

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting: 19 January 2010
Report of: Borough Treasurer and Head of Assets
Subject/Title: Financial Update – Quarter 3 (Three Quarter Year Review)
Portfolio Holder: Cllr Frank Keegan

1.0 Report Summary

- 1.1 This report advises Cabinet of the three-quarter-year financial position in 2009-10.
- 1.2 The report particularly focuses upon areas of high financial risk to the Council and includes updates on Treasury Management, the Capital Programme, and in-year collection rates for Council Tax and Business Rates.

2.0 Decision Requested

- 2.1 Cabinet is requested to note and comment as appropriate on the following:
- the pressures on the Council's revenue budget in the third quarter of 2009-10 as detailed in Section 11 and Appendix 1, and the proposed remedial actions shown in Appendices A to C;
 - the Treasury Management update detailed in Section 12;
 - the Council's in-year collection rates for Council Tax and Business Rates, detailed in Section 13;
 - progress to date on delivering the 2009-10 capital programme, detailed in Section 14 and Appendix 3;
 - Delegated Decisions approved by Directors, as shown in Appendix 2b;
 - Delegated Decisions approved by Directors in consultation with the relevant Portfolio Holder and the Portfolio Holder for Resources for Supplementary Capital Estimates (SCE) and virement requests over £100,000 and up to and including £500,000 as shown in Appendix 2a;
- 2.2 Cabinet is requested to approve the following:
- the revised in-year capital budget for 2009-10 as set out in Section 14, including;
 - Supplementary Capital Estimates (SCE)/Virements over £500,000 and up to and including £1.0m, as shown in Appendix 2a
 - Reductions in approved budgets, as shown in Appendix 2c.

- 2.3 Cabinet is asked to recommend that Council approve the following SCE and Virement requests over £1.0m, those which require funding from later years and those funded from reserves, as detailed in Appendix 2a:-

- Housing Grants (ex Macclesfield BC) £1,044,904

3.0 Reasons for Recommendations

- 3.1 This is the first budget of Cheshire East Council with a number of significant challenges, and in accordance with good practice members should receive a quarterly report on the financial position of the Council. This is the third report for the 2009-10 financial year.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Climate change - Health

- 6.1 None.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

- 7.1 None.

8.0 Financial Implications 2009-10 and beyond (Authorised by the Borough Treasurer)

- 8.1 As covered in the report.

9.0 Legal Implications (Authorised by the Borough Solicitor)

- 9.1 There are no specific legal implications related to the issues raised in this report.

10.0 Risk Management

- 10.1 Financial risks are assessed on a regular basis and will be reported to members quarterly. Remedial action will be taken if and when required.

11.0 Revenue Budget 2009-10

- 11.1 The first quarter report to Cabinet on 11th August 2009 reported on emerging pressures to the revenue budget amounting to £12.7m. At the

mid year stage this position had reduced to £11.3m. This report provides a further update on budget pressures and the remedial actions in place.

- 11.2 Table 1 provides a summary position and reports an updated net budget pressure totalling £7.9m. Further details of the key pressures affecting directorates are summarised below and are provided in more detail in Appendix 1.

Table 1 – Total Service Position

Service	Net Budget £000 A	Budgeted Savings £000 B	Underlying Budget Pressures £000 C	Remedial Actions £000 D	Net Budget Pressures £000 E (C-D)
People	124,825	(5,374)	14,355	(7,558)	6,797
Places	47,809	(7,421)	3,696	(3,177)	519
P & C	39,321	(11,189)	8,595	(8,043)	552
Total	211,955	(23,984)	26,646	(18,778)	7,868

Note: Net Budget includes Schools balances carried forward from 2008-09.

11.3 PEOPLE DIRECTORATE

Introduction

- 11.3.1 The mid year review for the People directorate reported emerging pressures with a projected impact in 2009/10 of £7.59m. This projected overspend was influenced by the increase in demand driven services, especially the 20% increase in looked after children and increases in care costs for Adults.
- 11.3.2 Since the mid year the directorate has reduced the underlying budget pressure to £14.4m (£16m was reported as part of mid year review). The budget pressures have been contained through vacancy management; review of admissions to care services; continuous review of the budget position and other actions. The pressure on demand driven services has continued to increase, especially in relation to Children Social Care (an overall increase of 25% since April 2009) and Adults Social Care. A projected gross impact of £14.4m is being reported for the third quarter. Following remedial actions (and agreed temporary funding) a net budget pressure of £6.8m overspend is being reported for the People Directorate.

