	42	0	
Extension of the role of Virtual School Heads	0	0	61	61	SRE
Domestic Abuse Duty Capacity Building Fund	0	0	50	50	ODR
People - Adult Social Care and Health					
Social Care Support Grant	7,616	7,616	7,616	0	
Independent Living Fund	818	861	861	0	
Local Reform & Community Voices, Social Care in Prisons and War Pension Scheme Disregard	340	340	340	0	
Place					
Neighbourhood Planning Grant for Local Planning Authorities	0	100	100	0	
Homelessness Reduction Act	0	116	116	0	
Letting Agents Transparency & Redress Schemes	0	1	1	0	
Environmental Service Feasibility Study (NW Local Energy Hub)	0	67	67	0	

Corporate Grants Register 2020/21	Original Budget 2020/21 £000	Revised Forecast MYR 2020/21 £000	Revised Forecast TQR 2020/21 £000	Change from MYR 2020/21 £000	Treatment of Grant <i>Notes 2 - 5</i>
Corporate					
Housing Benefit and Council Tax Administration	1,027	1,022	1,022	0	
NNDR Administration Allowance	571	571	571	0	
New Homes Bonus	11,193	11,193	11,193	0	
Individual Electoral Registration	0	34	34	0	
COVID-19 Council Tax Hardship Fund	0	2,063	2,063	0	
Central Items					
COVID-19 Additional Business Rates Reliefs payments for 2020/21 (Tranche 1)	0	58,786	58,786	0	
COVID-19 Additional Business Rates Reliefs payments for 2020/21 (Tranche 2)	0	0	1,775	1,775	Reserves
COVID-19 Compensation for Sales, Fees and Charges Income	0	0	6,100	6,100	Balances
COVID-19 Emergency Funding (Tranche 2)	0	10,539	10,539	0	
COVID-19 Emergency Funding (Tranche 3)	0	2,711	2,711	0	
COVID-19 Emergency Funding (Tranche 4)	0	0	2,578	2,578	Balances
COVID-19 Winter Grant Scheme	0	0	880	880	Balances
Business Rates Reliefs Grant 2020/21	0	4,988	4,988	0	
Business Rates Reliefs Grant 2020/21	0	4,200	4,200	0	
Total Service Funding	21,565	105,563	117,007	11,444	
TOTAL GENERAL PURPOSE	21,565	201,077	233,314	32,237	
TOTAL GRANT FUNDING	254,743	442,143	490,975	48,832	

Notes

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

Appendix 3

Debt Management

1. Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has increased by £4.8m since the end of July.
2. Annually, the Council raises invoices with a total value of over £70m. Around a quarter of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
3. The Council's standard collection terms require payment within 28 days of the invoice date, however, services receive immediate credit in their accounts for income due. The Council uses a combination of methods to ensure prompt payment of invoices. Recovery action against unpaid invoices may result in the use of debt collectors, court action or the securing of debts against property.
4. The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection/enforcement agent services (currently provided by Bristow & Sutor). In 2019/20 the team collected £3m on behalf of services.
5. After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of October 2020 was £15.6m.
6. The total amount of service debt over six months old is £6.3m; provision of £6.3m has been made to cover doubtful debt in the event that it needs to be written off.

DEBT SUMMARY

	Outstanding Debt £000	Over 6 months old £000
People		
Adults, Public Health and Communities	12,610	4,767
Children's Social Care (Incl. Directorate)	507	94
Education and 14-19 Skills	47	25
Prevention and Early Help	10	3
Schools	92	40
Place		
Highways and Infrastructure	1,225	859
Growth and Enterprise	638	221
Environment and Neighbourhood Services	384	230
Corporate		
Finance and Customer Services	21	5
Governance and Compliance	13	6
Transformation	44	1
	15,591	6,251

Appendix 4

Capital Strategy

Contents

1. Update on Capital Financing Budget	- 45 -
2. Update on 2020/21-2023/24 Capital Programme	- 46 -

Annexes:

A. Revised Capital Programme	- 49 -
B-D. Supplementary Capital Estimates & Virements	- 51 -
E. Capital Budget Reductions	- 55 -
F. Transfer to and from the Addendum	- 56 -
G. Prudential Indicators	- 59 -

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

Parameter	Value (£m)			
	2020/21	2021/22	2022/23	2023/24
Repayment of Borrowing				
Minimum Revenue Provision*	11.0	13.5	16.0	18.4
External Loan Interest	5.1	4.9	4.8	4.7
Investment Income	(0.9)	(0.9)	(0.9)	(0.9)
Contributions from Services Revenue Budgets	(1.5)	(1.6)	(1.6)	(1.7)
Total Capital Financing Costs	13.7	15.9	18.3	20.5
Use of Financing EMR	(1.7)	(1.9)	(0.3)	(1.5)
Actual CFB in MTFS	12.0	14.0	18.0	19.0
Capital Receipts targets*	1.0	1.0	1.0	1.0
Flexible use of Capital Receipts	3.0	0.6	0	0

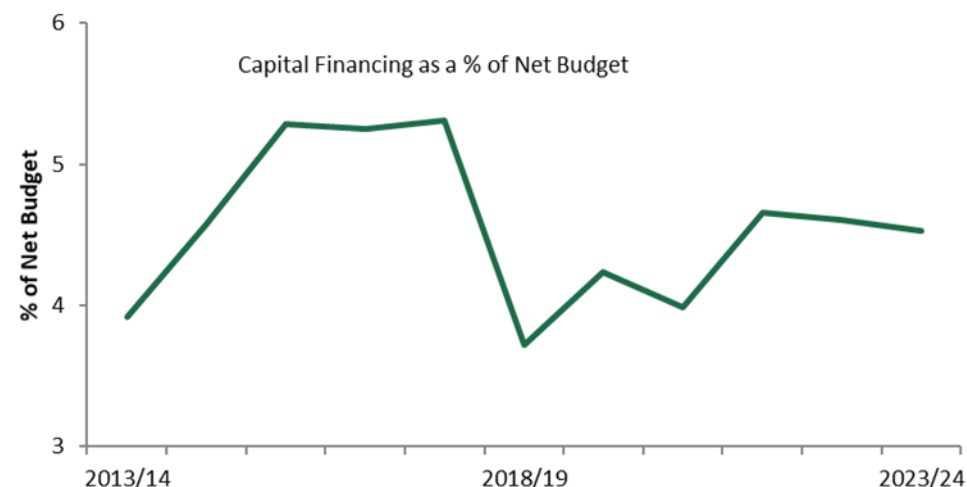
*Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

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

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

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



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

- 1.4 The nature and scale of the Council's capital programme means that it is a key factor in the Council's treasury management, including the need to borrow to fund capital works. The treasury management strategy for the Council is included in **Appendix 5** of this report.
- 1.5 The Council's current strategy is to use available cash balances, known as 'internal borrowing' and to borrow short term loans. As short term interest rates are currently much lower than long term rates this is likely to be more cost effective.

Contributions from Services

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

- 1.9 The Council's strategy is to use revenue contributions of £6.4m over the next four financial years to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £2.8m from the Investment Portfolio; £2.1m contribution from schools towards the schools transformation programme; £0.8m from ESAR for the improvements to the Council's leisure facilities; £0.4m from Highways Street Lighting for the upgrade to LED lighting; and £0.3m from Transformation Services for the Azure 365 upgrade.

Use of Financing Earmarked Reserve

- 1.10 To allow a longer term approach to setting the Financial Parameters of the Capital Strategy the Council will maintain an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.
- 1.11 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any under or overspending of the Capital Finance Budget (CFB) within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. In balancing the CFB over the period of the MTFS the Section 151 Officer may also recommend appropriate use of the Financing Earmarked Reserve over the period.
- 1.12 The Council's current strategy is to draw-down up to £5.4m from the Financing Earmarked Reserve for the period 2020/21 to 2023/24.

