

Corporate Overview and Scrutiny Committee

Agenda

Date: Monday, 3rd February, 2020
Time: 2.00 pm
Venue: Committee Suite 1,2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

It should be noted that Part 1 items of Cheshire East Council decision making and Overview and Scrutiny meetings are audio recorded and the recordings will be uploaded to the Council's website

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Minutes of Previous Meeting** (Pages 3 - 6)

To approve the minutes of the meeting held on 9 January 2020

3. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

4. **Declaration of Party Whip**

To provide an opportunity for Members to declare the existence of a party whip in relation to any item on the agenda.

For any apologies or requests for further information, or to give notice of a question to be asked by a member of the public

Contact: Joel Hammond-Gant

Tel: 01270 686468

E-Mail: joel.hammond-gant@cheshireeast.gov.uk

5. **Public Speaking Time/Open Session**

A total period of 15 minutes is allocated for members of the public to make a statement(s) on any matter that falls within the remit of the Committee.

Individual members of the public may speak for up to 5 minutes, but the Chairman will decide how the period of time allocated for public speaking will be apportioned, where there are a number of speakers.

Note: In order for officers to undertake any background research, it would be helpful if members of the public contacted the Scrutiny officer listed at the foot of the agenda, at least one working day before the meeting to provide brief details of the matter to be covered.

6. **Anti-social Behaviour**

To consider the future planned arrangements for how anti-social behaviour will be dealt with by registered social landlords in Cheshire East.

Reports/presentations to follow.

7. **2019/20 Third Quarter Review (Finance) (Pages 7 - 96)**

To give consideration to the third quarter review of the 2019/20 financial year.

8. **ICT Investment (IIP) (Pages 97 - 106)**

To scrutinise the joint ICT investment by Cheshire East and Cheshire West and Chester Councils.

9. **Forward Plan (Pages 107 - 120)**

To give consideration to the areas of the forward plan which fall within the remit of the Committee.

10. **Work Programme (Pages 121 - 126)**

Membership: Councillors J Bratherton, P Butterill, J Clowes (Chairman), L Crane, JP Findlow, R Fletcher, M Hunter, A Moran, B Murphy (Vice-Chairman), J Saunders, M Simon and L Wardlaw

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Corporate Overview and Scrutiny Committee** held on Thursday, 9th January, 2020 at Committee Suite 1,2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor J Clowes (Chairman)
Councillor B Murphy (Vice-Chairman)

Councillors L Braithwaite, P Butterill, JP Findlow, R Fletcher, S Hogben, M Hunter, A Moran, J Saunders, M Simon and L Wardlaw

PORTFOLIO HOLDERS IN ATTENDANCE

Councillor J Rhodes, Portfolio Holder for Public Health and Corporate Services
Councillor A Stott, Portfolio Holder for Finance, ICT and Communication

OFFICERS IN ATTENDANCE

Jan Bakewell, Director of Governance and Compliance
Jane Burns, Executive Director of Corporate Services
Frank Jordan, Acting Deputy Chief Executive and Executive Director of Place
Michael Moore
Mark Palethorpe, Acting Executive Director of People
Brian Reed, Head of Democratic Services and Governance

46 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Bratherton and Crane, who were substituted for by Councillors Braithwaite and Hogben.

47 MINUTES OF PREVIOUS MEETING**RESOLVED –**

That the minutes of the meeting held on 31 October 2019 be approved as a correct record and signed by the Chairman.

48 DECLARATIONS OF INTEREST

There were no declarations of interest.

49 DECLARATION OF PARTY WHIP

There were no declarations of the existence of a party whip.

50 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public present who wished to speak.

51 FINANCIAL IMPLICATIONS OF A COMMITTEE SYSTEM

Brian Reed, Head of Democratic Services and Governance and Jan Bakewell, Director of Governance and Compliance Services (Monitoring Officer), provided a verbal update on the financial implications of a committee system form of governance.

Jan Bakewell advised members that an agreement needed to be reached on what the desired final structure of the committee system would be, before its financial implications could be fully understood and costed. It was noted that the current recommendation regarding the potential committee system structure was to have five service committees and one corporate committee (for cross cutting issues.)

Members had the opportunity to ask questions and sought clarity on whether or not the call-in function would apply under the new arrangements. Brian Reed advised there could be the opportunity to 'reference up' issues or matters that required additional scrutiny.

Councillor Clowes summarised that the process was as not as far forward as had been hoped for by the end of 2019, and that based on current projections there should be neutral cost implications arising from the change in governance arrangements. It was also noted that the way in which this council, being a unitary authority, would operate under a committee system, would potentially differ to borough or district councils under the same governance arrangements.

RESOLVED –

That the update be received and noted.

52 BUDGET PROPOSALS, 2020/21 TO 2023/24

Consideration was given to the budget proposals for 2020/21 to 2023/24, in advance of a decision being taken by Cabinet. The committee also observed the comments made by each of the other three overview and scrutiny committees in relation to the budget proposals within their remits.

More detailed consideration was then given to the budget proposals in relation to outcome six of the councils' Corporate Plan 2017-20: a responsible, effective and efficient organisation, following which questions and comments were put to the relevant portfolio holders and officers. These included;

- whether the recent announcement to increase the cost of the living wage would impact the 'Pay Inflation and Structure Review (Revenue Investment)' proposal. The Executive Director for Corporate Services advised that the changes would be factored in and added that the Council does not fund the entire cost as there is an assumption that vacancies are carried across the organisation

- asking for greater clarity on the 'Alternative Service Delivery Vehicle (ASDV)' proposal; and
- Members questioned whether the figures would be adapted in light of the Autumn Statement and were advised that it was a statutory requirement for the Council to hold reserves, any under or over spending would be published as part of the Third Quarter Review.

RESOLVED –

That the comments made by the four overview and scrutiny committees be submitted to Cabinet for consideration.

53 UPDATE FROM ASDV SHAREHOLDER COMMITTEE

Frank Jordan provided members with an update on the work of the ASDV Shareholder Committee, a body that provided advice to shareholders, but did not make decisions. This was the first piece of work undertaken by this committee.

RESOLVED –

- 1 That the presentation be received and noted.
- 2 That this item be added to the work programme to ensure that committee receives further updates.

54 MEDIA RELATIONS PROTOCOL REVIEW 2020

Consideration was given to the protocol and, following some debate, comments and questions were put in relation to;

- that the successes of the overview and scrutiny committees/function should be promoted through the media; and
- how quotes from local ward members and committee chairmen would be obtained, and whether or not it was appropriate for these to be done only in agreement with the relevant portfolio holder, as they may be independent of the executive.

RESOLVED –

That this committee recommend to Cabinet that the draft Media Relations Protocol be approved.

55 FORWARD PLAN

Consideration was given to the council's forward plan of key decisions.

RESOLVED –

That the forward plan be received and noted.

56 WORK PROGRAMME

The committee reviewed its work programme.

RESOLVED –

That an update from the ASDV Shareholder Committee be added to the programme.

The meeting commenced at 2.00 pm and concluded at 4.45 pm

Councillor J Clowes (Chairman)



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Key Decision: N
Date First
Published: N/A

Corporate Overview and Scrutiny

Date of Meeting: 03 February 2020

Report Title: Third Quarter Review (FINANCE) 2019/20

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication

Senior Officer: Alex Thompson – Director of Finance & Customer Services
(Section 151 Officer)

1. Report Summary

- 1.1. This report provides a copy of the Cabinet report on Third Quarter Review (FINANCE) 2019/20 which outlines how the Council is managing its resources to provide value for money services during the 2019/20 financial year. The report is structured in three sections including a summary of Council Performance, Financial Stability and Workforce Development, as well as associated appendices.
- 1.2. Corporate Overview and Scrutiny Committee are invited to provide comments to Cabinet for their meeting of 4 February 2020.

2. Recommendation/s

That Corporate Overview and Scrutiny Committee:

- 2.1. note the contents.
- 2.2. provide feedback on the report to Cabinet for their meeting of 4 February 2020.

3. Reasons for Recommendation/s

- 3.1. The Council monitors in-year performance through a reporting cycle, which includes outturn reporting at year-end. Reports during the year reflect financial and operational performance.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Overview and Scrutiny Committee are an important part of the reporting and decision making process so are receiving this report in advance of Cabinet to allow an opportunity to give feedback that Cabinet can consider when they receive this report on 4 February.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legal implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.2. Finance Implications

- 6.2.1. The financial implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.3. Policy Implications

- 6.3.1. The policy implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.4. Equality Implications

- 6.4.1. The equality implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.5. Human Resources Implications

- 6.5.1. The human resources implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.6. Risk Management Implications

- 6.6.1. The risk management implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.7. Rural Communities Implications

- 6.7.1. The rural communities implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.8. Implications for Children & Young People / Cared for Children

- 6.8.1. The implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.9. Public Health Implications

- 6.9.1. Public health implications are contained in the Third Quarter Review (FINANCE) 2019/20.

6.10. Climate Change Implications

6.10.1. The climate change implications are contained in the Third Quarter Review (FINANCE) 2019/20.

7. Ward Members Affected

7.1. All

8. Consultation & Engagement

8.1. As part of the budget setting process the Pre-Budget Report 2019/20 provided an opportunity for interested parties to review and comment on the Council's Budget proposals.

9. Access to Information

9.1. The following are links to key background documents:

[Medium Term Financial Strategy 2019/22](#)

[Mid Year Review \(FINANCE\) 2019/20](#)

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Alex Thompson

Job Title: Director of Finance and Customer Services (Section 151 Officer)

Email: alex.thompson@cheshireeast.gov.uk

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Version
Number: 4.0

Key Decision N

Date First
Published: N/A

Cabinet

Date of Meeting: 4 February 2020

Report Title: Third Quarter Review (FINANCE) 2019/20

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication

Senior Officer: Alex Thompson – Director of Finance and Customer Services
(Section 151 Officer)

1. Report Summary

- 1.1. This report outlines how the Council is managing resources to provide value for money services during the 2019/20 financial year. The report highlights financial and non-financial activity and provides an overview of progress towards achievement of the priority outcomes set out in the Corporate Plan.
- 1.2. Local Authority budgets across the UK are being managed against a backdrop of continuing reductions in government funding in 2019/20 as well as inflation rises and increasing demand for services. However, the statutory duties of the Council must still be delivered within the relevant parameters and the associated inspection frameworks. In this environment the ability to deliver financial savings whilst maintaining service standards across the Council is extremely challenging.
- 1.3. The financial pressure has reduced since the Mid-Year Review, which highlighted a potential overspend of up to £7.5m, and this is due to ongoing mitigation activity that was highlighted in the report, such as:
 - 1.3.1. A managed restriction of in-year costs to support essential spend only.
 - 1.3.2. Reviewing the level of spending on key contracts.

- 1.3.3. Pricing reviews to ensure costs are being fully recovered where appropriate.
- 1.3.4. Vacancy management.
- 1.3.5. Review of eligible capitalisation of salaries charged to capital projects.
- 1.4. At the third quarter the Council is forecasting a potential overspend of up to £6.8m compared to the 2019/20 Budget and mitigating actions are being put in place to minimise the impact of this forecast (see paragraph 1.3 and 1.5). Overspending is occurring due to demand led pressures in the People Directorate, past service pension costs and delays associated with achieving some efficiency savings included within service budgets.
- 1.5. Further robust actions will be taken to bring the outturn position in line with the reserves strategy by the end of the financial year. These further mitigating actions include the activities set out below (Note: final figures will be reported as part of the Council's Draft Statutory Accounts in May 2020):
 - 1.5.1. Application of capital receipts from sale of shares (c.£2.4m).
 - 1.5.2. Re-alignment of and appropriate use of earmarked reserves to support General Reserve balances (c.£4.4m).
- 1.6. Forecast expenditure in the year on the capital programme is £132.7m, which is £42.4m lower than at mid-year review. The programme for 2019/20 was ambitious and now that the projects are more established the expenditure has been re-profiled following review.
- 1.7. Against this challenging financial backdrop it is pleasing to note that the Council has continued to perform strongly, delivering positive outcomes in each of the six priority areas identified by the Corporate Plan.
- 1.8. The attached report, **Annex 1**, sets out details of how the Council is performing in 2019/20. It is structured into three sections:
 - Section 1 Summary of Council Performance** - brings together the positive impact that service performance and financial performance have had on the six Council Outcomes during the year.
 - Section 2 Financial Stability** - provides an update on the Council's overall financial position.
 - Section 3 Workforce Development** - provides a summary of the key issues relating to the Council's workforce development plan.
- 1.9. Appendices to the annex demonstrate how spending in 2019/20 has been funded, including the service budgets, grants, debt recovery and reserves. Updates are provided on the Capital Strategy, Treasury Management Strategy and Investment Strategy.

2. Recommendations

That Cabinet:

- 2.1. note the contents of the report and the mitigating actions to manage the forecast outturn.
- 2.2. note the contents of Annex 1 to the report.
- 2.3. approve in accordance with Finance Procedure Rules Capital a virement over £1,000,000 and up to £5,000,000 (**Appendix 4, Annex C**);
 - 2.3.1 £1,909,959 to amalgamate the Minor Works and Premises Capital (Facilities Management) budgets.

3. Reasons for Recommendations

- 3.1. The Council monitors in-year performance through a reporting cycle, which includes outturn reporting at year-end. Reports during the year reflect financial and operational performance and provide the opportunity for members to note, approve or recommend changes in line with the Council's Financial Procedure Rules.
- 3.2. The overall process for managing the Council's resources focuses on value for money and good governance and stewardship. Financial changes that become necessary during the year are properly authorised and this report sets out those areas where any further approvals are now required.
- 3.3. This report provides strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.
- 3.4. It also meets the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Monitoring performance is essential to the achievement of outcomes within the Corporate Plan. This is especially important in evidencing the achievement of value for money across an organisation the size of Cheshire East Council. The Council is the third largest in the Northwest of England, responsible for over 500 services, supporting over 375,000 local

people. Gross annual spending is over £795m, with a net budget for 2019/20 of £282.0m.

- 5.2. The management structure of the Council is organised into three directorates, People, Place and Corporate. The Council's reporting structure provides forecasts of a potential year-end outturn within each directorate during the year, as well as highlighting activity carried out in support of each outcome contained within the Corporate Plan.
- 5.3. At the third quarter stage, action continues to ensure that the Council's reserves strategy remains effective, and that General Reserves do not reduce following identification of the potential overspend of £6.8m (note this represents 2.4% against a net revenue budget of £282.0m).
- 5.4. General Reserve balances are risk assessed and it is clear that a number of risks, particularly associated with demand led service provision, have materialised. At year-end this situation may prevent the Council from increasing reserves in the 2019/2020 financial year in accordance with the forecast position provided to Council in February 2019. This issue will be addressed as part of the planning for the 2020/21 Budget.
- 5.5. The Council complies with all of its legislative and regulatory requirements in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legal implications surrounding the process of setting the 2019 to 2022 medium term financial strategy were dealt with in the reports relating to that process. The purpose of this paper is to provide a progress report at the third quarter stage of 2019/20. That is done as a matter of prudential good practice, notwithstanding the abolition of centrally imposed reporting requirements under the former National Indicator Set.
- 6.1.2. The only other implications arising directly from this report relate to the internal processes of approving supplementary capital estimates and virements referred to above which are governed by the Finance Procedure Rules.
- 6.1.3. Legal implications that arise when activities funded from the budgets that this report deals with are undertaken, but those implications will be

dealt within the individual reports to Members or Officer Decision Records that relate.

6.2. Finance Implications

6.2.1. Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council. The forecast overspend at third quarter is within the risk assessed level, but if it remains unresolved this could require the Council to deliver a greater level of future savings to replenish reserve balances.

6.2.2. As part of the process to produce this report, senior officers review expenditure and income across all services to support the development of mitigation plans that will return the outturn to a balanced position at year-end.

6.3. Policy Implications

6.3.1. This report is a backward look at Council activities at third quarter and predicts the year-end position.

6.3.2. Performance management arrangements support the delivery of all Council policies. The forecast outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2020/24 medium term financial strategy.

6.4. Equality Implications

6.4.1. Any equality implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

6.5. Human Resources Implications

6.5.1. This report is a backward look at Council activities at third quarter and states the forecast year-end position. Any HR implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

6.6. Risk Management Implications

6.6.1. Performance and risk management are part of the management processes of the Authority. Risks are captured both in terms of the risk of underperforming and risks to the Council in not delivering its objectives for its residents, businesses, partners and other

stakeholders. Risks identified in this report are used to inform the overall financial control risk contained in the Corporate Risk Register.

6.6.2. Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2019/20 budget and the level of general reserves were factored into the 2019/20 financial scenario, budget and reserves strategy.

6.7. Rural Communities Implications

6.7.1. The report provides details of service provision across the borough.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. The report provides details of service provision across the borough, acknowledges the Ofsted report and notes the overspend within Children in Care services.

6.9. Public Health Implications

6.9.1. Public health implications that arise from activities that this report deals with will be dealt with as separate reports to Members or Officer Decision Records as required.

6.10. Climate Change Implications

6.10.1. Any climate change implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7. Ward Members Affected

7.1. All

8. Consultation & Engagement

8.1. As part of the budget setting process the Pre-Budget Report 2019/20 provided an opportunity for interested parties to review and comment on the Council's Budget proposals. The budget proposals described in the consultation document were Council wide proposals and that consultation was invited on the broad budget proposals. Where the implications of individual proposals were much wider for individuals affected by each proposal, further full and proper consultation was undertaken with people who would potentially be affected by individual budget proposals.

9. Access to Information

9.1. The following are links to key background documents:

[Medium Term Financial Strategy 2019/22](#)
[Mid Year Review](#)

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Alex Thompson

Job Title: Director of Finance and Customer Services (Section 151 Officer)

Email: alex.thompson@cheshireeast.gov.uk

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Third Quarter Review (FINANCE) 2019/20

February 2020

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

Anyone wanting to comment can contact the Council at:

shapingourservices@cheshireeast.gov.uk

Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 375,000 local people with annual spending of over £795m.

Local government is going through a period of financial challenges, with a combination of increasing demand for services, rising costs and reduced Government grant. The Council's response is to focus on 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. This demand is resulting in revenue pressures of £6.8m (2.4%) against a net revenue budget of £282.0m. Robust action is being taken to mitigate this position, such as reducing non-essential spending to deliver a balanced outturn position and protect General Reserves.