Table 2 - Summary Figures - People

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Children and Families	37,161	298	6,825	(2,058)	4,767
Adults	72,537	3,923	6,711	(5,500)	1,211
Health and Wellbeing	15,127	1,153	819		819
Total	124,825	5,374	14,355	(7,558)	6,797

11.3.3 Key Issues

- Pressure on care services, especially the volatility of high value, demand led services, e.g. looked after children and provision of care for older people.
- High cost of securing Child social care placements which are provided externally (e.g. out of county; inter authority).
- Increase in staffing costs to deal with additional demand, especially agency staff for Looked after Children.
- Ongoing difficulties in achieving existing and increased income targets due to the economic climate.
- Planned efficiency savings are not being achieved by all services and in some cases will not be achieved during 2009/10.
- Inherited budget pressures relating to the Learning Disability Pooled budget.

11.3.4 Remedial Action

- Grant will be fully utilised to reduce the pressure on the base budget.
- A 2% target has been set to reduce the care costs related to Adults Social Care. Analysis is underway to assess if further reductions can be achieved between now and the year end, with an initial focus on the highest 100 cases.
- Efficient and effective use of the Community Equipment Store.
- The Adults service will review the referral mechanism for care related packages for Adults to ensure that services are being targeted and delivered to the correct users in a timely and efficient manner.

- Procurement arrangements for Children Social Care services are being challenged so that reduced care costs are negotiated.
- Other activities across the Health and Wellbeing service are being reviewed aiming to further reduce the overspend.
- Staff vacancies will continue to be managed.
- Continuous review of the budget position to ensure that remedial action is being implemented and is taking effect.

Transitional Costs

- 11.3.5 It is anticipated that there will be redundancy costs within Children and Families which are not budgeted for of at least £1m relating to the service restructure. It is anticipated that these costs will be funded from transitional costs.

Remedial Action

- 11.3.6 A detailed remedial action plan is shown in Appendix A.

Ongoing Impacts 2010-2011 and future years

- 11.3.7 There are budget pressures within a number of areas of the department which are going to continue into 2010-11. Below is a list of ongoing impacts that need to be considered for future budget planning:
- £3.17m on looked after children. The pressure on children social care is likely to continue over future years. Whilst plans are being put in place to review contracts and internal foster care provision there will continue to be an overspend on this service.
 - £1.175m on disability looked after children. The demand for specialised care for looked after children is also increasing and this budget will continue to overspend in 2010/11 if the demand remains at its current levels.

11.4 PLACES DIRECTORATE

- 11.4.1 Following organisational restructures and associated budget transfers between Directorates and Services, the Places Directorate has an approved net budget for 2009-10 of £47.8m. Savings of £7.4m were included in the Places Directorate budget as part of the budget determination for 2009-10. Whilst progress is being made in realising many of the cost savings and efficiency items, areas of budget pressure were identified as part of the mid-year review. This report focuses on the remedial actions put in place to mitigate those pressures and their progress to date. It also highlights further budget pressures that have been identified subsequently.

Table 3 - Summary Figures – Places

Service	Net budget £000	Budgeted savings £000	Underlying budget pressures/ other variances £000s	Remedial actions £000	Net budget pressures £000
Environmental	33,690	(4,915)	2,630	(1,289)	1,341
Safer & Stronger Communities	556	(877)	253	(483)	(230)
Planning & Policy	3,063	(518)	1,163	(427)	736
Regeneration	10,500	(1,111)	(350)	(978)	(1,328)
Total	47,809	(7,421)	3,696	(3,177)	519

Key changes from mid-year review

- 11.4.2 Income generation continues to be a particular area of concern for the directorate along with the costs of Waste Disposal services. These together with other underlying budget pressures are partly offset by significant pay underspends. Services have identified a series of remedial actions to mitigate the directorate's overspend, which are shown at Appendix B.