Flexible Use of Capital Receipts

- 1.13 Government guidance on the flexible use of capital receipts allows local authorities to use capital receipts to off-set the revenue costs of transformational projects which are expected to deliver future ongoing revenue savings.

- 1.14 Within the 2020/21 revenue budget £1m of capital receipts have been identified to fund transformational projects. In addition up to £2m of capital receipts will be used to fund the implementation costs of the B4B programme, which have been identified as revenue in 2020/21. The capital reserve holds £3m of capital receipts for this purpose. Up to £0.6m of capital receipts may be utilised for the B4B programme in 2021/22.

Capital Programme – Third Quarter Review Position

- 1.15 Since the mid year review was approved in October 2020 the Capital Programme has increased by £3.7m for the next four year period.
- 1.16 Potential additional costs of £8.0m have been identified in the Capital Programme, linked to Covid-19. Costs will either be absorbed within existing risk profiles of the associated capital projects or funded via drawdown from the Covid-19 Earmarked Reserve.
- 1.17 The main change for the increase is a net movement of budgets transferring to the Addendum totalling £8.0m. There are a number of increases from Supplementary Capital Estimates (£4.1m), as well as changes reported this quarter totalling £4.8m. **Table 2** below shows a summary of the changes.

Table 2: Summary Capital Programme

	MYR Budget	SCEs/ Virements in Quarter	Transfers to/from Addendum	Budget Reductions at TQR	SCEs/ Virements at TQR	Revised TQR Budget
	2020/24 £m	2020/24 £m	2020/24 £m	2020/24 £m	2020/24 £m	2020/24 £m
People Directorate	45.0	3.7	-	-	0.7	49.4
Place Directorate	399.9	0.5	(13.0)	(0.2)	1.9	389.1
Corporate Directorate	47.6	(0.1)	8.0	-	2.2	57.7
	492.5	4.1	(5.0)	(0.2)	4.8	496.2

- 1.18 During October and November 2020 the Deputy Chief Executive, Frank Jordan held a number of Capital Challenge sessions across all three Directorates where schemes were prioritised, reprofiled or removed from the programme entirely. As a result schemes within the Place Directorate (£13.5m) were identified that could be transferred to the Addendum until such time they become affordable or the schemes are ready to be developed. The details are shown in **Annex F**.
- 1.19 There are a number of Supplementary Capital Estimates, the most notable of which is the increase in the Best4Business Programme of £1.808m for the costs associated with completing the project in 2021/22. Cheshire East Council and Cheshire West and Chester Council pay for the 50% of the costs each so the additional cost to the Council will be £0.904m.
- 1.20 A supplementary capital estimate of £0.346m relates to the implementation of a new financial forecasting tool known as Financial Planning & Analysis (FP&A). Cheshire East Council and Cheshire West and Chester Council pay for the 50% of the costs each so the additional cost to the Council will be £0.173m.
- 1.21 There is also another significant Supplementary Capital Estimates for £0.9m which is for the Public Sector Decarbonisation Scheme and is fully funded from a government grant.
- 1.22 The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve). A funding summary is shown in **Annex A**.

- 1.23 **Annex B** details requests of Supplementary Capital Estimates (SCE) up to and including £500,000 and Capital Virements up to and including £1,000,000 approved by delegated decision which are included for noting purposes only.
- 1.24 **Annex C** lists details of Supplementary Capital Estimates (SCE) over £500,000 and up to and including £1,000,000 that requires Cabinet to approve.
- 1.25 **Annex D** details of a Supplementary Capital Estimates (SCE) over £1,000,000 that requires Cabinet to recommend to Council for approval.
- 1.26 **Annex E** lists details of reductions in Approved Budgets where schemes are completed and surpluses can now be removed. These are for noting purposes only.
- 1.27 **Annex F** lists the transfers to and from the Addendum These are for noting purposes only.
- 1.28 **Table 3** shows the revised Addendum programme. As well as the schemes added to the Addendum after the Capital

Challenge sessions, three additional transfers have been approved these include a £8m loan to the Local Enterprise Partnership (LEP), £0.025m for the Carbon Offset Investment project at Pastures Wood Farm and £0.492m for Congleton Leisure Improvements scheme. Two housing development schemes at Gawsorth (£1.7m) and Browning Street (£0.9m) have been removed as the schemes will no longer proceed. There was also a £0.250m reduction on the Information Assurance and Data Management programme.

Table 3: Addendum

Addendum 2020/21 - 2023/24					
	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget 2020-24 £000
Addendum					
People	5,454	17,575	15,775	4,700	43,504
Place	30,851	53,239	40,311	72,575	196,976
Corporate	25,313	34,741	34,724	34,983	129,761
Total Addendum	61,618	105,555	90,810	112,258	370,241

Annex A: Third Quarter Review Update

CESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2020/21 - 2023/24

	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Total Forecast 2020-24 £000
Committed Schemes - In Progress					
People	14,323	21,614	9,798	1,945	47,680
Place	87,997	126,180	100,362	26,284	340,823
Corporate	14,890	15,577	9,617	8,012	48,096
Total Committed Schemes - In Progress	117,210	163,371	119,777	36,241	436,599

CAPITAL PROGRAMME 2020/21 - 2023/24

	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Total Forecast 2020-24 £000
New Schemes					
People	187	750	750	0	1,687
Place	10,372	13,300	12,462	12,247	48,380
Corporate	8,676	300	310	230	9,516
Total New Schemes	19,235	14,350	13,522	12,477	59,583
Total	136,445	177,721	133,298	48,718	496,182

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2020/21 - 2023/24

	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Total Forecast 2020-24 £000
Funding Requirement					
Indicative Funding Analysis: (See note 1)					
Government Grants	65,476	92,398	71,414	14,092	243,381
External Contributions	6,890	15,611	21,606	22,650	66,757
Revenue Contributions	300	0	0	0	300
Capital Receipts	1,000	1,000	1,000	1,000	4,000
Prudential Borrowing (See note 2)	62,779	68,711	39,278	10,976	181,744
Total	136,445	177,721	133,298	48,718	496,182

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.

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

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements		
Supplementary Capital Estimates that have been made up to £500,000		
Education and 14-19 Skills		
Schools Condition Capital Grant	10,000	School Contribution from Edleston Primary for 2021 School Managed Schemes
Schools Condition Capital Grant	35,000	School Contribution from Elworth Hall Primary for 2021 School Managed Schemes
Schools Condition Capital Grant	1,500	School Contribution from Goostrey Community Primary School for 2021 School Managed Schemes
Schools Condition Capital Grant	5,200	School Contribution from Rode Heath Primary School for 2021 School Managed Schemes
Prevention and Support		
Schools Condition Capital Grant	3,173	School Contribution from Scholar Green Primary School for 2021 School Managed Schemes
Highways and Infrastructure		
Active Travel Fund (Covid-19)	135,625	Grant funding received for special measures.
Sustainable Travel Access Programme	8,944	Additional S106 funding available to support the Wilmslow Cycleway project
S278s		
Pool Lane, Winterley	368	Final account now received, increase budget for S278 developer fees
S278 Hall Lane, SandbachM - 1272740	841	Final account now received, increase budget for S278 developer fees
Barracks Mill, Black Lane	20,000	To increase budgets to match forecast expenditure which will be reimbursed by the S278 Developers.
S278 Dunwoody Way (fodens)	2,000	
S278 University Way, Crewe	8,000	
S278 Moorfields, Willaston	15,000	
Close Lane, Alsager	5,000	
Goldfinch Close, Congleton	2,000	
Maw Green Road, Crewe	1,000	
Congleton Road, Sandbach	1,000	
S106s		
M'wich Rd Elworth Ped Crossing	28,777	To utilise the additional funds held in the S106 contributions.
Environment and Neighbourhood Services		
Household Bins Schemes	46,062	Current expenditure levels will create a shortfall against the available budget at year-end. The excess expenditure is being funded by a revenue contribution.
Finance and Customer Services		
Forecasting Tool (FP&A) Implementation	346,000	To create a new budget for the implementation of the forecasting tool (FP & A) . The budget is funded 50% each by both Cheshire East Council and Cheshire West and Chester Council.
Total Supplementary Capital Estimates Requested	675,490	

