

**SERVICE FINANCIAL SUMMARY****INTRODUCTION**

1. This section provides a summary of SERVICE forecast outturn positions on revenue and capital budgets at the first quarter year stage, and a summary of the debt position at 30 June. It highlights the key emerging budget pressures facing the Council, outlines potential remedial actions where possible at this stage, and summarises progress against growth and savings policy proposals contained in the 2011-12 budget.

**OVERALL REVENUE SUMMARY****Table 1 - Service Revenue Outturn Forecasts**

	<b>FIRST QUARTER REVIEW 2011-12</b>				
	<b>Net Budget</b>	<b>Forecast Outturn</b>	<b>Variance from Budget</b>	<b>SRE's for Approval</b>	<b>Net Variance</b>
	£000	£000	£000	£000	£000
Directorate	2,010	598	(1,412)		(1,412)
Safeguarding & Specialist Support	27,653	28,031	378		378
Early Intervention & Prevention	11,227	10,815	(412)	(60)	(472)
Strategy, Planning & Performance	39,450	39,871	421	(172)	249
DSG - Non Schools	(22,006)	(20,185)	1,822		1,822
Cross Cutting Savings	(408)	-	408		408
<b>CHILDREN &amp; FAMILIES</b>	<b>57,926</b>	<b>59,130</b>	<b>1,204</b>	<b>(232)</b>	<b>972</b>
Care4CE	-	1,212	1,212		1,212
Strategic Commissioning	44,433	39,855	(4,578)		(4,578)
Local Commissioning	51,246	54,179	2,933		2,933
Health & Wellbeing	10,601	11,148	547		547
Cross Cutting Savings	(493)	-	493		493
<b>ADULTS, COMMUNITY AND HEALTH &amp; WELLBEING</b>	<b>105,787</b>	<b>106,394</b>	<b>607</b>	<b>-</b>	<b>607</b>
Environmental Services	37,622	39,335	1,713	(1,573)	140
Safer & Stronger Communities	163	605	442	(125)	317
Planning & Housing	2,939	3,331	392	(147)	245
Regeneration	11,420	11,769	349	(139)	210
Cross Cutting savings	(237)	(40)	197	-	197
<b>PLACES</b>	<b>51,907</b>	<b>55,000</b>	<b>3,093</b>	<b>(1,984)</b>	<b>1,109</b>
Treasurer & Head of Assets	121,979	122,779	800		800
HR & OD	3,142	3,262	120		120
Borough Solicitor	5,699	5,782	83		83
Policy & Performance	6,869	6,866	(3)		(3)
Corporate Improvement	399	399	-		-
<b>PERFORMANCE &amp; CAPACITY</b>	<b>138,088</b>	<b>139,088</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>UNALLOCATED CROSS CUTTING SAVINGS (within P&amp;C)</b>	<b>(4,548)</b>	<b>(2,548)</b>	<b>2,000</b>		<b>2,000</b>
<b>Total Service Outturn</b>	<b>349,160</b>	<b>357,064</b>	<b>7,904</b>	<b>(2,216)</b>	<b>5,688</b>

2. Table 1 above shows the projected outturn positions at a service level. Overall, services are forecasting an overspend of £7.9m before requests for supplementary revenue estimates (SREs). A significant element of the overspend (£2.0m) arises on unallocated Cross Cutting Savings.
3. Services are requesting SREs of £2.2m to be funded from additional grants received by the Council. The grant bids are summarised below in Table 2. If approved, the net service overspend forecast becomes £5.7m.

**Table 2 - Grant Funded SRE requests**

Directorate / Service	Grant	£000
<b><u>Children &amp; Families</u></b>		
Early Intervention & Prevention	Youth Justice Board	60
Strategy, Planning & Performance	Music	28
Strategy, Planning & Performance	Extended Rights to Free Transport	144
<b><u>Places</u></b>		
Environmental Services	Winter Impact Grant	1,573
Safer & Stronger	Flood & Water Management	125
Planning & Housing	Neighbourhood Planning Vanguard	80
Planning & Housing	Housing Homelessness	67
Regeneration	Community Transport	139
<b>TOTAL</b>		<b>2,216</b>

### **KEY SERVICE REVENUE ISSUES**

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

#### **CHILDREN & FAMILIES - £1.0m overspend (after SREs)**

5. In setting the Needs Led Budget for 2011-12, an efficiency target of £1.4m was given to service managers. This budget is held with the Director and assumed to be delivered, therefore currently showing as an underspend, and offsetting some of the budget pressures elsewhere in the service.