To support openness and transparency, and provide evidence of strong governance, the report has three main sections, to provide background and context, and then seven supporting appendices with detailed information about allocation and management of public money during 2019/20:

Section 1 provides a summary of Council performance and brings together service achievement highlights against the six Outcomes in the Council's four year Corporate Plan.

Section 2 provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2019/20 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 3 provides a summary of the issues relating to the Council's Workforce Development Plan.

- **Appendix 1** explains 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)

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2019/20 Outturn Forecast at Third Quarter Review - Financial Position

2019/20 Third Quarter Review (GROSS Revenue Budget £646.3m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / (Underspend) £m	For further information please see the following sections
SERVICE DIRECTORATES				
People	170.4	175.3	4.9	Section 2 - Paragraphs 63-83
Place	72.9	72.8	(0.1)	Section 2 - Paragraphs 84-88
Corporate	30.4	31.6	1.2	Section 2 - Paragraphs 89-93
Total Services Net Budget	273.7	279.7	6.0	
CENTRAL BUDGETS				
Capital Financing	12.0	12.0	-	Appendix 4
Transfer to/(from) Earmarked Reserves	(2.9)	(2.9)	-	Appendix 7
Corporate Contributions / Central Budgets	(0.8)	-	0.8	Section 2 - Paragraph 94
Total Central Budgets	8.3	9.1	0.8	
TOTAL NET BUDGET	282.0	288.8	6.8	
Business Rates Retention Scheme	(48.0)	(48.0)	-	Section 2 - Paragraphs 113-117
Specific Grants	(15.7)	(15.7)	-	Appendix 2
Council Tax	(216.2)	(216.2)	-	Section 2 - Paragraphs 101-112
Sourced from Collection Fund	(2.1)	(2.1)	-	
CENTRAL BUDGETS FUNDING	(282.0)	(282.0)	-	
FUNDING POSITION	-	6.8	6.8	
MITIGATING ACTIONS				
Application of Capital receipts from sale of shares		-2.4	-2.4	
Retain general reserves at £10.3m		-1.7	-1.7	
Capitalise costs associated with ongoing projects		0.0	0.0	
Further drawdown from Earmarked Reserves		-2.7	-2.7	
FUNDING POSITION WITH MITIGATION	-	0.0	0.0	
	Planned Contribution 2019/20 £m	Forecast Variance Third Quarter £m	Forecast Impact on Reserves Third Quarter £m	
Impact on Reserves	-	(6.8)	(6.8)	
General Reserves Balance	2019/20 Budget (estimated) £m	Third Quarter Forecast £m		
Opening Balance April 2019	10.3	Actual	10.3	
2018/19 Impact on Reserves (see above)			(6.8)	Section 2 - Paragraphs 96-99
Mitigating Actions			6.8	
Closing Balance March 2020	10.3	Forecast	10.3	

1. Summary of Council Performance

Introduction

1. Our Corporate Plan identifies six strategic outcomes that balance the immediate needs of our residents with a longer term vision of creating the conditions for people to thrive independently in a supportive environment. This section provides a summary of service achievement highlights against the six outcomes:



Outcome 1 - Our local communities are strong and supportive

- Individuals and families are self-reliant and take personal responsibility for their quality of life.
- Communities are cohesive, with a strong sense of neighbourliness. There is genuine civic pride and mutual respect.

Outcome 2 - Cheshire East has a strong and resilient economy

- We will invest in the building blocks that will allow business to grow, give our residents the right skills to secure

employment and attract inward investment in to the Borough.

- By working together with business and our residents we will enhance the quality of place and create prosperity for all.

Outcome 3 - People have the life skills and education they need in order to thrive

- Children and young people get a good start in life, and are prepared for the world of work.
- Everyone is equipped to live independent, self-sufficient lives, and to realise their particular talents and abilities.

Outcome 4 - Cheshire East is a green and sustainable place

- Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.

Outcome 5 - People live well and for longer

- Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities.
- Care services focus on prevention, early intervention and physical and mental wellbeing.

Outcome 6 - A responsible, effective and efficient organisation

- The Council serves the people of Cheshire East through:
 - ensuring quality and best value for local people,
 - striving to get it right first time,
 - and acting with integrity, being open, honest and accountable and delivering on our promises.

Outcome 1

Our local communities are strong and supportive

2. The Council welcomed the initial findings of an investigation into a fire at a care complex in which 130 residents lost their homes and personal belongings. Cheshire Fire and Rescue carried out a detailed investigation of the extensively-damaged Beechmere complex, in Crewe, and while the more detailed report is expected, initial findings are that the fire was accidental. More than 100 elderly residents were evacuated safely, thanks to the swift actions of the fire service, staff at the complex and the quick thinking of local residents who helped to get people to safety. The Council's Adult Social Care, Commissioning and Housing Options teams are working with the property owners Avantage (Cheshire) and with Your Housing Group to help find long-term housing for the residents. To date, around two-thirds of the residents have been found alternative permanent homes. Avantage has indicated its intention to rebuild the complex and will work with the Council and partner organisations on the design and construction.
3. The response to the fire at Beechmere from the local community and businesses has been overwhelming. The Communities team has co-ordinated support efforts including donations of goods and bedding and volunteers. A volunteer event to celebrate the achievement of volunteers from the community has been held.
4. A Multi Faith conference took place in November with over 140 people in attendance from different communities, faith and voluntary services. A market place of commissioned services was also present. The theme of loneliness and isolation was chosen by the faith sector due to the growing concern nationally, regionally and locally. It was an opportunity to celebrate the work that the faith sector does but also for the conference to agree the priorities to start to tackle this concern.
5. The migrant population of Cheshire East has changed significantly over the last 10 years with increasing diversity and a number of migrants working and living in the area. The schools census (2017) shows that there are 102 languages spoken in Cheshire East, and the main areas of settlement are in Crewe, Macclesfield, Knutsford and Wilmslow. Community Liaison Officers who support the migrant children, families and community have recently been celebrating the work they have been doing in one of the high schools in Crewe. A band has been formed to try and tackle cohesion issues, hate crime and cultural tensions within the school. The next step is to start to role this out in another school that is experiencing similar issues.
6. 15 Neighbourhood Partnerships Action Plans have been developed following consultation with over 300 different organisations to identify a range of local priorities.
7. A Bright Idea Fund has been launched, £200,000 will be open to Residents and the Voluntary, Community and Faith Sector to apply to tackle local issues.
8. A Community Connector Pilot was launched in Macclesfield, the role is to support people with complex issues to navigate to the right levels of support with the intentions of reducing problems from escalating.

9. Through quarter 3 we have been running Operation Magpie with Cheshire police. This is a taxi test purchase operation being used to detect unlawfully plying for hire following a number of complaints. There are currently two cases where we intend to submit a file to Legal Services for further action.
10. £533,714 has been prevented in detriment for consumers through a range of Trading Standards intervention and prevention services including civil advice, securing refunds, doorstep crime rapid responses, banking protocol, scams presentations and personal visits. To date this year, offenders via prosecution have been ordered to 89 months of

imprisonment (24 months of which suspended), 300 hours community service, £11,800 in fines and 14 years directors exclusion. Financial confiscations for proceeds of crime obtained to the value of £62,000.

11. During the third quarter, the Council confirmed that our annual Pride in the Park for 2020 will return to Queen's Park in Crewe, following the Park's successful hosting back in June 2019. Our 2020 event will once again offer a whole host of family-friendly entertainment and activities, a vibrant parade, and a dedicated marketplace of LGBTQ+ organisations to help offer advice and information for guests.

Outcome 2

Cheshire East has a strong and resilient economy

12. In October, latest figures (for 2018) were published by STEAM showing a growth in the Cheshire East visitor economy from £921m (in 2017) to £963m. The value of the visitor economy in Cheshire East is on track to hit £1bn by 2020; an ambitious target set out in the Cheshire East Visitor Economy Strategy 2016-2020. The latest figures show a 77.1% increase in the value of the visitor economy to Cheshire East since the Borough came into being in 2009.
13. Overnight stays in 2018 injected £207m into the hotel industry – an increase of 3.4% on the previous year, and figures show more people are staying overnight than ever before. The economic impact of day visitors also continues to surge to £712m; an increase of 4.8% in 2018. Added to this, employment in the sector increased by 1.9% in 2018 to a record 11,780 full time equivalents.
14. During the third quarter the Council's Economic Strategy was consulted on during the period August to September. The Strategy is a five-year plan outlining the main priorities that will support inclusive and sustainable growth across Cheshire East and delivery of the Council's Corporate Plan outcomes. Consultation responses have been reviewed and used to inform the final version of the Strategy which is scheduled to return to Overview and Scrutiny Committee for consideration early in 2020 for formal adoption in the Spring.
15. The Council has completed negotiations with Peveril Securities and entered into a contract to advance the demolition of the Royal Arcade site in Crewe town centre, in readiness for a new mixed-use development which will be subject to a separate development agreement. Physical demolition works are expected to start in summer 2020.
16. Progress in refurbishing Crewe Market Hall is well underway with contractors Parkinsons on target to complete works in summer 2020, in readiness for a new operator to open and operate this important heritage building in the heart of Crewe town centre.
17. In October Cabinet approved the Macclesfield Town Centre Strategic Regeneration Framework (SRF) which sets out a clear vision, principles and key objectives for the future development and regeneration of the town centre. Articulating the Council's long-term commitment to Macclesfield, it is intended to provide the development sector with the confidence and certainty needed to bring forward investment, jobs and economic growth. Positive signs of private investment in the town centre are already occurring and this quarter has seen new town centre living schemes start on site at Georgian Mill in Park Green and Craven House in the retail core. The opening of the Picturedrome as a bustling foodhall with nine independents serving quality food and drink and reported to have had over 15,000 visitors in the first week of opening during this quarter is another key private sector investment in the town centre and a very significant boost to the town's leisure economy.
18. Additionally during this quarter, the final Shop Front Grant scheme for Phase Two in the Park Green/Lower Mill Street area was concluded with the delivery of the last of 16 completed shop front refreshes. Detailed scrutiny of prices

and specification for the Castle Street public realm improvement scheme was also undertaken with the aim of enabling start on site in spring 2020.

19. This quarter has seen the decision to develop Town Centre Vitality Plans for Alsager, Congleton, Handforth, Knutsford, Middlewich, Nantwich, Poynton, Sandbach and Wilmslow. External expert support is now being sought with a view to the first phase of work on these cross-functional action plans identifying potential actions, interventions and projects to support vitality in town centres commencing in quarter 1 2020/21.

20. With the Connecting Cheshire project having finished deployment in June, the Partnership which comprises Cheshire East, Cheshire West & Chester, Warrington and Halton Councils has passed the outline application gateway for £3m Ministry of Housing, Communities and Local Government European Regional Development funds. It is currently designing a £6m project to provide gigabit speed broadband infrastructure to around 430 small-medium sized businesses , and business support to a further 155 businesses, which if successful with its bid will be rolled out in June 2020.

Outcome 3

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

21. Capital investment to increase our in-borough provision for learners with special educational needs (SEN) continues to accelerate. We have already opened new SEN provision in Shavington Primary School (12 place resource provision) and have expanded Springfield Special School in Crewe to accommodate an extra 24 learners. Two further new provisions are well progressed and due to open late 2020; these are the new 'Axis' School in Crewe and a 40 place building to expand Park Lane Special School in Macclesfield.
22. As part of our quality assurance processes of SEN provisions across the borough, a comprehensive review of our resource provisions has recently been completed. This review highlighted the excellent work these provisions undertake on a daily basis with some of our most vulnerable learners.
23. Key school performance indicators for 2019 are now being validated against national datasets. Cheshire East continues to perform well and there are many areas of outstanding outcomes for our young people. The Council has led on a nationally funded School Improvement Programme across 39 schools directed at supporting disadvantaged learners. The outcomes of this programme have been very strong with the Department for Education (DfE) recognising the very positive work we have led on in support of our schools.
24. An initial consultation meeting has taken place to engage with Elective Home Education parents to shape the way the local authority engages with them and ensures the children receive a sufficient education.
25. The delivery model of "Cornerstone", the behaviour and early intervention provision, continues to support children at primary school age who are on the edge of exclusion. Implementing an early intervention approach to support children has resulted in no permanent exclusions across primary education.
26. Our joint focus and working together across directorates and the partnership on children missing education has resulted in a significant improvement in children attending school.
27. Identification and support for medical needs students in providing an appropriate and flexible education for students unable to attend school due to a health need is seeing children supported to reintegrate into school, alternative provision or preparation for further education/apprenticeship or training.
28. Reading Agency Regional data released during quarter 3 for library authorities in the North West (21 authorities) demonstrated that Cheshire East Libraries had:
 - Highest book issues to children age 4-12
 - Highest % of population (16.6%) age 4-12 participating in Summer Reading Challenge (SRC)
 - Highest number of pre-school children participating in Mini SRC Challenge
 - Highest number of volunteers helping with the SRC during Summer of 2019, the majority being under age of 18

Outcome 4

Cheshire East is a green and sustainable place

29. New recycling and waste collection routes and schedules took effect from 4 November and saw many residents across the borough have a change in their collection days. These changes have been necessary to achieve long term efficiencies and to prepare for the new food waste recycling service being introduced in January. Residents were thanked for their patience and assistance following recycling and waste collection day changes.
30. The Council launched a live consultation on its environmental strategy during quarter 3, setting out six ambitious priority areas following our declaration of a climate change emergency. The outputs of the consultation will be drafted into a report which will be reviewed and used to inform publication of a final strategy to support our ambitious target of being carbon neutral by 2025.
31. Cheshire East has secured funding of over £100,000 to make improvements to Congleton Park. The work at the park will be funded by £50,000 from the FCC Communities Foundation Fund, and additional funding from housing developments in Congleton and the Cheshire East Parks Development Fund. The investment will see a new range of facilities in the park and much-needed improvements to the existing toddler play area. Work on the park started during November, with an official open day of the new look park scheduled in January 2020.
32. Crewe's Queens Park has been recognised by the government as a national 'Bees Needs Champion'. The award by the department for environment, food and rural affairs (Defra) recognises the historic venue's work to help protect bees, and is in addition to the prestigious Green Flag that the park received for the fourth year and the special heritage accreditation for the third time. Queens Park's latest win comes after its 18-month campaign to grow pollen-friendly plants and establish hives within the park.
33. The Environmental Protection Team have developed an education package about air quality which has been recently delivered to years 5 & 6 at a number of primary schools. The presentation and the 'hands on' activities have received some very positive feedback and there are plans to extend this work over the coming months.
34. Flood recovery work is continuing to repair affected areas from both the July and August flood events that affected the north of the borough. In addition the Highways Service tackled a further flooding event during significant rainfall on 25 and 26 October which affected the south of the borough.
35. During the October flood event the service saw the mobilisation of our Adverse Weather Desk, which remained in operation for four days. We have attended 1,188 gullies so far in response to the October flooding in the south of the borough. Any issues that have been identified (such as gully repairs) will then be programmed and followed up. This additional gully programme will see approximately 8,950 gullies in total emptied over the coming months in the South.
36. Cheshire East Highways have recently introduced a 'mostly electric only powered site' on McLaren Street in Crewe for a

scheme that updates old footpath flags to a new flexible surface. The site will see a hybrid van using solar panels, plus an electric van, an electric digger, an electric stihl saw, leaf blower and wacker plate as well as an electric dumper. This is a great step towards becoming carbon neutral and reducing the Highways service's impact on the environment.

37. Quarter 3 saw the start of another winter season as well as the investment in a fleet of 21 new gritters which contain innovative technology making them safer, more efficient and

produce lower emissions. All of the new gritters are fitted with the latest ECON Engineering Technology and computerised systems providing the correct amount of salt to the surface at the required time. All the routes within Cheshire East are pre-programmed into each vehicle giving the driver the required directions they are required to take, reducing the stress to the driver and enabling them to concentrate on the road conditions. The gritters are also fitted with the latest Masternaut tracking technology, giving live coverage of the vehicle's data and location.

Outcome 5

People live well and for longer

38. The Inspection of the Local Authority Children's Services (ILACS) took place between 11 - 29 November 2019. The judgement given by Ofsted requires improvement. Despite the judgement Ofsted did identify a number of areas of good practice and strengths. The inspection reviewed the quality of our support to children, young people and their families at early help and prevention, child in need and child protection, cared for and care leavers services, and education for vulnerable pupils, an action plan will be in place to address the areas for improvement.
39. In quarter 3, Cheshire East was announced as one of 8 local authorities who had been successful in a bid to the DfE to establish the Mockingbird model for Foster Carers. Mockingbird is an innovative method of delivering foster care using an extended family model which provides sleepovers and short breaks, peer support, regular joint planning and training, and social activities.
40. During November we also celebrated our annual November Children's Rights Month (NCRM). The purpose of NCRM is to raise awareness of children's rights and make it clear to children and young people that we value their opinions and rights. This year's theme was all about "Going the Distance" and we pledged to children and young people how we will "Go the Distance" for them throughout 2020 and beyond.
41. On 24 November, our STAR celebration ceremony was held at Tatton Park, recognising and celebrating the achievements of our cared for children and care leavers. The ceremony is a key part of our corporate parenting strategy, and around 300 children, young people and their carers attended, along with the Mayor and members of the Corporate Parenting Committee. The theme of the event was 'Pirates and Princesses', and teams created a magical party atmosphere with activities including a treasure hunt, 'walk the plank', arts and crafts and birds of prey.
42. During quarter 3, agencies from across Cheshire East came together at an event to acknowledge White Ribbon Day, to hear and learn from those directly affected by domestic abuse. The event is an example of how the multi-agency Cheshire East Domestic Abuse and Sexual Violence Partnership wants to lead the way by offering a wide range of training for professionals, with the aim of providing support at an earlier stage, before victims reach crisis point.
43. The Council's commissioned Domestic Abuse Provider, Cheshire Without Abuse, has successfully applied for £99,000 funding from the Office of the Cheshire Police and Crime Commissioner to improve the support available to women who have had involvement in the criminal justice system. The project aims to reduce reoffending rates by addressing underlying causes of offending. The funding will provide a triage system to assess needs, a named support worker to ensure that women are able to access appropriate support as well as running peer support groups, advice clinics and wellbeing activities in Women's Centres.
44. The provider has also been successful in securing £100,000 of MHCLG funding for a Domestic Abuse Complex Accommodation Worker to expand the range of

accommodation and specialist support provision available to victims of domestic abuse, particularly those with complex needs, within the Cheshire East footprint. The service has also secured funding of £26,500 to develop and sustain new safe accommodation and refurbish existing refuges.