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements		
Capital Budget Virements that have been made up to £1,000,000		
Education and 14-19 Skills		
Schools Condition Capital Grant	5,053	Ashdene Primary School - Contribution to School Condition project
Schools Condition Capital Grant	6,284	Dean Valley Primary School - Contribution to School Condition project
Schools Condition Capital Grant	15,513	Elworth Hall Primary School - Contribution to School Condition project
Schools Condition Capital Grant	5,600	Haslington Primary School- Contribution to School Condition project
Schools Condition Capital Grant	1,784	Lindow Primary School - Contribution to School Condition project
Schools Condition Capital Grant	3,000	Middlewich High School Contribution to School Condition project
Schools Condition Capital Grant	2,124	Mobberley PS Contribution to School Condition project
Schools Condition Capital Grant	4,295	Rainow Primary School Contribution to School Condition project
Schools Condition Capital Grant	6,400	Rode Heath Primary School -Contribution to School Condition project
Schools Condition Capital Grant	2,000	Weaver Primary School - Contribution to School Condition project
Schools Condition Capital Grant	37,314	Wilmslow High School DFC to the School condition project
Schools Condition Capital Grant	531	Bickerton Primary School - Contribution to School Condition project
Schools Condition Capital Grant	4,000	Elworth CE Primary School - Contribution to School Condition project
Schools Condition Capital Grant	1,162	Havannah Primary School - Contribution to School Condition project
Schools Condition Capital Grant	7,723	Lower Park Primary School - Contribution to School Condition project
Schools Condition Capital Grant	1,728	Mablins Lane Primary Schools - Contribution to School Condition project
Schools Condition Capital Grant	15,000	Malbank High School - Contribution to School Condition project
Schools Condition Capital Grant	1,390	Park Lane School - Contribution to School Condition project
Schools Condition Capital Grant	9,043	The Dingle Primary School - Contribution to School Condition project
Schools Condition Capital Grant	7,500	Hurdsfield Primary School - Contribution to School Condition Project
Schools Condition Capital Grant	21,827	Scholar Green Primary School - Condition to School Condition Project
Future Years Basic Need - Nantwich Primary schools - Kingsley Fields, Wilmslow and Congleton Areas	10,004	Hurdsfields Primary School - project complete return residual grant to Basic Need Block Allocation
Future Years Basic Need - Nantwich Primary schools - Kingsley Fields, Wilmslow and Congleton Areas	109,560	Cranberry Primary School - project now complete return residual grant to Basic Need Block Allocation
Future Years Basic Need - Nantwich Primary schools - Kingsley Fields, Wilmslow and Congleton Areas	6,228	Chelford Primary School - project now complete return residual grant to Basic Need Block Allocation
Highways and Infrastructure		
Flooding and Weather Events	325,000	Virement from Bridge Maintenance, funded by the Local Transport grant to cover additional spend.
Sustainable Travel Access Programme	131,000	Virement from Active Travel, funded by the Local Transport after review of spending.
Sustainable Travel Access Programme	184,000	Virement from the Highways Challenge Fund to support the Wilmslow Cycleway Project.
Growth and Enterprise		
Corporate Landlord - Operational	28,140	To combine the two corporate landlord schemes together as they are both funding the Atrium system replacement programme.
Environment and Neighbourhood Services		
Litter and Recycling Bins	7,950	Virement from Little Bin Monitors project - no longer required as project complete.
Total Capital Budget Virements Approved	961,153	
Total Supplementary Capital Estimates and Virements	1,636,643	

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

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to approve the Supplementary Capital Estimates and Virements		
Supplementary Capital Estimates above £500,000 up to and including £1,000,000		
Education and 14-19 Skills		
Schools Condition Capital Grant	589,604	Additional allocation for 2020-21 to assist Schools with the recovery from the pandemic.
Growth and Enterprise		
Crewe Town Centre Regeneration	750,000	Towns Fund (Accelerated Funding) of £0.750m received, expected to be spent on the Lyceum Square project this year.
Environment and Neighbourhood Services		
Public Sector Decarbonisation Scheme	932,661	Grant funding to support the Council's Carbon Neutral Programme.
Total Supplementary Capital Estimates Requested	2,272,265	
Total Supplementary Capital Estimates and Virements	2,272,265	

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

Service	Amount Requested	Reason and Funding Source
£		
Cabinet are asked to request Council to approve the Capital Virements and SCEs		
Supplementary Capital Estimates over £1,000,000		
Corporate - Finance and Customer Services		
Best4Business	1,808,000	Increase in Best4Business Programme to allow the full implementation of the system. The budget is funded 50% each by both Cheshire East Council and Cheshire West and Chester Council.
Total Supplementary Capital Estimates Requested	1,808,000	
Total Supplementary Capital Estimates and Virements	1,808,000	

Annex E: Capital Budget Reductions

Service / Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
Cabinet are asked to note the reductions in Approved Budgets				
Education and 14-19 Skills				
Cranberry Primary School	1,204,897	1,178,724	-26,173	Cranberry Primary School project is now complete and the remaining budget is no longer required.
Highways and Infrastructure				
Taylor Dr/Edmund Wright Way	490,311	455,350	-34,961	The remaining budget is no longer required and any remaining expenditure will be funded from the Part 1 Claims Project already approved in the main programme.
S278s				
Windsor Place, Congleton	4,250	4,211	(39)	S278 Developer funded project now completed. Budget no longer required.
Capricorn 17	60,000	5,351	(54,649)	
Former Moss Inn, Congleton	2,496	2,414	(82)	S278 Developer funded project now completed. Budget no longer required.
Queens Park Drive, Crewe	3,000	2,984	(16)	
S278 Aldi, Crewe	6,500	3,430	(3,070)	
London Road, Holmes Chapel	20,000	7,952	(12,048)	
Adlington Road Wilmslow	25,000	14,944	(10,056)	
Garden View, Cheerbrook Rd	4,000	1,635	(2,365)	
S278 Hollyhurst Rd, Nantwich	3,000	2,579	(421)	
S278 Church Lane, Wistaston	20,000	12,282	(7,718)	
S278 - Abbey Road, Sandbach	20,000	6,000	(14,000)	
S278 - Church Lane, Sandbach	20,000	10,000	(10,000)	
Croxton Lane, Middlewich	10,000	9,500	(500)	To reduce the budget to match the S278 Developer funds received
Buxton Road, Macclesfield	7,000	3,446	(3,554)	
S278 Trouthall Lane, Plumley	4,000	2,456	(1,544)	
S106s				
Middlewich Rd, H Chapel Ped X	107,080	101,960	(5,120)	This £5k Section 106 funding is already being used to fund TM measures Holmes Chapel - 40HTCAP-CT00029
Growth and Enterprise				
Hollins View	158,800	158,744	(56)	This project is now complete, it is over 12 months now since completion, past the due date for any retention works.
Wheelock Rail Trail s106	10,210	0	(10,210)	This project has been delivered through revenue, so the S106 funding will be transferred to revenue to offset the cost and the capital project is no longer needed.
	2,180,544	1,983,962	(196,582)	