#### **Safeguarding and Specialist Support (SSS) - £378k overspend**

6. The three staffing areas in SSS (Children in Need/Child Protection, Children's Assessment Team and 16+/Cared For Support ) are currently forecasting an overspend of £75k. This is due to the small number of agency staff still remaining. Permanent staff have been recruited; however the need to retain fully qualified Social Workers whilst the new Social Workers are trained and inducted, has meant that the agency workers will be retained until September to support the transition.
7. The placements budgets had growth of £4m in the 2011/12 budget setting process, and this was allocated to the fostering and adoption allowances and the external placements budgets. The initial review of

these budgets shows a projected overspend of £1.4m by year end, if the number of Cared for Children (CFC) remains the same for the rest of the year. The number of CFC has increased in the first quarter of the year, from 439 at 1 April to 452. The numbers of CFC tends to fluctuate throughout the year in reaction to need, and the current spike is related to two large sibling groups who came into care in May 2011.

8. Proactive intervention strategies are in place to reduce the numbers needing to be taken into care, and the creation of the new Early Intervention and Prevention service will also have an impact. In addition, a large cohort of around 30 children are currently waiting adoption orders which will move them out of high cost placements, and should see expenditure reduce accordingly. However as no timeline is available for this, these children are currently included in the projections as if the placements will remain for the full year.
9. The service received £780k growth for the policy proposal to develop residential provision within the borough. Progress has been made on the scheme, the tender document is being developed, and potential properties have been identified. Some of the growth has been used to purchase an additional 3 beds in Wilkinson House for 2011-12 whilst the scheme is implemented, leaving an underspend of £466k.

#### Early Intervention and Prevention - £472k underspend

10. A new Early Intervention and Prevention service has been created which encompasses Children's Centres, Family Centres, the Family Service and the First Call service, which encompasses the Family Information Service and the Common Assessment Framework (CAF). The Head of Service took up post in April 2011 and is in the process of restructuring, investing in front line staff and moving to a locality based service.
11. This new structure will come into effect in September 2011, and until then there has been a hold on vacancies and a directive to curtail additional spend as much as possible whilst the new structure is implemented. Whilst the service is forecast to underspend at the moment, once the new structure is in place any under spends are likely to be reinvested into the Targetted Youth Service.
12. The service budgeted for Youth Justice Board grant income of £443k on the assumption it was ringfenced and would come directly to Children and Families. However all grants are now budgeted for corporately so this income budget in the service will not be achieved. £60k is being requested from additional grant funding.

#### Strategy, Planning and Performance - £249k overspend

13. The service also budgeted for Music grant income of £406k on the assumption it was ringfenced and would come directly to Children and Families. Again, as all grants are now budgeted for corporately, this income budget in the service will not be achieved. £28k is being requested from additional grant funding.
14. Most of the other budgets in this area are expected to net nil by year end. Unspent Standards Funds has been carried forward from 2010-11

to offset additional planned expenditure in the early part of this year, recognising the funding being academic year.

15. The area of pressure here is Business Support which has been targeted with achieving £250k savings on staffing and £250k on Supplies and Services. Early indications are that the staffing savings will be achieved. However the service have centralised the Business Support function, and will need to keep spend on supplies and services under review, bearing in mind the wider Business Management Review.
16. The service is also applying for a Supplementary Revenue Estimate of £144k from the grants contingency in respect of Extended Rights to Free Transport, where the actual grant received is more than the original budget allocation.

