

SERVICE FINANCIAL SUMMARY

INTRODUCTION

1. This section provides a summary of SERVICE forecast outturn positions on revenue and capital budgets at the mid-year stage, and a summary of the debt position at 30 September. It highlights the key budget pressures facing the Council, and remedial actions taken and planned, and summarises progress against savings policy proposals contained in the 2011-12 budget.

OVERALL REVENUE SUMMARY

Table 1 - Service Revenue Outturn Forecasts

	Net Budget £000	Variance from Budget £000	SRE's for Approval £000	Net Projected Variance £000	Forecast at First Quarter £000	Change from First Quarter £000
<u>Children & Families</u>						
Directorate	1,110	584		584	-1,413	1,997
Safeguarding & Specialist Support	27,261	1,613		1,613	378	1,235
Early Intervention & Prevention	11,471	-717		-717	-472	-245
Strategy & Planning	39,714	-342		-342	249	-591
DSG - Non Schools	-22,063	1,822		1,822	1,822	0
Cross Cutting savings		0		0	408	-408
sub total	57,493	2,960		2,960	972	1,988
<u>Adults</u>						
Care4ce	0	1,074		1,074	1,212	-138
Local Independent Living	54,846	3,241		3,241	-4,578	7,819
Strategic Commissioning	40,528	785		785	2,933	-2,148
Cross Cutting savings		0		0	426	-426
sub total	95,374	5,100	0	5,100	-7	5,107
CHILDREN, FAMILIES & ADULTS	152,867	8,060		8,060	965	7,095
Environmental Services	37,621	532		532	140	392
Safer & Stronger Communities	163	531		531	317	214
Planning & Housing	2,942	239		239	245	-6
Regeneration	11,440	61		61	210	-149
Cross Cutting savings	-533	533		533	197	336
Health & Wellbeing	10,589	959		959	614	345
Assets	8,611	500		500	0	500
Policy & Performance	6,716	-65		-65	17	-82
PLACES & ORGANISATIONAL CAPACITY	77,549	3,290	0	3,290	1,740	1,550
Finance & Business Services	18,083	1,667		1,667	780	887
HR & OD	3,089	143		143	120	23
Borough Solicitor	5,724	0		0	83	-83
SUPPORT SERVICES	26,896	1,810		1,810	983	827
CROSS CUTTING SAVINGS	-3,691	2,860		2,860	2,000	860
TOTAL SERVICE OUTTURN	253,621	16,020	0	16,020	5,688	10,332

2. Table 1 above shows the projected outturn positions at a service level. Overall, services are forecasting an overspend of £16.0m. Significant elements of overspend arise across all areas of the Council, including unallocated cross-cutting savings.
3. An SRE request of £860,000 for funding from reserves to meet one-off corporate pay harmonisation costs is detailed in Annex 1.

KEY SERVICE REVENUE ISSUES

4. Key issues impacting on service outturn forecasts are summarised below.

CHILDREN & FAMILIES £2.9m overspend

5. The outturn is forecast to be £2.960m overspent. The position has changed since First Quarter when Children and Families were predicting an overspend of £972k. The increase of £2.0m is due to more detailed information now being available around Cared For Children and external placements.
6. In arriving at this overspend, the service has absorbed budget pressures of £3.7m caused by the Pensions funding gap (£2.3m), the grant income shortfall (£0.8m), and cross-cutting savings (£0.6m). Without this pressure, the service would have been reporting an underspend of £0.8m.
7. The service has a proactive approach to budget management and continues to monitor expenditure closely. The Strategic Director had asked all service managers to deliver a 2% efficiency target in 2011-12 and this is being achieved in all areas with the exception of Cared For Children placements. Managers are expected to continue to work to reduce the projected overspend and take whatever remedial action can be identified to ensure this happens.

Safeguarding and Specialist Support (SSS) £1.613m overspend

8. The service is predicting an over spend of £1.613m, however the placements budget within the service is predicting an over spend of £2.0m. This prediction does not factor in the potential reduction in costs where the plan for a child is adoption, which will help to mitigate the overspend forecast.
9. The service received £780k growth for the policy proposal to develop residential provision within the borough. Progress has been made on the scheme, the tender document is being worked up, and potential properties have been identified.
10. Some of the growth has been used to purchase an additional 3 beds in Wilkinson House for 2011-12 whilst the scheme is implemented, leaving an under spend of £466k, which is offsetting some of the placements overspend.
11. Whilst the numbers of Cared for Children had increased in the first quarter of the year, from 439 at 1 April to 452 at the end of the first quarter, the number has remained broadly constant at 456 by the mid year. This reinforces the results from comparison with nearest neighbours, that this number of Cared

for Children is typical for a borough the size of Cheshire East. The number of children has increased by 4 since First Quarter review, but the predicted outturn has increased considerably due to the nature of the placement activity, and the costs associated with each individual's placement.

