SERVICE FINANCIAL SUMMARY

INTRODUCTION

1. This section provides a summary of SERVICE final outturn positions on revenue and capital budgets, and a summary of the debt position at 31 March 2012. It highlights the key budget pressures faced by the Council, and remedial actions taken, and summarises achievement against savings policy proposals contained in the 2011/2012 budget. Significant variances from the Three Quarter Year Review (TQR) position are highlighted.

OVERALL REVENUE SUMMARY

2. Table 1 overleaf shows the final outturn positions at a service level before and after the deduction of capitalised VR costs. The ‘Change from TQR’ column relates to the position before these deductions were made.

3. The overall service overspend is £10.5m which represents a £0.5m improvement from the TQR. This overspend has been further reduced by £2.3m following the capitalisation of Voluntary Redundancy costs as proposed at TQR, giving a total overspend of £8.2m.

4. The Places and Organisational Capacity outturn position reflects underspends of £226k against Supplementary Estimates approved in year relating to the allocation of additional specific grant funding in 2011/2012. These underspends are effectively contained within the year end balances position, and therefore services will requesting Council on 19th July to approve the re-allocation of the funding in 2012/2013.

5. Significant elements of overspend arise across all areas of the Council, including unallocated cross-cutting savings. Details of service positions are contained in the following sections.

Table 1: Service Outturn Positions 2011/2012

	Net Budget £000	Variance from Budget £000	Less Capitalised VR costs £000	Net Variance from Budget £000	Change from TQR (excl VR costs) £000
Children & Families					
Directorate	783	73		73	581
Safeguarding & Specialist Support	27,226	2,521	-149	2,372	1,550
Early Intervention & Prevention	11,025	-842		-842	126
Strategy & Planning	18,969	-1,879	-13	-1,892	-705
Other Schools Related	0	2,083		2,083	-666
sub total	58,003	1,956	-162	1,794	886
Adults					0
Care4CE	0	66	-10	56	-838
Local Independent Living	55,363	3,591		3,591	329
Strategic Commissioning	39,651	450	-1,199	-749	441
sub total	95,014	4,107	-1,209	2,898	-68
CHILDREN, FAMILIES & ADULTS	**153,017**	**6,063**	**-1,371**	**4,692**	**818**
Waste, Recycling & Streetscape	29,718	1,650	-142	1,508	1,067
Highways & Transport	20,270	-1,140	-40	-1,180	-244
Community	5,384	778	-53	725	123
Development	15,838	432	-189	243	-638
Performance, Customer Services & Capacity	10,791	-485	-83	-568	-279
PLACES & ORGANISATIONAL CAPACITY	**82,001**	**1,235**	**-507**	**728**	**29**
Finance & Business Services	18,366	-36	-366	-402	-1,590
HR & OD	3,148	151	-63	88	74
Borough Solicitor	5,819	224	-6	218	96
CORPORATE SERVICES	**27,333**	**339**	**-435**	**-96**	**-1,420**
CROSS CUTTING SAVINGS	**-2,914**	2,914	**0**	2,914	102
TOTAL SERVICE OUTTURN	**259,437**	**10,551**	**-2,313**	**8,238**	**-471**

KEY SERVICE REVENUE ISSUES

6. Key issues impacting on final service outturn positions are summarised below.

CHILDREN & FAMILIES - £1.794m overspend

7. The final outturn for Children and Families is an overspend position of £1.794m. At the Three Quarter Review the reported position was a net overspend of £1.1m, after allowing for remedial action. However this position was worsened at year end following the identification of additional care costs for Looked After Children, and increased agency staffing costs which had previously been assumed to end.

Safeguarding and Specialist Support - £2.372m overspend

8. The total number of Looked After Children has not moved significantly over the year, with 439 children in care at March 2011 and 438 children in care on 30 March 2012. However there have been movements in year, with 129 children admitted into care in 2011/2012 compared with 188 in 2010/2011. Of these 438 children currently looked after, 55 have had a placement order granted and will be placed for adoption in the new year.

9. Placement costs have overspent by £2.6m in 2011/2012, and in part this is due to the number of 16+ placements. There are 87 young people in care over the age of 16, and previously these could have been expected to end. However with the Southwark judgement the authority is obliged to maintain their placements. Investment of £1m has been earmarked in the 2012/2013 budget to address this particular area, through a Targetted Youth service.

