ANNEX 1

QUARTER THREE REVIEW 2010-11 - FINANCIAL PERFORMANCE

1.0 INTRODUCTION

1.1 This report sets out the Council's financial performance for 2010-11 at the Three Quarter Year Review (TQR) stage. It summarises the draft revenue and capital forecast outturn positions for services, and particularly focuses upon areas of high financial risk to the Council. The report includes updates on the Capital Programme, Treasury Management, Debt, and in-year collection rates for Council Tax and Business Rates.

1.2 The report provides an update on the key financial pressures facing the Council, and the remedial actions taken and proposed by services to address the projected overspending.

2.0 REVENUE BUDGET SUMMARY 2010-11

2.1 At the First Quarter Review, it was reported that the Council was facing emerging budget pressures totalling £13.6m. Directors were tasked with identifying remedial measures to alleviate the impact of the pressures. A further report was considered by Cabinet on 20 September in which proposed remedial actions of £6.3m were identified, reducing the projected net overspend to £7.3m.

2.2 At the Mid Year Review (MYR), net underlying budget pressures of £16.9m were reported. Following service remedial actions and requests for supplementary funding of £10.2m, a net overspend of £6.7m was forecast.

2.3 At the Three Quarter Year stage, the Council faces net underlying budget pressures of £19.2m. These pressures are mitigated by proposed remedial actions of £10.5m, and requests for supplementary funding of £1.0m, leaving an overall forecast overspend (excluding carry forward requests) of £7.7m, or 3.6% of net service budget. This represents a net increase of £1.0m from the position reported at MYR.

2.4 Increased underlying pressures have largely arisen in Adults (£5m), with other smaller increases in Children & Families (£0.3m), Places (£0.3m) and Performance & Capacity (£0.5m). Additional remedial measures of £1.1m have been identified in Children & Families from the use of unallocated grant funding.

2.5 Additional mitigation of £3.8m from centrally held budgets and provisions has been identified since MYR. This comprises £1.5m from underspendings on the interest payable budget due to no new loans being taken out in year, £1m from lower than planned Voluntary Redundancy actuarial costs, and £1.3m surplus to requirements from earmarked reserves, and other balance sheet provisions.

2.6 Table 1 below provides a summary position of the projected outturn positions at a service level at the TQR stage.

Table 1 - Service Revenue Outturn Forecasts

Service	Net Budget £000	Underlying Budget Pressures £000	Proposed Remedial Measures £000	SRE requests £000	Net Projected Variance from Budget £000
Children & Families	**37,294**	**8,678**	**(4,584)**		**4,094**
Adults	69,770	12,189	(3,813)		8,376
Health & Wellbeing	12,554	1,387	(430)		957
Total Adults, Community and Health & Wellbeing	**82,324**	**13,576**	**(4,243)**		**9,333**
Environmental	36,186	1,882	(401)	(864)	617
Safer & Stronger	659	(2)	(55)		(57)
Planning & Policy	3,733	(308)	0	(165)	(473)
Regeneration	9,377	177	0		177
Total Places	**49,955**	**1,749**	**(456)**	**(1,029)**	**264**
Borough Treasurer & Head of Assets	25,476	2,005	(1,245)		760
HR&OD	3,132	(89)	0		(89)
Borough Solicitor	6,331	(402)	0		(402)
Policy & Performance	8,364	(450)	0		(450)
Corporate Improvement	399	(20)	0		(20)
Total Performance & Capacity	**43,702**	**1,044**	**(1,245)**		**(201)**
Centrally held budgets		(5,800)			(5,800)
TOTAL SERVICES	**213,275**	**19,247**	**(10,528)**	**(1,029)**	**7,690**

2.7 As previously reported, only around half the cross-cutting savings of £2.7m (including procurement) allocated to services in 2010-11 are likely to be delivered in year with the remainder needing to be re-phased. Forecast outturn positions take into account the projected achievement or non achievement of these savings.

2.8 In arriving at the service revenue outturn forecasts contained in this report it should be noted that the following appropriation from earmarked reserves has been taken into account since the mid year review:

- Appropriation of £51k from Invest to Save Reserve to Places for the North West Evergreen Fund.