12. However the service is active in addressing this overspend. Proactive intervention strategies are in place to reduce the numbers needing to be taken into care; the new placement service is up and running, with regular placement panels chaired by the Principal Manager, meaning the whole placements process is much tighter. Another action has been to ensure the Emergency Duty Team had a list of Cheshire East foster carers with availability for emergency placements, thereby reducing the need to use costly external agency placements which it can then be very difficult to change. Joining Placements Northwest has enabled the Commissioning team to secure savings of £59k to date by renegotiating existing contracts.
13. The placements data is now analysed to show the cost of the placements for children aged 16 and over under Section 20. There are now 41 children in this category costing a total of £1.7m over the whole year, of which several will be as a direct result of the recent Southwark judgement. This situation has been exacerbated by recent events involving a homeless hostel in the borough where the young people have engaged the services of a solicitor to challenge their legal right to be accommodated. This has resulted in the Council being faced with a number of threats of judicial review unless the children are placed. This is being managed by educating the hostels around safeguarding and the duty of care. In addition the department have requested growth for this area in next years budget setting process.
14. During the remainder of the year it is anticipated that a number of children will be successfully adopted, not only providing stability for that child but helping to reduce the pressure on the Council's finances. Matches between children and adoptive parents already exist in a number of circumstances, whilst finding families continues for other children. It is anticipated that the impact of the adoptions will reduce the forecast during the remainder of the year.
15. As part of the monthly management meetings between Finance and the Senior Leadership Team, the high cost placements are reviewed to ensure strategies are in place to reduce them. However it can prove difficult to return children from external placements once the child is settled. Work and reviews are in hand to replicate reductions in placement costs in the first half of the year, including wherever possible restricting the cost of new placements.
16. For example, one child has been placed on an emergency placement out of county currently costing in excess of £100k per year, however he now has an advocate and is arguing against being moved as he is now settled, accessing education, and is no longer offending. The child and advocate are demanding he remain in this placement rather than being placed in a much more cost effective placement in Cheshire East, where they claim he would be more likely to reoffend. This case would have to go before a judge and it is likely the judge would uphold the existing placement.

17. There have been several instances recently where the proposed placements have been challenged in court. The Head of Service has made arrangements to meet with the Judge to discuss the impact of the judge's rulings, and will take evidence of the cost pressures the judge is placing on the authority by placing children in external placements rather than using in house. An average external foster placement costs around £800 per week compared to internal Cheshire East carers who cost around £400.

Early Intervention and Prevention £717k underspend

18. A new Early Intervention and Prevention service has been created which encompasses Children's Centres, Family Centres, the Family Service and the First Contact service, which includes the Family Information Service and the Common Assessment Framework (CAF). The Head of Service took up post in April 2011 and implemented a wide scale restructure, investing in front line staff and moving to a locality based service.
19. This new structure came into effect in September 2011, and there has been a hold on vacancies and a directive to curtail additional spend as much as possible whilst the new structure is implemented. This is now likely to continue, and the service is predicting an underspend in the current year.

Strategy, Planning and Performance £342k underspend

20. Most of the budgets in this area are expected to net nil by year end. Unspent Standards Funds grant has been carried forward from 2010-11 to offset additional planned expenditure in the early part of this year, recognising the funding being for the academic year.
21. The area of pressure here is Business Support which has been targeted with achieving £250k savings on staffing and £250k on Supplies and Services. Early indications are that the staffing savings will be achieved. However the service has centralised the Business Support function, and will need to keep spend on supplies and services under review, bearing in mind the wider Business Management Review.