10. Staffing budgets for the Social Care Teams and Child Protection service have overspent by £838k in total in 2011/2012. There are high levels of sickness and vacancies which due to the difficulty in recruitment have been filled using agency staff. In particular Social Work agency staff are much more costly than in house Social Workers. During the year it had been assumed that most agency staff would finish by December, and permanent staff recruited, however this has not happened, and agency staff have been retained.

11. Managers are currently looking to advertise for staff, but it is likely that agency staff will be retained for at least the first half of 2012/2013, putting continued pressure on the staffing budgets.

Early Intervention and Prevention - £0.842m underspend

12. Following the creation of Cheshire East Council a review of the approach to safeguarding across the Borough resulted in increasing numbers of children requiring care. In recognition of the increasing costs of these Looked After Children, the department created the Early Intervention and Prevention service in April 2011, which incorporated the Family Service, Children's Centres and the First Contact service, which aims to keep more children in their own homes. Over the longer term through increasing early intervention and support, it is anticipated that the numbers of children needing to be looked after will gradually reduce.

13. Delays in recruitment have meant that the service have been unable to fill vacant posts creating a significant underspend in staffing budgets. However the impact of the delay in setting up the Early Intervention service fully is that the numbers of Looked After Children are not yet reducing.

14. The contract with Connexions was terminated at 31 March 2012 and staff have TUPEd into Cheshire East. The winding up costs have been absorbed within 2011/2012, which has reduced the underspend from that reported at Three Quarter Year review.

15. There is an uncertainty over the levels of Early Intervention Grant (EIG) the Council will receive in future years, which has delayed a further review of the service. In all likelihood funding will reduce, and already the Government has declared that funding for the educational entitlement of 2 year olds will be

provided through Dedicated Schools Grant (DSG) next year rather than EIG. A detailed review will be undertaken towards the end of 2012, when the levels of funding have been announced.

Strategy, Policy and Performance - £1.892m underspend

16. Overall, Strategy, Policy and Performance overspent by £0.743m, however the DSG overspends on Private, Voluntary and Independent Sector (PVIS) and SEN Placements have been stripped out and are reported in the DSG section below, leaving an underspend against non DSG budgets of £1.892m.

17. £1.1m of this is due to the carry forward of funding for Workforce Development of previously unspent grants into 2011/2012, which has again not been spent in 2011/2012 but which cannot be carried forward again. Some of this has been due to the delays in recruitment which has resulted in a lack of permanent staff available to train.

18. The Home to School transport budget has come in £400k underspent this year, due in part to the budgets being realigned correctly at the beginning of the year, and a one off adjustment in the recharge from Places and Organisational Capacity. However this is an area of considerable pressure for the future as the 2012/2013 budget includes a savings policy proposal of £1m. There are proposals in place to achieve these savings, and this will be closely monitored during the year.

19. Business Support also delivered an underspend of £0.6m, which was due in part to the Think Twice campaign and the resulting reduction in spend on supplies and services, and also due to the inability to recruit staff, thereby holding vacancies throughout the year. The Business Support budget has been reduced by £0.2m already in 2012/2013, but it is expected that vacancies will be filled and this level of underspend will not be repeated.

20. No provision had been made in the 2011/2012 budget for the Speech and Language Therapy contract resulting in an overspend on the Commissioning budget of £0.3m. This has been resolved in 2012/2013.

Other School Related - £2.083m overspend

21. This overspend relates to the early retirement, pension and redundancy costs relating to schools, particularly pension enhancements paid to teachers. This is a pressure on the base budget, which has been factored into the budget setting process for 2012/2013.

Dedicated Schools Grant (DSG)

22. Pressures on budgets funded by central DSG have led to an overspend on the DSG grant of £1.487m at the end of 2011/2012. This overspend is permitted to be carried forward, and recovered in future years. Robust recovery plans are being formulated to clear this overspend, and were subject to a report to the Schools Forum on 26th June.

23. The overspend is due to increased uptake within the Private, Voluntary and Independent Sector in relation to 3 and 4 year old education. This pressure was identified in January 2012, resulting in an overspend of £1.1m. The

review highlighted that the budget for 3 and 4 year old PVIs had been set too low for 2011/2012. In consultation with Schools Forum, the appropriate level of budget has been set for 2012/2013.