45. National Adoption Week 2019 took place from 14 to 20 October, and the Council supported the campaign by raising awareness to find more loving parents for children that need a loving home. The Council's regional adoption agency, Adoption Counts, understands that adoption is life changing, and is there for the adopter, every step of the way.
46. This year as part of the annual Make Your Mark Campaign 8,562 young people aged 11-18 cast 17,124 votes to say what issues and topics are most important to them. This record breaking turn out for Cheshire East saw an increase of almost 4,000 young people having their say. Young people voted the most important issue in Cheshire East to be Protect the Environment. The second most important issue in Cheshire East was Knife Crime and the third was Mental Health.
47. In November our Members of Youth Parliament went to the Houses of Commons to debate these issues and help to decide on the annual UK Youth Parliament Campaign.
48. Two Youth Support Service Awards evenings for young people took place in Cheshire East in November; one in the North; and one in the South of the borough. The purpose of these awards was to celebrate the achievements of young people in the past year within the Youth Support Service.
49. In October the eagerly awaited completion of the outdoor Alsager Sports Hub and redeveloped Alsager Leisure Centre opened for use by local Alsager residents and sports clubs.

The £5.2m investment including new all weather football and hockey pitches, grass football pitches, new gym, group cycle and fitness studios was made possible as part of a section 106 Agreement with David Wilson Homes as part of the redevelopment of the former Alsager / MMU campus for housing.

50. The Cheshire East Mental Health Partnership Board went live in December 2019 and aims to promote mental health and work with key services to improve health and wellbeing, respond effectively to the needs of people experiencing mental ill health and support people through recovery to achieve their maximum potential to lead active lives. The board will monitor progress against the agreed priorities in the Cheshire East Mental Health Strategy.
51. A new Mental Health Floating Support service went live on 1 December to provide short term floating support interventions to people over the age of 18 who need support to manage their mental health. The services provide support to help people become more independent at home, maintain their tenancies, and promote general health and wellbeing.
52. In October 2019 the new integrated Sexual Health Contract was awarded to Liverpool University Hospitals NHS Foundation Trust. The new service operates under the brand name of AXESS Sexual Health Cheshire East. It is a free contraception and sexual health service for Cheshire East residents. They offer a wide range of confidential services, including STI testing, treatment, contraception (including long-acting and emergency), pregnancy testing, PEP, and specialist young people's services. This also includes the launch of a new postal STI testing and treatment service for residents through their digital partner, SH:24 giving residents the option of quick, accessible and confidential STI testing's.

53. Cheshire East Children's services and Commissioning teams have been working jointly with Change Grow Live (CGL) the commissioned substance misuse provider to ensure that drug and alcohol services are actively engaged in child in need planning. This has resulted in improvements in practice and communication for professionals supporting families where substance misuse is a factor. Working together to improve

practice has meant that families are getting the right support and advice from specialist services at the right time. It has ensured a co-ordinated whole family approach that is focussed on improving outcomes for the children and young people.

Outcome 6

A Responsible, Effective and Efficient Organisation

54. In November the Council launched its Pre-Budget Consultation Report for 2020 to 2024. Set against a backdrop of increasing demand and rising costs, the report sets out service proposals and financial plans for the period from 1 April 2020 through to 31 March 2021. The Council invited the opinions and views from residents, businesses, councillors, staff, town and parish councils, local community groups and other stakeholders, whose feedback will be used to inform the budget setting process. The consultation ran until early January, and will be considered by full Council on 20 February 2020.
55. The Council's 'Big Conversation' staff survey took place earlier in 2019, and results in quarter 3 showed that staff are more positive about the future of the authority and feel more engaged, valued and supported in their work. More than 2,000 staff took part in the survey, with employee engagement showing a rise of almost a quarter from 55% in 2016 to 68%.
56. As would be expected in any large organisation, there are some areas where we need to improve, for example only 33% of staff thinking decisions are made at the right level. In quarter 3 the Council worked to develop action plans to identify areas for improvement and will take proactive measures to respond and implement.
57. The Estates Property Projects team have work valued at £69.3m underway on the Council's assets. £11m projects were completed including Cledford Hall Farm - Demolition. They are currently overseeing £22.4m of construction projects, half being classroom/education facility extensions. The Service has also generated £3.8m of capital receipts in the first three quarters of 2019/20; £1.7m of which were from the Farms Estate. This is just over half of the full year estimation, with only £70,000 worth of disposals slipping into the next financial year.
58. On 19 November 2019, the Council celebrated International Men's Day with an event at Nantwich Town Football Club. The event was very well attended and featured talks from both our Executive Director of Place, Frank Jordan and our Acting Director of Public Health, Dr Matt Tyrer. They were joined for the talks by Superintendent Pete Crowcroft from Cheshire Police, Gus O'Rourke from the Cheshire Fire and Rescue Service and Dr Christopher Tompkinson from BodyPositive. The six themes of the day were: role models, positive contribution, men's health, discrimination, gender relations and creating a safer and better world.

2. Financial Stability

Introduction

59. 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 increased costs, growing demand and reducing Government grant. The pressures are most intense in Children's and Adults' Social Care.
60. A full mitigation plan is in progress to address the forecast overspend and ensure that the General Reserves are protected. Given the scale of the financial pressures achieving a balanced budget position this year will be extremely challenging.
61. **Table 1** provides a service summary of financial performance at third quarter. The current forecast is that services will overspend by £6.0m in the current year. The Financial Narratives provide further details and changes to service net budgets since the mid-year review are analysed in **Appendix 1**.
62. 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

2019/20 Third Quarter Review (GROSS Revenue Budget £646.3m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / (Underspend) £m
SERVICE DIRECTORATES			
Directorate	0.9	0.3	(0.6)
Children's Social Care	37.1	40.9	3.8
Education & 14-19 Skills	14.5	14.5	-
Prevention & Early Help	8.0	7.7	(0.3)
Adult Social Care - Operations	24.8	26.4	1.6
Commissioning	85.1	85.5	0.4
Public Health	-	-	-
Public Sector Transformation	-	-	-
People	170.4	175.3	4.9
Directorate	0.7	0.7	-
Environment & Neighbourhood Services	39.5	39.6	0.1
Growth & Enterprise	20.5	20.1	(0.4)
Highways & Infrastructure	12.2	12.4	0.2
Place	72.9	72.8	(0.1)
Directorate	0.8	0.6	(0.2)
Finance & Customer Services	7.6	8.2	0.6
Governance & Compliance Services	10.0	10.4	0.4
Transformation	12.0	12.4	0.4
Corporate	30.4	31.6	1.2
Total Services Net Budget	273.7	279.7	6.0

Financial Narratives

Children's Social Care – pressure of £3.8m

63. The key pressures facing the service include:
- | | |
|---|--------|
| - Agency Care placements | £3.9m |
| - Offset by the implementation of the residential care contract | -£1.5m |
| - Additional staffing requirements | £0.4m |
| - Fostering placements | £0.5m |
| - Efficiency savings target | £0.2m |
| - Pressures on Regional Adoption Agency spend | £0.2m |
| - Commissioning contracts exceeding budget | £0.1m |
64. The service continues to take steps to manage these cost pressures. Further details are set out below.
- Agency Care placements / Delay in residential homes contract*
65. The number of cared for children is 521 at the end of December 2019. This represents an additional 37 children since the March 2019 figure of 484.
66. Most children enter care due to neglect and abuse with increasing numbers of children being made the subject of applications to the Family Courts to secure their welfare. In the period April 2019 to December 2019, 126 children and young people entered care and 89 left care as a result of special guardianship, adoption, returning home or moving to independent living.
67. A number of initiatives are being taken forward to reduce the pressures such as commissioning residential children's homes locally, providing intensive support to children in need, joining a regional adoption agency and setting up a shared fostering marketing and recruitment hub with Cheshire West,

Warrington and Halton Councils. The Council is also looking to develop a more intensive support offer for children in care to prevent placement disruption, negative impact on life choices and escalation to more expensive provision.

68. The net pressure for the placements budget is £2.3m at third quarter. There has been a delay in fully mobilising the children's residential contract. This is due to external delays with Ofsted registration. There has also been an increase in external foster placements due to a decrease in the number of mainstream foster placements and increased number of children in care.

Additional staffing requirements

69. Staffing pressures of £0.4m are being experienced within Children's Social Care teams, this includes: Permanence and Through Care due to increase in complex demand and the newly established contact team. The Director is looking into these issues and options to manage within budget.

Fostering Placements

70. The rise in the number of children in care is placing additional pressure on the fostering service. This includes more allowances and an increase in the number of Special Guardianship Orders. This is giving a pressure of £0.5m.

Efficiency savings target

71. The service has an ongoing efficiency target to deliver savings in staffing and travel which is a challenge to deliver at present. However, progress has been made since mid-year to reduce staffing pressures. This is giving a pressure of £0.2m.

Pressures on Regional Adoption Agency spend

72. The Council is working as part of a regional collaboration for adoption called "Adoption Counts". The collaboration is experiencing cost pressures from higher activity levels. These

additional costs are being shared across the partners. This is giving a pressure of £0.2m.

Commissioning contracts exceeding budget

73. Pressure on the commissioning budget of £0.1m as activity is currently exceeding budget. The service will look to deliver savings each time a contract is renewed.

Education and Skills – net nil

74. Key issues for the service relate to:
- Special Educational Needs and Disabilities – the service is being restructured to improve capacity and responsiveness. A pressure of £0.2m is being recorded as a result of the use of agency staff to cover vacant posts while the restructure is progressing.
 - Transport – the Council’s transport provider, Transport Service Solutions (TSS), is currently forecasting a balanced position which reflects the significant progress to deliver the ongoing savings plan by TSS and the Council. The Council has taken a number of steps to support TSS to deliver within the management fee, including a business process review to ensure efficiencies in back office arrangements, particularly commissioning, and the implementation of revised travel policies.
 - Catering – due to increasing costs, of food for example, the service is unable to generate additional income from schools giving a pressure of £0.1m.
 - Other areas of Education and Skills have generated a net underspend of £0.3m through vacant posts.

Dedicated Schools Grant (DSG) - Pressure of £3.7m

75. Budgets for the Council’s DSG allocation are managed within Education and Skills and Prevention and Early Help.

76. There is a forecast pressure of £3.7m against the high needs DSG block of £36.5m. Key issues for the service relate to:

- Pressures on top up funding for mainstream schools and resource provisions.
- Pressures on special provision schools, external and post 16 placements. These are recognised nationally as a pressure affecting most Councils.

77. This variance is not included as part of the revenue outturn forecast and will be met from the DSG reserve.

78. The service is working to implement a DSG high needs recovery plan to address these issues. This includes plans to enhance scrutiny, review placement costs and the basis for the local payment rates, and develop more local provision.

Prevention and Early Help – underspend of £0.3m

79. The service is forecasting a £0.3m underspend mainly as a result of vacancies being held or delays in filling senior posts following a significant reorganisation in 2018/19.

Adult Social Care, Commissioning and Public Health

80. Adult Social Care and Public Health budgets remains under continued pressure locally and across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years. These relate to meeting the needs of our most vulnerable residents in the community, those in long term care and hospital. Demand for services creates pressure in all areas which means practitioners time assessing needs, commissioners’ time targeting needs and support staff time enabling needs becomes a sometimes daily and weekly prioritisation. Sometimes we are able to offer information and advice which enables people to access the right services but on other occasions we are duty bound to provide services

which meet the eligible needs of our residents. We are commissioning new services to help care providers who are struggling to respond to request for placements, however, providing care packages remains a daily challenge.

81. Adult Social Care Commissioning have responded to this challenge by commissioning the care home and care at home market to ensure there is a more outcomes focused offer to service users and more certainty for providers. In addition to this a new flexible respite offer has been designed and implemented. They have also introduced an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors. A new substance misuse and sexual health contract has also been awarded.
82. We are seeing additional support requirements across the age spectrum. It is a source of great celebration that our population continues to live longer, but not everyone can do this without significant care and support. There are many more young people coming through transition into adulthood with many more complex needs. Equally the need for services to support our aging population continues to rise and those people of adult age have many more complex health and care needs now. This is of course all against the backdrop of our local NHS financial challenges and the interdependencies between health and social care which can be seen in our planning for winter which is our most challenging time of the year.
83. The department continues work on transforming the offer to these people who rely on Adult Social Care, Commissioning and Public Health. This is supported by some very targeted actions aimed at reducing the extent of any adverse pressure to the budget and continue to meet the needs with positive outcomes. Measures that deliver savings based on service redesign with the person always in mind whilst ensuring a

safe service is at the heart of what we are doing. A further financial risk at the present time relates to the current financial position of the Council's largest partner the local NHS who are under significant financial pressure. The Adult Social Care, Commissioning and Public Health service is reporting an overspend of £2.0m at year end against a gross budget of £174m. The forecast overspend for the People Directorate is therefore £4.9m at year end as identified in **Table 1** above. This position includes £0.5m savings for non-essential spend and capitalise costs.

Place Directorate

84. Place is reporting an underspend of £0.1m against a budget of £72.9m at third quarter review.

Environment and Neighbourhood Services

85. There are staffing savings resulting from part year vacancies in Regulatory Services and Libraries. The book fund spend has been reduced in Libraries to help with the Council's overall financial position. Income pressures exist due to the later than planned introduction of CIL, lower income from markets and pressures on diversion charges in Public Rights of Way. Also one off costs have occurred in CCTV to replace the CCTV recorders.

Growth and Enterprise

86. There are staffing savings resulting from part year vacancies in Facilities Management and Housing. Other favourable variances have occurred due to lower water and energy charges in Facilities Management. Other budget pressures exist relating to diversion charges in Public Rights of Way.

Highways and Infrastructure

87. One of the main changes from mid-year review is the financial pressure the recent flooding has caused. This totals £0.5m. To help mitigate these costs £0.2m has been released from

reserves which were allocated for winter pressures. Higher external costs have arisen across Infrastructure and Strategic Transport. However, there are staffing savings resulting from part year vacancies and maternity leave in Parking which are partially off-setting these pressures.

88. Since the quarterly budget monitoring exercise, budget managers across Place services have introduced cost control measures to further improve the financial position.

Corporate Directorate

89. The £30.4m budget for Corporate Services, which includes the Mutually Agreed Resignation Scheme (MARS) saving, and Digital savings is currently forecast to outturn at a £1.2m overspend, which is £0.1m worse than at mid-year review. The reasons for the overspend remain as being mainly due to unachievable Digital Savings of £0.8m, unachievable savings linked to the replacement of the existing Finance and HR system, Oracle £0.5m and MARS £0.3m. The change in outturn since mid-year is mainly due to a large downward shift in Legal Services forecast income and a reported overspend in ICT Strategy.
90. The Corporate Services Directorate area includes the cost of the Chief Executive and associated budgets, and the Executive Director of Corporate Services, along with the temporary three year £280,000 Corporate Services growth. Overall there has been a slight improvement with a forecast underspend of £134,000 (£116,000 at mid-year) however, there is a £146,000 overspend within the Directorate due to interim costs, and payments to a previous Chief Operating Officer leaving the authority, along with recruitment costs for the new structure. There is also a £91,000 saving relating to the Admin Review that is meant to be eliminated by savings achieved through the Corporate Services restructure. These pressures are being offset by Corporate Services temporary

growth budget that will be moved to services once the Corporate Services restructuring has been completed.

Finance & Customer Services

91. The overall forecast for Finance and Customer Services is a £0.6m overspend which is a £0.5m improvement on the £1.1m forecast at mid-year review. The majority of the overspend is attributable to the service holding £0.8m Digital savings which are unachievable and £0.2m savings linked to the implementation of Best4Business System. These pressures are partially offset by in-year staffing underspends within Finance and Procurement, and Customer Services, and an over-recovery of Housing Benefit Grant.

Transformation

92. Transformation is forecast to overspend by £0.4m (£0.3m at mid-year review). The overall Human Resources (HR) budget includes the cross-council MARS saving of £0.3m, part of savings linked to the implementation of Best4Business £0.3m and the shared Transactional Services (TSC) hosted by Cheshire West & Chester (CWaC). HR is forecast to underspend by £0.1m however the CEC HR budget is forecast to significantly underspend on departmental employees budget due to secondments, vacancies, maternity leave, and recruitment awaiting a restructure. This is offset mainly due to TSC forecasting an overspend of £0.1m. Business Change is forecast to overspend by £0.3m due to additional staffing costs at Director, Head of Service, and within the Equality & Diversity team which is being partially offset by underspends due to vacant posts in Communications and Business Intelligence, and the Project Management Office income is forecast to be under-recovered by £0.5m but this is currently being largely offset by an underspend on salaries due to vacancies as well as supplies and transport costs. ICT Strategy is forecast to overspend by £0.4m due to an increase in spend on third-party contracts

and an increased number of licences, ICT Service Delivery partially offsets this by forecasting an underspend of £0.2m split between CEC and CWaC.

Governance & Compliance

93. Governance & Compliance is forecast to overspend by £0.4m which is a £0.7m shift since mid-year review mainly due to a fall in the forecast income for Legal Services, and a fall in the underspend being forecast by Governance & Democratic Services. Legal Services is forecasting an overspend of £0.7m due unbudgeted posts and a forecast under-achievement in income. The Director of Governance & Compliance (DoG&C), is forecast to overspend by £0.1m due to a shortfall in the budget for the DoG&C post. These pressures are being partially offset by underspends in Governance & Democratic Services, and Audit & Risk.

Central Contingencies and Contributions

Table 2 – Central Budgets Forecast

2019/20 Third Quarter Review (GROSS Revenue Budget £646.3m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / Under / (Underspend) £m
CENTRAL BUDGETS			
Capital Financing	12.0	12.0	-
Transfer to/(from) Earmarked Reserves	(2.9)	(2.9)	-
Corporate Contributions / Central Budgets	(0.8)	-	0.8
Total Central Budgets	8.3	9.1	0.8

94. It is currently forecast that there will be a £0.8m overspend to budget on the central budget. This is mainly due to an expected overspend relating to a budget of £0.2m held to meet past service Employer Pension contributions for staff that have transferred to Alternative Service Delivery Vehicle companies. Budgeted transfers of £2.9m from earmarked reserves are expected to take place in-year as planned.