Schools / Other School Related £1.822m overspend

22. In setting the Needs Led Budget for 2011-12, no budget was set aside for early retirement, pension and redundancy costs relating to schools. These are enhancements paid to teachers but which cannot be charged to the Dedicated Schools Grant (DSG). This currently costs £2.3m per year and is a pressure on the base budget.
23. Centrally retained DSG was not fully spent in 2010-11, allowing budget of £538k to be carried forward and used to offset the budget pressures on Redundancy (£280k) and SEN contingency (£200k). An increase in the amount of DSG allocated by the DfE for 2011-12 of £430k has added to this, creating an underspend in centrally retained DSG of £478k to help offset schools related costs such as the redundancy element of the pressure identified above.
24. The Individual Schools Budget (ISB) is assumed to balance as actual spend has to equal budget, with schools retaining in full any carry forward of either an over or under spend. During 2010-11 schools generally underspent their

budgets by approximately £10m, increased from approximately £8m in the previous year. The school budgets for 2011-12 will increase by £10m when the 2010-11 carry forward is applied.

25. The DSG and VIth Form budgets from the Young People's Learning Agency will be reduced in year in direct proportion to reductions following any adjustment relating to schools converting to Academies.

Emerging Pressures

26. Part of the pressure on the current budget has been caused by the decision to transfer the VR costs into 2011/12 – they were originally intended to cover retirements prior to year end but a corporate decision to delay until 2011/12 has added this pressure to the service budget in the current year.

ADULTS £5.1m overspend

27. In 2011-12, the Adults budget whilst benefiting from growth policy options continues to have ambitious policy savings targets in excess of £10m for this financial year alone. Alongside these savings the Department is seeing an increase in demand for its services, evidenced by a 9% increase in referrals in the early part (spring / summer) of this financial year.
28. When looking at the savings targets, delays are anticipated in delivering some of the more complex policy options, such as the Building Based Review savings (including associated staffing savings), transport savings, and also, those around care costs where a number of inter related issues come to the fore.

Summary of Pressures

- Increasing care costs, with individuals requiring more complex care arrangements for all client groups but especially Learning Disability of £2.7m.
- Ability to deliver full year savings linked to the rationalisation of building based services will depend on how/when buildings are closed almost £1.4m in Care4CE.
- One-off VR costs of at least £2.3m forecast, are currently being funded within the service.
- Cross cutting savings allocated of £0.6m.
- Transport policy savings not fully achieved in year £0.8m.
- Policy savings items relating to Social Care Redesign 2 of £1m still need to be delivered.
- There is a risk of care provider failure and inflationary pressures during this financial year.
- Temporary remedial measure have already been used to alleviate some of the above pressures.

Care4CE £1.074m overspend

29. The underlying explanation for the overspend in Care4CE remains unchanged from the First Quarter Review: delays in delivering the rationalisation of buildings and the NHS decommissioning of services.

30. An overspend of £1.212m was reported at First Quarter review and the position in Care4CE has already improved through vacancy management and associated Voluntary Redundancies. Further remedial action, including maximising the use of existing resources is now being developed to reduce the overspend and also help Commissioners alleviate some their financial pressure.

Individual Commissioning £3.241m overspend

31. At first quarter review, following the £3.6m transfer of care growth budget from Strategic Commissioning to Individual Commissioning this budget was expected to be balanced.
32. It should be noted that due to budget pressures in previous years, considerable care cost growth budget has been allocated to the service in 2011-12 covering the first three years of operation of Cheshire East Council. This budget was allocated to reflect the growth in the number of care individuals and complex care packages (especially Learning Disability) and does not account for any inflationary pressure growth (the Council are continuing to hold a zero inflation uplift position).
33. The current projected overspend of £3.241m is attributable to a number of factors all of which relate to the care budget.
34. Direct payments (particularly relating to Learning Disability) are increasing at a faster rate than originally predicted with a 60% forecast increase on 2010-11 whilst traditional care costs are not reducing as much as originally predicted. This is leading to a net impact of £2.5m including £0.5m recoupment of unspent monies mentioned below.
35. A key assumption has been made that £0.5m of unspent monies currently held on the Empower Cards / Direct Payments will be clawed back. This reflects an assumption that funds are no longer needed to deliver support plan outcomes, for example, where a service user has been in hospital for a period of time.
36. Overall service user numbers have remained largely constant to date throughout 2011/12. On a positive note this indicates that re-ablement is helping to stem the number of individuals entering the service. However, care costs continue to increase and this indicates that individuals needs, both of these entering care and those already receiving care are becoming increasing complex.
37. Through delivering the Council's budget, the service has been able to mitigate some of the above service pressures for example by saving £1.4m reviewing individual care needs and packages; maximising charges generating an additional £0.5m. Other budget proposals such as a £0.7m share of the Social Care Redesign 2 proposals remain undelivered.
38. The service continue to face a risk of provider failure (recently estimated in one high profile case at £1.5m); higher than expected growth through complex needs and / or pressure from providers to pay across an inflation increase will increase the forecasted care cost position. These high financial risks need to continue to be recognised as any of these factors has the

potential to have a material adverse effect on the overall financial stability of the council.