#### Schools / Other School Related - £1.822m overspend

17. In setting the Needs Led Budget for 2011-12, no budget was set aside for early retirement, pension and redundancy costs relating to schools. These are enhancements paid to teachers but which cannot be charged to DSG. This currently costs £2.3m per year.
18. Centrally retained DSG was not fully spent in 2010-11, allowing budget of £538k to be carried forward and used to offset the budget pressures on schools redundancy, £280k and SEN contingency £200k. An increase in the amount of DSG allocated by the DfE for 2011-12 of £430k has added to this, creating an underspend in centrally retained DSG of £478k to offset the pensions funding gap.
19. The Individual Schools Budget (ISB) is assumed to balance as actual spend will equal budget and schools will retain in full any carry forward. The 2011-12 budgets will increase by £10m when the 2010-11 carryforward is applied to the accounts from reserves.
20. The income budgets for the Dedicated Schools Grant (DSG) and V1th Form income from the YPLA will be reduced in year in direct proportion to the expenditure budget reductions in the ISB following any adjustment relating to schools converting to Academies during the year as the budgets are calculated as no longer being due to the maintained school, i.e. the net impact should be nil.

#### Emerging Pressures

21. In addition to the pressures caused by the Pensions funding gap and grant income shortfall, the service are aware of other likely pressures on the budget for this year and ongoing: -
  - Impact of the Southwark judgement on care costs
  - Development of a special school in the borough, with associated project management costs
  - From 2012-13 custody and remand costs will be the responsibility of the Council although no budget is expected to come with the transfer of responsibility. This is likely to have an impact on the 16+ service.

## 2011-12 Savings Proposals

22. The Directorate has savings proposals totalling £5.6m for 2011-12. At FQR, it is forecast that £4.3m of the proposals will be fully achieved. £1.3m savings relating to Children in Care placements is potentially “at risk”, but measures as described above are in place to minimise the potential impact.

## Conclusion

23. The directorate is predicting an overspend of £1.0m, however this is assuming the service will be able to absorb some of the pressure. The service will continue to explore remedial actions to minimise the need for further calls on balances.

## **ADULTS, COMMUNITY, HEALTH & WELLBEING - £0.6m overspend**

24. Overall, the department is forecasting a residual overspend of almost £0.6m, with the Adults side of the department balanced, after proposed remedial actions.
25. The 2011-12 budget has been set at a level to ensure that inherent budget pressures from previous years had been addressed. In 2011-12, the ACHWB budget whilst benefiting from growth policy options continues to have ambitious policy savings targets in excess of £10m for this financial year alone.
26. Delays are anticipated in delivering some of the more complex policy options including: building based review savings; lifestyle centres and transport savings.

## Care4CE - £1.212m overspend

27. The majority of the overspend position in Care4CE is directly related to the delay in delivering the rationalisation of buildings (£0.827m). Work is underway to bring forward proposals to address this shortfall as soon as possible and ensure a full year effect is delivered in 2012/13.
28. A reduction in NHS income budgets due to the de-commissioning of services equates to a loss of income of £0.3m.
29. The council has two year temporary funding from the NHS which is being used to establish the re-ablement service (including Community Re-ablement and assistive technology). This service is intended to deliver savings for Cheshire East Council and NHS Partners. These reablement savings will be closely monitored during detailed quarterly financial monitoring reports to ensure this investment is working financially.
30. Whilst the intention is for existing staff to be re-deployed into re-ablement positions there will still be voluntary redundancies associated with this business model, the costs of these have been factored into the Strategic Commissioning budget (these form the majority of the total estimated VR's for the department which are estimated at £2.2m).

#### Individual Commissioning - £2.933m overspend

31. Due to budget pressures in previous years, considerable care cost growth budget has been allocated to the service in 2011-12 covering the first two years of operation of Cheshire East Council. This budget was allocated to reflect the growth in the number of care clients and complex care packages and **does not** account for any inflationary pressure growth (the Council are continuing to hold a zero inflation uplift position).
32. The savings linked to care costs are assumed to be delivered in year and this is reflected in the current projected outturn.
33. In 2011-12 the service have an ambitious savings target in relation to transport reductions of £0.8m. It is not anticipated that these savings will be fully delivered in year, this is due to the timeframe required to review clients packages and the ability of the transport service to reduce costs (i.e. whilst the number of clients is reducing, the costs will not reduce until certain services are stopped).
34. Whilst the budget for care will currently be balanced (once the virement from Strategic Commissioning into Individual Commissioning has been actioned), there remains a number of very high financial risks facing this budget. These include the risk of provider failure (recently estimated in one high profile case at £1.5m); higher than expected growth (growth is estimated to be running at approx. £4m p.a.) and/or pressure from providers to pay across an inflation increase (estimated at £1.6m in 2001/12) will increase the forecasted care cost position. **These high financial risks need to continue to be recognised corporately as any of these factors has the potential to have a material adverse effect on the overall financial stability of the council.**