24. At year end, the review of Social Care placements identified several placements which should have been jointly funded with Education, and these costs were transferred to DSG, resulting in an overspend of £1.5m. This area is now the subject of an SEN Review which should prevent this happening again, as the SEN Principal Manager now sits on the Placements Panel and is aware of all jointly funded placements as they are made.

25. Tight control of other central DSG budgets for contingency, rates, rehabilitation, and the use of the DSG underspend carried forward from 2010/2011, mitigated the overspend of £2.635m outlined above by £1.148m. This gives a final overspend position on central DSG at the end of 2011/2012 of £1.487m, to be managed in 2012/2013.

26. Schools Balances at the end of 2011/2012 were £14.962m. A report was taken to Schools Forum on 26th June around these balances, with recommendations for review.

Conclusion

27. During the latter part of 2011/2012, Children and Families repeated the previous year's budget review, building up a Needs Led budget based on services and requirements. The budget policy proposals allocated growth of £4.4m to the service, to target the shortfall in budget provision for Teachers Pensions, a shortfall in grants and to provide investment in the 13+ Early Intervention service. However the service has also been tasked with delivering £3.1m savings, through the transport savings proposals, efficiencies in commissioning, and reductions in placement costs delivered through the establishment of three new residential homes.

28. The First Quarter Review for 2012/2013 will provide a first in depth analysis of all of the factors including any inherent problems carried forward from 2011/2012 and any new emerging pressures. It will report on the three service arms within Children and Families, alongside Schools, and will tie together the ongoing Benefits Realisation work with all other financial issues.

ADULTS - £2.898m overspend

29. The final outturn position for Adults was a £2.898m overspend. The capitalisation of voluntary redundancy costs of £1.2m is the main reason why the outturn position reduced from the TQR forecast of £4.175m.

30. The Adults department continues to experience considerable cost pressures in relation to care cost spend despite the overall client figures remaining static year on year.

Care4CE - £56k overspend

31. Care4CE have delivered an almost balanced budget, through vacancy management and by stopping all non essential spend. Care4CE have worked exceptionally hard to deliver this outturn which, in the context of building based review savings of £1m not being achieved due to buildings remaining

operational, is a reflection of the remedial action that the service has taken and delivered.

32. In addition, £0.198m of the 2011/2012 winter pressure funding was allocated to Care4CE for the delivery of the mobile nights service and this had not been factored in at TQR.

33. The variance from TQR is so dramatic because this data was based on November information and it was difficult to determine whether vacancy management and other remedial action would be sustainable for the remaining parts of the year.

Individual Commissioning - £3.591m overspend

34. The main pressure within the individual commissioning budget is care costs (net £3.6m); however other underlying factors included the contribution to bad debt provision for debts over 6 months old of £0.36m; legal costs of £0.5m and deferred debt losses linked to properties not meeting outstanding debts when sold of £0.1m. These overspends have been supported by underspends in staffing of £0.4m, and transport costs being lower than forecast by £0.3m.

35. Investigating and understanding the pressures on the care cost budget continues to be a high priority. The gross care cost budget was overspent by £5.5m, but has been reduced to £3.6m through the following income streams and adjustments: £0.5m Empower Recovery; £0.86m Learning Disability Pooled Budget additional contribution from the PCT and £0.52m from the s256 reablement agreement.

36. An increase in legal costs of £0.2m and contribution to the bad debt provision for debt over 6 months of £0.15m are the main reasons for the variance from TQR.

Strategic Commissioning - £0.75m underspend

37. The final outturn position for strategic commissioning has reduced from the TQR forecast to an underspend position following the capitalisation of voluntary redundancy costs of £1.2m.

38. The service has funded all VR costs of £1.6m during 2011/2012 (of which £1.2m have been capitalised); contributed £0.673m towards bad debt provision and funded a £0.8m transfer to Individual Commissioning for the transport saving realisation shortfall.

39. The underlying service outturn increased due to spend against the Learning Disability Pooled budget in relation to health contracts. The health contracts had been renegotiated in year and this led to increased costs of £150k that had not been factored into the TQR and additional client cost of £36k increased the position.

40. Savings anticipated in relation to social care redesign did not materialise and most costs increased to slightly higher than the reported forecast.