Strategic Commissioning £0.785m overspend

39. Since first quarter review the £3.8m care cost growth budget (£0.2m transferred to Emergency Duty Team in Strategic Commissioning), £0.5m winter pressures money, and £0.8m to support the shortfall against the planned transport savings have been transferred to Individual Commissioning.
40. Strategic Commissioning currently holds certain costs / budget savings targets for the department including VR costs of £2.3m and Cross Cutting savings of £0.6m and £0.56m of Social Care Redesign savings yet to be delivered.
41. There are underlying budget pressures within the Learning Disability Pooled budget, including a predicted shortfall of £0.4m income as negotiations regarding the sharing of the projected overspend are still ongoing with Central and Eastern Cheshire PCT. The Learning Disability care overspend is reflected within Individual Commissioning.
42. The service have already taken remedial action using areas of underspend to support the above budget pressures. Underspends in the service in the following areas: Supported Employment Service; Third Sector Contracts; Supporting People; Community Meals and Workforce Development are being used to help alleviate the overspend. Clearly holding these underspends will have implications in other areas of the business, for example, the underspend in Workforce Development means the workforce in certain areas is struggling to cope with the complexity of need being presented by certain service users, which in the long term may have a detrimental effect on viability of services.

Conclusion

43. The department continues to face a real challenge in moving nearer towards delivering a balanced outturn for 2011/12. It should be noted that the current projection of £5.1m overspend includes the assumption that the department will fund its own VR's which are estimated at £2.3m and also, includes £0.6m of cross cutting savings which have recently been allocated to the Department.
44. Under the direction of the new service director the department will seek to identify additional remedial action to continue to alleviate these budget pressures.

PLACES & ORGANISATIONAL CAPACITY £3.3m overspend

45. At this point in the year the Directorate is forecasting an adverse net variance against budget of £3.3m (after remedial actions), this compares to a £1.7m adverse variance at FQR.

46. The overall net variance of £3.3m comprises:

- £424k on the impact of VR severance costs paid/forecast to date;
- £790k on procurement, Business Management Review and other allocated savings;
- £287k relating to exceptional events re car parks revaluations (increased NDR) and Planning appeal costs;
- £970k relating to exceptional inflation re fleet fuel, waste contract bonus (HWRC), and Utility contract price increases for Council owned buildings, including Leisure facilities and Car Parks;
- £856k relating to policy changes since the budget was approved in February (re Grounds Maintenance, Markets rents and Library Review & Lifestyle Centre Income).

Key changes since FQR:

47. The key changes since FQR totalling net £1.75m relate to the following:

- Utility price increases, primarily in Assets and Health & Wellbeing, following price increases in new contract £450k and £300k respectively;
- Increased pay costs in Environmental Services of £306k; £138k Waste re Overtime/Agency costs due to impact of roll out (additional customer service response requests causing additional interim collections to be made); £136k Streetscape comprising impact of Terms & Conditions changes re weekend working and other overtime/agency costs; £32k Highways agency costs;
- £250k impact of allocated VR cross-cutting savings in Assets;
- Leisure will only partly deliver the policy saving associated with generating additional income from Adults Commissioning using leisure facilities to support day care services, £100k pressure;
- Exceptional Inflation re fleet fuel across the service totalling £90k plus £50k re impact of exceptional inflation on the calculation of the forecast HWRC bonus payment;
- Reduced income forecasts in: Bereavement Services £85k; Markets a further £42k.
- Highways have achieved a (£200k) under-spend against maintenance expenditure in the first half year and are proposing a management action to reduce maintenance expenditure by a further (£200k) under remedial actions, achievement of this will clearly be dependant on the severity of the weather in the latter half of the year;
- Car Parking: further adverse income variance of £345k is anticipated due to continuing economic recessionary pressures and reduction in customer demand. In addition, due to unforeseen exceptional event £150k adverse variance re NDR costs for car parks following revaluations, offset by (£170k) delayed spend re CCTV control room and (£36k) pay and non pay variances and
- Pressure in realising the full extent of business process and procurement savings £336k.

