

2010- 2011 QUARTER ONE - FINANCIAL PERFORMANCE**1.0 INTRODUCTION**

- 1.1 Annex 1 sets out the financial performance for 2010-11 at the Quarter one stage. It highlights the key emerging financial pressures facing the Council, and where possible outlines potential remedial actions at this early stage in the year. The report particularly focuses upon areas of high financial risk to the Council, and includes updates on the Capital Programme, Treasury Management, Debt, and in-year collection rates for Council Tax and Business Rates.

2.0 REVENUE BUDGET SUMMARY 2010-11

- 2.1 Table 1 below provides a summary position of the projected gross outturn positions at a service level.

Table 1 - Service Revenue Outturn Forecasts

Service	Net Budget £000	Forecast Outturn £000	Projected Variance from Budget £000
Children & Families	37,355	43,080	5,725
Adults	69,750	75,545	5,795
Health & Wellbeing	14,691	15,391	700
Total People	121,796	134,016	12,220
Environmental	34,841	35,719	878
Safer & Stronger	666	690	24
Planning & Policy	3,724	3,640	(84)
Regeneration	9,569	9,962	393
Total Places	48,800	50,011	1,211
Borough Treasurer & Head of Assets	24,165	24,912	747
HR&OD	3,367	3,367	0
Borough Solicitor	6,361	5,909	(452)
Policy & Performance	8,636	8,486	(150)
Total Performance & Capacity	42,529	42,674	145
TOTAL SERVICES	213,125	226,701	13,576

- 2.2 Overall, services are reporting potential emerging pressures on their budgets of £13.6m, before any requests for supplementary funding and proposed remedial actions.
- 2.3 The 2010-11 budget included cross cutting savings of £2.7m, including procurement savings of £1.8m. These targets have been allocated to departments and are held at either departmental or service level. Work is ongoing to assess the deliverability of these savings but early indications are that about half can be delivered in year with the remainder needing to be re-phased. The projected Departmental outturn positions will have taken account of the projected achievement or non achievement of these savings.
- 2.4 The overall level of projected service overspending is significant, and extensive remedial measures and actions will need to be taken urgently to drive this down towards a balanced outturn position wherever possible.
- 2.5 Although some remedial measures and broad areas for review have been identified, and a broad assessment of potential financial impact has been made, as indicated in the report, further work will need to be undertaken by Directors and Heads of Service to draw up more specific actions. It is expected, given the scale of the pressures, that some measures will need to be radical, and will require the approval of Members in order to proceed. The scale of the potential pressures on the People Directorate budget is such that it may well be necessary for this to be partly alleviated corporately by finding offsetting underspendings in other service areas.
- 2.6 It is therefore proposed that remedial action plans be developed as a matter of urgency and reported back to Cabinet in September, well in advance of the Mid Year Review.
- 2.7 Although some very limited alleviation funding may be possible from use of earmarked reserves, and other central provisions, the presumption must be that there can be no recourse to general reserves to fund overspending in 2010-11 given the substantial reduction in the level of balances during 2009-10 to £10.6m.

3.0 KEY SERVICE REVENUE ISSUES

Further details of the key pressures impacting on service outturn forecasts are summarised below.

3.1 People Directorate

- 3.1.1 The Directorate is facing extensive care cost pressures across both Adults and Children and Families. Delivering the full impact of budget

reductions not only from 2009-10 but also 2010-11 continue to present extensive challenges across all Services.

- 3.1.2 During the latter part of 2009-10 remedial action significantly reduced the extent of anticipated overspends, particularly through the use of grant in Children and Families. This action continues to be maintained into 2010-11, although the full year impact of care placements in the latter part of the year, across both Adults and Children and Families is more than offsetting the additional grant usage and other mitigating action.