Environmental Services

- 11.4.3 Environmental Services are forecasting an overspend of £2.63m before remedial actions (MYR £2.19m). The position has worsened mainly due to additional staffing costs in Waste & Recycling of £280k (which includes £170k for Environmental Wardens as outlined in appendix 1); £160k in Highways Operations; and £215k in Streetscape offset by a saving of £150k on the maintenance budget in Waste & Recycling. Remedial actions of £1.289m have been identified reducing the forecast overspend to £1.341m.

Planning & Policy

- 11.4.4 At mid-year review the Service forecast an overspend of £1.2m arising mainly from an underachievement of planning and land charges fees. Remedial actions of £427k have subsequently identified leaving a net forecast overspend of £736k. £330k of the remedial savings will be achieved through accelerating savings, already identified as part of the MTFS process, and savings of £30k from running costs for Housing Strategy.

Conclusion

- 11.4.5 The Directorate continues to face underlying budget pressures arising from the cost of waste disposal and difficulty in generating income due to external economic influences. A thorough review has been carried out to identify

remedial actions across services which will contribute £3.2m of savings in 2009-10 to give a net forecast outturn (budget pressure) position of £519k (1.09%) against an approved net budget of £47.8m.

- 11.4.6 The Directorate will continue to monitor closely key areas, including overtime and agency staffing costs, in order to realise any further potential savings.

11.5 PERFORMANCE & CAPACITY DIRECTORATE

- 11.5.1 The mid year review for the Performance & Capacity directorate reported emerging pressures with a projected underlying impact in 2009/10 of £5.4m. The three quarter position is now over £3m higher due to the inclusion of the impact of the voluntary redundancy exercise, totalling £3.079m. This figure, however, includes Shared Services (ICT, HR & OD and Finance) which are still subject to review and final agreement on the cost sharing arrangements.
- 11.5.2 The approved 2009-10 budget included transitional funding of £5.2m to recognise the fact that the P & C efficiency savings of over £10m could not all be delivered immediately. The total transitional funding requirement is £5.0m (including the 2009-10 element of Invest to Save bids). The remedial action column relates to the total funding available centrally both in terms of severance / actuarial costs and those relating to the transition fund.
- 11.5.3 The net budget pressure has worsened by £230k since mid year primarily due to the change in treatment of the corporate procurement and energy savings. The impact of this treatment has been partially offset by improvements in other areas within P & C.

Table 4 - Summary Figures – Performance & Capacity

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Borough Treasurer & Head of Assets	22,887	(6,904)	5,188	(5,492)	(304)
Corporate Procurement Savings	(561)	(561)	561	(253)	308
Corporate Energy Savings	(500)	(500)	500	(150)	350
HR & OD	2,863	(954)	1,276	(1,276)	0
Borough Solicitor	5,337	(1,083)	345	(290)	55
Policy & Performance	9,295	(1,187)	725	(582)	143
Total	39,321	(11,189)	8,595	(8,043)	552

11.5.4 **Key issues**

- **Borough Treasurer & Head of Assets**

The underlying budget pressures have increased by over £2m since the mid year review. This relates mainly to VR costs in the ICT Shared Service, Finance (incl.Shared Service) and Revenue and Benefits for which central funding is sought. Other emerging pressures in Assets and Finance relating to the ongoing budget are being managed through a combination of remedial action and transitional funding. Serious concerns remain with regard to IT forecasts due to the lack of financial information from the shared service.

- **HR & OD**

The £335k variance from the mid year position is again due to the inclusion of VR costs that relate to both the shared and non shared part of the service. Excluding the VR costs, the improvement in the underlying position of £54k is primarily because of lower than anticipated costs in the HR Shared Service.

- **Borough Solicitor**

No significant change from the mid year position. Small improvement in the net underlying position of £60k primarily due to increase in the Democratic Services underspend, stemming from improvements in projected income and greater clarity on elections expenditure.

- **Policy & Performance**

There has been an improvement of £215k in the underlying overspend compared with the mid year position. This results from under spends in both Audit and Planning and Performance as result of holding staffing vacancies and a reduction in spend in the CEO and Partnerships service from delays in recruiting to the Local Area Partnerships structure.