2011-12 Savings Proposals:

48. The Directorate has savings proposals totalling £12.4m for 2011-12. At MYR the forecast out-turn achievement against these savings is £9.8m, with

£2.6m potentially “at risk”. As detailed above the principle variances relate to:

Key variances against 2011-12 Savings Proposals	£'000
Markets – delayed/reduced rent increases	200
Assets – VR cross-cutting savings not achieved	250
Grounds Maintenance – Frontline resource reductions proving difficult to realise.	240
Development Mgt – Regional Flood Defence Committee have powers to raise the levy and method of calculation is also set by legislation	102
Development Mgt – Achievement of increases in planning application income only part achieved.	137
Procurement savings – proving difficult to realise as planned	343
Business Management Review savings – under review	179
Corporate staff related savings (FMW/Unison) – under review	18
Health & Wellbeing Building Based Review	268
Lifestyle – Reductions in Expenditure / New Income	112
Savings proposals part achieved and may be mitigated from other remedial actions	103
<i>Sub-total</i>	1,952
Additional one off costs re Route Optimisation/harmonisation (net)	657
Total	2,609

Remedial Actions

49. The Directorate has already identified a range of remedial measures to contain the impact of these adverse variances as referred to above and these are reflected in the overall out-turn forecast. The Directorate will continue to closely monitor and manage key areas and identify scope for further remedial actions.

Environmental Services

£700k – planned remedial actions comprising:

- Under-spend on non pay items £300k,
- Waste minimisation one off budget reduction £50k
- Verge Maintenance reduction post October 2011 £150k
- Highways Maintenance reduction in spend from October 2011 £200k.

Safer & Stronger Communities

£389k – planned remedial actions comprising:

- CCTV delay in creation of new control room (non pay savings) £170k,
- Structure changes £100k,
- Review out of hours service and increases in other fees & charges £44k
- Regeneration applied earmarked reserve for Town Centre Car Parking Improvements £75K

Planning & Housing

£80k – planned remedial actions across non pay budgets within Development Management and Spatial Planning to contribute the service projected overspend.

Regeneration

£46k – planned remedial actions across Visitor Economy, including the Tatton Park trading account, through vacancy management and non pay budget savings.

There is however a Value Added Tax claim outstanding with potential income in respect of Tatton Park Farm and Gardens admissions income, which is currently being disputed by HRMC. If this is resolved within this financial year the benefit could contribute towards the pay budget pressure resulting from VR costs to be charged against the trading account.

Assets

£200k - remedial actions currently being implemented and/or explored include: improving the income / bad debt position; further prioritisation of maintenance spending; and the capitalisation of staff time in relation to capital projects. It is assumed in the outturn forecast that £0.8m of budget will be transferred from other Services (in line with Asset Challenge and Corporate Landlord strategies) relating to premises costs being charged to the Service.

Health & Wellbeing

£300k – Planned remedial actions include a reduction to libraries book fund (£100k). In addition, further remedial actions are being sought by the service in order realise the additional reductions.

Conclusion

50. The Directorate has identified £1.715m in remedial actions to date and will continue to closely monitor and manage key areas and identify scope for further remedial actions.

SUPPORT SERVICES £1.8m overspend

Finance & Business Services

51. £1.3m of the overspend is attributable to the ICT shared service and is due to three factors:
- The initial estimate of costs for 2011-12 within the shared service was higher than the client budget available. This existing shortfall was exacerbated by an early decrease in the capital delivery assumption (90,000 hours to 80,000 hours) culminating in an early likely overspend forecast of £675k.
 - The forecast assumes delivery of proposed efficiencies totalling £539k. As £260k of these proposals are actually being delivered against client

budgets the shared service costs will not reduce, accounting for £130k of the CEC overspend.

- Approximately £500k of the CEC overspend relates to a shortfall on deliverable development hours chargeable to capital schemes, with Shared Service ICT forecasting delivery at 59,200 hours instead of 80,000 hours.

52. A great deal of work is being undertaken through the ICT Shared Service improvement plan to ensure that the overspend position is resolved by mid 2012/13. Initiatives include:

- Performance management
- Commodity sourcing – rather than in-house
- Recruitment review – strict vacancy management
- Contract spend analysis
- Architecture simplification
- Review of target operating model
- Benchmarking

53. The remaining £400k of the overspend is due to the Finance shared service which has been impacted by over £100k of Business Management Review cross-cutting savings since first quarter and Procurement which has incurred severance costs, residual CBS supplies expenditure, two years subscriptions to the Association of Greater Manchester Authorities, and agency costs relating to an interim category manager.