#### Strategic Commissioning - £4.578m underspend

35. Whilst overall this part of the service is reporting an underspend, this is due to currently holding the 2011-12 care cost growth budget (£3.8m) and the NHS social care allocation budget (£3.9m) both of these budgets need to be allocated across the Adults service. The VR costs for the department are currently being housed here.
36. There are underlying budget pressures within Strategic Commissioning including the Cheshire East part of the Pooled budget with Health, staffing budgets for which the full development of a costed model is suggested to take account of numerous changes recently and the Emergency Duty team where some correction of staffing costs and budget realignment is needed.

#### Health and Wellbeing - £0.6m overspend

37. The service is experiencing a number of budget pressures, some are associated with 2011-12 policy items (Library review; Lifestyle centre income) but the service is also feeling the impact of other council service decisions including the recharge of Legionella Audits and cost of hosting Customer Access Points in libraries. An efficiency review of Libraries is already underway with the aim of identifying remedial actions in order to reduce this projected deficit.

38. The reported Health and Wellbeing overspend is also partly due to a number of pressures affecting the base budget which have recently come to light. These include utility costs for water and inflationary pressures such as an increase in fuel cost for the mobile libraries.
39. The following list summarises the Emerging Pressures for ACHWB identified to date

#### Emerging Pressures

- Ability to deliver full year savings linked to the rationalisation of building based services will depend on how/when buildings are closed.
- Potential high costs of judicial reviews.
- Transport policy savings will not be fully achieved in year.
- Continued pressure on the Learning Disability Pooled Budget.
- Staffing pressures are starting to emerge from within the service.
- Policy savings items still need to be allocated within the service.
- One or two high risk Policy savings need to be further evidenced and their full year effect verified e.g. care cost savings through review and Leisure income.
- There is a risk of care provider failure during this financial year.
- Library review is not delivering anticipated savings and is unlikely to deliver any savings in year unless an alternative approach is adopted (i.e. using volunteers in libraries to reduce staffing costs).
- Additional costs of hosting Customer Access Points in libraries (i.e. additional staffing requirement).
- Transfer of Legionella Audit Charges to the service.
- Additional costs in relation to the Royal visit.

#### 2011-12 Savings Proposals:

40. The Directorate has savings proposals totalling £10.7m for 2011-12. At FQR, around £4.5m of savings have been achieved to date. The majority of other savings proposals are “at risk” of only being partly achieved, however remedial measures, including reduced care costs, as described above and in the appendix are in place to minimise the potential outturn impact.

#### Conclusion

41. The department continues to face a real challenge in delivering a balanced outturn for 2011/12. It should be noted that the current projection of £0.6m overspend includes the assumption that the department will fund its own Voluntary Redundancy costs which are estimated at £2.2m and also, includes £0.6m of cross cutting savings which have recently been allocated to the Department.

## **PLACES - £1.1m overspend (after £2.0m SREs)**

42. The Places Directorate has a net budget for 2011-12 of £51.9m after allowing for savings proposals of £5.9m.
43. Forecasts include a number of supplementary items fully funded from grants; e.g. Highways £1.6m, Community Transport £139k; Flood defence £125k; etc, resulting in total Supplementary Revenue Expenditure (SRE) requests of £2.0m for the Directorate.
44. After SRE's, the Directorate is forecasting an adverse net variance against budget of £1.109m, comprising £380k on Voluntary Redundancy (VR) costs paid/forecast to date and £729k service budget pressures.