Annex F: Transfers from and to the Capital Addendum

Service / Capital Scheme	Amount Transferred Third Quarter £	Reason / Comment
Budgets Transferred from the Addendum to the Main Capital Programme		
Growth and Enterprise		
Pastures Wood	(25,000)	A carbon project that will restore the mossland at Pastures Wood Farm
Environment and Neighbourhood Services		
Congleton Leisure Centre Improvements	(492,000)	Additional budget required for the improvements to Congleton Leisure Centre. The budget budget will be part funded by Everybody Sport and Recreation.
Finance and Customer Services		
Strategic Commercial Activities - Enterprise Zones	(8,001,000)	Budget required for a capital loan to the Local Enterprise Partnership for Enterprise Zones within the borough.
Total Budgets Transferred to Main Capital Programme	(8,518,000)	

Service / Capital Scheme	Amount Transferred Third Quarter £	Reason / Comment
Capital Budgets transferred from the Main capital Programme to the Addendum		
Environment and Neighbourhood Services		
Weston Cemetery Extension		Project is currently on hold in line with the recommendations in the Cemeteries Strategy.
Household Waste Recycling Centre	954,653	As per the recent capital challenge meeting it was agreed to transfer to addendum until the schemes are developed.
Growth and Enterprise		
North Congleton Acquisitions	1,950,858	The project is on hold and therefore agreed the budget be transferred to the Addendum.
Investment in Heritage Assets	93,857	The project to refurbish the former Buttermarket in Macclesfield is on hold for the foreseeable future.
Highways and Infrastructure		
	400,000	
B5077/B5078 North Junction	2,500,000	
A5020 Weston Gate roundabout	300,000	
A537 Adams Hill junction imp	500,000	The budgets for these schemes moved to the Addendum, as the funding is not yet in place for them to start.
Brook St/Hollow Ln Junction	2,500,000	
Burford junction improvements	1,600,000	
Alvaston roundabout junction	750,000	
Peacock roundabout junction	2,001,000	
A34/A538 West junction		
Total Capital Budget Transferred to the Addendum	13,550,368	

Service / Capital Scheme	Amount Transferred Third Quarter £	Reason / Comment
Capital Budgets removed from the Addendum		
Environment and Neighbourhood Services		
Carbon off-set Investment	(575,000)	Agreed at the Carbon Programme Board that the capital requirement will be £250,000 per annum instead of £400,000 per annum.
Growth and Enterprise		
Modular Construction (Gawsworth)	(1,734,088)	Agreed at Capital Challenge to remove these two schemes from the Addendum
Starter Homes - Phase 1	(860,000)	
Transformation Services		
Information Assurance and Data Management Phase 3	(250,000)	This reduction is to align the Addendum with the revised High Level Business Case submitted in October 2020.
Total Capital Budget Removed from the Addendum	(3,419,088)	
Net Change to the Addendum	1,613,280	

Annex G: Prudential Indicators revisions to: 2019/20 and 2020/21 – 2023/24, and future years

Background

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

Estimates of Capital Expenditure

- 1.30 In 2020/21, the Council is planning capital expenditure of £136.4m as summarised below.

Capital Expenditure	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	Future years £m
Total	124.0	136.4	177.7	133.3	48.7

Source: Cheshire East Finance

Capital Financing

- 1.31 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 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	Future years £m
Capital receipts	7.0	1.0	1.0	1.0	1.0
Government Grants	52.7	65.5	92.4	71.4	14.1
External Contributions	7.3	6.9	15.6	21.6	22.6
Revenue Contributions	0.6	0.3	0.0	0.0	0.0
Total Financing	67.6	73.7	109.0	94.0	37.7
Prudential Borrowing	56.4	62.7	68.7	39.3	11.0
Total Funding	56.4	62.7	68.7	39.3	11.0
Total Financing and Funding	124.0	136.4	177.7	133.3	48.7

Source: Cheshire East Finance

Replacement of debt finance

- 1.32 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 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Total	9.7	11.1	13.5	16.1	18.3

Source: Cheshire East Finance

Estimates of Capital Financing Requirement

- 1.33 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 £41m 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 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2022/24 Estimate £m
Total	371	412	464	490	470

Source: Cheshire East Finance

Asset disposals

- 1.34 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 £4.8m of capital receipts from asset sales in the coming financial years as follows.

Capital Receipts	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Asset Sales	10.4	1.0	1.0	1.0	1.0
Loans Repaid	0.1	0.2	0.2	0.2	0.2
Total	10.5	1.2	1.2	1.2	1.2

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

- 1.35 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

0.3%) and long term fixed rate loans where the future cost is known but higher (currently 2 - 3%).

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

Gross Debt and the Capital Financing Requirement	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Borrowing	201	130	78	77	76
Finance Leases	2	1	1	1	0
PFI Liabilities	22	21	20	19	18
Total Debt	225	152	99	97	94
Capital Financing Req.	371	412	464	490	470

Source: Cheshire East Finance

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

Liability Benchmark

- 1.38 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 £229m and is forecast to rise to £315m over the next four years.

Borrowing and the Liability Benchmark	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Outstanding Debt	201	130	78	77	76
Liability Benchmark	181	229	292	328	314

Source: Cheshire East Finance

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

Affordable borrowing limit

- 1.40 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	359	425	475	505	490
Authorised Limit for Other Long-Term Liabilities	22	22	21	20	18
Authorised Limit for External Debt	381	447	496	525	508
Operational Boundary for Borrowing	349	415	465	495	480
Operational Boundary for Other Long-Term Liabilities	22	22	21	20	18
Operational Boundary for External Debt	371	437	486	515	498

Source: Cheshire East Finance

Investment Strategy

- 1.41 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.42 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 Actual £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Short term	27	0	0	0	0
Long term	20	20	20	20	20
Total Investments	47	20	20	20	20

Source: Cheshire East Finance

- 1.43 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 5**.
- 1.44 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury activity are reported to Cabinet as part of the Finance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.

1.45 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Appendix 6**.

1.46 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 Actual	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 %	4.23	3.99%	4.66%	4.61%	4.53%

Source: Cheshire East Finance

1.47 Further details on the revenue implications of capital expenditure are on paragraphs 89-96 of the 2020-24 Medium Term Financial Strategy (**Appendix C**).

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

Appendix 5

Treasury Management Strategy

Treasury Management Report

1. Background	- 64 -
2. External Content	- 64 -
3. Local Context	- 66 -
4. Borrowing Strategy	- 69 -
5. Investment Strategy	- 70 -
6. Treasury Management Indicators	- 73 -

Annexes:

A. Economic & Interest Rate Forecast	- 75 -
B. Existing Investment & Debt Portfolio Position	- 77 -

1. Background

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

2. External Context

- 1.4 **Economic background:** The spread of the coronavirus pandemic dominated during the period as

countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it is back in the headlines as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

- 1.5 The Bank of England maintained bank rate at 0.1% and has increased its Quantitative Easing programme to £895 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.
- 1.6 Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.
- 1.7 GDP Growth contracted by a massive 19.8% in quarter 2 2020 (Apr-Jun), pushing the annual growth rate down to -21.5%. Quarter 3 (Jul-Sep) then saw a rebound of 15.5%. The general forecast before the latest lockdown

restrictions suggested the economy may take three years to get back to pre-Covid-19 levels.

- 1.8 The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation was 0.7% in October which, although slightly higher than expected, is some way below the Bank of England's 2% target.
- 1.9 In the three months to September, the unemployment rate rose probably partly delayed from the previous three months and ahead of planned changes to the furlough scheme. It was estimated that more than a quarter of the UK workforce was being supported by the furlough scheme which has now been extended.
- 1.10 The US economy contracted at an annualised rate of 0.2% in quarter 2 2020. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade.
- 1.11 The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.
- 1.12 **Financial Markets:** Equity markets continued their recovery, particularly in technology stocks, and have

been further boosted by news of successful vaccine trials. Central bank and governments stimulus packages continue to support asset prices but volatility remains.