- **Corporate Savings**

At the mid year it was assumed that Council wide savings targets of just over £1m relating to energy savings and procurement savings would be allocated to departments and delivered in year. A corporate decision was taken not to allocate these out across the authority. The Assets service will absorb part of the energy savings and transitional funding will meet part of the Procurement savings leaving a residual balance of £658k to be corporately managed.

11.6 Central Contingencies

11.6.1 Inflation

The 2009-10 budget contained a central inflation contingency provision of £4.5m to cover increases in pay costs, pension contributions and prices during the year.

The provision allowed for pay increases of 2.5%. In March 2009, a residual pay award to Local Government Officers of 0.3% for 2008-09 was agreed. This had not been permanently built in to service budgets. The agreed pay award announced in September for 2009-10 provides for a 1% pay award (or 1.25% for lower paid staff). Based on communications from the JNC for Chief Officers it has been assumed that staff on Grade 14 and above will not receive a pay award in 2009-10. The total cost of these pay awards to Services in 2009-10 is £1.644m, which has been allocated to services' budgets.

Services have also been allocated £390,000 in respect of a 0.5% increase for inflation on non-pay budgets. It is assumed that the provision for the increase in Pension contributions will be allocated in full.

Based on the above it is estimated that services will be allocated £2.9m from the budgeted provision of £4.5m, leaving £1.6m to be returned to balances.

11.6.2 Phasing Adjustment

The budget contained a provision of £5.2m to reflect potential underachievement in implementing planned efficiency savings in 2009-10. As reported above, it is estimated that £5.0m of this provision is required to alleviate overspending pressures in Performance and Capacity.

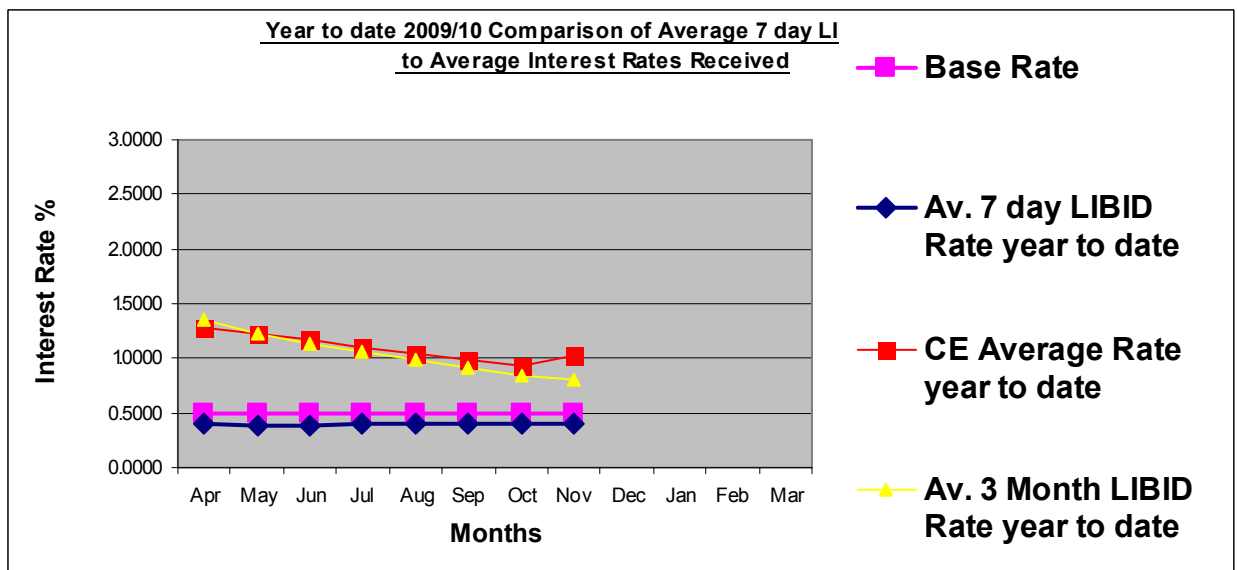
12.0 Treasury Management

12.1 Investment income based upon the current economic climate is estimated to be in line with the original budget of £0.9m, which was based on estimated average balances of £140m.