Conclusion

41. Adults services continue to face major financial challenges given the demographics of the Borough and increasingly, the complex conditions that service users are presenting with. This is especially relevant with regard to the Learning Disability Pooled Budget which cuts across all three services in Adults. The increase in care costs through the Pooled Budget reflects the complexity of service users at both ends of the age spectrum, firstly, those coming through transition at the end of their teenage years with extensive needs and also, those older learning disability service users worsening or developing additional conditions (an example being those with Down's Syndrome having a higher than average risk of presenting with early onset dementia). These financial pressures are only likely to grow in the short term and extensive remedial measures will be necessary to reverse the current year on year trend of increased costs.

PLACES & ORGANISATIONAL CAPACITY - £728k overspend

42. The Places & Organisational Capacity Directorate gross budget for 2011/2012 was £139m, with a net budget of £82m. The final outturn variance from budget was £728k (0.52% of gross budget). At TQR the projected variance from budget totalled £1.2m (incl. £509k VR costs), which reflected various cost pressures but also incorporated estimated pay cost savings, and planned remedial actions on control of non-pay spending.

43. In overall terms the final outturn is only £29k adverse against estimates made at TQR but there have been movements within the Services as set out below.

Waste, Recycling & Streetscape - £1.508m overspend

44. The final out-turn position for Waste, Recycling and Streetscape has increased from the TQR forecast overspend, despite the capitalisation of voluntary redundancy costs.

45. The underlying outturn position in waste operations reflects the additional and mainly one-off costs associated with the split implementation of the new harmonised waste collection service between May and October 2011. Additional pay/agency costs and hired vehicle/fuel costs associated with the roll-out were over and above that envisaged in the roll-out plan. The overspend in Waste has been reduced through lower contract costs of £470k, vacancy management of £154k and reduced supplies and services spend of £195k.

46. The Streetscape Service has a net overspend of £464k due mainly to: not fully realising planned savings for the Streetscape Review or Market rent increases; facing pay pressures in Markets and under-achievement of income in bereavement services as a consequence of reduced capacity at Macclesfield following longer than anticipated implementation of replacement cremators. Again, the service mitigated these costs in part through vacancy management in grounds maintenance, reduced verge maintenance and stopping non essential spending in supplies and services.

47. Further Waste Fleet costs and specifically hired fleet costs being higher than forecast, along with associated fuel usage, totalling £620k were the main

reasons for the adverse variance from the TQR position. Some pay/fleet pressures will remain into 2012/2013, although due to the one-off nature of the costs in 2011/2012, the same level of spend is not envisaged. The service is currently refining its ongoing fleet requirements following implementation of the new harmonised collection rounds.

48. Other adverse movements since TQR occurring mainly in Streetscape included lower than predicted Grounds Maintenance S106 income of £70k, and higher than forecast costs relating to Street Cleansing & Public Convenience transport costs of £92k, utility /service charge costs in Bereavement & Markets of £106k and an increase in Market bad debt provision of £23k.

Highways & Transport – £1.18m underspend

49. The final out-turn position for Highways & Transport has improved from the TQR forecast by a further £244k.

50. The new highways service contract commenced on 5th October 2011 against which the service has delivered its planned £0.5m savings target. Over the whole year the Highways service has spent less against the revenue budget through maintenance savings and cost capitalisation. Further underspends across Transport, PROW & Countryside and Fleet totalling £191k were also achieved.

51. The £244k net improvement from TQR derives mainly from the additional cost capitalisation in Highways and an overall net improvement across PROW/Countryside, offset by an increase in concessionary fares bus operator reimbursement and cost of new and replacement card passes in Transport.

Community - £725k overspend

52. Community Services is reporting a £725k overspend at outturn, which is an increase of £123k since the TQR forecast.

53. The Car Parking service has an adverse income variance of £751k due to continuing economic recessionary pressures and reduction in customer demand. This pressure may carry forward into 2012-13. In addition, car parking premises cost pressures of £206k were incurred due to an unforeseen increase from business rates revaluations and further premises costs relating to general car park maintenance and utilities.

54. In Leisure & Culture, increased utility costs due to the uplift in rates of new contracts incurred additional spend of £258k. Regulatory Services & Neighbourhood Enforcement income streams have been impacted by seasonal fluctuations and a reduction in taxi licensing income giving rise to an under-achievement of income totalling £203k.

55. These pressures of £1.4m have been offset in part through reduced spending in neighbourhood enforcement and regulatory services (£312k) due to vacancy management and non pay savings to reduce service operational costs.