3.0 KEY SERVICE REVENUE ISSUES

3.1 Key pressures and remedial actions impacting on service outturn forecasts are summarised below.

Children and Families (£4.1m overspend)

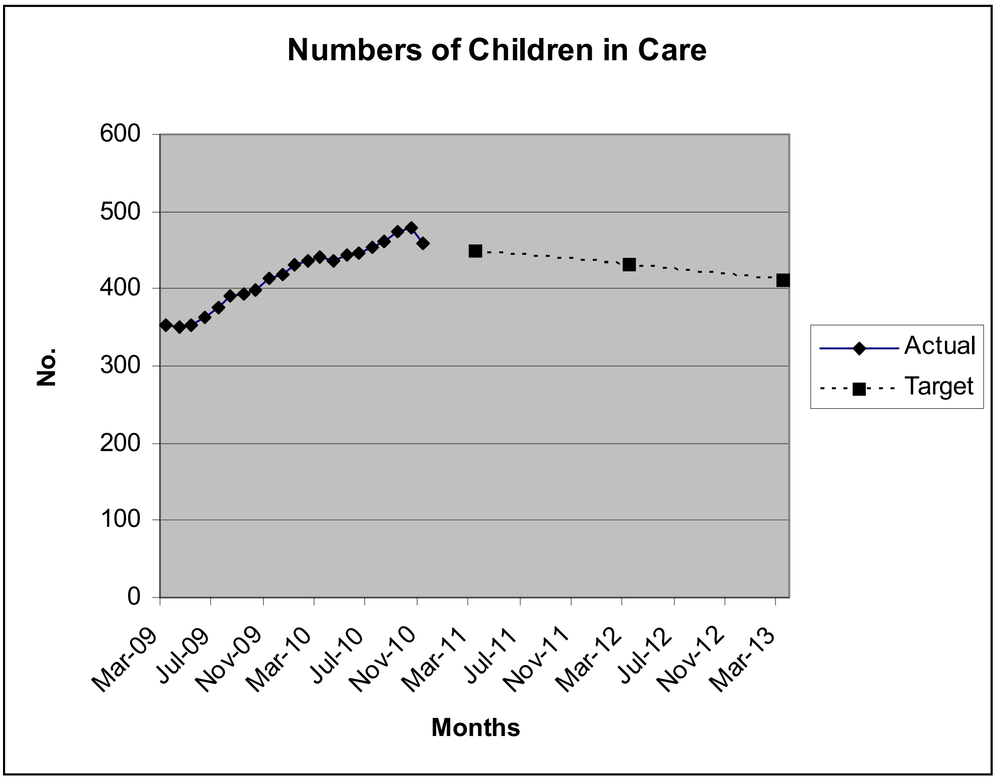
3.2 The forecast outturn at the Three Quarter Review is a net overspend of £4.1m, after allowing for remedial action of £4.6m. The underlying budget pressure of £8.7m stems from increased numbers of Looked After Children and the costs of transporting children, particularly home to school transport. Work continues to reduce the overspend further through increased remedial action.

3.3 One of the most significant improved remedial actions has been to increase the level of unallocated grant that can be used flexibly across the Department to help reduce the overall spending pressure. Previously £1m of SureStart grant had been available; however this figure is now projected to be £2.5m which can be used to support early intervention activity previously funded from Council base budgets.

3.4 The increased numbers of Looked After Children has been a feature of the budget pressure during 2010/11. In November 2009, when the budget information was gathered to build the 2010/11 budget there were 370 Looked After Children. Early in 2010/11 the numbers increased to 481 children, which based on the national average cost of care for each child of £50k per annum, adds over £5.5m of full year budget pressure. Through proactive intervention strategies the Department has started to reduce the numbers needing to be taken into care, with 458 children currently being looked after as at November 2010. This has already been reflected in decreasing agency (£100k) and fostering (£90k) costs.

3.5 The safeguarding of children is one of the Council's prime responsibilities, which following the creation of the Council has seen a developing approach. Initially this entailed a review of the approach to safeguarding across the Borough, which resulted in increasing numbers of children requiring care, before more recently moving to an approach with increased intervention and support, which aims to keep more children in their own homes. Finally over the longer term through increasing early intervention and support the numbers of children needing to be looked after will gradually reduce. Whilst the priority has be to ensure that children are safeguarded and as such it is difficult estimate or target reductions the best estimates is that over the forthcoming three years the numbers of children being looked after will fall by approximately 65, falling by 25 to 450 children being looked after by March 2011, and a further 20 in each of the following two years.

3.6 The chart below demonstrates the actual numbers in care by month, including the estimated numbers as at March 2011, 2012 and 2013.