- 1.13 Ultra-low interest rates and the flight to quality continued to keeping gilts yields low but volatile over the period with the yield on some short-dated government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.
- 1.14 **Credit Review:** Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 0.85% while Standard Chartered was the lowest at 0.41%. The ringfenced banks are currently trading between 0.45 and 0.50%.
- 1.15 After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes. Fitch assigned an AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty

list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.

- 1.16 There continues to remain much uncertainty around the extent of the losses that banks and building societies will suffer due to the impact from the coronavirus pandemic and for UK institutions there is the added complication of the end of the Brexit transition period on 31 December and what a trade deal may or may not look like. A number of institutions were suspended from our counterparty lists earlier in the year and for those remaining on the list, the duration advice remains up to 35 days.

- 1.17 An outlook for the remainder of 2020/21 and interest rate forecast provided by Arlingclose is attached at **Annex A**.

3. Local Context

- 1.18 As at 31 October 2020 the Authority has borrowings of £154m and investments of £64m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast

	31/03/20 Actual £m	31/03/21 Actual £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
General Fund CFR	371	412	465	491	471
Less: Other long term liabilities *	(24)	(22)	(21)	(20)	(18)
Loans CFR	347	390	444	471	453
Less: External borrowing **	(201)	(130)	(78)	(77)	(76)
Internal (over) borrowing	146	260	366	394	377
Less: Usable reserves	(106)	(102)	(96)	(90)	(87)
Less: Working capital	(80)	(80)	(75)	(73)	(71)
Investments (or New borrowing)	40	(78)	(195)	(231)	(219)

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

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

1.19 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.

1.20 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £100m over the forecast period.

1.21 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 2021/21.

- 1.22 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest

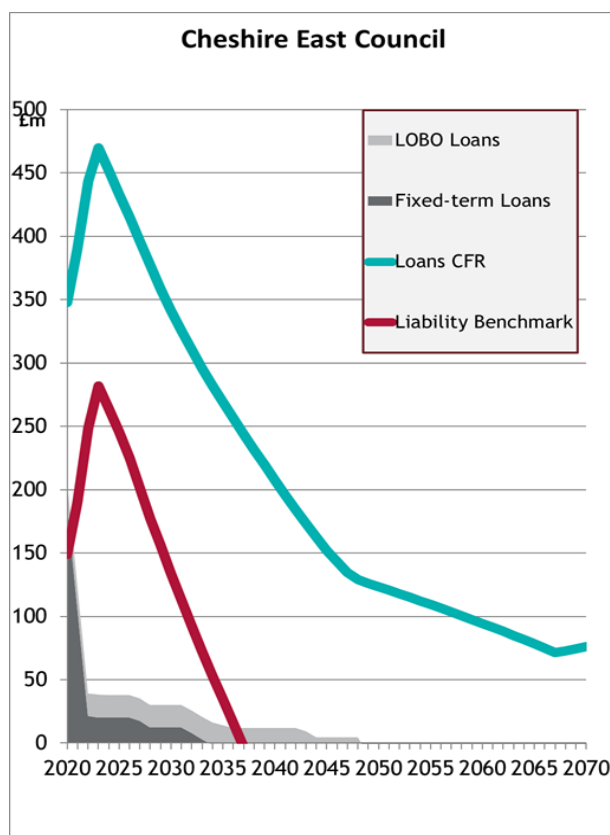
risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain a core strategic investment.

Table 2: Liability Benchmark

	31/03/18 Actual £m	31/03/19 Actual £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Loans CFR	347	390	444	471	453
Less: Usable reserves	(106)	(101)	(96)	(89)	(87)
Less: Working capital	(80)	(80)	(75)	(73)	(71)
Plus: Minimum investments	20	20	20	20	20
Liability Benchmark	181	229	293	329	315

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

Chart 1: Liability Benchmark Chart



4. Borrowing Strategy

- 1.24 The Authority currently holds loans of £154m, a decrease of £47m since 31 March 2020. This will increase to a higher level, currently forecast as £240m at 31 March 2021. PWLB debt is reducing by £3.5m this year whilst cash flow shortfalls caused by internal borrowing are being funded through cheaper short term borrowing. The amount of temporary borrowing continues to be affected by Covid-19 expenditure and grants.
- 1.25 At the moment this is being met by temporary borrowing from other Local Authorities which is considerably cheaper than other sources of borrowing. As rates are currently low and the liquidity of short term markets at year end is very much unknown due to the financial effects of COVID-19 on local authority cashflows, new borrowings are for maturity dates extending into 2021/22. The cost (including fees) to 31 October 2020 is around 0.89% although new borrowings are now considerably less. If the predicted interest environment changes or the availability of temporary borrowing changes then this strategy will be re-assessed. A full list of current temporary borrowings is shown below in **Table 3**.

Table 3 – Current Temporary Borrowing

Lender	Start	Maturity	Rate %	£m
South Ayrshire	07/07/20	07/01/21	0.45	5.0
West of England CA	22/06/20	22/01/21	0.45	5.0
Devon & Somerset Fire & Rescue	03/08/20	06/04/21	0.50	5.0
London Borough of Bromley	17/09/20	06/04/21	0.45	5.0
Derbyshire Pension Fund	07/09/20	07/04/21	0.29	5.0
North & Tyne CA	08/10/20	08/04/21	0.45	5.0
London Borough of Bromley	21/09/20	12/04/21	0.42	5.0
Northern Ireland Housing Executive	04/08/20	16/04/21	0.30	10.0
Perth & Kinross	21/09/20	21/04/21	0.40	5.0
PCC Hampshire	23/10/20	23/04/21	0.25	4.0
Hampshire Fire & Rescue	23/10/20	23/04/21	0.25	1.0
Somerset	21/09/20	04/05/21	0.40	5.0
Northern Ireland Housing Executive	25/09/20	25/05/21	0.25	4.0
North Tyneside	21/09/20	21/06/21	0.45	5.0
Wokingham	11/09/19	10/09/21	0.90	5.0
TOTAL				74.0

- 1.26 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2020/21, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

5. Investment Strategy

- 1.27 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Due to the overriding need for short term borrowing, other than £20m invested strategically in managed funds, the investments are generally short term for liquidity purposes. However, receipt of Government funding due to Covid-19 measures and other schemes in advance of expenditure has led to higher balances than expected. The level at 31 October 2020 is £64m and is forecast to reduce through the remainder of 2020/21.
- 1.28 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when

investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

1.29 The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6m for unsecured investments and £12m for secured investments. Any limits apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12m per fund with a limit of 50% of total investments per fund. There is also a maximum that can be invested in all Money Market Funds at any one time of £50m. Due to their smaller size, unrated Building Societies have a limit of £1m each although none are currently being used.

1.30 Treasury Management income to 31 October 2020 is £610,000 which is higher than the budgeted £580,000. Offsetting this are increased borrowing costs (currently £10,000 higher than budget). The level of cash balances is expected to remain at around £50m until January after which they will decrease in line with normal Local Authority cash flows resulting in a continued need to borrow.

- The average daily investment balance including managed funds up to 31 October 2020 is £65.0m
- The average annualized interest rate received on in-house investments during 2020/21 is 0.26%
- The average annualized interest rate received on the externally managed funds during 2020/21 is 4.62%

1.31 The Authority's total average interest rate on all investments in 2020/21 is 1.61%. The returns continue to exceed our benchmark, the London Inter-bank Bid Rate for 7 days at 0.06%, and our own performance target of 0.60% (Base Rate + 0.50%).