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

Outturn Impact

96. The impact of the projected service outturn position is to decrease balances by £6.0m as reported above (**para 61**).
97. Taken in to account with the central budget items detailed above (**para 96**), the financial impact could result in a reduction in balances of £6.8m as shown in **Table 3**.
98. To mitigate the potential impact of the current forecast overspend the Council are taking a number of actions. For example, spending on non-essential activity is being challenged and where practical will be stopped, staffing vacancies are reviewed before being filled and capital and reserves balances are being assessed. Further robust actions will be taken (shown in **Table 3**) which are expected to reduce and return the impact on balances to nil in line with the outturn achieved in recent years.

99. **Table 3 – Impact on Balances**

	£m
Service Net Budget Outturn	(6.0)
Central Budgets Outturn	(0.8)
Specific Grants Outturn	0.0
Total Impact on Balances	(6.8)
Mitigating Actions	
Application of Capital receipts from sale of shares	-2.4
Retain general reserves at £10.3m	-1.7
Further drawdown from Earmarked Reserves	-2.7
Total Mitigating Actions	(6.8)

Collecting Local Taxes for Local Expenditure

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

Council Tax

101. Council Tax is set locally and retained for spending locally. Council Tax was set for 2019/20 at £1,446.27 for a Band D property. This is applied to the taxbase.

102. 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 2019/20 was agreed at 149,517.54 which, when multiplied by the Band D charge, means that the expected income for the year is £216.2m.

103. 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 4** shows these amounts separately, giving a total budgeted collectable amount of £265.7m.

Table 4 – Cheshire East Council collects Council Tax on behalf of other precepting authorities

	£m
Cheshire East Council	216.2
Cheshire Police and Crime Commissioner	30.0
Cheshire Fire Authority	11.6
Town and Parish Councils	7.9
Total	265.7

104. 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.

105. 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 £269.8m.

106. **Table 5** shows collection rates within three years, and demonstrates that 99% collection is on target to be achieved within this period.

Table 5 – Over 99% of Council Tax is collected within three years

Financial Year	CEC Cumulative			
	2015/16	2016/17	2017/18	2018/19
	%	%	%	%
After 1 year	98.1	98.3	98.2	98.2
After 2 years	99.0	99.1	99.1	**
After 3 years	99.3	99.3	**	**

**data not yet available

- 107. The Council Tax in-year collection rate for the period up to November 2019 is 75.3%, a small decrease on the previous year which is due to residents taking up the option of 12 monthly instalments.
- 108. Council Tax support payments (including Police and Fire) were budgeted at £16.2m for 2019/20 and at the end of the November the total council tax support awarded was £15.3m. The Council Tax Support caseload has reduced since April 2014 and there have been more reductions in the Council Tax Support awards in the year than increased or new awards.
- 109. No changes were made to the Council Tax Support scheme for 2019/20. The scheme was confirmed unchanged by full Council in December 2018.
- 110. A consultation on proposed changes to the Council Tax Support scheme for 2020/21 took place over the summer with a closing date of 16 September 2019.

- 111. Council Tax discounts awarded are £24.3m which is broadly in line with the same period in 2018/19.
- 112. Council Tax exemptions awarded total £5.9m which is broadly in line with the same period in 2018/19.

Non-Domestic Rates (NDR)

- 113. 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.
- 114. The small business multiplier applied to businesses which qualify for the small business relief was set at 49.1p in 2019/20. The non-domestic multiplier was set at 50.4p in the pound for 2019/20.
- 115. 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.
- 116. **Table 6** 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 6 – Over 99% of Business Rates are collected within three years

Financial Year	CEC Cumulative			
	2015/16	2016/17	2017/18	2018/19
	%	%	%	%
After 1 year	98.1	97.7	98.3	98.5
After 2 years	99.1	99.2	99.4	**
After 3 years	99.5	99.8	**	**

**data not yet available

117. The business rates in-year collection rate for the period up to November 2019 is 73.3% which is broadly in line with previous year’s collection. Business rates collection is historically volatile due to the lower volume but higher value payment profile and the collection rate is expected to recover in future months.

3. Workforce Development

118. 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 the year 2019/20.

Culture and Values

119. Following the Local Government Association’s independent culture review in 2016 and acceptance of the report’s 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 work continues to embed the values, behaviours and employee deal across the organisation.

120. ‘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 will allow 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.

121. A full Employee Survey, The Big Conversation, took place in July 2019. The survey focused on the key elements for the Council’s vision for workplace culture: having a shared purpose, being supported and well led, being treated fairly and highly valued and succeeding together. The survey

response rate was 55 per cent and the results were encouraging. Employee engagement rose by almost a quarter from 55 per cent in 2016 to 68 per cent in 2019.

122. Work has continued to promote the ‘Made my Day’ scheme that enables staff to be recognised at every level across the Council. This year we have already surpassed the total for 2018 with 1,987 being sent up to the end of October 2019. There is strong engagement in our peer-nominated monthly and annual awards scheme – ‘Making a Difference for a Brighter Future Together’. These awards are now closely aligned our new cultural themes.

123. Wellbeing is a joint commitment within the Council’s Employee Deal. A Wellbeing roadshow was held in September for two weeks across all key sites across the Council including Cledford House in Middlewich and Goldsmith House in Chester. This event saw 596 members of staff taking part in health checks. Feedback from staff has been really positive.

Building Capability and Capacity

124. 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.

125. So far in 2019/20, 82 training courses have been offered to Cheshire East Council employees, across the Corporate Training Programme and directorate specific training plans, with 288 individual sessions taking place. 28 employees successfully secured funding approval via the Continuous Professional Development Panel for role specific development and qualifications in over the year, seeing over £16,853 investment.
126. Developing management capability at all levels has continued with 28 managers being on track to complete the Institute of Learning and Management (ILM) Level 3 and Level 5 Diploma qualifications. Following the leadership and management skills audit, development in this area continues with a new programme of leadership and management development training for all managers in place across the organisation. 138 people managers have been placed on this training to date.
127. The Workforce Development Team continues to maintain close relationships with partner universities and Further Education colleges as well as apprenticeship training providers, supporting work experience placements for career starters and changers, course required workplace placements, apprenticeships, graduate schemes and mentoring opportunities for young people. All employees and apprentices receive up to date training through quality assured processes and methods including internal and external training, e-learning and wider Continuous Professional Development opportunities to ensure they surpass expectations of external verification and examination boards, and feel fully supported throughout all stages of their career.

Resourcing and Talent

128. The Council continues to support work placements at all levels with 25 social work students undertaking placements within Children's or Adults social work teams, six undergraduate placements planned across the organisation through a joint placement scheme with a partner university and numerous work experience placements organised for school students.
129. The apprenticeship scheme continues to grow with 135 apprentices undertaking work-based learning across the Council. Of this figure, 106 are existing staff taking up the opportunity to develop their skills through the apprenticeship scheme.

Education HR Consultancy

130. Full Safer Recruitment training as well as an abridged refresher version has been delivered. Both have been well attended and well received with sufficient demand to deliver both versions again during the 2019/20 academic year.

Health and Safety

131. Work continues on supporting Council departments, ASDVs and Schools in Health and Safety compliance.

Staffing Changes

132. As shown in the table overleaf, Cheshire East Council's overall headcount and number of full time equivalent employees has increased in line with service demand between the end of quarter 1 and quarter 2 (at 30 September). This included the transfer of 18 staff from ASDV's to Growth and Enterprise as the services moved back in-house.

Table 7: Cheshire East Council Employee Headcount and FTE Figures

Executive Directorate & Service	Employee Headcount June 2019	Employee Headcount Sept 2019	Employee FTE June 2019	Employee FTE Sept 2019
Corporate	604	603	553.5	550.8
Audit	9	9	7.6	7.6
B4B / Business Development	10	10	8.4	8.4
Business Management	14	12	13.2	11.4
Communications & Media	10	10	9.9	9.9
Customer Services	95	94	84.0	82.6
Finance & Performance	103	101	100.9	98.4
Human Resources	39	40	35.7	36.6
ICT	183	182	177.4	176.0
Legal Services	124	127	100.1	102.3
Procurement	14	13	13.5	12.6
People	2,156	2,167	1,608.4	1,622.3
Adult Social Care & Health	1,003	1,005	794.1	803.8
Children's Services	1,084	1,090	747.3	749.2
People Commissioning	61	67	59.0	64.3
Place	793	822	604.8	626.9
Growth & Regeneration	192	211	151.5	167.4
Infrastructure & Highways	52	55	48.4	50.4
Planning & Sustainable Development	381	387	305.7	310.3
Rural & Cultural Economy	165	165	96.2	94.9
Cheshire East Council Total	3,554*	3,593*	2,767.7*	2,801.0*

***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

133. Agency workers are a valuable component of the Council's workforce, 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. The table below provides a summary of active agency worker assignments for quarters 1 and 2, together with agency worker assignments as a percentage of all active Cheshire East assignments over the period.

Table 8: Active agency worker assignments

	Active Assignments on 01.07.19	Active Assignments on 30.09.19	% of all Workforce Assignments on 01.07.19	% of all Workforce Assignments on 30.09.19
People	53	87	2.4	3.8
Corporate	66	89	9.9	12.9
Place	4	4	0.5	0.5
Total	123	180	3.3	4.7

134. The overall number of active agency assignments has increased by 57 during the second quarter of 2019/20, due to a net increase of 34 new assignments in the People directorate and 23 in Corporate. Services with the highest increase during this period were Adult Social Care & Health, Children's Services and ICT.

135. There is a drive across the Council to review agency assignments to manage their use and, where appropriate, consider recruiting directly employed staff.

Absence

136. The table below shows the number of days lost per FTE employee during the second quarter of 2019/20, in comparison with the second quarter of previous financial years. The current figure of 5.13 days lost at the end of September is higher than the figure for the same period in 2018/19 but lower than in the previous three financial years.

Table 9: Days lost to sickness absence per FTE employee

Cheshire East Council (excluding Schools)	2015/16	2016/17	2017/18	2018/19	2019/20
Q2 Absence	5.58	5.19	5.21	4.89	5.13

Voluntary Redundancies

137. The Council's voluntary redundancy scheme continues to support organisational change and the delivery of the planned programme of change in the Council Plan. The effective use of voluntary redundancy in this way 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. Four employees left on grounds of voluntary redundancy during quarters 1 and 2.

Appendices to Third Quarter Review (FINANCE) 2019/20

February 2020

Appendix 1

Changes to Revenue Budget 2019/20 since Mid-Year Review

	Mid Year Net Budget £000	Additional Grant Funding £000	Restructuring & Third Quarter Realignments £000	Net Budget £000
PEOPLE				
Directorate	883	-	1	884
Adult Social Care Operations	24,773	-	7	24,780
Children's Social Care	35,730	-	1,389	37,119
Commissioning	86,576	2	(1,454)	85,124
Education & 14-19 Skills	14,426	-	43	14,469
Prevention & Early Help	8,507	61	(512)	8,056
Public Health	-	-	-	-
Public Sector Transformation	-	-	-	-
	170,895	63	(526)	170,432
PLACE				
Directorate	674	-	(11)	663
Environment & Neighbourhood Services	39,306	83	65	39,454
Growth & Enterprise	20,601	-	(68)	20,533
Highways & Infrastructure	12,240	-	15	12,255
	72,821	83	1	72,905
CORPORATE				
Directorate	674	-	103	777
Finance & Customer Services	7,576	-	-	7,576
Governance and Compliance Services	9,912	105	(20)	9,997
Transformation	12,072	-	(25)	12,047
	30,234	105	58	30,397
TOTAL SERVICE BUDGET	273,950	251	(467)	273,734

	Mid Year Net Budget £000	Additional Grant Funding £000	Restructuring & Third Quarter Realignments £000	Net Budget £000
CENTRAL BUDGETS				
Capital Financing	12,000	-	-	12,000
Corporate Contributions	(837)	-	-	(837)
Contribution to / from Reserves	(2,897)	-	-	(2,897)
	8,266	-	-	8,266
TOTAL BUDGET	282,216	251	(467)	282,000
CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(47,977)	-	-	(47,977)
Specific Grants	(15,900)	(251)	467	(15,684)
Council Tax	(216,243)	-	-	(216,243)
Sourced from Collection Fund	(2,096)	-	-	(2,096)
TOTAL CENTRAL BUDGETS FUNDING	(282,216)	(251)	467	(282,000)
FUNDING POSITION	-	-	-	-

Note: £1.448m Children's Contracts budget has transferred from Commissioning to Childrens Social Care.

Appendix 2 shows the £0.251m request for additional funding at Third Quarter. Also a request to transfer £0.467m tackling troubled families grant and reserve budget from Specific Grants to Prevention and Early Help.

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 2019/20 was £264.6m.
2. In 2019/20 Cheshire East Council's specific use grants held within the services was budgeted to be £249.7m based on Government announcements to February 2019. This figure was revised down at mid-year to £244.9m (a decrease of £4.8m). At third quarter, this figure was revised down again to £237.0m (a decrease of £7.9m).
3. The decrease at third quarter relates to a reduction in Housing Benefit Subsidy and Discretionary Housing Payment grant. Both of these grants recompense the authority for monies which have been paid out to housing benefit claimants and therefore there is a corresponding reduction, the net effect of which is nil.
4. Following a successful application to the Department for Education (DfE), a new grant award of £0.1m was announced in respect of the Supporting Families; Investing in Practice programme, which supports the implementation of the Mockingbird Family Model.
5. Spending in relation to specific use grants must be in line with the purpose for which it is provided.
6. General purpose grants were budgeted to be £14.9m. At mid-year review, this figure was revised up to £24.0m. Further in-year grant announcements have seen a further increase to £24.1m.
7. Additional general purpose grants of £0.4m have been received during the third quarter of 2019/20. These include an additional £0.2m in respect of Business Rates Additional Growth Pilot, and a further £0.1m for Local Authority EU Exit Preparation. Requests for the allocation of the additional grants received are detailed in **Table 1**.
8. A budget transfer of £0.3m from unring-fenced grants held centrally for Tackling Troubled Families is requested in **Table 1**. This grant has been identified as 'specific' and should be held in the relevant service area. In addition there is also a request to transfer the reserve budget which relates to this grant received in 2018/19.
9. **Table 2** below provides a summary of the updated budget position for grants in 2019/20 by type and service. Further details of grants are shown in **Table 3** Corporate Grants Register.

Table 1 – Requests for Allocation of Additional Grant Funding

Service	Type of Grant	£000	Details
People – Children & Families	Extension of the role of Virtual School Heads (General Purpose)	61	<p>The Children and Social Work Act 2017 amended the Children Act 1989 to introduce a new duty on local authorities to promote the education of certain previously looked-after children, including appointing an officer (commonly known as a Virtual School Head) to discharge this duty through the provision of information and advice to relevant parties supporting the education of those children. This duty came into force on 1 September 2018.</p> <p>The purpose of this grant is to provide support to local authorities in England, to help them meet their duty to appoint a Virtual School Head for previously looked-after children and make information and advice available for the purposes of promoting the education of eligible previously looked-after children.</p>
Place	Neighbourhood Planning Grant for Local Planning Authorities (General Purpose)	80	The conditions of grant mean that this funding could be used across the wider Spatial Planning area.
Place	Tobacco Products Directive and Age of Sale Grant - New Burdens (General Purpose)	3	The funding is for supporting the implementation of the revised Tobacco Product Directive (TPD) and Age of Sale – Nicotine Inhaling Product (NIP) Legislation (vaping products) which is a Trading Standards function.