<u>Adults, Community & Health and Wellbeing</u> (£9.3m over spend)

3.7 The projected outturn position for Adults, Community & Health and Wellbeing is shown in Table 2 below:

Table 2 - Adults, Community & Health and Wellbeing Outturn Forecast

Service	Net Budget £000	Forecast Outturn TQR £000	Projected Variance from Budget £000
Individual Commissioning	40,825	54,425	13,600
Care4CE	0	176	176
Strategic Commissioning	28,945	23,545	(5,400)
Adults	**69,770**	**78,146**	**8,376**
Health & Wellbeing	**12,554**	**13,511**	**957**
Total	**82,324**	**91,657**	**9,333**

3.8 The Adults, Community and Health & Wellbeing departmental position is now forecast as a potential overspend of £9.3m. The majority of this relates to Adults Social Care (£8.4m). This latest position more accurately captures the full year impact of underlying budget pressures built up from the inception of the Council and takes full account of the permanent base budget available to fund these pressures. It also builds on more experience in terms of reviewing care costs and what remedial action is deliverable in the reminder of the year.

3.9 Since the inception of the Council the directorate has grappled to contain the growth in care costs being incurred as a result of the demographics within the Borough. These are set to continue as the population ages, with those aged 65-74 anticipated to grow by over 17% and those over 85 anticipated to grow by almost 20% over the next 5 years alone. Alongside this growth in care costs, both the projected outturn and wider financial budgetary position of the department and Council need to be considered.

3.10 Since 1st April 2009 care costs in Cheshire East have increased by 6% year on year compared with 4% nationally. The issues are not just confined to the ageing population. Learning Disability (LD) clients coming through transition from Children's Services to Adults are increasing, in terms of both numbers and in the complexity of conditions presented. Whilst the projected percentage increase is small (just over 3% over the next 5 years) the increase in costs can be disproportionately high as these are the highest cost service users. This is illustrated by the stark reality that 5 cases alone coming through transition from Children's Services accounted for the full £400k growth built into the Adults budget in 2010/11 to cope with increased demand. This is notable for example in respect of autism which often requires complex support.

3.11 However, it is the increasing number of older service users that has placed the most significant extra financial costs on the authority. For example, expenditure being incurred on over 85's in the current financial year is projected at over £20m. This is the beginning of a trend that shows this age category doubling over the next 15 years within the Borough. The latest projection in terms of Older People's service users is a year on year increase in costs in 2010/11 of £1.5m.

3.12 External factors outside the control of the department are also adding to the financial pressures. The current tough economic climate means people generally have less money. Personal capital and savings, which would previously have funded individual contributions to care costs, are being eroded. Even after rigorous financial assessment procedures and support to secure all the benefits available, many individuals are able to contribute less to the cost of their care, meaning greater costs to the Council. Returning self funders have significantly increased, previously from averaging about 6 per care period (80 per annum) to over 140 per annum. Restrictions on other funding sources and changes in national benefits legislation also increase the local financial burden. This is illustrated by changes to the Independent Living Fund (ILF) where no new awards are being made. It is estimated this has resulted in a reduction of income to clients within the Borough who previously would have been eligible to some £1.2m in the current financial year. This is income from central government which would have reduced our net costs of care.

3.13 The actual cost of the service has been reduced by the comprehensive programme of redesign. The impact is significant. The total cost of the Adults Service for 2009/10 was £78.5m whereas the projected position being reported for 2010/11 shows costs reducing to £78.2m. Maintaining the cost to this level, given the growth pressures being experienced, demonstrates the effectiveness of the Social Care Redesign (SCR) Transformation Programme. However, the budget available to the Adults Service has reduced faster than the reduction in costs. A large part of this reduction has been the very limited amount of growth factored into the budget calculations. The Adults part of the budget has been reduced by 10% over 2009/10 and 2010/11 from a starting point of over £77m to the current position of £70m.