56. Places Directorate Training cost savings of (£116k) were also made as part of the planned remedial actions.

57. The £123k adverse movement from TQR was mainly due to lower than predicted pay & display and fine income collected in last quarter of 2011/2012 and lower than predicted regulatory and enforcement income, and part year savings not being realised.

Development – £243k overspend

58. The main pressure within Development in the year relates to the £0.8m shortfall against the delivery of the Asset Challenge savings target of £2m. In addition, the impact of severance costs and VR cross cutting savings of £250k, together with the impact of energy price increases £450k have resulted in a gross pressure of £1.5m. This has been reduced to a net overspend of £0.87m in Assets, through capitalisation of both staff time, and the costs of disposal (£480k) and reductions in spending on Building Maintenance.

59. Furthermore, vacancy management and austerity measures across Spatial Planning & Housing and Economic Development have helped to reduce the overall Development Service overspend to £243k.

60. Development Management have delivered a balanced out-turn position. However this was only achieved through vacancy management / austerity measures and income overachievement in Land Charges offsetting the under achievement against planning fee income. It is unlikely that all these measures will be achievable in 2012-13 due to new policy savings to be realised.

61. The improvement from TQR forecast is mainly attributable to a higher level of capitalisation of staff time in Assets plus the capitalisation of costs of sale. An improvement in Development Management planning application income plus SRE/Grant funded underspends in Strategic Planning & Housing also contributed to the improvement.

Performance, Customer Services & Partnerships – £568k underspend

62. The outturn position after capitalisation of VR costs reflects a £578k under-spend relating to vacancy management across Performance & Partnerships, Communications and Corporate Improvement. In addition, services minimised non-pay spend throughout the year. 2012/2013 budgets have been reduced across these services as part of the business planning process.

63. The 2011/2012 interim budget for Public Health was not utilised as planned, resulting in an underspend during year. This together with small savings elsewhere led to an underspend of £197k. As Public Health transition was only an interim 2011/2012 budget there will be no ongoing benefit into 2012/2013 as the item was removed through budget setting.

64. An overspend in Libraries, mainly against staffing, reduced the overall service underspend by £207k. A new Libraries structure implemented in April 2012 will alleviate this pressure.

65. The improvement from TQR relates mainly to additional staffing and non pay savings, greater than that forecast at TQR plus an improvement in the

Libraries Shared Services outturn from a repayment of 2010-11 shared balances not being forecast at TQR.

Conclusion:

66. Looking ahead to 2012/2013, in addition to new budget savings required, continuing pressures from 2011/2012 across the Directorate include:

- Streets & Open Spaces - Pay, transport and contract pressures in Waste.
- Development – continued income pressures in Development Management, and the outturn position in Assets confirms the view reported at TQR that there is an underlying £800k pressure in the achievement of the original Asset Challenge target.

CORPORATE SERVICES - £96k underspend
(excluding retained cross-cutting savings – see below)

67. The Corporate Services net budget for 2011/2012 was £27.3m. The final outturn variance from budget was £96k favourable. At TQR the projected variance totalled £1.759m (or £1.324m after adjusting for VR capitalisation).

68. £1.278m of the variance at TQR related to an estimated overspend in ICT Shared Services, partly due to decrease in hours chargeable to capital development schemes. By year-end, the number of chargeable development hours had improved, as had the Shared Services' income position, from full-cost charging for telephony and additional income from schools buying ICT packages.

69. The outturn for ICT Shared Services was £1.126m, net of redundancy costs funded through approved capitalisation and planned use of reserves. The service is actively reducing its baseline costs, with a view to managing within budget for 2012/2013. ICT Strategy budgets showed an underspend of £41k at year end, following capitalisation of staffing (and redundancy) costs, where appropriate.

70. Across other Corporate Services, budget pressures reported through the year included Finance & HR Shared Services (spending / rationalisation of structures) and Procurement (pay and non-pay spend), mitigated by economies in insurance costs, and also pressures in HR & OD (pay harmonisation project costs) and Borough Solicitor (elections costs and Coroner Service contribution).