Children and Families (£5.7m over spend)

- 3.1.3 Continuing placement activity, especially the full year cost of placements made during the last quarter of the year is adding approximately £2m of emerging pressure across fostering and other placement activity. During the first quarter placement activity has not increased and during the remainder of the year action will need to be taken to reduce the overall numbers of children in placements.
- 3.1.4 Home to School transport costs have maintained constant spending pressures, which remain £1m in excess of the available budget.
- 3.1.5 Included within the budget proposals for 2010-11 included £3.6m of reductions, of which £0.9m remain to be achieved, for example through the achievement of savings in commissioning budgets, charges to schools for Council provided activity and changes to Family and Children's Centres.
- 3.1.6 In June the Government announced £1.8m of reductions in a variety of grants, across the majority Children and Families Area Based Grant budget. At this stage, whilst discussions are continuing, it has been assumed that the full £1.8m will be an emerging budget pressure. It is clear that the actions required will impact on those who receive Area Based Grants, such as Connexions. A further report to Members will detail the decisions required in the near future.
- 3.1.7 A Government bill on Academies is due to be approved in Parliament at the end of July. Three schools in Cheshire East, Fallibroome, Sandbach High School and Brine Leas have been informed that they will be included in the first wave of new Academies and will be granted permission to convert to Academy Status this September. There will be an extensive amount of work required between now and September to facilitate this conversion. The financial consequences in 2010-11 are likely to be limited, estimated initially at approximately £170k, with the Government making further contributions to the three schools. The impact in later years will be far more significant with initial early estimates in excess of £1.2m for these three schools alone.

- 3.1.8 Action to reduce the spending and budgetary pressures are currently being considered, costed and proposals drafted for Member consideration. It is inevitable that there will be a number of challenging, painful reductions in order to make an impact. Proposals being considered include passing on grant reductions to third sector providers such as Connexions, reducing the staffing complement for activity funded by grant either via holding posts vacant, or potentially considering redundancy should the need arise. Other budget proposals from later years are also being considered to see whether these could be accelerated into the current year.

Adults (£5.8m over spend)

- 3.1.9 The costs of care continue to be the prime spending pressure for the Adults Service, with an overspend of in excess of £8m on placement activity. This is a continued pressure from 2009-10 where a combination of factors are taking a toll on the budget. Reablement is helping, but still resulting in some double funding as new individuals receive a reablement package, with existing service users continuing with higher cost packages. Temporary funding and redesign funding within the Adults Service budget are helping to offset and mitigate this spending pressure. Reviews are progressing and starting to reduce care costs, but this is a process that will take a full year to impact on the budget in a substantial way.
- 3.1.10 Redundancies and reductions in the staffing complement have reduced costs overall, but further reductions are planned during the year aiming to remove a further £850k from the budget.
- 3.1.11 Transformation and change within Care4CE, the provider arm of the service, continues to impact and reduce costs and spending pressures. Reductions in income from the Primary Care Trust and from the Learning Disability Pooled Budget are creating an overspend of approximately £780k. In addition a review of surplus capacity from Care4CE is underway and proposals to Members to further reductions and closures of activity will be presented in the near future. This will not only reduce the overspend, but will, it is anticipated, reduce the charge to Strategic Commissioning.
- 3.1.12 Significant budgetary reductions have already been achieved in 2009-10, by reducing the staffing complement, reviewing the Care4CE offering. In order to reduce the anticipated overspend, continued work is in hand to deliver the full range of budgetary proposals, along side further remedial action which is also being considered. Reviewing Care4CE provision, including considering accelerating proposals from later years where possible, reviews of existing care packages may well be accelerated, charging policies will be reviewed to either reduce or remove Council subsidy and negotiations with the Primary Care Trust

will continue to explore where cost savings can be achieved through shared activity alongside providing clear budgetary accountability through the Individual Commissioning structure.

- 3.1.13 In summary, it is clear that further remedial action is needed to bring down the current adverse position in Adults. However, it should also be noted that the Adults budget has been reduced by almost £7m (10%) over the last and current financial years and some material reductions have already been delivered. These include reducing staffing costs in excess of £1m in Care4CE, and delivering Adults own procurements savings of £1m in the current year by a combination of reducing agency costs and also by restricting the annual contract increase to External Providers to 0%. Other successful actions include reducing transport costs, delivering savings by rationalising hot meals, increasing income and reducing business support costs. Without these successful actions the current position would be significantly more adverse.