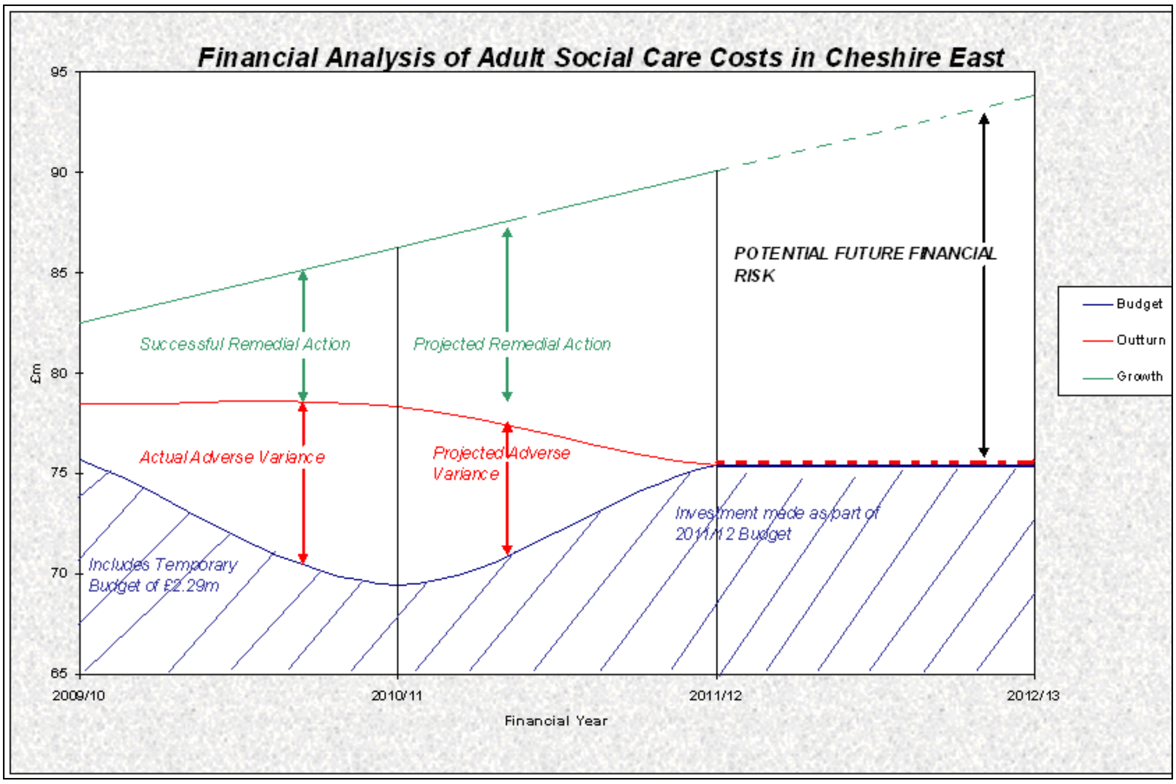
3.14 A number of issues need consideration from a budget point of view. First, the budget needs to catch up with the unfunded growth pressures experienced to date and the latest proposals for 2011/12 reflect this. Secondly, budgets need realigning within the directorate to fully reflect the impact of transformation undertaken to date. Primarily this involves moving budget from strategically commissioned services (such as internal provision) to individually commissioned services (mainly direct payments). Finally, looking forward the budget needs to keep pace with the net effect of future growth after allowing for the impact of Social Care

Redesign Phase 2. This will focus on delivering savings through further streamlining of processes and integration with health partners wherever possible.

3.15 The graph below summarises the position, both looking backwards from the start of the Council, through the current position to the potential position going forward. It also clearly demonstrates the financial impact of actions successfully delivered to date and those which have needed to be funded by the Council.

<u>Adult Social Care Financial Analysis</u>

3.16 Based on current data, it is estimated that the budget and the year end outturn will remain the same in future years and that growth will continue at £3.8m per year.



3.17 Remedial action continues to be pursued in a number of areas such as targeted reviews of care packages and recovery of direct payments advances with the aim of improving the revised bottom line projection. The reviews of care packages will ensure that the Council delivers its statutory duty to meet assessed care need but does so in the most cost effective manner. It is important to fully recognise the time required to deliver this remedial action given the statutory duty of care that the Council holds and the number and complexity of individual cases involved. Put simply, any annual reviews of care packages undertaken in

2010-11, whilst providing a part year saving in this year, effectively set the expenditure levels for care at the outset of the new financial year 2011-12, before starters / leavers in year are taken into account.

3.18 The effect of in-year remedial action has not yet been formally declared as the department fully anticipates further cost pressures between now and the year end. The current cold snap and incidence of the flu virus (including emergence of swine flu etc) will bring increased demand for social care services, for example, when people are discharged from hospital.

3.19 In broad terms Adult Services have been able to meet its challenging financial savings in the last two financial years but has not yet been able to alleviate the growth caused by the demographics of the borough and other pressures like returning self funders. As one pressure is alleviated another potential further pressure emerges. Major improvements in both financial and performance information and importantly closer realignment between the two, will assist the service to better manage and alleviate these pressures going forward. This greater level of information / understanding will aid budget management and financial planning in future and will assist in the delivery of a further round of radical transformation that will embed the key themes of prevention, personalisation, local delivery and integration with key partners aimed at sharing and reducing costs while meeting statutory duties.

3.20 A further report bringing together the financial and performance information to further evidence the current and potential position going forward will be prepared within the next reporting cycle.