### Emerging Pressures:

45. The key emerging pressures at FQR relate to the following:
  - VR severance costs £380k not included in the Directorate budget.
  - One off pressures associated with the split implementation of the Waste harmonisation/optimisation total £750k, offset by Environmental Services pay and non-pay savings £618k, Waste contracts savings totalling £284k and remedial actions to reduce the waste minimisation spend by £50k, giving a net saving of £202k.
  - Grounds Maintenance - 2011-12 policy savings of £112k, proving difficult to realise in full, offset by a forecast reduction in verge maintenance expenditure in the latter part of the year of £150k.
  - Amended and delayed implementation of the increases in market rents (£194k).
  - Car Parking adverse income variance of £227k is anticipated due to continuing economic recessionary pressures and a delay in the tariff increase until the end of August 2011. Pay and Display (£14K) and Car Parking Fines (£213k).
  - The 2011-12 policy change to reduce the Council's contribution to the Environment Agency (EA) in respect of the Flood Defence Levy by £131k is currently being contested by the Environment Agency (EA) and therefore may not be realisable.
  - the costs of a major Planning Enquiry (£115k).
  - Local and Rural Bus contracts (£168k), which takes account of bus service changes not being implemented in 2010-11 and only a part year effect of service reductions in 2011-12.

### SRE Requests:

46. At FQR, the Directorate makes the following SRE requests totalling £1.984m in relation to service expenditure included in the forecast out-turn position, to be funded from the Grants Contingency:
  - Highways Winter Impact (£1.573m)

The Highways Service was awarded DfT Winter Impact Grant in March 2011 of £2.048m, after applying £475k in 2010-11 the remaining £1.573m is to be utilised in 2011-12 on winter related Highways maintenance repairs.

- Flood & Water Management Act (£125k)

Regulatory Services has taken on additional responsibilities under the Flood and Water Management Act that requires an SRE of £125k to match DEFRA funding in 2011-12.

- Spatial Planning Neighbourhood Planning (£80k)

Spatial Planning have successfully bid for a Neighbourhood Planning Vanguard grant of £80k and request that the monies are utilised to fund the community consultations, publicity and sustainability and transport assessments in the four towns of Alsager, Congleton, Middlewich and Sandbach, which will act as pilots in the process before it is rolled out to the other towns and larger villages in Cheshire East.

- Housing Homelessness Grant (£67k)

Housing request that £67k from the 11-12 Homelessness grant is made available to enable the Housing Options team to employ temporary resource to help provide advice and assistance due to the increased volume and complexity of cases in the Crewe area and also provide the Court Desk with an additional grant to deal with an increased use of this service.

- Community Transport Grant (£139k)

An SRE is requested for £139k to utilise the Community Transport Grant income awarded in March 2011 to kick start the development of Community Transport in the Crewe and Nantwich areas of the Borough.

#### 2011-12 Savings Proposals:

47. The Directorate has savings proposals totalling £5.9m for 2011-12. At FQR the forecast out-turn achievement against these savings is £4.8m, with £1.1m potentially "at risk". As detailed above the principle variances relate to:

Markets – delayed/reduced rent increases	£194k
Regulatory Services – delays in review of structure	£160k
Development Mgt – EA contesting reduced contribution to Flood Cttee	£131k
Transport – Delayed implementation of bus cuts	<u>£168k</u>
	£653k
Additional one-off costs re Route Optimisation/ harmonisation (net)	<u>£416k</u>
Total	<b><u>£1,069k</u></b>

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

## Conclusion:

49. At this early stage in the year the Places Directorate is forecasting net pressures of £1.109m, mainly in respect of funding VR severance costs (£380k) and service pressures (£729k) from not realising the full extent of certain savings targets in the year. The Directorate will continue to closely monitor and manage key areas and identify scope for further remedial actions.