- The rate of interest to be earned on the Council's cash balances is budgeted to be 0.65%
- The average lend position (the 'cash balance') including fund manager and legacy balances up to the end of the third quarter was £129.6m.
- The average interest rate received on in house investments up to the end of the third quarter was 0.9%
- The average interest rate received on the external managed Investec fund up to the end of the third quarter was 1.6%

- 12.2 The Council's total average interest rate up to the end of quarter 3 in 2009-10 was 1.02%. This is favourable when compared to the London Inter-bank Bid Rate for 7 days 0.40% and the budgeted outturn of 0.65%. The base rate remained at 0.50% for the quarter.

Comparator	Average Rate Q2
Cheshire East	1.02%
LIBID 7 Day Rate	0.40%
LIBID 3 Month Rate	0.81%
Base Rate	0.50%



- 12.3 The Council's authorised counterparty list as advised by Arlingclose Treasury Advisors is as follows –

Abbey National Plc	Bank of Scotland Plc
Barclays Bank Plc	Clydesdale Bank (includes Yorkshire Bank)
HSBC Bank Plc	Lloyds Bank Plc
Nationwide Building Society	Royal Bank of Scotland Plc

13.0 Collection Rates

- 13.1 The Council Tax collection rate for the third quarter is 87.0%, which is 0.6% lower than the comparable figure last year.
- 13.2 The National Non-Domestic Rates collection rate for the third quarter is 87.3%. However, £649,000 of Business Rate payments have been deferred following the introduction of a new national scheme. By excluding these deferred payments the collection figure for Cheshire East stands at 87.7%, which is 0.2% higher than last year.

14.0 Capital Programme

- 14.1 At the three quarter review stage, Cheshire East are forecasting expenditure of £105.168m in 2009-10, £66.794m in 2010-11 and £9.611m in later years. Details are shown below in Table 5.

Table 5 – Three Quarter Review Capital Expenditure Forecasts

Department	Forecast Expenditure			
	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000
People				
New Starts	8,132	20,158	3,236	50
Committed schemes	27,272	11,142	1,270	350
	35,404	31,300	4,506	400
Places				
New Starts	15,913	1,363	0	0
Committed schemes	36,960	22,506	3,277	0
	52,873	23,869	3,277	0
Performance & Capacity				
New Starts	13,549	10,450	540	0
Committed schemes	3,343	1,193	888	0
	16,892	11,643	1,428	0
Total New Starts	37,593	31,971	3,776	50
Total Committed schemes	67,575	34,841	5,435	350
Total Capital Expenditure	105,168	66,812	9,211	400

- 14.2 The 2009-10 programme consists of on-going legacy schemes (£67.575m) and new starts (£37.593m).
- 14.3 The programme is funded from both direct (grants, external, linked capital receipts), and indirect (borrowing approvals, revenue contributions, capital reserve, non-applied receipts) income. Details are shown below in Table 6.

Table 6 – Funding Sources

Funding Source	Forecast Expenditure			
	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000
Grants	53,839	38,946	4,810	50
External Contributions	5,664	650	0	0
Linked/Earmarked Capital Receipts	4,397	14,279	335	350
Supported Borrowing	12,122	4,462	1,924	0
Non-supported Borrowing	12,904	5,200	1,862	0
Revenue Contributions	3,564	340	0	0
Capital Reserve	8,503	7,111	280	0
Total	100,994	70,987	9,211	400

NB Variance between expenditure and funding in 2009-10 and 2010-11 is due to a number of linked receipts not now due in until 2010-11

14.4 Departments have updated forecasts as requested at the three quarter year stage, resulting in a decrease of £7.125m for 2009-10, an increase of £13.226m in 2010-11, and a decrease of £2.835m in later years from the position reported at mid year stage. The majority of the reduction in forecast expenditure in 2009-10 is due to a number of schemes progressing more slowly than originally forecast. Further details are provided in Section 14.6. This slippage, combined with the approval of a number of new schemes is the reason why the forecast for 2010-11 has increased.

14.5 Details on a scheme by scheme basis are contained in Appendix 3.

14.6 Key Issues and Variances

Details of major variances (over £0.250m) between the in-year budget and three quarter year forecasts for 2009-10 along with any other issues for Departments, and details of new schemes requiring approval are shown below. Members should note that any new schemes over £0.250m have already been approved by the Capital Appraisal & Monitoring Group.