Health and Wellbeing (£0.7m overspend)

- 3.1.14 There are two main pressures being experienced within Health and Wellbeing, both resulting from 2010-11 budget proposals. Firstly the ability to achieve restructuring savings of over £600k, with £350k still to be achieved, and through the transfer to the community and/or closure of Civic Centres and certain leisure provision, such as Malkins Bank, Knutsford Cinema and the Crewe Lyceum. Progress is being made in all areas, but decisions to defer change in this area will add in excess of £300k to the spending pressure to the Service.
- 3.1.15 Further consideration is being given to action to reduce the impact of the overspend.

Action Planning

- 3.1.16 Whilst continuing to maintain a tight control of expenditure is helping to mitigate some of the above spending pressure, it will only make a small overall contribution. More significant options are being considered and developed, including contributing to the emerging transformation agenda which will help to develop wider strategic change across the Directorate.
- 3.1.17 Across the Directorate remedial measures are being considered that will help to reduce the current forecast, through for example, developing the in house foster care agency to reduce unit costs, reducing grounds maintenance costs across leisure facilities and reviewing the provision of transport to adults. Further remedial measures will need to be considered and developed to help reduce the emerging pressures.

Conclusion

- 3.1.18 There are significant emerging budgetary pressures being experienced across the Directorate, especially within care placements . Whilst these pressures are emerging and as such likely to be worst case forecasts, the significance is such that action must be taken. Managers are continuing to maintain a tight discipline on expenditure, but are also considering the viability of a range of other options that will require Member consideration once worked up. It is likely that such options, once approved and implemented, will not only help in contributing towards delivering a smaller overspend this year but also contribute towards delivering next year's budget and support the wider transformation agenda.

3.2 Places Directorate

- 3.2.1 The Places Directorate has an approved net budget for 2010/11 of £48.8m. Whilst progress is being made in realising many of the cost savings and efficiencies set in the budget, further areas of pressure have been identified as part of the first quarter review.

Key Service Issues – Quarter 1

- 3.2.2 The overall forecast for Places Directorate, albeit early in the year, currently shows an overspend of £1.2m primarily due to:
- pressures on pay budgets in Environmental Services
 - exceptional inflation on waste contract, energy contract for street lighting and bus contracts (due to fuel price increases)
 - achieving full realisation of transport and corporate savings targets
 - car parking income

Environmental Services

- 3.2.3 Environmental Services are forecasting an overspend of £878k at the present time, against a net budget of £34.8m. There are pay budget pressures across the Service, but it is currently forecast that further management of structures, overtime and agency costs will contain pay pressures to £311k. The forecast also includes cross cutting corporate savings targets amounting to £419k.
- 3.2.4 Whilst it is too early in the year to forecast winter maintenance costs, following the winter learning exercise the Highways Operations service envisages there may be some degree of increase in costs through revised salting / gritting regimes which, depending on the severity of the weather, may materialise as overspends. Clearly the position will be kept under close watch during the winter period.

- 3.2.5 Exceptional Inflation: The Joint Waste Team is forecasting additional inflationary costs against the Landfill and Household Waste & Recycling Centres (HWRC) contracts of £150k. In addition, within Highways Operations, with a new contract for street lighting energy costs are forecast to increase by 60%, resulting in a £250k part-year budget pressure (£350k full year).

Safer & Stronger Communities

- 3.2.6 The early forecast out-turn is currently close to budget, though it is important to note that projected pay cost savings of (£313k) across the Service are offsetting an estimated shortfall in car parking income totalling £300k.
- 3.2.7 Fine income is below budget due to vacant posts which are in the process of being filled and pay & display income is below budget because of lower than budgeted receipts in the Congleton area and the removal of Sunday charging in the Crewe and Nantwich area.