Service	Type of Grant	£000	Details
People – Adult Social Care & Independent Living	Local Reform and Community Voices, Social Care in Prisons and War Pensions Disregard (General Purpose)		<p>Originally budgeted at £340,000. Final allocations for 2019/20 have come in at £342,327 requiring the following adjustments.</p> <p>Local Reform and Community Voices</p> <p>1 Local authorities have a duty under the Local Government and Public Involvement in Health Act 2007 (as amended by the Health and Social Care Act 2012) to ensure that an effective local Healthwatch is operating in their area, delivering the activities set out in the legislation. The Local Reform and Community Voices grant provides one element of the non-ring fenced funding provided for local Healthwatch, with the larger proportion having been rolled into the local government settlement in 2011/12.</p> <p>Social Care in Prisons</p> <p>3 The Care Act establishes that the local authority in which a prison, approved premises or bail accommodation is based will be responsible for assessing and meeting the care and support needs of the offenders residing there.</p> <p>The provision of care and support for those in custodial settings is based on the principle of equivalence to provision in the community. The Act clarifies the application of Part 1 for people in custodial settings, including aspects which do not apply.</p> <p>War Pensions Disregard</p> <p>-2 The Department of Health and Social Care consulted in November 2016 about the allocation of new funding to disregard (for the purposes of social care charging) all payments made under the War Pension Scheme with the exception of Constant Attendance Allowance. The consultation response was published in February 2017.</p>

Service	Type of Grant	£000	Details
Corporate	Local Authority EU Exit Preparation (General Purpose)	105	The grant to date has been spent on Business Change and risk management, and in relation to Brexit / EU planning. The additional grant is to be spent on a risk management system, employment of a communications manager, and ancillary budget and training for trading staff to increase resilience in the service due to increased pressures to respond during Brexit.
Total Allocation 2019/20		251	
People – Children & Families	Tackling Troubled Families (Specific)	(295) (172)	Transfer grant budget for Tackling Troubled Families from Central Grants to Prevention and Early Help service. Transfer of reserve budget relating to Tackling Troubled Families Grant received in 2018/19.
Virement transfer from Central Budget to Service		(467)	

Table 2 - Summary of Grants

	Revised Forecast MYR 2019/20 £m	Revised Forecast TQR 2019/20 £m	Change from MYR 2019/20 £000
SPECIFIC USE			
Held within Services	244.9	237.0	(7.9)
GENERAL PURPOSE			
<u>Service Funding</u>			
People - Childrens & Families	0.6	0.4	(0.2)
People - Adult Social Care and Health	3.7	3.7	0.0
Place	0.1	0.1	0.0
Corporate - Customer Operations	1.6	1.6	0.0
Corporate	9.6	9.7	0.1
Central Items	8.4	8.6	0.2
TOTAL GENERAL PURPOSE	24.0	24.1	0.1
TOTAL GRANT FUNDING	268.9	261.1	(7.8)

Table 3 – Corporate Grants Register

Corporate Grants Register 2019/20		Revised Forecast MYR 2019/20 £000	Revised Forecast TQR 2019/20 £000	Change from MYR 2019/20 £000	Treatment of Grant Notes 2 & 3
	<i>Note</i>				
SPECIFIC USE (Held within Services)					
PEOPLE					
Schools	1	144,216	144,800	584	
Children & Families		1,675	2,340	665	
Adult Social Care		12,690	12,690	0	
Public Health		15,967	15,967	0	
Public Sector Transformation		410	410	0	
Total		174,958	176,207	1,249	
PLACE					
Growth and Regeneration		652	652	0	
Planning and Sustainable Development		300	0	(300)	
Directorate		787	819	32	
Total		1,739	1,471	(268)	
CORPORATE					
Customer Operations		68,211	59,329	(8,882)	
Total		68,211	59,329	(8,882)	
TOTAL SPECIFIC USE		244,908	237,007	(7,901)	

Corporate Grants Register 2019/20

	Revised Forecast MYR 2019/20 £000	Revised Forecast TQR 2019/20 £000	Change from MYR 2019/20 £000	Treatment of Grant Notes 2 & 3
<i>Note</i>				
People - Children and Families				
Tackling Troubled Families	295	0	(295)	Transfer
Staying Put Implementation Grant	117	117	0	
Extended Rights to Free Transport (Home to School Transport)	162	162	0	
Extended Personal Adviser Duty Implementation	28	28	0	
Extension of the role of Virtual School Heads	0	61	61	SRE
People - Adult Social Care and Health				
Social Care Support Grant	2,478	2,478	0	
Independent Living Fund	861	861	0	
Local Reform and Community Voices	207	208	1	SRE
Social Care in Prisons	73	76	3	SRE
War Pension Scheme Disregard	60	58	(2)	SRE
Controlling Migration Fund	21	21	0	
Place				
Lead Local Flood Authorities	16	16	0	
Neighbourhood Planning Grant for Local Planning Authorities	0	80	80	SRE
Homelessness Reduction Act - new burdens	47	47	0	
Tobacco Products Directive and Age of Sale Grant - New Burdens	0	3	3	SRE

Corporate Grants Register 2019/20	Revised Forecast MYR 2019/20 £000	Revised Forecast TQR 2019/20 £000	Change from MYR 2019/20 £000	Treatment of Grant Notes 2 & 3
<i>Note</i>				
Corporate - Customer Operations				
Housing Benefit and Council Tax Administration	1,027	1,027	0	
NNDR Administration Allowance	571	571	0	
Corporate				
New Homes Bonus	9,328	9,328	0	
Individual Electoral Registration 2019/20	142	142	0	
Local Authority EU Exit Preparation	105	210	105	SRE
Retail Discount	9	9	0	
Central Items				
Business Rates Additional Growth Pilot for 2017/18	0	148	148	Reserves
Business Rates Relief: Additional Growth Pilot for 2019/20	0	15	15	Reserves
Business Rates 2019/20 Tax Loss Compensation Payment	4,841	4,841	0	
Business Rates 2019/20 Tax Loss Compensation Payment	3,573	3,573	0	
Total Service Funding	23,961	24,080	119	
TOTAL GENERAL PURPOSE	23,961	24,080	119	
TOTAL GRANT FUNDING	268,869	261,087	(7,782)	

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 Reserves - The grant funding will be transferred to reserves at year end.

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 £959,000 since the end of July 2019.
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 2018/19 the team collected £2.4m on behalf of services.
5. After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of November 2019 was £8.4m.
6. The total amount of service debt over six months old is £4.7m; provision of £5.5m 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	Debt Provision £000
People			
Adults, Public Health and Communities	5,055	3,043	3,859
Children's Social Care (Incl. Directorate)	137	72	72
Education and 14-19 Skills	123	2	2
Prevention and Early Help	44	11	11
Schools	99	10	10
Place			
Highways and Infrastructure	1,788	976	976
Growth and Enterprise	721	270	270
Environment and Neighbourhood Services	441	264	264
Corporate			
Finance and Customer Services	9	9	9
Governance and Compliance	1	-	-
Transformation	28	8	8
	8,446	4,665	5,481

Appendix 4

Capital Strategy

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Table 1: Financial Parameters for 2019/20 to 2021/22

Parameter	Value (£m)			Notes
	2019/20	2020/21	2021/22	
Repayment of Borrowing				
Minimum Revenue Provision*	9.7	11.0	13.3	
External Loan Interest	4.5	5.1	4.8	
Investment Income	(1.0)	(0.9)	(0.9)	
Contributions from Services Revenue Budgets	(1.4)	(2.1)	(2.2)	
Total Capital Financing Costs	11.8	13.1	15.0	
Use of Financing EMR	(0.0)	(1.1)	(1.0)	
Actual CFB in MTFS	11.8	12.0	14.0	
*Capital Receipts targets	7.2	3.0	3.0	
Flexible use of Capital Receipts	2.0	1.0	0	

* CFB – Capital Finance Budget

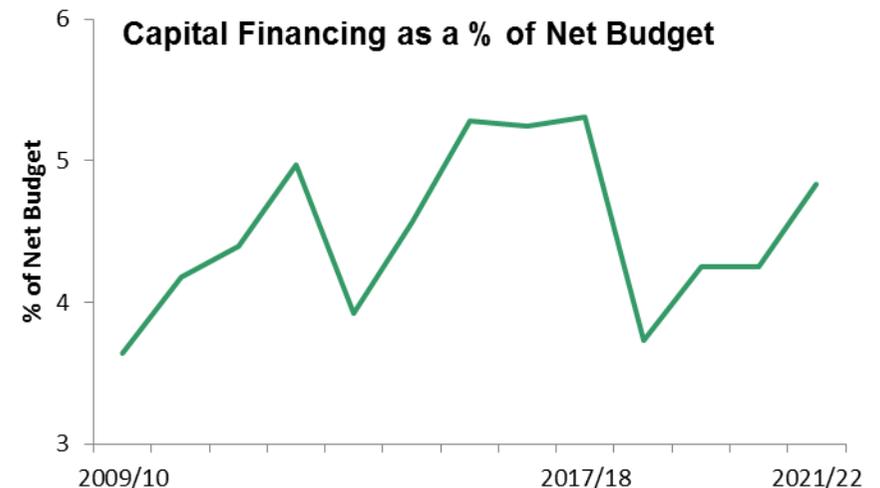
**Anticipated MRP based on achieving capital receipts targets

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 the Medium Term Financial Strategy report which is elsewhere on the agenda. 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 £5.6m over the next three financial years to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £2.7m contribution from schools towards the schools transformation programme; £1.4m from Highways Street Lighting for the upgrade to LED lighting; and £0.2m from ESAR for the improvements to the Council's leisure facilities.

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 £2.1m from the Financing Earmarked Reserve for the period 2019/20 to 2021/22.

Capital Programme – Third Quarter Review Position

1.13 Since the Medium Term Financial Strategy was approved in February 2019 the Capital Programme has only increased by £1.0m since the mid year review position for the next three year period.

1.14 The most notable changes have been an increase of £0.2m for the continuing environmental work required at Malkins

Bank Golf Course and the purchase of two residential properties to house homeless families within the borough for £0.166m. There has also been a £0.4m supplementary capital estimate request funded by a revenue contribution for an electronic call monitoring system within Adults Social Care. The remaining increase relates to a number of fully funded S106 schemes. **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
	2019/22	2019/22	2019/22	2019/22	2019/22	2019/22
	£m	£m	£m	£m		£m
People Directorate	47.2	-	-	-	0.4	47.6
Place Directorate	445.3	0.8	0.2	(0.2)		446.1
Corporate Directorate	60.5	(0.2)				60.3
	553.0	0.6	0.2	(0.2)	0.4	554.0

1.15 There was one transfer from the addendum of £0.2m for the replacement of the Planning and Regulatory Services ICT system. There was also one transfer from the main programme back on to the addendum totalling £0.1m which relate to the Sustainable Towns Programme and there was a reduction of £11.8m from the Addendum for the Archives Project that only leaves Cheshire East Council’s contribution to the project. This project is being hosted by Cheshire West and Chester Council and therefore the total budget costs sits within their capital programme. These changes are shown in **Annex F**.

1.16 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**.

1.17 **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.

1.18 **Annex C** details requests of Supplementary Capital Estimates (SCE) up to and including £1,000,000 and Capital Virements up to and including £5,000,000 to be approved by Cabinet. The most notable virement is for £1.9m where we have agreed with the project manager to combine the Minor works maintenance budget with the Facilities Management Capital Premises budget.

1.19 **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.

1.20 **Table 3** shows the revised Addendum programme with the changes mentioned in paragraph 1.15.

Table 3 - Addendum 2019/20 - 2021/22				
	Budget 2019/20	Budget 2020/21	Budget 2021/22	Total Budget 2019-22
	£000	£000	£000	£000
Addendum				
People	0	1,161	0	1,161
Place	0	41,118	353,756	394,874
Corporate	2,025	3,008	3,683	8,716
Total Addendum	2,025	45,287	357,439	404,751

1.21 **Annex F** shows the movements from and to the Capital Addendum since the Medium Term Financial Strategy was approved in February 2019.

Annex A: Third Quarter Review Update

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2019/20 - 2021/22

	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Total Forecast 2019-22 £000
Committed Schemes - In Progress				
People	9,198	11,992	3,238	24,428
Place	99,658	70,555	121,693	291,906
Corporate	9,341	17,082	33,831	60,254
Total Committed Schemes - In Progress	118,197	99,629	158,762	376,588

CAPITAL PROGRAMME 2019/20 - 2021/22

	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Total Forecast 2019-22 £000
New Schemes				
People	2,442	12,245	8,490	23,177
Place	12,054	52,773	89,681	154,508
Corporate	20	0	0	20
Total New Schemes	14,516	65,018	98,171	177,705
Total	132,713	164,647	256,933	554,293

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2019/20 - 2021/22

Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000	Total Forecast 2019-22 £000
-----------------------------	-----------------------------	-----------------------------	-----------------------------------

Funding Requirement

Indicative Funding Analysis: (See note 1)

Government Grants	64,390	84,229	102,250	250,869
External Contributions	10,975	16,617	50,938	78,530
Revenue Contributions	1,096	962	0	2,058
Capital Receipts	7,200	3,000	3,000	13,200
Prudential Borrowing (See note 2)	49,052	59,839	100,745	209,636
Total	132,713	164,647	256,933	554,293

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 2019-22 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			
People - Adults, Public Health and Communities	Electronic Calling System	389,000	This project is to procure a new call monitoring system for care workers to log their home visits. This is funded by a revenue contribution that was set aside in 2018/19 for this purpose.
Place - Growth and Enterprise	Premises Capital (FM)	1,000	Budget increase due to Communities Team revenue contribution towards a new water boiler fitted in the Senior Citizens Hall.
Place - Client Commissioning Leisure	Alsager Leisure Centre Gym Conversion	1,836	Interest received on S106 funding to be applied as a contribution towards additional project works.
Total Supplementary Capital Estimates Requested		391,836	

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			
Place - Growth and Enterprise	Septic Tanks	36,283	To amalgamate the residual budget against the North Rode Septic Tank project into the new programme.
Place - Highways and Infrastructure (inc Car Parking)	Sustainable Modes of Travel to Schools Strategy (SMOTSS)	150,000	It has been our intention from the beginning of the year to move £150k from "Available Walking Routes" to "Sustainable Modes of Travel to School (SMOTS)". For SMOTS we have committed at senior management and Member level to deliver on last year's allocation / carry forward (£150k), as well as the new allocation this year (£150k) - resulting in a £300k SMOTS programme. Funded by Department for Transport LTP grant.
Place - Highways and Infrastructure (inc Car Parking)	North-West Crewe Package	11,163	Virement from "Heritage Buildings - Silk Heritage" project which has no more capital costs.
Place - Highways and Infrastructure (inc Car Parking)	North-West Crewe Package	13,594	Virement from "Bollington Bridge" project which is now complete.
Place - Highways and Infrastructure (inc Car Parking)	Local Area Programme	50,000	The Verge Hardening trials paper and methodology has recently been approved by the Portfolio Holder for Highways and Waste, Cllr Brian Stockton. The two trials are now being programmed for delivery under task order C19 06 and it is proposed to fund them from the highways client budget (Highways Contract Team Programme Delivery 40HTCAP-E12CH001). This will require a virement of £50k from this budget to Task Order C19 06 (40HTCAP-CH00001).
Place - Highways and Infrastructure (inc Car Parking)	Car Parking Improvements	10,329	Historically we have had a separate project for Residents Parkings Schemes, which are ad hoc in their nature, depending on demand. This is to vire the remaining budget of £10k in to the general Car Parking Improvements scheme.
Place - Environment Neighbourhood	Next Generation - Self Service	17,687	Virement from Sustainable Libraries Fund of the residual budget, this will still be used for the plastering & finishing off to complete at Handforth library.
Place Client Commissioning - Environmental	Robin Lane Park Improvements	18,838	Virement from Parks Development to part fund improvements at Robin Lane Park, Lyme Green, Macclesfield
Place Client Commissioning - Environmental	Congleton Park Play Area Improvements	8,012	Virement from Parks Development to part fund improvements at Congleton Park Play Area
Place Client Commissioning - Environmental	Parks Development Fund	34,323	Virement from Fountain Fields Redevelopment project, which is now complete, to Parks Development Fund.
Place Client Commissioning - Environmental	King George V Skate Park	10	Virement from Fountain Fields Redevelopment project, which is now complete, to King George V Skate Park.
Place Client Commissioning - Environmental	Restoration of South Park Lake	1,006	Virement from Fountain Fields Redevelopment project, which is now complete, to Restoration of South Park Lake.
Total Capital Budget Virements Approved		351,245	
Total Supplementary Capital Estimates and Virements		743,081	

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

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Capital Budget Virements above £1,000,000 up to and including £5,000,000			
Place - Growth and Enterprise	Premises Capital (FM)	1,909,959	To amalgamate the Minor Works and Premises Capital (FM) budgets per Capital Challenge meetings
Total Capital Budget Virements Requested		1,909,959	
Total Supplementary Capital Estimates and Virements		1,909,959	

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

There are no requests for supplementary capital estimates over £1m or capital virements over £5m at the third quarter review.

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				
People - Education and 14-19 Skills	Devolved Formula Capital	6,545,826	6,535,826	(10,000) Adjust block allocation for darwdown of Devolved Formula Capital applied to Capital expenditure in 2018/19.
S278s				
Place - Highways and Infrastructure (inc Car Parking)	Main Road, Shavington	3,000	2,221	(779) S278 - Project now complete and the remaining fees £779 refunded to the developer.
Place - Highways and Infrastructure (inc Car Parking)	S278 Winlowe Crt, Macclesfield	4,000	1,998	(2,002) S278 - Project now complete and the remaining fees £2,002 refunded to the developer.
Place - Highways and Infrastructure (inc Car Parking)	S278 Flag Lane Link (Redrow)M	44,771	40,557	(4,214) S278 - Project now complete and the final certificate issued.
Place - Highways and Infrastructure (inc Car Parking)	Former Moss Inn, Congleton	4,000	2,496	(1,504) S278 - Project now complete and the remaining fees £2,003.89 refunded to the developer.
Place - Highways and Infrastructure (inc Car Parking)	Basford West, Crewe TRO's	15,000	5,341	(9,659) Works complete
Place - Highways and Infrastructure (inc Car Parking)	Portland Dr, Scholar Gr Ped X	85,459	81,874	(3,585) Works complete
Place - Highways and Infrastructure (inc Car Parking)	Gresty Rd, Crewe Ped Refuge	52,000	28,638	(23,362) Works complete
Place - Highways and Infrastructure (inc Car Parking)	London Rd, Sandbach Ped Cross	70,000	64,058	(5,942) Works complete
Place - Highways and Infrastructure (inc Car Parking)	S106 Hassall Rd, Sandbach	20,000	15,891	(4,109) Works complete
Place - Highways and Infrastructure (inc Car Parking)	Elworth PS Footpath Upgrade	95,000	29,438	(65,562) Works complete
Place - Client Commissioning Environmental	Fountain Fields Redevelopment	273,254	272,744	(510) Project is now complete and can be finally closed.
Place - Client Commissioning Leisure	Cumberland 3G replacement	250,000	196,426	(53,574) Project is now complete and can be finally closed.
Total Capital Budget Reductions		7,462,310	7,277,508	(184,802)

Annex F: Transfers from and to the Capital Addendum

Service	Capital Scheme	Amount Transferred Third Quarter £	Amount Transferred Outturn £	Reason / Comment
Budgets Transferred from the Addendum to the Main Capital Programme				
Client Commissioning - Leisure				
Place - Environment Neighbourhood	Replacement Planning & Regulatory Services ICT Systems	(203,000)		This was transferred to the current programme in 2018/19 for Agile APAS Planning System
Total Budgets Transferred to Main Capital Programme		(203,000)	-	
Capital Budgets transferred from the Main capital Programme to the Addendum				
Place - Growth and Enterprise	Sustainable Towns (Regeneration & Development)	109,123		Transferred to Addendum and re-named Town Centre Vitality Programme, awaiting High Level Business Case.
Total Capital Budget Transferred to the Addendum		109,123	-	
Capital Budgets removed from the Addendum				
Place - Growth and Enterprise	Archives	(11,830,000)		It is only necessary to retain the Cheshire East element of this budget which is in the region of £6.443m for the delivery of the project stage.
Total Capital Budget Removed from the Addendum		(11,830,000)	-	
Net Change to the Addendum		(11,923,877)	-	

Appendix 5

Treasury Management Strategy

Treasury Management Report

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1. Background

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 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 In carrying out treasury operations the Council has regard to the advice received from its appointed Treasury Management advisors, Arlingclose Ltd. The current contract for advice expires on 31 December 2020.
- 1.4 Investments held for service purposes or for commercial profit are considered in the Investment Report (see **Appendix 6**).