People

14.6.1 Transforming Learning Communities schemes (TLC)

Members were advised at the first quarter review of a cash flow problem of around £4.1m. This was due to a reduction in the value of the receipts due and a delay to the date the receipts were expected. Officers have explored different solutions and it is proposed to fund the shortfall through the capital reserve, and repay the reserve once the receipts are received.

14.6.2 National Dementia Strategy – Hollins View

This scheme has now been removed from the programme.

14.6.3 Vernons PS Amalgamation

In year budget £3.079m, Forecast £3.379m, variance £0.300m

This scheme is progressing quicker than expected, therefore the 2010-11 projection has reduced. The TLC schemes currently have issues with the capital receipts as these cannot be accessed until 2010-11 where the scheme will then become balanced.

14.6.4 Devolved Formula Capital (DFC) – All allocations

In year budget £6.774m, Forecast £4.661m, variance -£2.113m

DFC is 100% devolved to schools for them to spend on capital. It is notoriously difficult to forecast as schools can spend the allocation in full in the year it is allocated, or 'save' it towards a major capital scheme at the school site. Schools have 3 years and 5 months to spend each years' allocation. Forecasts have been reduced in the current year to reflect a reduction in the amount of DFC expenditure being incurred by schools.

14.6.5 Integrated Children's Systems (ICS) 08-09

In year budget £0.567m, Forecast £0.154m, variance -£0.413m

The next significant upgrade and development work required for ICS has been delayed by the Paris software slippage. This was originally due to be delivered in 2009-10 but will now be delayed until 2010-11.

14.6.6 14-19 Diploma

In year budget £0.700m, Forecast £0.300m, variance -£0.400m

Cheshire East Council are currently considering their priorities for this funding source and are looking to ensure that whatever is planned is complementary to any plans being considered by Cheshire West & Chester regarding 14-19 special educational needs provision across both Authorities.

14.6.7 Brine Leas 6th Form

In year budget £2.922m, Forecast £3.650m, variance £0.728m

This scheme is progressing quicker than expected and the three quarter year forecast represents a more realistic projection. Income is received on a quarterly basis from the Learning Skills Council, and therefore the variance will be fully funded from grant. A virement of £192,202 from the Access Block scheme has been requested to fund the overspend in 2009-10 until further funding is received in 2010-11.

14.6.8 Sandbach United

In year budget £2.200m, Forecast £0m, variance -£2.200m

This scheme was approved by Council in October. Initial projections indicated that the scheme would progress quickly in 2009-10. However, revised projections indicate that the total budget will be spent in the following financial year.

14.6.9 Schools Modernisation Programme

In year budget £0.574m, Forecast £0m, variance -£0.574m

Members are asked to approve a new scheme at Kings Grove Mobile Replacement, which will be part funded from this scheme (£574,000). This scheme was originally put forward at mid year but further information was requested at that time.

14.6.10 Extra Care Housing

In year budget £1.850m, Forecast £0.450m, variance -£1,400

The underspend is due to the acquisition of new premises which has been delayed until the following financial year.

14.6.11 Cledford TLC Scheme

In year budget £1.219m, Forecast £0.830m, variance -£0.389m

Planning permission was expected for this scheme in October 2009, however the decision was deferred and permission granted in November 2009. The scheme is due to start on site in January 2010.

14.6.12 Macclesfield Canal Footbridge

Members are asked to note a Supplementary Capital Estimate of £0.131m for this new scheme within appendix 2a. The scheme, to build a new footbridge over the Bollington Canal in partnership with Bollington Civic Society, WREN, British Waterways and the private sector, is fully funded from external contributions.

14.6.13 Lower Heath Play Space Renewal

Members are asked to note a Supplementary Capital Estimate of £0.120m for this scheme within appendix 2a. The scheme, for a supplementary phased work programme following on from completion of the current play builder programme, will be fully funded from external S106 contributions.

Places

14.6.14 Highway Maintenance

In year budget £0.968m, Forecast £0m, Variance -£0.968m

This project is currently on hold. The funding relied upon savings within the revenue budgets to fund Prudential Borrowing costs, but due to pressures within revenue, it is unlikely savings can be found.