## **PERFORMANCE & CAPACITY - £1.0m overspend**

### Borough Treasurer & Head of Assets - £800k overspend

50. An overspend of £800,000 is forecast within the Directorate relating to the ICT Shared Service.
51. There is also a very high risk that the full £2m saving from the Asset Challenge policy proposal will not be fully delivered in year but the assumption at the first quarter is that mitigating savings will be found to deliver the saving in full. Other pressures in the service include utility price increases, loss of income from vacant units in the investment portfolio due to market conditions, and non operational property expenditure exceeding available budget. In addition the impact of the VR cross cutting saving of £252k presents a further challenge.
52. The overspend of £800k relating to ICT Shared Services is based on a budgeted scenario and assumes a high level of delivery against the ICT capital programme and substantial delivery of savings within the shared service. Some of the overspend may be mitigated if Shared Services can reduce their cost base quickly and accelerate the delivery of savings anticipated in 2012-13 and 2013-14. Delivery of these savings and proactive monitoring of the financial position will ensure the overspend is far below the £1.1m overspend that was reported in 2010/11.
53. Within the procurement service pressures exist as a result of absorbing CBS supplies budgets, subscribing to AGMA (Association of Greater Manchester Authorities), recruitment of an interim category manager and non achievable income targets. However, it is assumed that compensating savings will be found to balance the budget in year.

### HR & OD - £120k overspend

54. HR & OD is predicting an underspend of £20k before the impact of harmonisation work is taken into consideration. The £120k overspend is due to anticipated costs of £140k being incurred on pay harmonisation work and an SRE to fund this work will be considered at mid year alongside a bid for funding of one-off mitigation and protection costs..

### Borough Solicitor - £83k overspend

55. A small overspend is predicted due to the impact of VR cross cutting savings and the potential recruitment of staff into Legal services.

### Policy & Performance - £3k underspend

56. Policy & Performance is forecasting a broadly balanced outturn position in total at the end of the year. There is a projected overspend on Customer Services of £37k which is due to the delayed closure of the Westfields customer service point. This is offset by a forecast underspend of £40k on staffing by the Audit and Compliance teams.

### Corporate Improvement – nil variance

57. Corporate Improvement is forecasting a balanced outturn position. Rationalising structures has created a permanent underspend, but this is offset in the current year by one-off severance costs.

### 2011-12 Savings Proposals:

58. The Directorate has savings proposals totalling £6m for 2011-12. At FQR, it is anticipated that these will be delivered or managed within the bottom line, though there is a significant risk surrounding the delivery of the £2m Asset challenge saving.

### **UNALLOCATED CROSS CUTTING SAVINGS - £2.0m overspend**

#### **Cross Cutting savings held in BTHoA**

59. Business Management Review – Savings targets totalling £492k have been allocated to People and Places Directorates and budgets adjusted accordingly. The remaining savings target of £258k relates to the whole of P&C but is currently held within BTHoA pending agreement on a plan to deliver the required savings. A plan to deliver the savings will be agreed and therefore a net nil variance is forecast.
60. Shared Services Improvement in Services – This saving of £300k is currently held within the BTHoA service, pending a strategy to deliver the saving. The saving was originally to be met from continuing shared services outside of ICT, HR and Finance but this has not proved possible. Therefore, a forecast overspend of £300k is reported.
61. Procurement Saving. The Council wide procurement savings target of £1.4m is currently held centrally within the service pending agreement from Corporate Management Team (CMT) on the allocation of the savings target. The latest estimate from the Procurement team is that a maximum saving of £1.2m is possible in 2011-12, which means that an overspend of at least £0.2m is likely.

#### **Cross cutting savings held in HR/OD**

62. Pay Harmonisation. The Council wide savings target of £2.4m for 2011-12 is held centrally within the service pending final agreement and acceptance of the package of changes. The maximum level of savings which can be generated in 2011-12 from the latest package is estimated to be £0.6m, leaving a projected overspend of £1.8m in year.
63. Salary Sacrifice Scheme/Reed Contract savings. The Council wide savings target of £490k for 2011-12 is held centrally within the service

pending agreement from CMT on its allocation. Spend on agency staff has contracted markedly in 2011-12 and the assumption is that CMT will approve delivery of the saving based on this reduced level of spend. Therefore, year end variance of net nil is forecast.

64. VR Saving – the original target for new Category 3 VR savings was £600k. However, savings totalling £900k have been distributed to services across the authority leaving a positive budget of £300k retained by the service, resulting in a forecast year end underspend of £300k.