Planning and Policy

- 3.2.8 There is a favourable pay variance within Housing Strategy (£100k).
- 3.2.9 The Government has recently announced that Councils will no longer be able to demand payment for certain Land Charges services. This follows various legal challenges at a national level. This is likely to create additional pressure but its full implications are being assessed and will be reported as necessary later in the year.
- 3.2.10 There is also the potential for costs relating to an appeal against refusal of planning permission. These costs are likely to be in excess of associated budgets and when quantified will form the basis of a supplementary budget request.

Regeneration

- 3.2.11 At first quarter review the Service is projecting an overspend of £393k against a net budget of £9.6m. The budget pressures are mainly arising within Strategic Highways & Transportation and the Integrated Transport Unit shared service. The Integrated Transport Unit budget pressures total £474k; these include:
- Total Transport (2010/11) savings £300k
 - Exceptional inflation re fuel increases on local bus contracts £100k
 - Local bus contract (2010/11) savings £50k
 - Impact on the revenue budget of in-year reductions to the Capital Programme £24k

- 3.2.12 There are draft proposals to implement policy changes, which will have a part-year effect in 2010/11 resulting in a £80k saving, thereby reducing the budget pressure to £394k.
- 3.2.13 The Tatton Park trading account and Visitor Economy service are currently projecting balanced budgets at this stage in the financial year.

Invest to Save Bid

- 3.2.14 In addition to the above, Places will be submitting a bid for use of the “Invest to Save” earmarked reserve. This will include a bid for some £500k (for 2010/11) for the major re-procurement of Highways Maintenance Services.

Government Grant Reductions

- 3.2.15 The effects on service revenue accounts of the in-year grant reductions are incorporated in the forecast outturn. This includes the £27k reduction in safer communities grant and also the £252k (27%) reduction in road safety grant (the effects of which are shared with the Cheshire Safer Roads Partnership, pro rata to the original grant split). The revisions to the capital programme, following the £1.7m reductions in highways capital grants, are described in the relevant section of the report.

Conclusion

- 3.2.16 At this early stage in the year the Places Directorate is forecasting net pressures of some £1.2m, mainly in respect of certain pay budgets, items of exceptional inflation relating to contracts and in realising the full extent of certain savings targets in the year.
- 3.2.17 The report notes the potential for further pressures to arise during the year and require supplementary budget bids, within Planning & Policy. The preparation of an Invest to Save bid is also referred to, in relation to the major re-procurement of Highways Maintenance services.
- 3.2.18 The Directorate will continue to closely monitor and manage key areas – including overtime and agency staffing costs – and identify scope for further remedial actions.

3.3 Performance & Capacity

Borough Treasurer & Head of Assets (£0.7m overspend)

- 3.3.1 Overspend predicted mainly due to pressures in Assets service. Loss of income from industrial units, security costs relating to surplus properties and hard Facilities Management (FM) costs are having an adverse impact on the service.

Property Services - £437k overspend.

3.3.2 The predicted overspend is due to a number of factors.

- Airparks vacated units on the Crewe industrial estate earlier this year following the required months notice period. This created a £150k budget pressure in the service.
- Security costs relating to non operational properties that are deemed surplus and the responsibility passes to Assets will result in an overspend of £200k in 2010/11. This has been a growing pressure for a number of years and a review is now required to consider how to meet these ongoing costs in the future. Potentially it could be taken into account when the capital receipt is realised.
- Professional fees relating to district valuation work required at year end and the IFRS (International Financial Reporting Standards) restatement that were unbudgeted for will have an impact of £65k.
- A slight overspend of £22k is predicted relating to accommodation costs. Although charges from Cheshire West & Chester Council will be considerably lower this year due to the sale of County Hall any savings will be required to fund the Emperor Court running costs. Also budgets relating to Cheshire East properties are in some instances insufficient to contain the ongoing property costs.