Table 4 – Interest Rate Comparison

Comparator	Average Rate to 31/10/2020
Cheshire East	1.61%
LIBID 7 Day Rate	0.06%
LIBID 3 Month Rate	0.16%
Base Rate	0.10%
Target Rate	0.60%

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

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

Table 5 –Strategic Investments

Fund Manager	Asset Class	Invested £m	Current Value £m
CCLA	Property	7.5	7.4
Aegon (Kames)	Multi Asset	5.0	4.6
Fidelity	Equity - Global	4.0	3.6
Schroders	Equity - UK	2.5	1.6
M & G	Bonds	1.0	1.0
TOTAL		20.0	18.6

- 1.34 The value of these investments does vary. The effects of Covid-19 on financial markets and values of underlying assets has been considerable. Fund values at 31 October 2020 are significantly lower than the amounts invested although they have improved slightly since 31 March 2020. However, they all continue to deliver high levels of income return.

Chart 2 – Current Investments by Counterparty Type

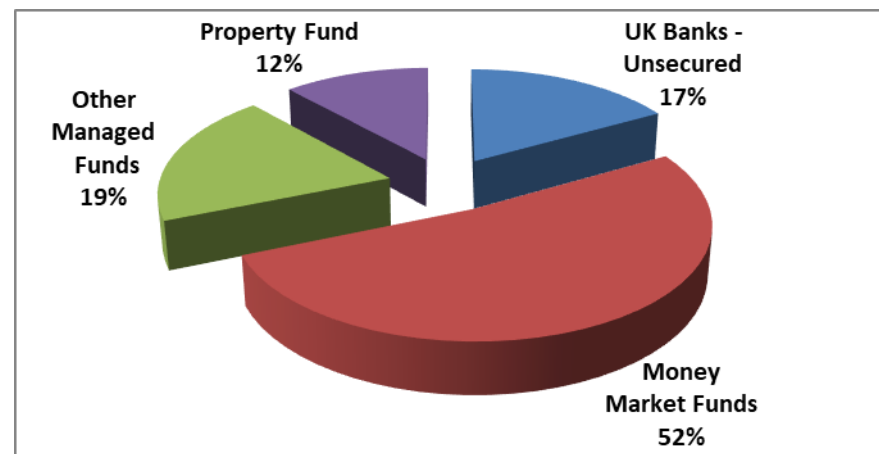


Table 6 – Types of Investments and Current Interest Rates

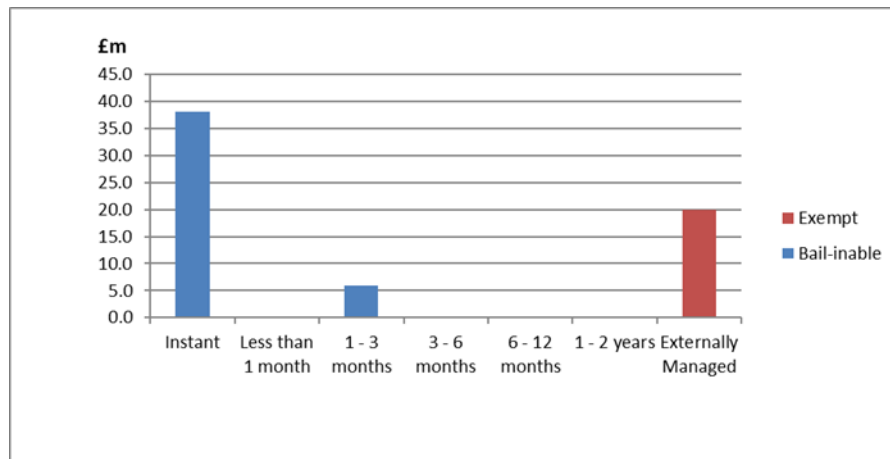
Instant Access Accounts	Average Rate %	£m
Money Market Funds	0.05	33.3
Barclays Bank	0.01	4.8

Call Accounts	Earliest Maturity	Rate %	£m
Santander – 35 day	24/12/20	0.57	6.0

Externally Managed Funds	£m
Total – see table 5	20.0

Summary of Current Investments	£m
TOTAL	64.1

Chart 3 – Maturity Profile of Investments



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

6. Treasury Management Indicators

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£545,000
Likely revenue impact in 2020/21 of a 1% <u>rise</u> in interest rates after 31 October 2020	£202,000

1.37 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 so a limit of £0 was set.

1.38 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. Lower limits have been set at 0%. The upper limits on

the maturity structure of borrowing and the actual maturity profiles as at 31 October 2020 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	70%	61%
12 months and within 24 months	35%	1%
24 months and within 5 years	35%	0%
5 years and within 10 years	75%	8%
10 years and within 20 years	100%	11%
20 years and above	100%	19%

- 1.39 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively

high as short term funding is currently considerably cheaper than alternatives. This will be kept under review as it does increase the risk of higher financing costs in the future but may currently be limiting ability to take advantage of lower short term rates.

- 1.40 **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
Actual amounts committed beyond year end	£0m	£0m	£0m

Annex A: Economic & Interest Rate Forecast – Outlook for 2020/21

The medium term global economic outlook is very weak. While the strict initial lockdown restrictions had eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis leading to a further lockdown. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in quarter 3.

However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.

This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut

to zero. Money markets have priced in a chance of negative Bank Rate.

Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the future most likely through further financial asset purchases (QE). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.

Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Annex B: Existing Investment & Debt Portfolio Position

	31/10/20 Actual Portfolio £m	31/10/20 Average Rate for the year %
External Borrowing:		
PWLB – Fixed Rate	62	4.44%
Local Authorities	74	0.65%
LOBO Loans	17	4.63%
Other	1	-
Total External Borrowing	154	2.60%
Other Long Term Liabilities:		
PFI	21	-
Finance Leases	1	-
Total Gross External Debt	176	-
Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	33	0.05%
Call Accounts	5	0.01%
Notice Accounts	6	0.57%
<i>Managed externally</i>		
Property Fund	7.5	3.56%
Multi Asset Fund	5	4.61%
Equity - Global	4	5.02%
Equity - UK	2.5	7.43%
Bonds	1	3.96%
Total Investments	64	1.52%
Net Debt	112	-

Appendix 6

Investment Strategy

1. Purpose

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

focuses on the second and third of the investment categories.

2. Treasury Management Investments

- 1.5 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £20m and £148m during the 2020/21 financial year.
- 1.6 Full details of the Authority's policies and plans for 2020/21 for treasury management investments are covered the Treasury Management Strategy (**Appendix 5**).

3. Service Investments: Loans

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

Table 1: Loans for service purposes in £'000

Category of borrower	31/03/20 Actual	As at 31/10/20			2020/21
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	2,000
Suppliers	24	24	1	23	500
Local businesses	5,087	5,412	61	5,351	30,000
Local charities	601	601	44	557	2,500
TOTAL	5,712	6,037	106	5,931	35,000

- 1.8 Loans have been provided to Everybody Sport & Recreation Trust (ESAR) for the purpose of investing in new equipment, with the aim of increasing the usage and improving the health of residents.
- 1.9 In March 2013, Astra Zeneca announced it was relocating its R&D function from Alderley Park to Cambridge. In order to retain the expertise in the region and to stimulate local economic growth the Council has invested in Alderley Park Holdings Ltd by way of equity investment and loans. The loan was an integral component of the 10% equity stake and therefore needs to be viewed in conjunction with the equity investment.
- 1.10 In addition, the Council has committed to investing £5m (and lent £3.9m as at 31 October 2020) in the Greater Manchester & Cheshire Life Science Fund, a venture capital fund investing in a range of life science businesses. Partners

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

- 1.11 The nature of the loans is that they do not attract an interest rate and returns are dependent upon the success of individual investments made by the Fund. It should be noted that whilst the investment in the Life Science Fund is high risk it is also long-term in nature, so year-by-year fluctuations are to be expected but gains or losses will only crystallize when funds are extracted.
- 1.12 Only the ESAR loans are interest bearing and are reflected in the "Local Charities" category. These are paid at a rate of Bank of England base rate plus 4%. In 2020-21 this was expected to generate interest of £24,000 at a return of 4.27% pre Covid-19.
- 1.13 The loss allowance figure does not necessarily reflect our anticipation or expectation that loans will need to be written down. Instead the allowance represents a prudent accounting treatment required by CIPFA guidance. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 1.14 The GM Life Science Fund is however "revalued" on an annual basis based upon the net asset valuation of the Fund

and this largely accounts for the notional negative return of the loan category in 2019/20. This has recovered in 2020/21.