71. In overall terms for Corporate Services, the outturn improved by £1.42m compared to estimates made at TQR. In addition to the changes described above in ICT, the main movements within the Services related to the following:
- £1.5m improvement in Finance, principally relating to the Benefits subsidy position, including favourable prior year adjustments; and also £103k reduced variance in Revenues in respect of lower supplies spend and higher court costs income
- £170k variance across HR & OD and Borough Solicitor, mainly in respect of VR and agency / temporary staffing costs

CENTRALLY RETAINED CROSS CUTTING SAVINGS - £2.914m overspend

72. The outturn position on centrally-retained cross-cutting savings targets was £2.9m, compared to £2.8m at TQR. This included £700k procurement savings, £310k in salary sacrifice / agency contract savings and £300k of Shared Services improvements, which have not proved possible to realise; corresponding growth items have been approved in the 2012/13 budget. Conversely, additional VR savings allocated to Services of £300k have assisted the overall position.

73. Whilst £500k of the £2.4m pay harmonisation savings were achieved, £1.9m remained unallocated at year end, reflecting the terms of the agreement reached between the Council and the unions (including one-year increment freeze) and also adjustments at year end totalling £102k in respect of car allowances and Shared Services budgets.

CAPITAL PROGRAMME

74. At Final Outturn for 2011/2012 Cheshire East achieved expenditure of £50.222m compared to a forecast budget of £72.333m. A justification exercise to review the existing capital programme has been undertaken to establish the level of slippage that is required to be carried forward into 2012/2013 and the re-profiling of future year forecasts.

75. A number of schemes have been identified where the budget will be carried forward into 2012/2013 and services will be required to submit new business cases to use available funding, ensuring they fulfil the Council's priorities for service delivery. Any further unspent balances have been vired to fund overspends elsewhere in the programme or removed enabling resources to be freed up for future allocations.

Table 2 – Capital Final Outturn

Department	Total Approved Budget £000	Prior Year Spend £000	Forecast Budget 2011/12 £000	Actual Spend 2011/12 £000	Variance £000
Adults,					
New Starts	746	0	44	179	(135)
Committed schemes	4,668	2,365	1,936	1,091	845
	5,414	2,365	1,980	1,270	710
Children & Families					
New Starts	16,967	0	6,025	3,735	2,290
Committed schemes	83,299	64,302	11,680	7,642	4,038
	100,266	64,302	17,705	11,377	6,328
Places & Organisational Capacity					
New Starts	37,741	0	25,794	18,393	7,401
Committed schemes	140,816	100,126	24,211	16,255	7,956
	178,557	100,126	50,005	34,648	15,357
Finance, Legal & Business Services					
New Starts	1,077	0	227	134	93
Committed schemes	12,259	5,674	2,416	2,793	(377)
	13,336	5,674	2,643	2,927	(284)
Total New Starts	56,531	0	32,090	22,441	9,649
Total Committed schemes	241,042	172,467	40,243	27,781	12,462
Total Capital Expenditure	297,573	172,467	72,333	50,222	22,111

76. The 2011/2012 programme consisted of on-going schemes of £40.243m and new starts of £32.090m.

77. The programme is funded from both direct income (grants, external contributions, linked capital receipts), and indirect income (borrowing approvals, revenue contributions, capital reserve, non-applied receipts). A funding summary is given below in Table 3.

Table 3 – Funding Sources

Funding Source	Forecast Funding 2011/12 £000	Actual Funding 2011/12 £000	Variance
Grants	36,976	26,333	10,643
External Contributions	3,144	1,842	1,302
Linked/Earmarked Capital Receipts	47	0	47
Supported Borrowing	5,493	3,644	1,849
Non-supported Borrowing	9,740	7,420	2,320
Revenue Contributions	928	303	625
Capital Reserve	16,005	10,680	5,325
Total	72,333	50,222	22,111

78. Outturn spend in 2011/2012 at £50.222m was considerably lower than the forecast budget reported at Third Quarter Review of £72.333m by £22.111m. This in the main relates to planned expenditure that has been committed in 2011/2012 but the expenditure will now occur in future years.

79. However a number of capital schemes have been completed in 2011/2012 as follows:

- Children, Families and Adults - 36
- Places and Organisational Capacity – 73
- Finance, Legal and Business Services – 7

80. Annex 2, Appendix 1, details the in-year variances between forecast budget for 2011/2012 and actual expenditure incurred in year (Table 5). The appendix also details the forecast expenditure from 2012/2013 onwards, showing any variances to Total Approved budgets including those requiring either a Supplementary Capital Estimate or a budget virement, which correspond to the supplementary appendices detailed below.