Facilities management - £170k overspend

3.3.3 The funding to meet the essential hard FM costs continues to put pressure on the service due to the fact that many of these costs were not budgeted for in the former authorities. The current procurement arrangements for cyclical & response maintenance is provided by a number of maintenance contractors and means that there is little scope for benefiting from the potential economies of scale associated with a single maintenance supplier. £500k from the building maintenance revenue budget earmarked for planned capital works, has already been taken into account in these outturn figures.

3.3.4 Work relating to the centralisation of budgets is still ongoing with £0.2m of Places budgets already vired to FM along with actual expenditure. Discussions are still to take place with Health & Wellbeing on the possible reallocation of an additional £1m that is currently held in their budget. If this virement occurs it is anticipated that savings can be made that will reduce the overspend. The service is currently working on an SLA to assist with the centralisation process in helping all parties to understand what will be delivered.

- 3.3.5 In addition procurement savings linked to the review of the print function are unlikely to deliver the full saving of £100k. Possible savings of £20k have been identified to date, however, work is still ongoing to assess the full benefits of consolidating this service. However any savings will only be able to be attributable to Assets management if all budgets are centralised from across the authority.
- 3.3.6 Caretaking and cleaning anticipate a £80k underspend at year end due to the increase in take up of their services in both schools and former district properties.

ICT – Strategy £168k overspend

- 3.3.7 This is due to £120k photocopier payments being incurred relating to termination charges and outstanding lease agreements. £50k prudential borrowing costs have also been applied this year that will fund 2 capital schemes; Government Connect and ICT Security & Research. This overspend includes the use of £50k from transitional funds to offset the photocopier charges outlined above.

ICT – Shared Services - Net nil

- 3.3.8 Assuming net nil variance but information not yet received from Cheshire West and Chester Council.

Finance (incl. Insurance) - £100k underspend

- 3.3.9 Insurance will deliver an underspend of £250k in 2010/11. This is over £250k lower than 2009/10 due to increased premium costs resulting from a 2% inflation uplift being applied to our re-build costs and an under-recovery of approximately £77k against DSG (Dedicated Schools grant) /SBSA (Schools Business Support Agreement).
- 3.3.10 £150k overspend in non Insurance is attributable to audit fees being significantly higher than current budget provision and significant agency / consultancy costs relating to year end and IFRS being incurred. The outturn includes £95k from transitional funds.

Finance – Shared Services - £200k overspend

- 3.3.11 The overspend is lower than 2009-10 levels but still significantly higher than anticipated. Work is ongoing to understand the cost pressures of this service and ways to reduce the expenditure.

Borough Solicitor (£0.5m underspend)

- 3.3.12 Election budgets are underspent by approximately £270k this year but a carry forward request will be required as this will be needed in 2011/12 for both parish and council elections.
- 3.3.13 Coroners is expected to overspend by £39k. Charges from Warrington Borough Council are population driven and not subject to negotiation.
- 3.3.14 Registration should deliver a £123k underspend due to the charges implemented in Sept 2009.
- 3.3.15 Savings of £57k are expected in the other areas of Democratic Services. This relates to Scrutiny where vacant posts have been carried in the first part of the year. Twinning expenses budget will also deliver an underspend.

Policy & Performance (£0.1m underspend)

- 3.3.16 The underspend is primarily due to carrying vacancies in Audit for the first part of the financial year.
- 3.3.17 **Human Resources & Organisational Development** - nil variance

4.0 CENTRAL BUDGETS AND PROVISIONS

- 4.1 The 2010-11 budget contained a central inflation contingency provision of £1.6m to cover in-year increases in prices during the year. It is recommended that no decisions are taken on its use until at least the mid-year review when the positions on forecast outturns and the impact of inflation may have become clearer.
- 4.2 Further work will be undertaken to review corporate budgets, central provisions, earmarked reserves and the potential overall impact on general balances, and reported to Members in September, alongside the remedial action plans.