## **REVENUE BUDGET - CONCLUSION**

65. Following allocations of grant funding, the level of projected net service overspending is significant at £5.7m. Other budget pressures, including those arising in Children and Families from incorrect assumptions made at the budget setting stage, should be noted for now on the understanding that services will work to contain additional costs within their agreed budgets. Extensive remedial measures and actions will be required immediately to drive this down towards a balanced outturn position wherever possible.
66. Proposals for remedial action need to be developed across all services, and not limited to individual service forecasts, as a substantial element of the overspend relates to unallocated cross cutting savings.
67. Some limited alleviation of the impact on general reserves will be available from central budgets as outlined in Annex 1. Other central budgets and provisions will need to be reviewed to establish whether there is any further potential for offsetting savings.

## **CAPITAL PROGRAMME**

68. The final capital outturn position for 2010-11 showed expenditure of £72.643m compared to an in-year budget of £103.32m. The difference between these figures mainly represents budgets not used in 2010-11 but that would in principle be carried forward to 2011-12 as 'slippage'. A fundamental review was carried out at outturn to only allow schemes that met the Council's priorities to be carried forward and any unspent balances were deleted from the programme enabling resources to be freed up for future allocations.
69. Table 3 shows an analysis by Directorate of the in-year Approved Budget for 2011-12, and forecast expenditure for 2011-12 and the three following years to 2014-15.

**Table 3 – Capital Expenditure Forecasts**

Department	In Year Approved Budget	Forecast Expenditure			
	2011-12 £000	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
Adults, Health & Wellbeing					
New Starts	1,048	1,048	0	0	0
Committed schemes	6,658	6,658	350	0	0
	7,706	7,706	350	0	0
Children & Families					
New Starts	13,038	7,139	7,826	459	0
Committed schemes	17,305	14,207	5,588	0	0
	30,343	21,346	13,414	459	0
Places					
New Starts	19,397	13,456	7,798	970	0
Committed schemes	18,279	16,157	8,118	3,324	1,615
	37,676	29,613	15,916	4,294	1,615
Performance & Capacity					
New Starts	6,564	6,564	4,693	4,100	0
Committed schemes	12,178	10,853	2,467	1,099	0
	18,742	17,417	7,130	5,199	0
Total New Starts	40,047	28,207	20,317	5,529	0
Total Committed schemes	54,420	47,875	16,493	4,424	1,615
Total Capital Expenditure	94,467	76,082	36,810	9,953	1,615

70. The programme consists of on-going schemes started in previous years (£54.420m) and new starts (£40.047m). The new starts include a number of schemes which form part of a 'core' programme, including essential maintenance, Local Transport Plan (LTP) schemes within Environment, Devolved Formula Capital (DFC) allocations for schools, and Corporate Landlord schemes within Assets. New schemes have been approved by Members as meeting the Council's priorities.
71. 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 4.

**Table 4 – Funding Sources**

Funding Source	Forecast Expenditure			
	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
Grants	31,619	14,373	1,560	0
External Contributions	2,634	74	80	0
Linked/Earmarked Capital Receipts	1,075	1,649	0	0
Supported Borrowing	7,462	395	424	0
Non-supported Borrowing	14,487	15,916	5,245	0
Revenue Contributions	807	550	395	0
Capital Reserve	17997	3,854	2,249	1,615
Total	76,082	36,810	9,953	1,615

72. Appendix 1 shows detail of the individual schemes that make up the disclosures in Table 3 and Table 4.
73. Appendices 2a and 2b list proposals for Supplementary Capital Estimates (SCE) /Virements up to and including £500,000.
74. Appendix 2c lists proposals for Virements up to and including £1,000,000 that Cabinet is requested to approve.

**Key Service Capital Issues**

**Children and Families**

75. **Residential Development Programme**

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

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

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

Taking this into account it is anticipated that additional budget provision of £350,000 funded by prudential borrowing may be required. Following further clarification of costs this scheme will be considered for an

increase in budget approval as part of the Mid Year report to Cabinet in November.

### Places

#### 76. LTP Project - Crewe Green Link Road

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

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

#### 77. Gurnett Bridge Reconstruction

Total Approved Budget	-	£1.020m
Prior Year Spend	-	£0.630m
Budget 2011-12	-	£0.390m

Gurnett Bridge partially collapsed in December 2009 and a replacement scheme has recently been completed. The scheme costs are in the order of £950,000, carried out over the 2010-11 and 2011-12 financial years. The entire scheme has been funded from the bridges budget over the same period.