Places Directorate (£264k overspend)

3.21 At the Third Quarter Review the Places Directorate is forecasting a net projected variance of £264k (after remedial actions).

3.22 The underlying pressures for the Places Directorate currently show a net overspend before remedial actions of £1.749m, however this reduces to £264k after taking into account remedial actions and the following Supplementary Revenue Estimate (SRE) requests, see below:

- Planning and Housing related additional costs associated with the Covanta Incinerator planning inquiry (£100k), the s.106 Agreements and Lawful Development Certificate backlog (£40k) and consultant support costs for the ‘gypsy and travellers’ planning application (£25k) – these costs are subject to a request for a Supplementary Revenue Estimate, to be funded from General Fund reserves.

- The Highways forecast includes £864k additional expenditure on highways maintenance, all funded by central government through Winter Impact Grant. The Council was notified of the grant award at the beginning of April after the 2010-11 budget had been set. The authority has recently reported on its Winter Impact spending enabling release of the grant.

3.23 The reported overspend is principally due to:

- pressures on pay budgets in Environmental Services
- not achieving full realisation of transport and corporate savings targets.
- car parking income.

3.24 Highways maintenance budgets remain under pressure, particularly following the effects of the recent severe winter weather. The service has already curtailed non statutory maintenance work with the aim of containing expenditure within budget. However, given the spending incurred on winter maintenance to date, it will prove difficult to find significant cost savings elsewhere in the budget if the poor weather conditions prevail.

<u>Remedial Actions</u>

3.25 To date, remedial actions totalling £456k have been identified as follows:

- Environmental Services: Review of structures/ overtime and agency management (£301k) and highways reduction (£100k)
- Safer Stronger Communities: Additional income in regulatory services (£10k) and new resident car parking schemes income (£45k).

3.26 The Places Directorate faces a challenging fourth quarter particularly as we approach the winter period. The Directorate continues to seek further remedial actions with a view to containing pressures within budget by year-end.

<u>Performance & Capacity</u> (£201k underspend, before carry forward requests)

3.27 The position at TQR has worsened due to a combination of factors. The decision to potentially close the Cheshire Business Services (CBS) supplies operation in mid-January has had a significant impact on cost recovery. The service is now predicting a £140k overspend, excluding potential severance / actuarial costs, and stock write-off.

3.28 Policy & Performance has worsened due to additional costs incurred for health reform support, joint strategic needs assessment and adjusted income from Tourist Information Centres.

3.29 Subject to the year end outturn position, Democratic Services is requesting a carry forward of £205,000 underspend to meet elections costs in 2011/12 for both parish and council elections.

4.0 CENTRAL BUDGETS AND RESERVES

4.1 As reported at MYR, £2m had been identified from central budgets and provisions to partly offset total service overspending. This comprised the balance of £1.4m on the central inflation contingency, and a £0.6m saving in interest payable following the rescheduling of the Council's external debt.

4.2 At TQR a further £3.8m has been identified. A £1.5m underspending on the interest payable budget will accrue due to it not being necessary to take out any new loans during the year. A further £1.0m has arisen from lower than planned actuarial costs associated with voluntary redundancies, including the rephasing of these costs over five years rather than three. Finally, following a detailed review, £1.3m has been identified as being surplus to requirements from earmarked reserves, and other balance sheet provisions.

4.3 Taken together with the projected service overspend of £13.5m (after remedial measures, but excluding carry forward requests), the above items have the effect of reducing the projected outturn variance by £5.8m to £7.7m. After allowing for other budgeted and known factors, the potential overall impact on the Council's level of general reserves in 2010-11 would be to reduce balances to around £6.7m as summarised in Table 3 below.

Table 3 - Impact on General Reserves

	£m	£m
Opening Balance at 1 April 2010		10.2
Planned Contribution to reserves	4.3	
Fleming VAT claims	1.6	5.9
Transfer to VR Reserve	-1.5	
Outturn Impacts (see 4.3 above)	-7.7	
Supplementary funding requests	-0.2	-9.4
Forecast Closing Balance at 31 March		6.7

5.0 REVENUE BUDGET - CONCLUSION

5.1 Services continue to face significant challenges in containing costs within agreed budgets. The level of pressures in Adults Services, and Children & Families now totals £21m, and despite these services identifying significant remedial actions of over £8m, there remains a net overspend of over £12m in these services. Elsewhere there has been a slight worsening of the net position. Mitigation of the overall overspend of £5.8m has been identified from underspendings against centrally held budgets, surplus earmarked reserves, and other central provisions. However a net overspend of around £8m is forecast.