5.0 TREASURY MANAGEMENT

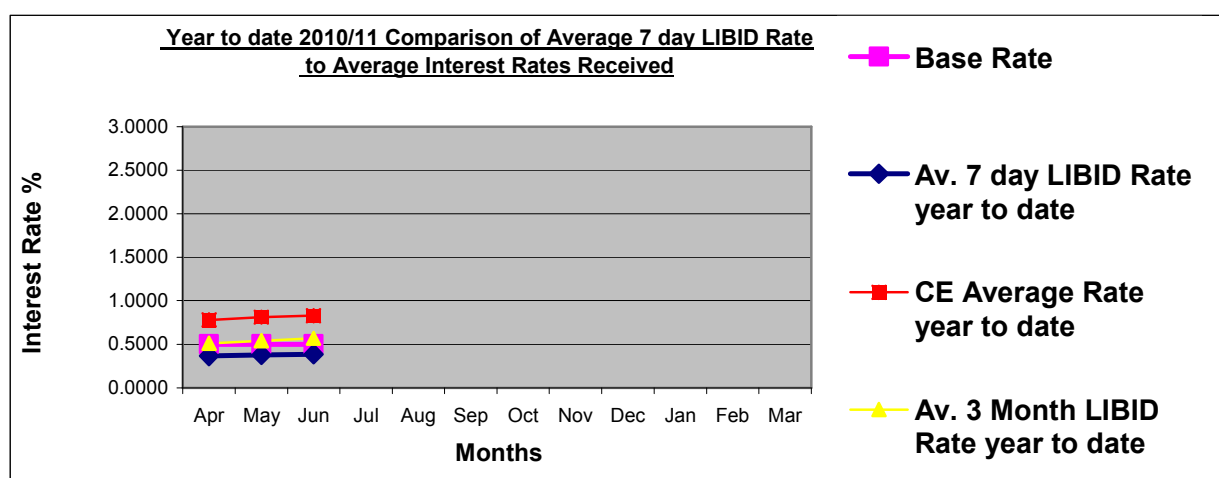
- 5.1 Investment income is currently £40,000 lower than budgeted. The original budget of £1.12m was based on estimated average balances of £90m at 1.25% as it was anticipated that interest rates would start to rise mid way through 2010/2011. Based upon the current economic forecasts, investment interest rates are not expected to increase before the end of the financial year. However, opportunities are being taken to invest for longer periods for higher than budgeted returns wherever

possible. Any budget shortfall on investment interest should be compensated by savings on external interest payments.

- The average lend position (the 'cash balance') including fund manager and legacy balances up to the end of the first quarter was £98.1m.
- The average interest rate received on in house investments up to the end of the first quarter was 1.04%
- The average interest rate received on the external managed Investec fund up to the end of the first quarter was 0.2%

5.2 The Council's total average interest rate up to the end of quarter 1 in 2010-11 was 0.81%. This is favourable when compared to the London Inter-bank Bid Rate for 7 days at 0.38% but below the budgeted outturn of 1.25%. The base rate remained at 0.50% for the quarter.

Comparator	Average Rate Q1
Cheshire East	0.81%
LIBID 7 Day Rate	0.38%
LIBID 3 Month Rate	0.57%
Base Rate	0.50%



5.3 The Council's authorised counterparty list as advised by Arlingclose Treasury Advisors which is kept under continual review is principally –

Money Market Funds – AAA rated

UK Banks & Building Societies - AA rated (covered by UK Government guarantee):

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	Santander (UK) Plc

Co-operative Bank (holder of bank accounts for Cheshire East)

Foreign Banks – Named list of minimum AA rated banks

6.0 COLLECTION RATES

6.1 The Council Tax collection rate for the first quarter is 30.54%, which is 0.35% lower than the comparable figure last year. The National Non-Domestic Rates collection rate for the first quarter is 29.83%, which is 0.54% lower than last year.

6.2 Recruitment to vacant posts in the Revenues section during the second quarter will increase capacity to reduce in –year debt.

7.0 DEBT MANAGEMENT

7.1 Total outstanding Invoiced Debt at the end of June 2010 was £11.2m which includes £5.4m of debt not yet due for payment, i.e. still within the payment terms. The total amount of service debt outstanding over 6 months old amounts to £1.1m which is broadly the same as the position at 31 March. Services have created debt provisions of £1.2m to cover this debt in the event that it needs to be written off.