4. Service Investments: Shares

- 1.15 The Authority has invested in Alderley Park Holdings Limited in order to maintain and stimulate the key strategic industry of life sciences within the Borough. Cheshire East is a 10% shareholder in Alderley Park, and has invested in the development of the site along with Bruntwood (51% shareholder) and Manchester Science Partnerships (MSP; 39% shareholder).
- 1.16 This should be seen as a long-term strategic investment. Although the internal valuation of our stake has fallen (i.e. reduction in net asset value) this year and last, due in large part to the general fall in value of property based companies, the following observations should be noted:
- 1.17 The valuation is still greater than the purchase prices and the underlying assets at Alderley Park remain strong, with a pipeline of future investments in place.
- 1.18 The reduction in value largely arise from accounting transactions. A gain or loss to the Council's Revenue and Capital Receipts accounts would only crystallise in the event of divesting our equity stake. As it is a long-term strategic asset there is ample time for the sector to recover.
- 1.19 The Council also has shares in its subsidiary, wholly owned companies. However they are of nominal value, and consequently whilst the turnover of the group of companies

is significant (£60m in aggregate) the share values are not considered material in the context of this Investment Strategy.

- 1.20 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. 2020 actual	As at 31/10/2020			2020/21
		Amounts invested	Gains or losses	Value in accounts	Approved Limit (cost of investment)
Local Businesses	3,110	1,070	2,040	3,110	10,000
TOTAL	3,110	1,070	2,040	3,110	10,000

5. Commercial Investments: Property

- 1.21 For the purpose of this paper it should be noted that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit. In order to comply with this the Authority is having to include several assets in **Table 3** that might otherwise be excluded as they are not being held to primarily generate a yield or return.
- 1.22 Central government continues to express concern over the level of commercial investments held by Local Authorities and the risk that this presents to residents in the event that an Authority becomes over exposed.

- 1.23 In the most recent spending review the Chancellor of the Exchequer has effectively prohibited the future purchase of commercial assets primarily for generating a yield. This is a significant move which may impact the Authority's future plans. Careful attention will need to ensure that yield is an incidental factor in any future decision to invest in a commercial property investment.
- 1.24 As part of this monitoring Authorities will be required to submit a capital financing and spending plan covering three years. Where there are any plans to acquire assets primarily for yield, irrespective of the source of financing for that particular asset, then the Public Works Loan Board (PWLb) will not advance any lending to the Authority.
- 1.25 Historically, the most significant commercial investment acquired by the Authority is land and buildings on the North and East side of Weston Road in Crewe purchased in April 2019. This accounts for 90% of the value in the accounts at 31 March 2020.
- 1.26 For the purpose of this report we have revisited the historic purchase costs of the assets included in the categories below. For those that were inherited by Cheshire East Council we have used the valuation at 2009/10. This is to allow for a simple calculation of yield.
- 1.27 The value of properties is updated annually. The most recent valuation is from March 2020. It is possible that Covid has impacted some valuations but we will not have an assessment of this until the end of the financial year.

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

Property	Actual	31/03/20 actual		31/03/21 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	1,492	522	1,965	0	1,965	
Enterprise Centres	245	(947)	350	0	350	
Retail	23,300	(500)	24,870	0	24,870	
Residential	110	(435)	240	0	240	
Total	25,147	(1,360)	27,425	0	27,425	100,000

6. Commercial Investments: Loans

- 1.28 In considering commercial investment opportunities, the Council will adopt a prudent approach, with two underlying objectives:
- **Security** – protecting the capital sum invested from loss
 - **Liquidity** – ensuring the funds invested are available when needed
- 1.29 The Council has approved entering into a £10m loan agreement with Cheshire & Warrington Local Enterprise Partnership linked to developments within the Business Rates Enterprise Zone. The intention is to stimulate economic development and achieve payback from retained business rates.

- 1.30 The first loans in respect of Alderley Park Glasshouse and Blocks 22-24 are due to be made in December 2020. Together they total £8m and will begin to generate a return in the form of interest in the next financial year.

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

7. Loan Commitments and Financial Guarantees

- 1.31 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council acts as Entrusted Entity to a £20m European Regional Development Fund (ERDF) supported Urban Development Fund which is about to commence. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.
- 1.32 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.

- 1.33 The fund is in the process of making its first investment.

8. Proportionality

- 1.34 The Authority is only partially dependent on profit generating investment activity to achieve a balanced revenue budget, in respect of Place services. **Table 4** below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, with 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 Actual	2020/21 Budget	2021/22 Budget	2022/23 Budget
Gross service expenditure - Directorate Level	77,367	73,137	74,082	73,809	75,542
Investment income	(2,298)	(1,785)	(1,038)	(1,698)	(1,698)
Proportion	3%	2.5%	1.4%	2%	2%

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

9. Borrowing in Advance of Need

- 1.35 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority follows this guidance.
- 1.36 As referred to above in **Section 6**, this has been strengthened by the government effectively prohibiting investment in property primarily for yield.

10. Capacity, Skills and Culture

- 1.37 The Authority has established an Investment Strategy Board comprised of members, supported by officers and where necessary, external advisors, and acts on recommendations from officers that consider opportunities to enhance the Revenue & Capital Budgets of the Council through strategic investments, whether that involves using capital/cash resources or borrowing and lending powers.
- 1.38 The Board is made up of the following individuals:
- The Leader of the Council (Chair)
 - Deputy Leader of the Council
 - Portfolio Holder for Finance, ICT & Communication
 - Portfolio Holder for Environment & Regeneration
- 1.39 Support is provided by:
- Executive Director Place
 - S151 Officer

- Monitoring Officer

11. Investment Indicators

- 1.40 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.
- 1.41 **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	31/10/20 Actual	31/03/21 Forecast	31/03/22 Forecast
Treasury management investments	51,100	20,000	20,000
Service investments: Loans	6,037	5,936	5,802
Service investments: Shares	3,110	3,110	3,110
Commercial investments: Property	27,425	27,425	57,425
Commercial Investments: Loans	0	10,000	20,000
TOTAL INVESTMENTS	87,672	66,471	106,337
Commitments to lend	1,159	1,159	1,159
TOTAL EXPOSURE	88,831	67,630	107,496

- 1.42 **How investments are funded:** Currently the Authority's investments are funded by usable reserves and income received in advance of expenditure.
- 1.43 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 Actual	31/03/21 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	10,000
Service investments: Shares	0	0	0
Commercial investments: Property	28,785	27,425	100,000
Commercial Investments : Loans	0	0	20,000
TOTAL FUNDED BY BORROWING	28,785	27,425	130,000

- 1.44 **Rate of return received:** In part, this indicator shows for Treasury Management and Commercial Property investments, the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.
- 1.45 The return for the Service Investments: Loans and Shares is not a true realised return but is instead the % fluctuation in the underlying value of the new assets within the Life Science Fund and Alderley Park Holdings Limited. As such they do not reflect actual cashflows.