As a consequence of the above no bridge strengthening schemes were carried out in 2010-11 and at least one less will be carried out in the 2011-12 financial year. This means that the highway network is at an increased risk as more weak bridges remain on the network than planned.

#### 78. LTP Bridges Minor Works

Brunswick Hill Retaining Wall, Macclesfield and Wellington Road Retaining Wall, Bollington. Severe cracking and bulging of these walls was reported by members of the public during the spring of 2011. After investigation, it was found that these retaining walls are likely to be owned by the Highway Authority even though they do not support the highway itself.

Both of the walls are significant in size and require a considerable amount of work to repair the defects. Wellington Road Wall is currently in the process of being rebuilt because it was considered an immediate safety risk to the public and the likely cost is in the region of £150,000 to £300,000. A scheme is currently being prepared to repair Brunswick Hill Wall and the wall is being closely monitored for signs of further deterioration and this scheme is likely to cost in the region of £100,000 to £200,000.

It is considered that the issues with both of these walls should be classed as unforeseen as the Highway Authority's liability for these structures

has only recently come to light. It should be noted that other similar types of wall exist within the Borough especially in the Macclesfield area. The number of these and their condition is unknown.

Presently, the costs for both of these walls is coming from the Bridges 2011-12 budget. This puts a large strain on the bridges budget which is already trying to absorb the costs associated with Gurnett Bridge reconstruction.

79. Public Rights of Way (PROW)

Coppock House Farm and Bollinghurst Bridge. Both of these bridges carry footpaths and vehicles. Coppock House Farm bridge partially collapsed in February 2011 and a temporary vehicle bridge was installed to maintain access. Bollinghurst bridge is in a poor condition and was closed in February 2011 on safety grounds.

Ownership and maintenance liability for these bridges is being investigated and Legal Services are involved. It is thought that these bridges are privately owned (except for a PROW footbridge component). However, this cannot be guaranteed and liability may yet rest with the Authority.

If it is found that liability rests with the Authority then there would be a significant cost implication.

To replace Coppock House Farm Bridge could cost between £150,000 and £200,000. Bollinghurst Bridge could cost between £200,000 and £250,000 to replace.

80. Queens Park Restoration

Queens Park Restoration Project reconstruction of major footpath key routes required to link up main features with entrances is likely to exceed the available budget by up to £200,000. To limit any potential over spend only essential footpath work is being completed.

81. LTP Poynton Revitalisation Scheme

The scheme is under construction with a scheduled opening date of end of November 2011. Facing cost increases to deliver the originally envisaged scheme and the need to provide for some transition works may see an over spend of £300,000.

## **DEBT MANAGEMENT**

82. Total Invoiced Debt at the end of June 2011 was £5.6m. After allowing for £1.3m of debt still within the payment terms, outstanding debt stood at £4.3m. The total amount of service debt outstanding over 6 months old amounts to £2.0m which is £0.4m higher than the level of older debt at 31 March. Services have created debt provisions of £1.6m to cover this debt in the event that it needs to be written off.

83. An analysis of the invoiced debt provision by directorate is provided in Table 5.

**Table 5 Invoiced Debt**

Directorate/Service	Total Outstanding Debt as at 30 <sup>th</sup> June £000	Total Debt Over 6 months old £000	Bad Debt Provision £000
Children & Families	405	340	268
Schools & Catering	20	11	15
<b>Total Children &amp; Families</b>	<b>425</b>	<b>351</b>	<b>283</b>
Care	912	302	
Non Care	840	729	
<b>Total Adults, Health &amp; Wellbeing</b>	<b>1,752</b>	<b>1,031</b>	<b>897</b>
Environmental Services	405	245	143
Safer & Stronger communities	90	59	54
Planning & Housing	93	36	40
Regeneration	111	2	4
<b>Total Places</b>	<b>699</b>	<b>342</b>	<b>241</b>
Treasurer & Head of Assets	1,460	273	198
Other	2	1	
<b>Total P&amp;C</b>	<b>1,462</b>	<b>274</b>	<b>198</b>
<b>Total Debt &amp; Provisions</b>	<b>4,338</b>	<b>1,998</b>	<b>1,619</b>