HR & OD

54. HR & OD is predicting a £143k overspend due to anticipated one-off costs of £153k being incurred on pay harmonisation work and the impact of shared services overspends of £50k.

55. Budget pressures resulting from the VR category 3 cross cutting savings, and the engagement of consultancy to deliver an organisational change programme have also impacted the directorate.

Borough Solicitor

56. The service is expecting a net nil position overall, with budget pressures identified in relation to Coroner fees, Registration Services expenditure and the impact of cross-cutting budget savings offset by a forecast underspend in Legal Services. To manage the VR category 3 cross cutting reductions in year will be a considerable challenge as the impact of the savings is significant and effectively stems from a double-counting of savings required to be made.

57. Coroner fees are population / formula driven and not subject to negotiation experienced delays to the implementation of the proposed service structure rationalisation, and an increased level of supplies and services expenditure, particularly in relation to marketing of the service. However, income levels relating to registration are forecast to meet the budgeted target based on a seasonal analysis of income receipts from the last financial year.

58. Delays to the recruitment of key personnel within Legal Services and a significant increase in income from both planning and highways fees and the Schools Business Support Agreement (from September 2011) have generated an £89k underspend for this service.

UNALLOCATED CROSS CUTTING SAVINGS £2.9m overspend

Cross Cutting savings held in Finance & Business services - £1m overspend (£500k worse than first quarter)

59. The level of Finance & Business services cross cutting savings that are expected to be retained is £500k worse than first quarter due to retaining more procurement savings.
60. A Council wide procurement savings target of £0.981m is currently held centrally within the service pending agreement from CMT on the allocation. The latest estimate from the Procurement Team is that further savings of £0.281m will be allocated in 2011-12, which means that an overspend of at least £0.7m is likely. The £0.281m will be delivered using the Solvis methodology, which is based on a request to suppliers to agree to a 15% discount.
61. Shared Services Improvement – The saving of £300k is currently held within the Director of Finance & Business Services budget area pending a strategy to deliver the saving. The saving was to be achieved by the longer term Shared Services, excluding ICT, HR and Finance but this has not proved possible to date. Therefore a forecast overspend of £300k is still being reported.

Cross cutting savings held in HR/OD - £1.860m overspend (£360k worse than first quarter)

62. The level of HR & OD cross cutting savings that are expected to be retained is £360k worse than first quarter due to retaining more Reed savings (£310k) and slippage of the terms and conditions roll out (£50k).
63. Salary Sacrifice Scheme/Reed Contract savings. Council wide savings target of £310k for 2011-12 is held centrally within the service and this will now be shown as a budget pressure for 2011-12. Spend on agency staff has contracted markedly in 2011-12 and the assumption is that it would be difficult to justify allocating this saving.
64. Pay Harmonisation. The Council wide savings target of £2.4m for 2011-12 is held centrally within the service pending final agreement and acceptance of the package of changes. The maximum level of savings which can be generated in 2011-12 from the latest package is estimated to be £0.55m, leaving a projected overspend of £1.85m in year.
65. VR Saving – the original target for new Category 3 VR savings was £600k. However, savings totalling £900k have been distributed to services across the authority leaving a positive budget of £300k retained by the service, resulting in a forecast year end underspend of £300k.

REVENUE BUDGET - CONCLUSION

66. The projected net service overspending has increased to £16m at the mid year stage.
67. Extensive further remedial measures and actions will be required as a matter of urgency if this figure is to be significantly reduced before year end. Proposals for remedial action need to be developed across all services, and not limited to individual service forecasts, as a substantial element of the overspend relates to unallocated cross cutting savings.
68. There is little or no further scope for mitigation of the position from corporate budgets and provisions other than the limited alleviation of the impact on general reserves available from central budgets as outlined in Annex 1.

CAPITAL PROGRAMME

69. At the mid-year review stage the Council is forecasting expenditure of £74.334m in 2011/12 against an Approved Budget of £90.983m for the year. Officers have undertaken a fundamental review of the capital programme to ensure that it only includes schemes that fulfil the Council's priorities for service delivery to be carried forward and any unspent balances were deleted from the programme enabling resources to be freed up for future allocations.
70. Table 2 shows an analysis by Directorate of the in-year Approved Budget for 2011-12, and forecast expenditure for 2011-12 and the three following years to 2014-15.