14.6.15 Vehicle Replacement Programme

In year budget £0.500m, Forecast £0m, Variance -£0.500m

This project is currently on hold. The funding relied upon savings within the revenue budgets to fund Prudential Borrowing costs, but due to pressures within revenue, it is unlikely savings can be found.

14.6.16 Alderley Edge ByPass – Scheme Implementation

In year budget £24.930m, Forecast £26.900m, variance £1.970m

The increase in forecast expenditure in 2009-10 has arisen from significantly better than programmed construction progress during the year. The overall funding position is not compromised as the projects projected outturn remains within its total approval.

14.6.17 Non-Principal Road Maintenance – Minor Works

In year budget £2.289m, Forecast £2.785m, variance £0.496m

As part of the identified remedial actions, it is proposed that up to £740,000 of highways repairs/structural maintenance is capitalised, relieving the revenue account of costs in respect of improvement works classifiable as capital expenditure.

14.6.18 Business Development Land

In year budget £0.500m, Forecast £0m, variance -£0.500m

The inherited Programme has been reviewed to rationalise projects and free up capacity and resources. It is proposed that this scheme be removed to enable targeting of resources to new investment priorities.

14.6.19 Queens Park Restoration

In year budget £4.239m, Forecast £1.350m, variance -£2.889m

The original slippage information provided by the legacy district authority indicated this scheme would be completed in 2009-10: this was incorrect as the project was always due to complete in 2010-11. The in year variance is therefore misleading. The project has slipped slightly based on original estimates due to the original contractor going into receivership. There is a concerted effort by the Project Team and Project Board to resolve issues resulting from this to ensure final completion is delayed as little as possible.

14.6.20 Crewe Town Squares – Lyceum Square

In year budget £1.360m, Forecast £1.100m, variance -£0.260m

Project delivery is now progressing well, following confirmation of the funding from the North West Development Agency. It will therefore be possible to deliver £1.1m of the scheme in 2009-10 with the scheme being completed in 2010-11.

14.6.21 Project Development – Middlewich Eastern ByPass

In year budget £0.400m, Forecast £0.050m, variance -£0.350m

This is a partnership project with funding driven by the private sector in association with development accessed from the scheme. A significant part of the financial package for the project has been identified as coming from the North West Development Agency and under their grant funding rules the scheme has to be procured through the Highway Authority. Cheshire East monies were identified in the current financial year to fund both the scheme procurement process and a block of finance determined as the initial element of the LA contribution. As yet the private sector element of the monies has not been secured, the scheme cannot be progressed, and consequently the Authority's fund are not currently required. The allocation for 2009-10 has been written down to a level that may be required for some supplementary work that could be needed to broaden the scope of funding for the scheme.

14.6.22 Housing Grants (ex Macclesfield BC) – S106

Council are asked to approve a Supplementary Capital Estimate of £1.045m for this scheme within appendix 2a. The scheme, a rural housing enabler partnership with Staffordshire Moorland Housing, will be fully funded from external S106 contributions

14.6.23 Requests for Supplementary Capital Estimates (SCEs) & Virements

As indicated in the paragraph above in respect of the Business Development Land scheme, the Places Directorate Management Team has reviewed its existing, inherited Capital Programme, with a view to rationalising its projects, freeing up capacity to deliver and targeting resources to new investment priorities. A number of schemes/ remaining budgets are proposed to be removed from the Programme, as listed below:

Scheme	Service	£000
Outdoor Market Covered Stand	Env Services	200
New Cemetery Infrastructure - Weston	Env Services	144
Closed Landfill Sites	Env Services	2
Housing Energy Efficiency Grants	Planning & Policy	3
Business Development Land Acquisition	Regeneration	500
Claims	Regeneration	27
Nantwich Old Mill Wall	Regeneration	23
Nantwich Market Town Initiative	Regeneration	15
Art in a Roundabout way	Regeneration	20

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As set out in the Matters for Decision Appendix 2a, it is recommended that the resources released are used to finance the following schemes and that Supplementary Capital Estimates are approved:

- Capitalisation of highways repairs/ structural maintenance - £740,000 (relieving the Revenue Account of costs in respect of improvement works classifiable as capital expenditure)
- Tatton Park Conservatory Restoration - £160,000 contribution

Regarding the Conservatory restoration, Tatton management have liaised with colleagues in Assets and in conjunction with architects a business case is being completed. The total cost of works is estimated to be in the order of £300,000; the balance of £140,000 may be found from Assets' existing capital planned maintenance budget, following a review of spending commitments in the year. When the business case has been prepared and budget costs firmed up, the whole scheme and its financing will be brought together and shown as a single project in the Programme.