- 1.46 We do not yet have updated accounts for Alderley Park Holdings to allow for an accurate calculation of the forecast rate of return for shares in 2020/21. Thus it is shown at zero as the value has not fluctuated from the last known actual. It is hoped that accounts will be available for the annual Investment Strategy as included with the MTFS.
- 1.47 The major assets included within Commercial Investments: Properties, representing over 90% of the value, are two commercial retail properties in Crewe. Whilst we will see fluctuations year-on-year given the pressures on 'bricks and mortar retail', the Council will only experience an impact on its Revenue Account if a tenant goes into liquidation or is subject to a (lower) rent review.
- 1.48 From the perspective of the Council one of the tenants affected is a home improvements retailer and the second is a national supermarket retailer. Both of these have thus far weathered the local economic effects of the Covid-19 pandemic though we might expect further reductions in asset value in this financial year.
- 1.49 Much of the investment returns for Commercial Investments relates to rent on these two assets. Rental income on both

has held up during the year. The change in reported return from 2019/20 is due in part to fully accounting for revenue financing costs on the primary asset. This has reduced the reported net income figure used for the returns calculation. There are also some adjustments for rents factored in as a result of Covid-19. The hope is that these will be a one off adjustment and returns will recover next year.

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

Investments net rate of return	2019/20 Actual	2020/21 Actual	2021/22 Forecast
Treasury management investments	2.12%	1.61%	2.00%
Service investments: Loans	-12.59%	11.67%	0.35%
Service investments: Shares	-26.25%	0.00%	0.00%
Commercial investments: Property	6.66%	4.13%	6.66%

Appendix 7

Reserves Strategy

Management of Council Reserves

1. The Council's Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.
2. The opening balance at 1 April 2020 in the Council's General Reserves was £10.3m as published in the Council's Statement of Accounts for 2019/20.
3. The updated 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.
4. The Council also maintains Earmarked Revenue reserves for specific purposes. At 31 March 2020 balances on these reserves stood at £40.9m, excluding balances held by Schools.
5. During 2020/21, a number of reserves will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding.
6. The Collection Fund reserve includes a S31 grant of £30m received from MHCLG to fund the Council's 49% share of the Extended Retail Relief as a result of Covid-19. This has been received in 2020/21 and will be used to repay the resulting deficit in the business rates collection fund that is due to be paid back in 2021/22 as a result of the relief being granted.
7. As part of the management of the outturn for 2020/21, and the Medium Term Financial Strategy 2021 to 2025, the Council aims to defer costs related to the Capital Programme and income losses in the Collection Fund in order fully protect the Council's General Reserves in 2020/21. Any variation to this position will be managed through the Council's Covid-19 Earmarked Reserve, which was created in March 2020 to receive non-ringfenced grants related to the pandemic.
8. The third quarter position, excluding Covid-19, presents a balanced position (to within budget by 0.5%). Any variation to this position at year-end will be managed through the Council's Medium Term Financial Strategy Earmarked Reserve.
9. **Table 1** shows the forecast total reserves at the end of March 2020/21. Overall the Council remains in a strong financial position given the major challenges across the public sector.

Table 1 – Reserves Position

	£m
General Reserve	10.3
Earmarked Reserves (excluding Schools)	67.2
Total Reserves Balance at 31 March 2021	77.5

10. Details of individual reserves are shown in **Table 2** below.

Table 2 – Earmarked Reserves Position

Name of Reserve	Opening Balance 1st April 2020 £000	Forecast Movement in 2020/21 £000	Forecast Closing Balance 31st March 2021 £000	Notes
People				
Adults, Public Health and Communities				
PFI Equalisation - Extra Care Housing	2,504	114	2,618	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Public Health	978	859	1,837	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues.
Public Health (DHSC ring-fenced Covid grant)	0	5,038	5,038	Ring-fenced against covid activities - DHSC funding for Test & Trace + Contain Outbreak Management Fund.
NHB Community Fund	132	(132)	0	To support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects
Children's Services				
Domestic Abuse Partnership	70	(20)	50	To sustain preventative services to vulnerable people as a result of partnership funding.
SALT and OT	63	(63)	0	To support the additional investment into Speech and Language Therapy (SALT) and Occupational Therapy (OT). Reserve to be fully utilised in 20/21 - risk of shortfall in future years.

Name of Reserve	Opening Balance 1st April 2020 £000	Forecast Movement in 2020/21 £000	Forecast Closing Balance 31st March 2021 £000	Notes
Place				
Investment (Sustainability)	682	(561)	121	To support investment that can increase longer term financial independence and stability of the Council.
Tree / Structure Risk Management	0	400	400	New reserve to respond to increases in risks relating to the environment, in particular the management of trees, structures and dealing with adverse weather events.
Environment and Neighbourhood Services				
Trading Standards and Regulations	36	(36)	(0)	Ongoing Trading Standards prosecution case on product safety.
Air Quality	39	(39)	(0)	Air Quality Management - DEFRA Action Plan.
Strategic Planning	638	(160)	478	To meet costs associated with the Local Plan - site allocations and minerals and waste DPD
Licensing Enforcement	15	(15)	0	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Highways and Infrastructure				
Parking - Pay and Display Machines & Parking Studies	178	(178)	0	Purchase of Pay and Display machines and town centre parking studies.
Highways Procurement	193	(193)	0	To finance the development of the next Highway Service Contract.
Well Managed Highway Infrastructure Delay	230	(230)	0	Due to the call in of WMHI, the savings proposed relating to winter service cannot be realised and the forecast service costs have increased by £230,000.
Flood Recovery Works	400	(400)	0	27 locations identified for repair works as a result of the 2019 flood events. There are also a further 16 which require investigation to ascertain the scope of the works required.
HS2	303	(303)	0	To support the Council's ongoing programme in relation to Government's HS2 investment across the borough and Transport for the North's Northern Powerhouse Rail Business Case.
Growth and Enterprise				
Royal Arcade Crewe	99	(99)	0	To cover remaining costs relating to the Royal Arcade until demolition.
Legal Proceedings on land and property matters	72	(72)	(0)	To enable legal proceedings on land and property matters.
Housing - Choice Based lettings	71	(71)	(0)	Housing partner contributions to support the administration of the choice based lettings scheme .
Homelessness & Housing Options	54	(54)	(0)	To prevent homelessness and mitigate against the risk of increased temporary accommodation costs.
Investment Portfolio	558	(340)	218	To support the Council's Investment Acquisition Strategy.

Name of Reserve	Opening Balance 1st April 2020 £000	Forecast Movement in 2020/21 £000	Forecast Closing Balance 31st March 2021 £000	Notes
Corporate				
Governance and Compliance Services				
Elections	27	96	123	To provide funds for Election costs every 4 years.
Finance and Customer Services				
Insurance (Cheshire East & Cheshire County Funds)	3,889	1,213	5,102	To settle insurance claims and manage excess costs.
Collection Fund Management	6,828	32,724	39,552	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Financing Reserve	9,080	(1,652)	7,428	To provide for financing of capital schemes, other projects and initiatives.
New Homes Bonus Community Fund	140	0	140	To support Central Government's New Homes Bonus guidance for community projects, to be allocated in accordance with local priorities.
MTFS Reserve	3,439	(174)	3,265	To support the financial strategy and risk management.
Transformation				
HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System)	450	(54)	396	To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System.
Brighter Future Transformation Programme	910	(172)	738	To fund the Council's four year transformation programme and its five outcomes of Culture; Estates and ICT systems; Customer Experience, Commercial Approach and Governance.
Cross Service				
Covid (unringfenced)	8,098	(2,969)	5,129	Covid (Unringfenced) reserve carried forward into 2021/22
Revenue Grants - Other	3,262	(1,122)	2,140	Unspent specific use grant carried forward into 2021/22.
Revenue Grants - Dedicated Schools Grant	(2,560)	(5,017)	(7,577)	Overspend on reserve - see below for full details
TOTAL	40,878	26,318	67,196	

Notes:

1. Figures exclude Schools balances.