5.2 The overall aim of the Council continues to be to manage its resources within budget, and therefore Senior Managers are committed to seeking further remedial measures, and undertaking detailed reviews of service and corporate budgets, with a view to improving the projected outturn position.

5.3 The potential level of general reserves of £6.7m (3% of budget) is significantly lower than was assumed when setting the 2010-11 budget, and would not cover the risk assessed level of balances required. This projected level of reserves will be a major consideration in the formulation of the Reserves Strategy for 2011-12 onwards.

5.4 Overall, services have identified remedial measures totalling £10.5m to mitigate the projected 2010-11 overspending. However, around £6.5m of these are temporary measures affecting 2010-11 only, and therefore only £4m are of a longer term nature realising ongoing savings in 2011-12 onwards. Measures identified for 2011-12 and beyond have been incorporated in Business Planning assumptions. Where measures only have a temporary impact in 2010-11, the value of these will need to be added onto the savings targets for next year, and subsequent years.

6.0 TREASURY MANAGEMENT

6.1 There has been no change to the forecast budget position on investment income since MYR. A small shortfall for the year of around £20,000 is forecast..

- The average lend position (the ’cash balance’) including fund manager up to the end of November was £99.1m.
- The average interest rate received on in house investments up to the end of November was 1.12%
- The average interest rate received on the externally managed Investec fund up to the end of November was 0.95%

6.2 The Council’s total average interest rate for the year up to the end of November was 1.10%. This is favourable when compared to the London

Inter-bank Bid Rate for 7 days at 0.40% but below the budgeted outturn of 1.25%. The base rate remained at 0.50% for the quarter.

Comparator	Average Rate Q2
Cheshire East	1.10%
LIBID 7 Day Rate	0.40%
LIBID 3 Month Rate	0.65%
Base Rate	0.50%

7.0 COLLECTION RATES

7.1 The Council Tax collection rate at the end of November was 77.91%, which shows a slight improvement on last year's figure of 77.75%. However, it is still expected that collection rates will be challenged during the final quarter as the impact of downtime during the implementation of the new Revenues system is felt. The National Non-Domestic Rates collection rate at the end of November is 80.12%, which is an improvement on last year's figure of 79.33%. Again, system conversion issues may affect collection during the next quarter.

8.0 DEBT MANAGEMENT

8.1 Total outstanding Invoiced Debt at the end of November 2010 was £10.2m which includes £4.3m of debt not yet due for payment, i.e. still within the payment terms. The total amount of service debt outstanding over 6 months old has increased significantly by £2.4m from £1.5m to £3.9m. However it should be noted that £2m of the increase relates to monies due from the Council's public sector partners, and it is anticipated that most of this debt will ultimately be settled. In fact, agreement has now been reached with Primary Care Trusts to pay £0.8m of this debt, and a further £0.8m relating to Inter Authority charges, which has been subject to query, should also now be settled shortly. The underlying level of older debt is therefore in the region of £2.3m, and services currently have debt provisions to cover this debt in the event that it needs to be written off.

8.2 An analysis of the invoiced debt provision by directorate is provided in Table 4 below.

Table 4 - Invoiced Debt

Directorate/Service	Total Outstanding Debt as at 30th November £000	Total Debt Over 6 months old £000	Bad Debt Provision £000
Children & Families Schools & Catering	1,190 39	1,064 17	1,064 17
Total Children & Families	1,229	1.081	1,081
Care Non Care	1,509 1,869	959 1,165	628 119
Total Adults, Health & Wellbeing	3,378	2,124	747
Environmental Services Safer & Stronger Communities Planning & Policy Regeneration	460 126 66 73	391 27 29 5	145 27 9 1
Total Places	725	452	182
Borough Treasurer & Head of Assets HR &OD Borough Solicitor Policy & Performance	512 13 1 6	204 1	297 3 35
Total P&C	532	205	335
Total Debt & Provisions	**5,864**	**3,862**	**2,345**

9.0 CAPITAL PROGRAMME

9. 1 At the three quarter year review stage, the Council is forecasting expenditure of £90.142m in 2010-11 against an Approved Budget of £100.276m for the year. Officers have undertaken a fundamental review of the capital programme to ensure that it only includes schemes that fulfil the Council's priorities for service delivery. As a result of this review, Officers are proposing a number of deletions and deferrals that would align the Approved Budget more closely with forecast expenditure. These deletions and deferrals are detailed in Appendices 3a and 3b for consideration by Members. If accepted, these deletions would reduce the Approved Budget 2010-11 by £2.247m.