81. Annex 2, Appendix 2a, list proposals for Supplementary Capital Estimates (SCE) /Virements up to and including £1,000,000

82. Annex 2, Appendix 2b lists proposals for Supplementary Capital Estimates (SCE) /Virements exceeding £1,000,000

83. Annex 2, Appendix 3 provides a list of reductions in capital budgets to be noted.

Key Issues and Variances

84. A number of schemes within the Children and Family capital programme have an under spend of over £250,000 against their in-year budget, this includes Tytherington and Poynton High Schools and Cledford Infants School. The projects experienced a delayed start however expenditure forecast in 2011/2012 has now been spent in the early part of 2012/2013.

85. Alderley Edge By-pass

At this stage and through 2012/2013 the project will remain within existing budget provision. However, in future years there is a significant risk of further financial pressures developing. Early indications suggest that the level of claims associated with land compensation claims and Part 1 claims will exceed the budget provision.

Currently the extent to which it will materialise is less clear as it is subject to the level of claims received, combined with our efforts to mitigate these claims and off-set them against income realised from the release of surplus land associated with the Alderley Edge By-pass project. If the scope of the risk remains at current levels additional funding support in the form of a Supplementary Capital Estimate would be required during 2013/2014. We will monitor the situation closely and report progress to the Capital Asset Group throughout 2012/2013.

86. Waste PFI Initiative

After the PFI funding was withdrawn by the Government for the Waste Treatment Facility, the Council was left in the position where its share of the capitalised expenditure, amounting to £1.6m was required to be written off to revenue. The Council decided to apply to the Department of Communities and Local Government (DCLG) for a capitalisation direction in March 2012 which would have allowed the Council to treat the revenue costs as capital. Unfortunately DCLG did not deem the circumstances to be exceptional enough to treat the abortive PFI Waste costs as capital and the direction was not granted.

As the final decision to abort the scheme was approved by Council on 19 April 2012 the Council is able to make another capitalisation bid in 2012/2013, however given the high risk of refusal it is considered prudent to reflect the write off in 2011/2012 and therefore the capital expenditure relating to the PFI Waste Project has been removed and funded from revenue reserves.

87. Poynton Revitalisation

Completion of the scheme was significantly delayed by the discovery of damage to existing drainage systems caused by the installation of a gas main prior to commencement of our contract. The damage necessitated a redesign of the drainage system to provide a new outflow route and its construction on site resulted in the forecast expenditure not being achieved in 2011/2012. As a result a virement of £0.714m has been requested in Annex 2, Appendix 2a to bring the Total Approved Budget in line with expected future expenditure.

88. Queens Park Restoration

The in-year variance of £0.273m was wholly attributable to the work on the park paths and was undertaken to get the park in a suitable condition for the royal visit in July 2011. Further risk and safety assessments have been carried out on the site to establish the work that needs to be undertaken to eliminate “unguarded drops” at some locations adjacent to the pavilion and bridges. This work is estimated to cost around a further £0.200m making the total virement request £0.473m as shown in Annex 2, Appendix 2a.

DEBT MANAGEMENT

89. Total Invoiced Debt at the end of March 2012 was £8.8m. After allowing for £2.6m of debt still within the payment terms, outstanding debt stood at £6.2m. The total amount of service debt over 6 months old is £2.6m which is £0.5m higher than the level of older debt reported at TQR. Services have created debt provisions of £2.4m to cover this debt in the event that it needs to be written off.

90. An analysis of the invoiced debt provision by directorate is provided in Table 4. Since TQR, a system issue which had previously caused the understatement of some debtor balances has been corrected. This has particularly impacted the figures for Adults where the level of bad debt provision has been adjusted accordingly.

Table 4 - Invoiced Debt

Directorate/Service	Total Outstanding Debt as at 31st March £000	Total Debt Over 6 months old £000	Bad Debt Provision £000
Children & Families	496	337	225
Adults	4,158	1,503	1,503
Total Children, Families & Adults	**4,654**	**1,840**	**1,728**
Waste, Recycling & Streetscape	271	199	129
Highways & Transport	383	233	189
Community	152	92	92
Development	741	239	220
Performance, Customer Services & Capacity	8	3	3
Total Places & Organisational Capacity	**1,555**	**766**	**633**
Finance & Business Services HR&OD Borough Solicitor	18 12 3	15 2 1	4 0 0
Total Corporate Services	**33**	**18**	**4**
Total	**6,242**	**2,624**	**2,365**