2. External Context

- 1.5 **Economic background:** At the time of preparing this report the country is preparing for a General Election, the outcome of which could have a major impact on the progress or otherwise of the European Union Withdrawal Agreement and the direction of the UK economy. Markets like certainty but the lack of consensus on Brexit, the possibility of political change and even another referendum makes for an uncertain economic background.
- 1.6 The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. There appears to be no near-term resolution to the trade dispute with China which the US seems comfortable exacerbating further.
- 1.7 The UK economy has displayed a marked slowdown in growth due to both Brexit and the downturn in the global economy. In response, global and UK interest rate expectations have eased dramatically.
- 1.8 While the potential for divergent paths for UK monetary policy remain in the event of agreeing the EU withdrawal agreement, the weaker external environment severely limits potential upside movement in bank rate, while the slowing UK economy will place pressure on the Monetary Policy Committee (MPC) to loosen monetary policy.

- 1.9 Inflation has declined in the last few months but still remains around target. Tightness in the labour market increases the medium term risk for higher inflation but slower global growth reduces the prospect of externally driven inflationary pressure, although political turmoil could push up oil prices.
- 1.10 **Financial Markets:** After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.
- 1.11 Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. The 1-month, 3-month and 12-month LIBID (London Interbank Bid)

rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

- 1.12 Recent activity in the bond markets and Public Works Loan Board (PWLB) interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market.
- 1.13 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Annex A**.

3. Local Context

- 1.14 As at 31 October 2019 the Authority has borrowings of £156m and investments of £32m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast

	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
General Fund CFR	304	330	379	435	485
Less: Other long-term liabilities *	(26)	(26)	(23)	(21)	(21)
Loans CFR	278	304	356	414	464
Less: External borrowing **	(170)	(158)	(109)	(80)	(78)
Internal (over) borrowing	108	146	247	334	386
Less: Usable reserves	(97)	(112)	(93)	(92)	(90)
Less: Working capital	(67)	(86)	(80)	(75)	(73)
Investments (or New borrowing)	56	52	(74)	(167)	(223)

* 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

1.15 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.

1.16 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £106m over the forecast period 2019/20 to 2021/22.

1.17 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 2019/20.

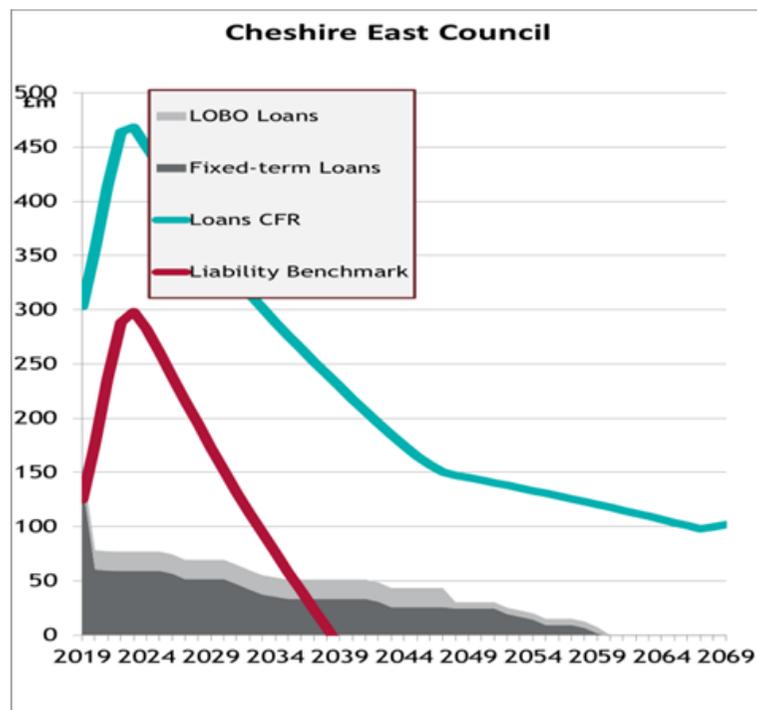
1.18 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1, but that cash and investment balances are kept to a minimum level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

Table 2: Liability Benchmark

	31/03/18 Actual £m	31/03/19 Actual £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Loans CFR	278	304	356	414	464
Less: Usable reserves	(97)	(112)	(93)	(92)	(90)
Less: Working capital	(67)	(86)	(80)	(75)	(73)
Plus: Minimum investments	10	10	20	20	20
Liability Benchmark	124	116	203	267	321

1.19 Following on from the medium-term forecasts in **Table 2**, 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

1.20 The Authority currently holds loans of £132m, a decrease of £26m since 31 March 2019 but this will increase to a higher level, currently forecast as £177m at 31 March 2020. PWLB debt has been reducing by £6m per year whilst cash flow shortfalls caused by internal borrowing and prepayment of the pension fund deficit is being funded through cheaper short term borrowing.

Table 3 – Current Temporary Borrowing

Lender	Start	Maturity	Rate %	£m
Tameside	05/03/19	05/05/20	1.15	5.0
Derbyshire	15/03/19	24/04/20	1.20	10.0
Lincolnshire	15/03/19	15/04/20	1.15	5.0
West Midlands Combined Authority	29/08/19	15/11/19	0.72	3.0
Tyne & Wear Pension	06/09/19	06/12/19	0.64	5.0
Wokingham	11/09/19	10/09/21	0.90	5.0
Redditch	10/09/19	15/11/19	0.62	2.0
Southampton	24/10/19	21/02/20	0.77	5.0
Middlebrough Tees Pension	28/10/19	04/12/19	0.69	5.0
TOTAL				45.0

1.21 At the moment this is being met by temporary borrowing from other Local Authorities which is considerably cheaper than other sources of borrowing. Generally this is on a one to three month basis but with some extending into 2020/21 and 2021/22 to keep within maturity profile limits and mitigate interest rate risks. The cost (including fees) to 31 October 2019 is around 0.97%. If the predicted interest environment changes or the availability of temporary borrowing reduces then this strategy will be re-assessed. A full list of current temporary borrowings is shown above in **Table 3**.

1.22 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBO's have options during 2019/20, 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

1.23 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 £11m currently invested strategically in managed funds, the investments are generally short term for liquidity purposes. However, in July investment balances were higher than expected rising to £59m following the receipt of grant funding for Highways capital schemes. The level has since dropped to £32m and is forecast to remain around this level for the remainder of 2019/20.

1.24 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.

1.25 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.

1.26 During October the Council has exceeded its limit for unsecured investments with Santander UK Bank with £8.5m invested in notice accounts which is in excess of the limit by £2.5m. This position is rectified in November and arose as there are separate accounts in use with different terms. This situation should not arise again.

1.27 Treasury Management income to 31 October 2019 is £370,000 which is higher than the budgeted £257,000. Offsetting this are increased borrowing costs (currently

£113,000 higher than budget). The level of cash balances is expected to fall from January 2020 in line with normal Local Authority cash flows which results in a continued need to borrow.

- The average daily investment balance including managed funds up to 31 October 2019 is £29.7m
- The average annualized interest rate received on in-house investments during 2019/20 is 0.78%
- The average annualized interest rate received on the externally managed funds during 2019/20 is 4.88%

1.28 The Authority’s total average interest rate on all investments in 2019/20 is 2.16%. The returns continue to exceed our benchmark, the London Inter-bank Bid Rate for 7 days at 0.70%, and our own performance target of 1.25% (Base Rate + 0.50%).

Table 4 – Interest Rate Comparison

Comparator	Average Rate to 31/10/2019
Cheshire East	2.16%
LIBID 7 Day Rate	0.70%
LIBID 3 Month Rate	0.74%
Base Rate	0.75%
Target Rate	1.25%

1.29 As the Authority holds a large amount of reserves and working capital, consideration has been given to

increasing the level of strategic investments from £10m to £20m in order to benefit from higher income returns whilst spreading risk across different asset classes. The existing investments are £7.5m in a property fund managed by CCLA and £2.5m in a multi-asset fund managed by Kames.

1.30 The additional £10m will be invested between October 2019 and March 2020 across four 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. These additional planned investments are shown below in **Table 5**.

Table 5 – Additional Planned Strategic Investments

Fund Manager	Asset Class	£m
Kames	Multi Asset	2.5
Fidelity	Equity - Global	4.0
Schroders	Equity - UK	2.5
M & G	Bonds	1.0
TOTAL		10.0

1.31 The first additional investment was £1m in the Kames fund on 29 October 2019. No additional investments will be placed in the property fund as the Council already has other significant exposures to investments in property through the Investment Strategy.

1.32 The value of these investments does vary and factors such as Brexit uncertainty, global trade disputes, etc do have a bearing on the underlying value. As at 31 October 2019 the existing funds had a net asset value of £10.6m, an increase of £600,000 since the initial investment.

Chart 2 – Current Investments by Counterparty Type

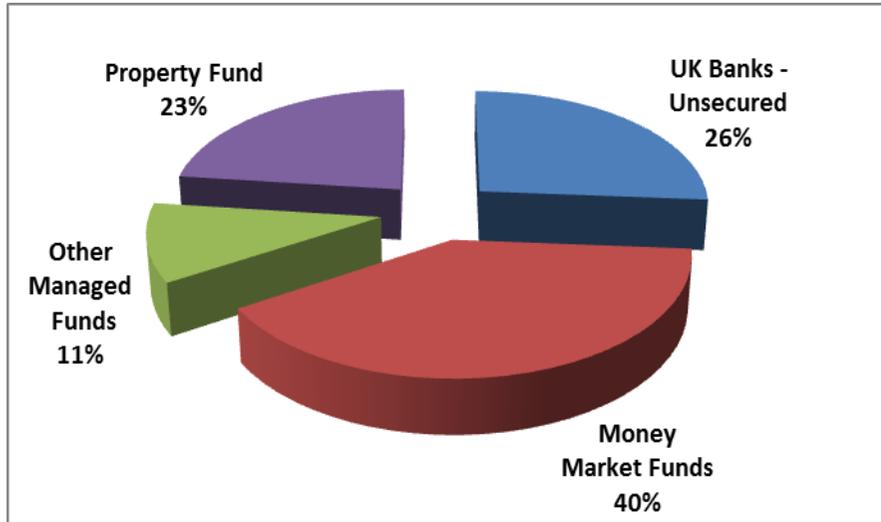


Table 6 – Types of Investments and Current Interest Rates

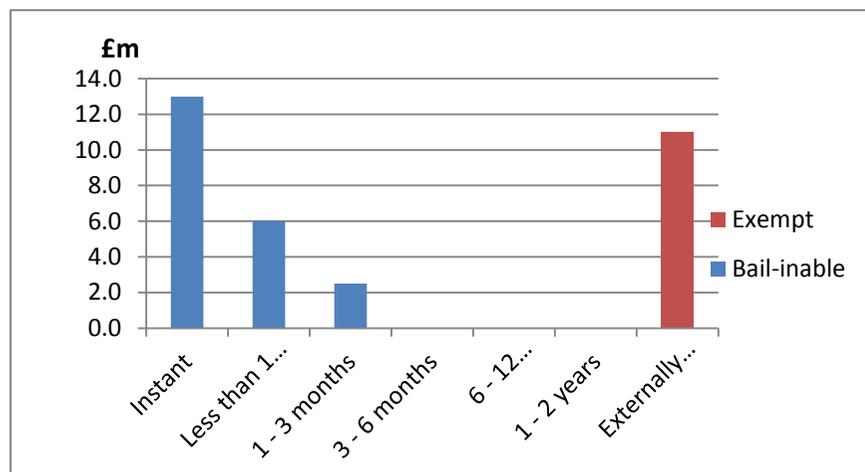
Instant Access Accounts	Average Rate %	£m
Money Market Funds	0.73	13.0

Call Accounts	Earliest Maturity	Rate %	£m
Santander – 95 day	19/11/19	1.00	3.0
Santander – 35 day	26/11/19	0.85	5.5

Externally Managed Funds	£m
Property Fund	7.5
Multi Asset Income Fund	3.5

Summary of Current Investments	£m
TOTAL	32.5

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

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£410,000
Likely revenue impact in 2019/20 of a 1% <u>rise</u> in interest rates after 31 October 2019	£210,000

1.35 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 2019/20 so a fall in rates would lead to savings rather than incurring additional cost so a limit of £0 was set.

1.36 **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 2019 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	50%	30%
12 months and within 24 months	25%	18%
24 months and within 5 years	35%	6%
5 years and within 10 years	50%	2%
10 years and within 20 years	100%	18%
20 years and above	100%	26%

1.37 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.

1.38 **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	2019/20	2020/21	2021/22
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

Underlying assumptions:

- Having increased interest rates by 0.25% in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) is now expected to maintain Bank Rate at this level for the foreseeable future although there are significant downside risks to this forecast, dependant on the General Election, Brexit outcomes and the evolution of the global economy.
- Inflation is within target levels just below 2% and could fall further as utility price caps feed through. However, risks are weighted to higher rather than lower inflation through 2020. Upward pressure comes from global geopolitical risks leading to higher oil prices and uncertainties from the on-going Brexit situation. The outcome of the General Election could also have a significant impact.

Forecast:

- The Arlingclose central case is for Bank Rate to remain unchanged in 2020, after the UK exits the EU. However, the risks are weighted to the downside and markets have generally implied a cut is likely.
- Gilt yields have remained at low levels and we expect these low levels to continue. Our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities although recent increases in PWLB margins may mean alternative sources offer better value.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy. We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
3-month money market rate													
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
1yr money market rate													
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	0.30	0.50	0.55	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
5yr gilt yield													
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.35	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.35	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
10yr gilt yield													
Upside risk	0.20	0.20	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.55	0.55	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.40	0.40	0.45	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.20	0.20	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.95	1.00	1.05	1.10	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Downside risk	0.45	0.50	0.55	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
50yr gilt yield													
Upside risk	0.20	0.20	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.90	0.95	1.00	1.05	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60

Annex B: Existing Investment & Debt Portfolio Position

	31/10/19 Actual Portfolio £m	31/10/19 Average Rate for the year %
External Borrowing:		
PWLB – Fixed Rate	68	4.26%
Local Authorities	45	0.93%
LOBO Loans	17	4.63%
Other	2	-
Total External Borrowing	132	3.11%
Other Long Term Liabilities:		
PFI	22	-
Finance Leases	2	-
Total Gross External Debt	156	-
Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	13	0.75%
Notice Accounts	8	1.00%
<i>Managed externally</i>		
Multi Asset Fund	3	5.92%
Property Fund	8	4.64%
Total Investments	32	2.22%
Net Debt	124	-

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 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

- 1.4 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 £10m and £59m during the 2019/20 financial year.
- 1.5 Full details of the Authority's policies and plans for 2019/20 for treasury management investments are covered the Treasury Management Strategy (**Annex 5**).

3. Service Investments: Loans

- 1.6 Loans have been provided to Everybody Sport & Recreation for the purpose of investing in new equipment, with the aim of increasing the usage of leisure centres and improving the health of residents.
- 1.7 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.

1.8 In addition, the Council has committed to investing £5m (and invested £3.6m as at October 2019) in the Greater Manchester & Cheshire Life Science Fund, a venture capital fund investing in a range of life science businesses. Partners in the Fund include the Greater Manchester Combined Authority, Cheshire & Warrington Local Enterprise Partnership and Alderley Park Ltd. The Fund has a regional focus and seeks to target companies looking to re-locate a material part of their business within the Greater Manchester and Cheshire and Warrington areas, which includes Alderley Park where the Fund is based.

1.9 Upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £'000

Category of borrower	31/03/19 Actual	As at 31/10/19			2019/20
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	1,800
Suppliers	24	24	1	23	100
Local businesses	4,679	5,087	54	5,033	10,000
Local charities	679	634	45	589	2,000
TOTAL	5,382	5,745	100	5,645	13,900

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

4. Service Investments: Shares

1.11 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). As part of the arrangement, the Council also invested in MSP, taking a 3% equity stake for £0.7m. These shares were sold to Bruntwood in September 2019 for £2.4m.

1.12 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.

1.13 Upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £'000

Category of company	31/3/2019 actual	As at 31/10/2019			2019/20
		Amounts invested	Gains or losses	Value in accounts	Approved Limit (cost of investment)
Local Businesses	5,952	1,070	2,810	3,880	5,000
TOTAL	5,952	1,070	2,810	3,880	5,000

5. Commercial Investments: Property

- 1.14 Note that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.
- 1.15 On 2 April 2019 the Council purchased land and buildings on the North and East side of Weston road in Crewe for £21m.

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

Property	Actual	31/10/19 actual		31/10/20 expected		2019/20 Approval Limit
	Purchase cost	Gains or (losses) in-year	Value in accounts (includes gains/ (losses) to date)	Gains or (losses)	Value in accounts	
Industrial Units	907	0	1,443	0	1,443	
Enterprise Centres	770	0	1,297	0	1,297	
Retail	23,350	0	25,370	0	25,370	
Residential	600	0	675	0	675	
Total	25,627	0	28,785	0	28,785	32,100

6. Commercial Investments: Loans

- 1.16 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

Category of borrower	2019/20
	Approved Limit £000
Partner Organisations	30,000

7. Loan Commitments and Financial Guarantees

- 1.17 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 due to commence in 2019/20. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

8. Proportionality

- 1.18 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, 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

	2017/18 Actual	2018/19 Actual	2019/20 Budget	2020/21 Budget	2021/22 Budget
Gross service expenditure - Directorate Level	72,555	76,924	77,325	78,216	80,516
Investment income	(1,684)	(1,787)	(2,236)	(2,486)	(2,486)
Proportion	2%	2%	3%	3%	3%

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

9. Borrowing in Advance of Need

- 1.19 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.

10. Capacity, Skills and Culture

- 1.20 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.