Performance & Capacity

14.6.24 Currently, there is no information on actual expenditure from Cheshire West & Chester on areas that are linked to the Shared Services arrangements. This impacts on a number of ICT schemes.

14.6.25 Customer Relationship Management (CRM)

In-year budget £1.705m, Forecast £1.150m, variance -£0.555m

The slippage in the CRM programme is due to an extended requirements gathering exercise and assessment of existing council solutions. As a result of this, the procurement decision is not likely until December. In addition, the transition phase for the website has lasted longer than anticipated, leading to delays in web development in the transformation phase, pushing costs into 2010-11.

14.6.26 The Farms Estate

In-year budget £1.410m, Forecast £0.160m, variance -£1.250m

Capital spending/investment has been limited reflecting the delayed disposals programme, a very limited response from tenants in relation to Nitrate Vulnerable Zone (NVZ) work, which relates to the storage of slum and manure, and limited movement by tenants partly in anticipation of management policy objectives resulting from the ongoing review. It is however anticipated that activity on disposals will increase in the first quarter of 2010 and NVZ's in the second quarter.

14.6.27 Enterprise Content Management proposal

In year budget £0.500m, Forecast £0.200m, variance -£0.300m

The project has slipped due to services not being clear about their structures and how they want to manage their information.

14.6.28 Flexible & Mobile Working

In year budget £0.585m, Forecast £0.292, variance -£0.293

The programme has slipped due to a number of factors. Firstly, there are conflicting resource requirements and priorities within Shared Services. Secondly, the alignment of quarter 1 and quarter 2 commissioned projects with the strategic direction of ICT strategy, and thirdly due to delays in independent projects.

14.6.29 Data Centre Macclesfield

In year budget £0.495, Forecast £0.170m, variance -£0.325m

Work is currently underway to strip out the data centre during the fourth quarter of 2009-10. Approximately half of the in year variance £160k will be committed prior to the year end on equipment to kit out the data centre once it has been made ready. The remaining £165k will be committed during the first half of 2010-11 on staffing costs/additional equipment required to make the centre functional

14.6.30 Transforming Cheshire – Improving Oracle (Shared Services)

In year budget £1.038m, Forecast £0.400m, variance -£0.638m

A review is taking place currently to agree the best use for the available funding with Accounts Receivable developments considered a fundamental aspect of the agreed programme.

14.6.31 Single Revenue & Benefits System

In year budget £0.444m, Forecast £0.150m, variance -£0.294m

The variance relates to a delay in the implementation date following the need to re-tender. Payments are profiled to reflect the instalment payments at various stages of completion.

14.6.32 Office Accommodation Strategy

In year budget £2.350m, Forecast £2.969m, variance £0.619m

The office accommodation strategy has been accelerated during 2009/10 with Westfields being remodelled and Delamere House incurring higher than planned expenditure due to the refurbishment of three floors and the customer contact centre.

15.0 Reserves Position

- 15.1 Cheshire East Council's opening balance for revenue reserves has been updated following audit of the predecessor authority accounts. There is still some scope for amendments, following final agreement on disaggregation of the County Council balance sheet, so figures are still provisional at this stage.
- 15.2 At the mid year review the estimated level of balances, taking into account improved opening balances, and budgeted intention to repay costs incurred from Local Government Reorganisation, appeared sufficient to protect the council against the identified risks. The position at three quarter year is under review, although it is anticipated that projected balances will continue to cover such risks.
- 15.3 The 2009/2010 Budget included the Reserves Strategy. This strategy was substantially reviewed in August 2009, and a further update was reported to members at the mid year review stage in November. A further full review of the Reserves Strategy, including earmarked reserves, will be included in the Budget Report to Members in February.

16.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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