9. 2 Table 5 shows an analysis, by Directorate, of the in-year Approved Budget for 2010-11, and forecast expenditure for 2010-11 and the three following years to 2013-14.

Table 5 – Capital Expenditure Forecasts

Department	In Year Approved Budget 2010-11 £000	Forecast Expenditure 2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000
Adults, Community and H&W					
New Starts	723	807	450	400	0
Committed schemes	8,446	6,973	3,950	350	0
	9,169	7,780	4,400	750	0
Children & Families					
New Starts	5,785	5,342	8,997	1,599	0
Committed schemes	23,204	21,540	3,767	815	0
	28,989	26,882	12,764	2,415	0
Places					
New Starts	13,174	13,627	13,859	9,359	295
Committed schemes	28,065	23,383	3,518	4,574	4,201
	41,239	37,010	17,377	13,993	4,496
Performance & Capacity					
New Starts	8,627	8,314	2,550	825	824
Committed schemes	12,252	10,156	5,696	270	270
	20,879	18,470	8,246	1,095	1,094
Total New Starts	28,309	28,090	25,856	12,183	1,119
Total Committed schemes	71,967	62,052	16,931	6,009	4,471
Total Capital Expenditure	**100,276**	**90,142**	**42,787**	**18,193**	**5,590**

9. 3 The programme consists of on-going schemes started in previous years (£71.967m) and new starts (£28.309m). The new starts include a number of schemes which form part of a 'core' programme, including essential maintenance, Local Transport Plan (LTP) schemes within Environment, and Devolved Formula Capital (DFC) allocations for schools. New schemes have been approved by Members as meeting the Council's priorities.

9. 4 The programme is funded from both direct income (grants, external contributions, linked capital receipts), and indirect income (borrowing approvals, revenue contributions, capital reserve, non-applied receipts). A funding summary is given below in Table 6.

Table 6 – Funding Sources

Funding Source	Forecast Expenditure			
	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000
Grants	40,192	25,018	12,870	3,777
External Contributions	5,203	1,476	160	0
Linked/Earmarked Capital Receipts	3,580	2,468	350	0
Supported Borrowing	16,560	3,634	1,050	424
Non-supported Borrowing	5,140	3,678	670	270
Revenue Contributions	2,234	885	250	295
Capital Reserve	17,233	5,628	2,843	824
Total	**90,142**	**42,787**	**18,193**	**5,590**

9. 5 Appendix 1 shows details of the individual schemes that make up the disclosures in Table 5 and Table 6.

9. 6 Appendices 2a and 2b list proposals for Supplementary Capital Estimates (SCE) and Virements up to and including £500,000 that Cabinet is requested to note.

9. 7 Appendix 3a lists proposed budget reductions and Appendix 3b lists proposed budget deferrals; both these appendices require Cabinet approval. Note that Appendix 1 already reflects the effect of the proposed reductions and deferrals in forecast expenditure, but that the Approved Budget will not be amended until the proposed budget reductions and deferrals have been approved.

Key Service Capital Issues

9. 8 All Services are faced with reduced levels of capital funding from the Government. Some of the impacts are known and are outlined below.

Adults Health & Wellbeing

9. 9 Proposed deletions of £0.306m arising from the review are listed in Appendix 3a. Proposed deferrals totalling £1.385m are listed in Appendix 3b.

Children & Families

9. 10 Proposed deletions totalling £0.646m arising from the Fundamental Review are listed in Appendix 3a.

9. 11 Devolved Formula Capital

Total Approved Budget, 2010-11 allocation	-	£2.248m
In-year Approved Budget	-	£1.220m
Carry-forward to future years	-	£1.028m

This project is funded by a grant allocation from the Department for Communities and Local Government. Each of our schools has a set share of this funding which they can use on a variety of capital projects or save multiple allocations to undertake a large project.

The opening budget for this project was set to match the funds schools had available. The review undertaken for the mid and three quarter year review indicates that schools will spend over several years. The terms and conditions of this grant funding ring fence these funds to schools.

Places

9. 12 Proposed deletions totalling £0.776m arising from the Fundamental Review are listed in Appendix 3a. Proposed deferrals totalling £1.376m arising from the review are listed in Appendix 3b. Variances on specific schemes are considered below:

9. 13 <u>Bridge Maintenance Minor works</u>

In-year Approved Budget	-	£0.930m
Forecast Outturn at TQR	-	<u>£0.556m</u>
Underspend	-	<u>£0.374m</u>

The scheme costs for Wheelock Station Bridge waterproofing have increased due to delays associated with services companies. The scheme costs for Gurnett Bridge have also increased due to delays associated with services companies, and additional complications arising from the need to work around services whilst demolishing and constructing the new bridge. In addition, the delays at Gurnett have pushed the construction into the winter period where further delays and additional costs are possible due to the increased chances of inclement weather and the shorter on site working day. These increased costs are being absorbed by deferring site schemes on the 2010-11 Bridge Maintenance budget until next financial year.