- 1.21 The Board is made up of the following individuals:
- The Leader of the Council (Chair)
 - Portfolio Holder for Finance, ICT & Communication
 - Portfolio Holder for Environment & Regeneration
- 1.22 Support is provided by:
- Executive Director Corporate Services
 - S151 Officer
 - Monitoring Officer
 - Executive Director Place
 - Director of Growth and Enterprise

11. Investment Indicators

- 1.23 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.
- 1.24 **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	31/08/19 Actual	31/03/20 Forecast	31/03/21 Forecast
Treasury management investments	28,827	20,000	20,000
Service investments: Loans	5,382	5,689	5,555
Service investments: Shares	5,952	3,880	5,000
Commercial investments: Property	28,785	28,785	32,000
Commercial Investments : Loans	0	0	30,000
TOTAL INVESTMENTS	68,946	58,354	92,555
Commitments to lend	1,897	1,484	1,484
TOTAL EXPOSURE	70,843	59,838	94,039

- 1.25 **How investments are funded:** Currently the Authority's investments are funded by usable reserves and income received in advance of expenditure.
- 1.26 However in 2019/20 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	31/03/18 Actual	31/03/19 Actual	31/03/20 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	32,000
Commercial Investments : Loans	0	0	30,000
TOTAL FUNDED BY BORROWING	0	0	62,000

including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

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

Investments net rate of return	2018/19 Actual	2019/20 Actual	2020/21 Forecast
Treasury management investments	1.75%	2.16%	2.80%
Service investments: Loans	2.52%	0.24%	0.45%
Service investments: Shares	107.67%	16.31%	0.00%
Commercial investments: Property	6.66%	6.66%	6.66%

1.27 **Rate of return received:** This indicator shows the investment income received less the associated costs,

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 2019 in the Council's General Reserves was £10.3m as published in the Council's Statement of Accounts for 2018/19.
3. The updated Risk Assessment for 2019/20 provided for the Minimum Level to increase to £12.0m. The Reserves Strategy for 2019/20 set out a planned contribution from earmarked reserves of £1.7m to the general reserve in 2019/20.
4. Following an update to the Risk Assessment for 2020/21, the minimum level has been retained at £10.3m.
5. The Council also maintains Earmarked Revenue reserves for specific purposes. At 31 March 2019 balances on these reserves stood at £45.7m, excluding balances held by Schools.
6. At the end of 2018/19 a central contingency referred to as the MTFs (Medium Term Financial Strategy) Reserve was created to support in-year pressures against the 2019/20 revenue budget. Use of this earmarked reserve will be subject to approval of robust business cases.

7. During 2019/20, an estimated £18.9m will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding.
8. **Table 1** shows the forecast total reserves at the end of March 2020. 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)	26.8
Total Reserves Balance at 31 March 2020	37.1

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

Table 2 – Earmarked Reserves Position

Name of Reserve	Opening Balance 1st April 2019 £000	Movement in 2019/20 £000	Closing Balance 31st March 2020 £000	Notes
People				
Adults, Public Health and Communities				
PFI Equalisation - Extra Care Housing	2,373	131	2,504	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Public Health	627	(533)	94	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.
Communities Investment	110	(110)	0	Amalgamation of promoting local delivery; grant support; new initiatives and additional funding from outturn to support community investment.
Fixed Penalty Notice Enforcement (Kingdom)	31	(31)	0	Surplus Fixed Penalty Notice receipts to be ring-fenced to provide a community fund to address environmental issues.
NHB Community Grants - Staffing	180	(180)	0	To support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects, to be allocated in accordance with local priorities (also see Corporate EMR below).
Children's Services				
Domestic Abuse Partnership	90	(40)	50	To sustain preventative services to vulnerable people as a result of partnership funding.
SALT and OT	128	(128)	0	To support the additional investment into Speech and Language Therapy (SALT) and Occupational Therapy (OT).

Name of Reserve	Opening Balance 1st April 2019 £000	Movement in 2019/20 £000	Closing Balance 31st March 2020 £000	Notes
Place				
Investment (Sustainability)	706	(706)	0	To support investment that can increase longer term financial independence and stability of the Council.
Planning and Sustainable Development				
Trading Standards and Regulations	75	(75)	0	Ongoing Trading Standards prosecution case on product safety.
Air Quality	80	(80)	0	Air Quality Management - DEFRA Action Plan.
Strategic Planning	730	(60)	670	To meet costs associated with the Local Plan.
Licensing Enforcement	17	(17)	0	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Infrastructure and Highways				
Parking - Pay and Display Machines	100	(100)	0	Purchase of Pay and Display Machines.
Highways Procurement	219	(219)	0	To finance the development of the next Highway Service Contract.
Highways Contract	230	(230)	0	To provide for Highways Contract potential liability.
Growth and Regeneration				
Royal Arcade Crewe	500	(258)	242	To provide for future costs relating to the Royal Arcade including repairs and maintenance.
Legal Proceedings on land and property matters	127	(127)	0	To enable legal proceedings on land and property matters.
Skills & Growth	316	(316)	0	To achieve skills and employment priorities and outcomes.
Housing - Choice Based lettings	57	(57)	0	Housing partner contributions to support the administration of the choice based lettings scheme .
Homelessness & Housing Options	174	(174)	0	To prevent homelessness and mitigate against the risk of increased temporary accommodation costs.
Environmental				
Environment	213	(213)	0	ANSA- mapping maintained assets/new delivery environment.
Hub Project - COI	153	(153)	0	To provide funds associated with the relocation of a depot.

Name of Reserve	Opening Balance 1st April 2019 £000	Movement in 2019/20 £000	Closing Balance 31st March 2020 £000	Notes
Corporate				
Legal Services				
Insurance (Cheshire East & Cheshire County Funds)	5,077	(500)	4,577	To settle insurance claims and manage excess costs.
Democratic Services				
Elections	352	0	352	To provide funds for Election costs every 4 years.
Finance and Performance				
Collection Fund Management	5,009	1,256	6,265	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	11,539	(1,950)	9,589	To provide for financing of capital schemes, other projects and initiatives.
Enabling Transformation (Brighter Futures Transformation Programme)	1,001	(1,001)	0	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.
New Homes Bonus Community Fund	1,000	(1,000)	0	To support Central Government's New Homes Bonus guidance for community projects, to be allocated in accordance with local priorities.
HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System)	450	(450)	0	To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System.
MTFS Reserve	6,426	(4,313)	2,113	To support the financial strategy and risk management.
Cross Service				
Trading Reserve	2,161	(2,161)	0	The Authority's share of ASDV's net surplus to be spent in furtherance of the ASDV's objectives.
Revenue Grants - Dedicated Schools Grant	1,596	(3,654)	(2,058)	Unspent specific use grant carried forward into 2019/20.
Revenue Grants - Other	3,850	(1,448)	2,402	Unspent specific use grant carried forward into 2019/20.
TOTAL	45,697	(18,897)	26,800	

Notes:

1. Figures exclude Schools balances.



Working for a brighter future together

Key Decision N

Date First
Published: >

Corporate Overview and Scrutiny Committee

Date of Meeting: 3 February 2020

Report Title: ICT Infrastructure Investment Programme Update

Portfolio Holder: Cllr Amanda Scott – Finance, IT and Communication

Senior Officer: Jane Burns, Executive Director Corporate Services

1. Report Summary

- 1.1. The purpose of this report is to provide a progress update on the Infrastructure Investment programme, including the Evolution programme, which is an ICT Shared Services joint programme with Cheshire West and Chester Council.

2. Recommendations

- 2.1. Recognise the progress to date and upcoming planned activity.
- 2.2. Support the benefits of this ICT led investment programme (Evolution).
- 2.3. Recognise the challenges currently faced with respect to deployment and the associated mitigating activities.

3. Reasons for Recommendations

- 3.1. The large scale and complexity of this ICT investment programme has been flagged by the Corporate Overview and Scrutiny Committee as any areas of interest and one where they wish to be kept informed of progress. The nature of the complexity is two-fold: the evolving maturity of ICT Shared Services; and the underpinning technology challenges.
- 3.2. In April 2016, Cheshire East Borough Council became host of the ICT Shared Service. It took several years for the joint infrastructure programme to be agreed.

- 3.3. In November 2016, Cheshire East ICT Services commissioned Microsoft and Hewlett Packard Enterprises to examine the benefits, total economic impact and potential return on investment both Councils may realise by deploying Office 365 (consisting of Cloud deployments of Exchange Online, Lync Online, SharePoint Online and Office Professional Plus) and the transfer of legacy data centre hardware to a cloud platform. A detailed business case was then produced in January 2017.
- 3.4. At Shared Services Joint Committee (SSJC) on the 24th March 2017, the Committee noted that an independent and holistic ICT review, supported by both councils, was required to ensure ICT in its entirety, enables both councils to achieve their objectives.
- 3.5. At SSJC on the 19th May 2017, the Committee noted that Ernst & Young LLP (EY) were to conduct an independent review, to provide assurance and to determine the optimum alignment of the IT delivery model to meet both councils' future requirements. It was agreed that the outputs from the phases of work would be brought to SSJC.
- 3.6. At SSJC on the 22nd November 2017, the Committee supported the EY recommendations made through the jointly commissioned review of ICT. The Business Case was therefore approved and is actively being implemented through the Infrastructure Investment (Evolution) Programme.
- 3.7. The business case was refreshed again in March 2018 and approved by both Councils.
- 3.8. SSJC continues to receive update reports on progress against the EY recommendations made and Evolution programme.

4. Other Options Considered

- 4.1. Not applicable for this report
- 4.2. The detailed business case included an options appraisal.

5. Background

5.1. Evolution Programme Update

- 5.2. The Evolution programme is a transformational investment programme which will enable both councils to modernise, ensure compliance and deliver a flexible environment to underpin delivery. It will contribute to achieving the strategic objectives of both councils, in their mission to deliver high quality services to the residents and people of Cheshire. A key

delivery principle is that both councils will fully engage with the programme whilst adhering to the programme core principles of standardise, simplify and share.

- 5.3. Evolution is a complex technical and business change programme made up of six core areas with multiple interdependencies:
- 1) **End User Computing and Deployment** –The tools and desktop environments that all colleagues will use to fulfil their roles.
 - 2) **Landscape Simplification** – Reducing complexity in core key applications, the products the councils use and aged infrastructure.
 - 3) **Next Generation Wide Area Network (WAN)** – Ensuring the councils have a modern wide area network providing performing connectivity across all our sites and gives us a platform for the future.
 - 4) **Adoption and Change Management** – How the councils will support their 6500+ users of ICT through this change and to make use of new capabilities.
 - 5) **Unified Comms** – Putting in place new communication tools to enable customer service centre modernisation and staff to communicate effectively through technologies such as Skype for Business.
 - 6) **Security & Compliance** – Continued focus on putting in place tools that keep both councils secure and compliant.
- 5.4. Moving all users of ICT to a more modern experience is a key output for the programme; implementing Windows 10 and Office 365 will be some of the more noticeable changes and will form a strong, secure foundation to support new digital ways of working. These will include increased and simplified flexible working for all staff (and in particular social care) together with providing collaboration opportunities with wider services and partners through Microsoft Teams and a general improvement in performance for everyone.
- 5.5. Evolution will modernise how both councils use ICT, as every single user will see some significant changes, with a large change management and adoption approach being utilised across both councils, joining up with other major change programmes.
- 5.6. The Evolution programme will modernise all the aged and end of life infrastructure (i.e. servers and network), which accounts for over 75% of the existing estate at the outset of the programme, and upon which all the councils supporting systems sit.

- 5.7. The Evolution programme is challenging and a complex programme overall to deliver, given the starting point.
- 5.8. The programme will look to follow best practice and move both councils to a mixture of Cloud storage for most of the councils' needs and updating our data centre to a more modern environment for the rest.

5.9. **Benefits**

The benefits and aims of the programme are:

- 1) Enable significant financial benefits for both councils and ICT Services;
- 2) Engage strategic cloud enablement partners as required;
- 3) Provide an energy efficient stable technology platform and meet the essential replacement needs of both councils, ensuring compliance and security;
- 4) Update the remaining data centre/on premise components;
- 5) Create a modern and performing environment, through a hybrid cloud model where major suppliers are planning significant carbon reduction programmes;
- 6) Assess each application and ensure it is hosted in the most cost-effective manner, with the aim of migrating viable applications or products to the cloud;
- 7) Support both councils through this change –
 - With planning for application decommissioning and rationalisation (elements such as data migration are not in scope of this programme);
 - Reducing impacts of change and helping councils to make best use of new capabilities;
- 8) Introduce an improved level of resilience and disaster recovery capability,
- 9) Deliver the necessary tools and processes to enable ICT to be more efficient and effective;
- 10) Deliver a new updated product catalogue that outlines services and associated capabilities for both councils;
- 11) Enable both councils to work in more agile and flexible ways in line with their existing ambitions for Flexible Mobile Working.

5.10. Progress

To date the programme has achieved many of its planned activities including:

- 1) Reducing the levels of aged infrastructure leading to a reduction in significant IT service outages (major incidents) from 146 in 2016/17, 60 in 2017/18 and 35 in 18/19. So far in 2019/20 we have had 13 major incidents;
- 2) Improving overall resilience – The councils now have 3 data centres providing data centre services to the council, Kelly House, Microsoft Azure and Amazon Web Services. On completion of the programme the risk of losing the data centre completely will have been greatly reduced;
- 3) Implementation of a new backup and storage facility which is well now underway;
- 4) Reducing complexity through working with both Councils client teams to evaluate Key line of business systems (KLOB) resulting in a 25% reduction across the estate. A further 18 systems are approved for decommissioning but requires archiving, totalling 28%. This has been a huge collaborative effort by both Councils and the shared service in reducing the volume and complexity of the estate;
- 5) Supported the introduction of over 250 champions (Technology Champions and Bright Sparks) across both councils who have volunteered and been mobilised to support the transition to new technologies. These champions have been trained in the latest products Windows and Office 365 products, so they are ready to help;
- 6) Jointly developed a complex specification for Next Generation WAN. The procurement process commenced in September 2019, with tenders submitted in early November 2019 and award planned for January 2020. Procurement will support operational delivery of WAN and give both Council strategic opportunities to explore Digital/Smart Cities/5G;
- 7) Implemented Quarterly IT Health Checks (moved from annual), significantly reducing the risk of cyber-attack and other emerging cyber security threats;
- 8) Implemented McAfee security suite end client upgrades providing enhanced protection against zero-day threats e.g. ransomware attacks;

- 9) Ensured Public Service Network (PSN) code of connectivity certification achieved for both councils;
- 10) Improved cyber security intelligence (migrated from Google to Central Government service);
- 11) Reduced the threat of security vulnerabilities by the removal of old and non-compliant server software.
- 12) Overall good progress has been achieved to date on key areas of the programme leading to a more stable and secure foundation.

5.11. **End User Computing**

- 5.12. End User Computing and Deployment is a very visible element of the programme which was originally aiming to complete by the deadline for January 2020 which coincided with Microsoft removing general support for Windows 7 operating systems. Any organisations utilising Windows 7 beyond this point would have to pay for additional extended support for security compliance.
- 5.13. This element of the programme has made some headway by introducing a proportion on Windows 10 and Office 365 (O365) into both Councils and across ICT Services:
 - 1) Pilot Office 365 and Windows 10 with small group of users – August 2019;
 - 2) Pilot extended with additional users – September 2019;
 - 3) Early Adopter rollout for productivity users of Windows 10/O365 – October 2019;
 - 4) Main deployment of Windows 10/O365 has commenced in November 2019;
 - 5) To date 350 users have been migrated with the plan to deliver a further 380 by the end of January 2020.
- 5.14. The programme is aiming to migrate the majority of its users by end of June 2020. The programme will regularly report progress of numbers of users migrated during this deployment phase.
- 5.15. The reasons for the delay beyond January are as follows:

- 1) Despite successfully decommissioning 25% of key applications there remains a vast number of products and software that still require packaging to ensure they function with the new platform.
- 2) Data quality to enable a rich picture of the estate to underpin a deployment plan was much more challenging than expected and caused slippage resulting in delays in verification with both councils.
- 3) Differing ways of delivering flexible mobile working priorities across both councils have led to different desktop solutions causing complexity.
- 4) Higher number of failures than anticipated by 3rd parties to deliver devices and deliver additional connectivity to enable accelerated deployment.
- 5) Major incidents for both Councils requiring programme resources to help resolve key issues.
- 6) Several key resource changes and gaps across the programme.
- 7) Continuing increases in device system requirements has rendered all but 250 of the laptops currently in use in the council, as old technology, incapable of running MS Windows 10. This trend means that the council will no longer be able to sweat its desktop assets to the same extent as previously.

5.16. Despite these challenges there will be no implications on the approved capital budget nor any fundamental change to the agreed scope.

6. Finance

- 6.1. The financial case for Evolution outlines that £19.8m investment is needed over 3 years between both councils, with a large proportion of the investment (£9.8m) allocated to support essential replacement, in order to ensure that we are compliant and stable for our needs now. This investment was agreed through both councils budget setting process, with decisions made at Full Council meetings on 23 February 2017 for Cheshire East Council and 2 March 2017 for Cheshire West and Chester Council. The business case for this was supported in principle by both councils' Section 151 officers.
- 6.2. The joint expenditure for this investment programme in 2017/18 was £4.8m and in 2018/19 was £6.05m. The forecasted expenditure for 2019/20 is expected to be approximately £6m.
- 6.3. The programme is within budget and the spend profile is being monitored by the Joint Strategic Board.

- 6.4. A Joint Strategic ICT Board (JSB) has been established, with responsibility for oversight, direction setting and decision-making, to ensure all elements of ICT change and Business as Usual (BAU) services are understood and fit in with both councils needs and direction.
- 6.5. Evolution Programme governance has been simplified with JSB providing overall direction for the programme.

7. Implications of the Recommendations

7.1. Legal Implications

- 7.1.1. Cheshire East Legal services advise the ICT Shared Service and are fully engaged in developing the revised agreements, governance approach and any subsequent appointments of specialist teams or third-party contracts required for the transformational programme. The Joint Service Improvement Board will receive a quarterly report summarising the current procurement and contractual position relating to the delivery of the transformation programme to ensure compliance the Public Contract Regulation 2015.

7.2. Finance Implications

- 7.2.1. The business case for this was supported in principle by both councils' Section 151 officers and is monitored tightly through robust programme governance. The financial implications of the Evolution programme and improvements in the Target Operating Model are continually being monitored and will inform a new financial cost model for ICT Services.

7.3. Policy Implications

- 7.3.1. Strategic policy implications are limited and likely to be more pronounced at an operational level.

7.4. Equality Implications

- 7.4.1. Not applicable.
- 7.4.2. A full Equality Impact Assessment was produced to support the business case.