Table 2 – Capital Expenditure Forecasts

Department	In Year Approved Budget	Forecast Expenditure			
	2011-12 £000	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
Adults, Health & Wellbeing					
New Starts	1,083	789	294	0	0
Committed schemes	6,689	6,249	385	0	0
	7,772	7,038	679	0	0
Children & Families					
New Starts	9,943	7,257	9,582	1,511	0
Committed schemes	17,305	13,393	6,624	0	0
	27,248	20,649	16,206	1,511	0
Places					
New Starts	19,726	12,970	8,392	970	0
Committed schemes	17,572	16,370	8,586	3,324	1,615
	37,298	29,340	16,978	4,294	1,615
Performance & Capacity					
New Starts	6,564	6,519	4,693	3,882	0
Committed schemes	12,101	10,788	2,547	1,099	0
	18,665	17,307	7,240	4,981	0
Total New Starts	37,316	27,534	22,961	6,363	0
Total Committed schemes	53,667	46,800	18,143	4,424	1,615
Total Capital Expenditure	90,983	74,334	41,103	10,786	1,615

71. The programme consists of on-going schemes started in previous years (£53.667m) and new starts (£37.316m). The new starts include a number of schemes which form part of a 'core' programme, including essential maintenance, Local Transport Plan (LTP) schemes within Environment, Devolved Formula Capital (DFC) allocations for schools, and Corporate Landlord schemes within Assets. New schemes have been approved by Members as meeting the Council's priorities.
72. The programme is funded from both direct income (grants, external contributions, linked capital receipts), and indirect income (borrowing approvals, revenue contributions, capital reserve, non-applied receipts). A funding summary is given below in Table 3.

Table 3 – Funding Sources

Funding Source	Forecast Expenditure			
	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
Grants	32,536	15,853	2,612	0
External Contributions	2,728	135	80	0
Linked/Earmarked Capital Receipts	764	1,649	0	0
Supported Borrowing	6,097	1,333	424	0
Non-supported Borrowing	13,578	17,499	5,027	0
Revenue Contributions	723	550	395	0
Capital Reserve	17,908	4,084	2,248	1,615
Total	74,334	41,103	10,786	1,615

73. Annex 2, Appendix 1 shows detail of the individual schemes that make up the disclosures in Table 2 and Table 3.
74. Annex 2, Appendices 2a and 2b list proposals for Supplementary Capital Estimates (SCE) / Virements up to and including £500,000.
75. Annex 2, Appendix 2c list a proposal for a Supplementary Capital Estimate (SCE) / Virement for over £1,000,000 for Council Approval.
76. Annex 2, Appendix 3 provides a list of reductions in capital budgets to be noted.

Key Service Capital Issues

Children and Families

77. **Residential Development Programme**

Total Approved Budget	£1.150m
Revised Budget 2011-12	£1.500m

The requirements for residential provision for looked after children have been reviewed and three properties are to be purchased within the borough, two in the Macclesfield area and one in Congleton. It is anticipated, (dependant on the market) that a property in Congleton will be purchased before March 2012, to coincide and ensure the smooth transition of residential care following the closure of Wilkinson House. This property will include an assessment centre.

Additional funding will be required to support the property purchase prices in the designated areas to maximise the new guidance requirements, i.e., the residential provision should replicate family homes of no more than 4 bedrooms. Purchase prices in specific postcode areas have been evaluated to reflect a true reflection of the current market trends in these areas (one requiring additional space for the assessment unit). All associated costs including adaptation costs, fees, etc, have been estimated to give a gross total cost for each property.

Taking the above factors into consideration, an additional £350,000 is now required to enable the objective of providing 12 additional residential bids in the borough and to achieve the revenue savings.

78. Special School for Children with Autism Spectrum Condition

One of the priority recommendations emerging from the Special Educational Needs and Disability (SEND) review was the identified need to develop local specialist provision for children and young people with Autism Spectrum Condition (ASC). A report will be considered by Cabinet on 28th November 2011 seeking the approval in principle for the development/feasibility of specialist provision on the Church Lawton Primary School site. The capital cost for the refurbishment has been estimated at £1.617m and will be funded from the existing capital SEND allocation.