9. 14 In addition to the items described above, there are a number of issues facing the Directorate. The implications of the recent Comprehensive Spending Review on highways and transport spending are being reviewed, and recent information provided by the DfT about funding for highway capital programmes is currently being reviewed. In relation to specific schemes, the position will not be finalised for until next year. For example, it is currently understood that whilst Crewe Green Link Road is in the DfT's forward plans, the new road planned for the south-east of Manchester (known as the SEMMMS partnership project) is not – confirmation of the position is awaited. The development of these schemes, or otherwise, has implications for the realisation of the Council's strategic plans locally and our influence, regionally.

9. 15 New issues arising for this report are:

9. 16 Disabled Facilities Grants (DFG). There is already a commitment going forward into 2011/12 that exceeds available funding. At current levels of demand there is a budget pressure of £823k. DFGs are mandatory and the Council risks judicial review if applications are not approved. There is potential for poor publicity for the Council if DFG approvals are seen to be subject to excessive delay. The Directorate does have scope to defer approval and payment, but this is not a saving and merely moves expenditure into a later financial year.

9. 17 Waste Private Finance Initiative (PFI) Project.
As part of the Comprehensive Spending Review (CSR) announcement on 20th October, the PFI credits for the joint waste PFI procurement have been withdrawn. The Waste PFI project is a joint procurement with Cheshire West & Chester and therefore any decision about future actions will need to be agreed by both Councils. Options are being explored.

9. 18 Land Acquisition
The Council is currently in negotiation with Royal Mail for the purchase of a strategic site within Crewe; should negotiations be successfully concluded a supplementary capital estimate will be required in due course.

Performance & Capacity

9. 19 Proposed deletions totalling £0.519m arising from the Fundamental Review are listed in Appendix 3a. Proposed deferrals totalling £0.240m are listed in Appendix 3b. Variances on specific schemes are considered below:

9. 20 Oracle Optimisation

In-year Approved Budget	-	£0.990m
Forecast Outturn at MYR	-	£1.486m
Overspend	-	£0.496m

The forecast is unchanged from the Mid Year Review. The Oracle R12 programme, which is being jointly delivered with Cheshire West & Chester, and in partnership with PricewaterhouseCoopers (PWC) has been tasked with upgrading the entire Oracle estate for both councils from version 11.5.10 to R12, and this is having a significant impact across all areas of HR, Payroll, Income, Procurement, Finance and Reporting.

The magnitude of the change is great but has to be actioned as Oracle 11.5.10 falls out of premier support from November this year. This would leave both authorities greatly exposed, given the scale of the user base and the number of front-line service systems which Oracle supports. This challenge has been increased due to gaps in existing process and technical documentation following LGR migration and the need to address a number of significant pre-requisites ahead of the upgrade.

The programme has a go-live date of January 2011, with some additional functionality being deployed through Q1 2011. During this time, the R12 programme dominates the ICT Shared Service Oracle agenda with the majority of their resources being seconded onto the programme full time. Costs associated with back filling these posts form a significant proportion of the overall programme costs, along with the commissioning of specialist ICT input from PWC. Significant testing, training and change management requirements are also included within the overall projections, along with some infrastructure improvements.

The projected overspend will be funded by rephasing planned spending in future years, to avoid any overrun against the total approved provision included in the current capital programme.

9. 21 Farms Estates Reorganisation & Reinvestment

In-year Approved Budget	-	£1.385m
Forecast Outturn at TQR	-	£0.052m
Underspend	-	£1.333m

Capital spending / investment has been limited, reflecting the delayed disposals programme, a very limited response from tenants in relation to Nitrate Vulnerable Zone work and limited movement by tenants partly in anticipation of the development of management policy objectives resulting from the ongoing service review.

9. 22 Building Maintenance

In-year Approved Budget	-	£5.075m
Forecast Outturn at TQR	-	£4.500m
Underspend	-	£0.575m

There are a small number of schemes that have been deferred to future years, to the value of £407,900. The remaining contingency balance of £167k, which would be still be required if there are any major boiler breakdowns over the winter months, has also been deferred.