7.5. Human Resources Implications

- 7.5.1. Implications on Human Resources are being managed through Joint Strategic Board.

7.6. Risk Management Implications

7.6.1. The Programme actively maintains a risk log which is reviewed and acted upon through governance.

7.7. Rural Communities Implications

7.7.1. There are no direct implications for rural communities.

7.8. Implications for Children & Young People/Cared for Children

7.8.1. There are no direct implications for children and young people.

7.9. Public Health Implications

7.9.1. There are no direct implications for public health.

7.10. Climate Change Implications

7.10.1. This investment programme will underpin the Councils vision to reduce its carbon footprint and achieve environmental sustainability by reducing energy consumption, promoting healthy and flexible working lifestyles.

8. Ward Members Affected

8.1. Not applicable – however all staff and members will have access to flexible and mobile working technology.

9. Consultation & Engagement

9.1. Consultation with both Councils has been established through ICT Shared Services governance arrangements.

10. Access to Information

10.1. Not applicable.

11. Contact Information

11.1. Any questions relating to this report should be directed to the following officer:

Name: Gareth Pawlett

Job Title: Head of ICT Services

Email: Gareth.Pawlett@cheshireeast.gov.uk

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FORWARD PLAN FOR THE PERIOD ENDING 30TH APRIL 2020

This Plan sets out the key decisions which the Executive expects to take over the period indicated above. The Plan is rolled forward every month. A key decision is defined in the Council's Constitution as:

“an executive decision which is likely –

- (a) to result in the local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or
- (b) to be significant in terms of its effects on communities living or working in an area comprising one or more wards or electoral divisions in the area of the local authority.

For the purpose of the above, savings or expenditure are “significant” if they are equal to or greater than £1M.”

Reports relevant to key decisions, and any listed background documents, may be viewed at any of the Council's Offices/Information Centres 5 days before the decision is to be made. Copies of, or extracts from, these documents may be obtained on the payment of a reasonable fee from the following address:

Democratic Services Team
Cheshire East Council
c/o Westfields, Middlewich Road, Sandbach Cheshire CW11 1HZ
Telephone: 01270 686472

However, it is not possible to make available for viewing or to supply copies of reports or documents the publication of which is restricted due to confidentiality of the information contained.

A record of each key decision is published within 6 days of it having been made. This is open for public inspection on the Council's Website, at Council Information Centres and at Council Offices.

This Forward Plan also provides notice that the Cabinet, or a Portfolio Holder, may decide to take a decision in private, that is, with the public and press excluded from the meeting. In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, 28 clear days' notice must be given of any decision to be taken in private by the Cabinet or a Portfolio Holder, with provision for the public to make representations as to why the decision should be taken in public. In such cases, Members of the Council and the public may make representations in writing to the

Democratic Services Team Manager using the contact details below. A further notice of intention to hold the meeting in private must then be published 5 clear days before the meeting, setting out any representations received about why the meeting should be held in public, together with a response from the Leader and the Cabinet.

The list of decisions in this Forward Plan indicates whether a decision is to be taken in private, with the reason category for the decision being taken in private being drawn from the list overleaf:

1. Information relating to an individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the financial or business affairs of any particular person (including to authority holding that information)
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority
5. Information in respect of which a claim to legal and professional privilege could be maintained in legal proceedings
6. Information which reveals that the authority proposes (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) to make an order or direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

If you would like to make representations about any decision to be conducted in private at a meeting, please email:

Paul Mountford, Executive Democratic Services Officer
paul.mountford@cheshireeast.gov.uk

Such representations must be received at least 10 clear working days before the date of the Cabinet or Portfolio Holder meeting concerned.

Where it has not been possible to meet the 28 clear day rule for publication of notice of a key decision or intention to meet in private, the relevant notices will be published as soon as possible in accordance with the requirements of the Constitution.

The law and the Council's Constitution provide for urgent key decisions to be made. Any decision made in this way will be published in the same way.

Forward Plan

Key Decision and Private Non-Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 18/19-65 SMDA Infrastructure Procurement Strategy	<p>In accordance with the authority delegated by Cabinet to the Executive Director of Place on 8th May 2018:</p> <p>To procure the infrastructure, utilities and ground stabilisation works at South Macclesfield Development Area; to enter into any contracts or agreements required under the SCAPE Civil Engineering and Infrastructure Framework; and to utilise an NEC ECC Type C construction contract with Early Contractor Involvement.</p>	Executive Director Place	Not before 12th Jun 2019			N/A

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 18/19-69 Acquisition of the Willows, Macclesfield	<p>In accordance with Chapter 2, Part 6, Paragraph 52 of the constitution of Cheshire East Borough Council dated 12th February 2019:</p> <p>To approve the acquisition of the property known as The Willows, Macclesfield, Cheshire SK11 8LF and to instruct the Council's Legal Officers to proceed to legal completion of the purchase and any related legal documentation on terms and conditions to be determined by the Assets Manager and the Director of Governance and Compliance.</p>	Executive Director Place	Not before 19th Jun 2019			Fully exempt under para 3
CE 19/20-6 Care4CE	In connection with a strategic review of Care4CE, to seek approval to establish a wholly-owned community interest company (CiC), and to introduce new terms and conditions for new staff in the Single Legal Entity (SLE).	Cabinet	3 Dec 2019			Fully exempt - para 3

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-26 Best4Business Update	To approve the revised Best4Business programme plan and associated budget impact.	Cabinet	3 Dec 2019			Part exempt - para 3
CE 19/20-27 Selective Licensing	To authorise officers to progress a two-staged approach to the implementation of a Selective Licensing scheme.	Cabinet	3 Dec 2019		Karen Carsberg, Strategic Housing and Intelligence Manager	N/A
CE 19/20-18 Review of Council Tax Support Scheme for 2020/21	To approve the Council Tax Support Scheme for 2020/21.	Council	19 Dec 2019		Liz Rimmer	N/A
CE 19/20-19 Supplementary Planning Document - Brooks Lane (Middlewich) Development Framework (Masterplan)	To consider representations received to the draft Brooks Lane (Middlewich) Development Framework (Masterplan) public consultation held in January and February 2019; subject to that, to approve the publication of the document as a Supplementary Planning Document.	Portfolio Holder for Planning	January 2020		Jeremy Owens	N/A

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-29 Revenues and Benefits Printing and Postal Service	To authorise offices to take all necessary actions to implement a contractual arrangement to facilitate the procurement and award of a contract for a printing and postal service to support the Revenues and Benefits billing functions.	Cabinet	14 Jan 2020		Paul Manning	N/A
CE 19/20-33 Control of Bovine TB on Council Land	To consider the actions required to manage Bovine TB on Council land.	Cabinet	14 Jan 2020		Andy Kehoe, Head of Assets and Regeneration	N/A
CE 18/19-60 The Minerals and Waste Development Plan	To seek approval to consult on the first draft of the Minerals and Waste Development Plan.	Portfolio Holder for Planning	January 2020		David Malcolm	N/A

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-17 Well-Managed Highway Infrastructure	To seek authority for the Executive Director Place, in consultation with the Portfolio Holder for Highways and Waste, to approve amendments to the Council's Highway Inspection Code of Practice and Adverse Weather Plan to ensure that they accord with the document ' Well-Managed Highway Infrastructure'.	Cabinet	4 Feb 2020		Paul Traynor	N/A
CE 19/20-28 Congleton Household Waste Recycling Centre	To consider proposals for household waste recycling provision.	Cabinet	4 Feb 2020		Ralph Kemp, Corporate Manager for Commissioning	Fully exempt - para 3
CE 19/20-37 ASDV Programme Review and 2020 Business Plan Endorsement	To consider a report of the ASDV Shareholder Committee on its strategic review of the 2020 business plans for Orbitas Bereavement Services Ltd., Transport Service Solutions Ltd. and ANSA Environmental Services Ltd.	Deputy Leader of the Council	Not before 4th Feb 2020		Vicki Godfrey	Fully exempt - para 3
CE 19/20-39 Staff Pay, Terms and Conditions	To consider a report on staff pay, terms and conditions.	Cabinet	4 Feb 2020		Sara Barker, Head of HR	Fully exempt - para 4

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-40 Data Centre Local Area Network (LAN) and Hosting	To procure, via further competitions under the Crown Commercial Frameworks, call-off contracts with an appropriate accredited vendor for the purchase of new, replacement and support and maintenance Local and Wide Area Network equipment and Data Hosting services.	Cabinet	4 Feb 2020		Gareth Pawlett, ICT Manager	N/A
CE 19/20-42 Congleton Leisure Centre Redevelopment Project	To seek authority to enter into the construction contract with Rock Merchanting (T/A Pulse Fitness) for the redevelopment of Congleton Leisure Centre.	Portfolio Holder for Communities	Not before 10th Feb 2020		Paul Bayley	Fully exempt - para 3
CE 18/19-68 Medium Term Financial Strategy 2020- 24	To approve the Medium Term Financial Strategy for 2020-24, incorporating the Council's priorities, budget, policy proposals and capital programme. The report will also include the capital, treasury management, investment and reserves strategies.	Council	20 Feb 2020		Alex Thompson, Director of Financial and Customer Services	N/A

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-21 Site Allocations and Development Policies Document	To seek approval to submit the Publication Draft Cheshire East Site Allocations and Development Policies Document, along with its supporting evidence, for public examination.	Council	20 Feb 2020		Jeremy Owens	N/A
CE 18/19-54 Crewe Station Hub Area Action Plan - Publication Draft Plan	To seek approval for a further six week consultation period on the Crewe Station Hub Area Action Plan.	Cabinet	10 Mar 2020		David Malcolm	N/A
CE 19/20-23 Crewe Hub Station Update	To approve the outputs of the Crewe Hub Station solutions stage project development work, approve the strategic outline business case for the enhanced Crewe Hub Station and its supporting evidence base and funding and financing strategy, progress the Hub station design to detailed design, and seek necessary Government commitments on funding.	Cabinet	10 Mar 2020		Hayley Kirkham	N/A

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-24 Municipal Waste Management Strategy 5 Year Review	To consider the updated waste strategy and authorise officers to undertake consultation and, subject to the outcome of that consultation, any necessary actions to implement the strategy.	Cabinet	10 Mar 2020		Paul Bayley	N/A
CE 19/20-34 North West Crewe Package Infrastructure Agreement	To seek authority to enter into an infrastructure delivery agreement and other necessary legal arrangements.	Cabinet	10 Mar 2020		Chris Hindle	N/A
CE 19/20-35 North West Crewe Package - Land Assembly	To seek authority to implement compulsory purchase order powers following further detail to allow the Council to make a fully informed decision and give proper consideration to the use of CPO powers.	Cabinet	10 Mar 2020		Chris Hindle	N/A

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-38 Alliance Environmental Services Ltd. - Final Phase (3)	To approve the expansion of Alliance Environmental Services to include the delivery of street cleansing and horticultural and associated services on behalf of Staffordshire Moorlands District Council and High Peak Borough Council.	Cabinet	10 Mar 2020			Part exempt - para 3
CE 19/20-41 Re-procurement of Low Value Construction Services Framework 2021-2025	To establish a replacement framework agreement for low value construction services and to delegate authority to the Executive Director Place to award the framework contracts to providers following a selection process.	Cabinet	10 Mar 2020		Andy Kehoe, Head of Assets and Regeneration	N/A
CE 19/20-43 Appropriation of Land for Planning Purposes at the Garden Village, Handforth	To authorise the appropriation of Council-owned land for planning purposes at the Garden Village, Handforth.	Cabinet	10 Mar 2020		Geoffrey Dyson	Part exempt - paras 3 and 5

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-25 Cheshire East Carbon Action Plan	To receive the draft Carbon Strategy for the Council to achieve its carbon neutral aims by 2025 and to encourage all businesses, residents and organisations in Cheshire East to reduce their carbon footprint; and to authorise officers to undertake consultation and revise the strategy prior to its adoption and implementation.	Cabinet	7 Apr 2020		Ralph Kemp, Corporate Manager for Commissioning	N/A
CE 19/20-30 A500 Dualling - Acquisition of Land	To authorise compulsory purchase powers for the acquisition of land and rights required for the construction of the scheme.	Cabinet	7 Apr 2020		Chris Hindle	N/A
CE 19/20-31 Proposed Expansion of Wilmslow High School	To seek approval for the proposed expansion of Wilmslow High School from 300 places year groups 7-11 to 360 places per year group for implementation from September 2022, having given due consideration to the response to the statutory proposal notice.	Cabinet	7 Apr 2020		Val Simons	N/A

Key Decision	Decisions to be Taken	Decision Maker	Expected Date of Decision	Proposed Consultation	How to make representation to the decision made	Private/ Confidential and paragraph number
CE 19/20-32 Environment Strategy	To seek approval of the Environment Strategy following public consultation, and to delegate authority to the Portfolio Holder for Environment and Regeneration to make any further revisions to the Strategy.	Cabinet	7 Apr 2020		Paul Bayley	N/A
CE 19/20-36 Middlewich Eastern Bypass - CPO Powers to Acquire Revised Land for the Scheme	To authorise the use of compulsory purchase powers to acquire the land and rights required for the construction of the scheme, reflecting the revised land requirement that has now been established.	Cabinet	7 Apr 2020		Chris Hindle	N/A

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Working for a brighter future together

Corporate Overview and Scrutiny Committee

Date of Meeting: 03 February 2020

Report Title: Work Programme

Senior Officer: Jane Burns, Executive Director of Corporate Services

1. Report Summary

- 1.1. To review items in the work programme listed in the schedule attached, together with any other items suggested by committee members.

2. Recommendation

- 2.1. That the work programme be reviewed and amended as required.

3. Reason for Recommendation

- 3.1. It is good practice to regularly review the work programme and update it as required.

4. Background

- 4.1. The committee has responsibility for updating and approving its own work programme. Scrutiny liaison meetings – held between the Chairman and Vice-Chairman of the committee, alongside the portfolio holders and key senior officers – ensure that there is continued awareness and discussion of upcoming policies, strategies and decisions within the committee's remit area.

5. Determining Which Items Should be Added to the Work Programme

- 5.1. When selecting potential topics, members should have regard to the Council's three year plan and to the criteria listed below, which should be considered to determine whether scrutiny activity is appropriate.
- 5.2. The following questions should be considered by the committee when determining whether to add new work programme items, or delete existing items:

- Does the issue fall within a corporate priority?
 - Is the issue of key interest to the public?
 - Does the matter relate to a poor or declining performing service for which there is no obvious explanation?
 - Is there a pattern of budgetary overspends or underspends?
 - Is it a matter raised by external audit management letters and or audit reports?
 - Is there a high level of dissatisfaction with the service?
- 5.3. The committee should not add any items to its work programme (and should delete any existing items) that fall under any one of the following:
- The topic is already being addressed elsewhere by another body (i.e. this committee would be duplicating work)
 - The matter is sub-judice
 - Scrutiny would not add value to the matter
 - The committee is unlikely to be able to conclude an investigation within a specified or required timescale

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. There are no direct legal implications.

6.2. Finance Implications

6.2.1. There are no direct financial implications.

6.3. Policy Implications

6.3.1. There are no direct policy implications.

6.4. Equality Implications

6.4.1. There are no direct equalities implications.

6.5. Human Resources Implications

6.5.1. There are no direct human resources implications.

6.6. Risk Management Implications

6.6.1. There are no direct risk management implications..

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for the environment and climate change.

7. Ward Members Affected

7.1. All members are potentially affected.

8. Access to Information

8.1. The background papers can be inspected by contacting the report author.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Joel Hammond-Gant

Job Title: Scrutiny Officer

Email: joel.hammond-gant@cheshireeast.gov.uk

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Date: 03.02.20 Time: 2.00pm Venue: Committee suite, Westfields	Date: 02.04.20 Time: 2.00pm Venue: Committee suite, Westfields
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<u>Item</u>	<u>Purpose</u>	<u>Lead Officer</u>	<u>Portfolios</u>	<u>Suggested by</u>	<u>Scrutiny role</u>	<u>Corporate priorities</u>	<u>Date</u>
ORACLE (Best4Business)	To monitor the work of the joint working group with Cheshire West and Chester Council.	Executive Director of Corporate Services	Finance and Communications	Portfolio Holder	Monitor the development and progress of the project	Cheshire East has a strong and resilient economy	Every meeting starting on 05.06.19
ASDV Update	To receive an update of the Shareholders Committee	Executive Director of Place and Acting Deputy Chief Executive	Finance and Communications	Chairman	To review progress	A responsible effective and efficient organisation.	TBA
Third Quarter Review (Finance)	To scrutinise the third quarter review	Executive Director of Corporate Services	Finance, IT and Communications	Committee	Performance Monitoring	A responsible effective and efficient organisation.	03.02.20
ICT Investment (IIP)	To scrutinise the joint ICT investment	Gareth Pawlett	Finance, IT	CLT	Performance	A	03.02.20

<u>Item</u>	<u>Purpose</u>	<u>Lead Officer</u>	<u>Portfolios</u>	<u>Suggested by</u>	<u>Scrutiny role</u>	<u>Corporate priorities</u>	<u>Date</u>
	by Cheshire East and Cheshire West and Chester Councils.	(Project Lead); Executive Director of Corporate Services	and Communications		monitoring	responsible effective and efficient organisation	
Anti-social Behaviour	To consider the future planned arrangements for how anti-social behaviour cases will be dealt with, and monitor the performance of housing association partners (Peaks and Plains Housing Trust, Guinness Partnership, Plus Dane Housing).	Director of Commissioning	Adult Social Care and Integration	Referred by the Health and Adult Social Care and Communities OSC	Performance monitoring / policy development	Our local communities are strong and supportive.	03.02.20 (moved back from 09.01.20)
Performance Scorecard – 3 rd Quarter	To scrutinise the 3 rd quarter review of performance	Executive Director of Corporate Services	Finance, IT and Communications		Performance monitoring	A responsible effective and efficient organisation	02.04.20
Update on Activity of Member Working Groups in 2019/20	To consider a report on the activity and performance of the Members’ Enquiry Service, Member Technology and Development Panel and Members’ Brighter Future Group.	Head of Democratic Services and Governance		Chairman	Performance monitoring	A responsible effective and efficient organisation	Briefing note to be circulated.

Possible Future Items/briefings notes

Review the Council’s working arrangements with partners and other third parties specifically in relation to value for money.