Places and Organisational Capacity

79. Private Sector Assistance

Due to the lengthy application procedures and delays to the consultation on the revised Private Sector Assistance Policy has delayed expenditure on the capital programme. Funds are committed to schemes but the programme will have some delayed expenditure into 2012-13. These delays will also have an impact on the revenue budget with the fee target for works completed not being achieved.

80. Highway Improvements – Sherborne Estate, Crewe

Request for Budget Approval £0.052m

Wulvern Housing Association is currently developing proposals to deliver highway improvements on the Sherborne Estate in Crewe as part of a wider regeneration project in the area. This follows the first phase of a £4.5m scheme which won the Regeneration Scheme of the Year award at the Housing Excellence Awards in 2011.

Wulvern have approached Cheshire East to make a financial contribution towards the highways works on the estate, the majority of which will be undertaken within phase two of the scheme at a total cost of £160,000. In addition Wulvern have requested that Cheshire East adopt the new road.

In order to fund the scheme Wulvern propose to dispose of three vacant properties which are in a poor state of repair and would require significant modernisation. Sale proceeds at auction for the three properties are estimated to be in the region of £105,000. Under the current terms of the housing transfer agreement Cheshire East will be entitled to 50% of the resale value.

Wulvern are requesting a financial contribution of £52,500 towards the scheme which equates to the equivalent amount that Cheshire East will receive in right to buy receipts.

81. Nantwich Pool Enhancements

Total Approved Budget	£1.385m
Revised Budget	£1.004m

The capital scheme for the investment and improvement to Nantwich Pool has now been agreed in consultation with local ward members. A full review of the current condition of the Nantwich Pool has been completed to ascertain the key areas that require improvement. This review focused on the building infrastructure, pool plant and equipment, and the key improvements required to improve the customer experience and generate additional income.

A programme of work is to be agreed, the total cost of which is £1.364m, £0.180m to be funded from Swim for Free grant monies and £0.180m from the Planned Maintenance budget. The revised capital cost will therefore be £1.004m which will release £0.381m of available capital receipts.

82. LTP Project - Crewe Green Link Road

Total Approved Budget	-	£8.739m
Prior Year Spend	-	£8.353m
Budget 2011-12	-	£0.386m

There is still a risk of a £100,000 pressure on this scheme, as there are still two outstanding land deals to be completed. Failure to progress with this project will impact on the delivery of the Basford East Regional Investment site, seriously restricting the potential of Crewe Vision and the scope to see land use allocations in the Local Development Framework. A possible solution to the funding pressure is to monitor the overall programme and seek to reallocate funding from other projects which are delayed or under spending.

83. Waste Procurement PFI

Cheshire East and Cheshire West & Chester Councils have been progressing a Cheshire Waste Management Private Finance Initiative (PFI). A project inherited from Cheshire County Council, the contract would manage the treatment of residual municipal solid waste over the next 25 years to meet required landfill diversion and recycling targets. On 20 October 2010, Defra confirmed that PFI credit support for the project was being withdrawn. On 26 July 2011, notification was received that the Councils' legal challenge had failed and in the light of this decision we are reviewing options for the future disposal of municipal waste.

DEBT MANAGEMENT

84. Total Invoiced Debt at the end of September 2011 was £6.1m. After allowing for £1.3m of debt still within the payment terms, outstanding debt stood at £4.8m. The total amount of service debt outstanding over 6 months old amounts to £2.0m. This is unchanged from FQR, and £0.4m higher than the level of older debt at 31 March. Services have created debt provisions of £1.7m to cover this debt in the event that it needs to be written off.
85. An analysis of the invoiced debt provision by directorate is provided in Table 4.

Table 4 - Invoiced Debt

Directorate/Service	Total Outstanding Debt as at 30 th September £000	Total Debt Over 6 months old £000	Bad Debt Provision £000
Children & Families	613	292	268
Schools & Catering	63	50	15
Total Children & Families	676	342	283
Total Adults	1,964	908	908
Environmental Services	586	210	135
Safer & Stronger communities	91	63	58
Planning & Housing	77	35	40
Regeneration	545	9	9
Health & Wellbeing	91	50	50
Assets	578	297	194
Policy & Performance	9	2	0
Total Places	1977	666	486
Finance & Business Services	115	56	4
HR&OD	43	1	
Borough Solicitor	1	1	
Total Support	159	58	4
Total Debt & Provisions	4,776	1,974	1,681