7.2 An analysis of the invoiced debt provision by directorate is provided in Table 2.

Table 2 - Invoiced Debt

Directorate/Service	Total Outstanding Debt as at 30th June 2010 £000	Total Debt Over 6 months old £000	Bad Debt Provision £000
<u>People</u>			
Adults/Health & Wellbeing			
Non Care	2,109	54	14
Care	744	618	642
Children & Families	1,494	132	132
Schools & Catering	19	13	13
Total People	4,366	817	801
<u>Places</u>			
Environmental Services	603	97	73
Safer & Stronger Communities	47	11	11
Planning & Policy	53	13	13
Regeneration	213	3	3
Total Places	916	124	100
<u>Performance & Capacity</u>			
Borough Treasurer & Head of Assets	503	201	298
Human Resources	1		3
Borough Solicitor	1	1	35
Policy & Performance	0		0
Total P&C	505	202	336
Total Debt & Provisions	5,787	1,143	1,237

8.0 CAPITAL PROGRAMME

- 8.1 The final capital outturn position for 2009-10 showed expenditure of £85.332m compared to an in-year budget of £122.218m. The difference between these figures mainly represents budgets not used in 2009-10 but that would in principle be carried forward to 2010-11 as 'slippage'. Cabinet is asked to note that Officers are currently undertaking a fundamental review of slippage to ensure that the capital programme only includes schemes that fulfil the Council's priorities for service delivery, and aimed at bringing recommendations to Members in September for schemes and unspent balances to be deleted from the programme, enabling resources to be freed up for re-allocation on a corporate priority basis, where necessary.
- 8.2 Table 3 shows an analysis by Directorate of the in-year Approved Budget for 2010-11, and forecast expenditure for 2010-11 and the three following years to 2013-14.

Table 3 – Capital Expenditure Forecasts

Department	In Year Approved Budget	Forecast Expenditure			
	2010-11 £000	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000
People					
New Starts	12,013	12,763	5,986	1,802	1,484
Committed schemes	27,804	34,702	4,584	350	0
	39,817	47,465	10,570	2,152	1,484
Places					
New Starts	17,037	15,397	12,109	9,489	0
Committed schemes	32,490	26,551	3,828	2,556	4,564
	49,527	41,948	15,937	12,045	4,564
Performance & Capacity					
New Starts	9,487	9,487	2,424	2,290	0
Committed schemes	16,037	16,037	1,910	270	270
	25,524	25,524	4,334	2,560	270
Total New Starts	38,537	37,647	20,519	13,581	1,484
Total Committed schemes	76,331	77,290	10,322	3,176	4,834
Total Capital Expenditure	114,868	114,937	30,841	16,757	6,318

- 8.3 The programme consists of on-going schemes started in previous years (£76.331m) and new starts (£38.537m). The new starts include a number of schemes which form part of a 'core' programme, including essential maintenance, Local Transport Plan (LTP) schemes within Environment, and Devolved Formula Capital (DFC) allocations for schools. New schemes have been approved by Members as meeting the Council's priorities.
- 8.4 The programme is funded from both direct income (grants, external contributions, linked capital receipts), and indirect income (borrowing approvals, revenue contributions, capital reserve, non-applied receipts). A funding summary is given below in Table 4.

Table 4 – Funding Sources

Funding Source	Forecast Expenditure			
	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000
Grants	49,806	17,929	10,555	4,140
External Contributions	5,034	1,614	1,562	1,484
Linked/Earmarked Capital Receipts	18,860	3,959	3,040	0
Supported Borrowing	19,820	2,638	1,050	424
Non-supported Borrowing	7,430	2,514	270	270
Revenue Contributions	3,358	715	280	0
Capital Reserve	10,629	1,472	0	0
Total	114,937	30,841	16,757	6,318

8. 5 Appendix 1 shows detail of the individual schemes that make up the disclosures in Table 3 and Table 4.
8. 6 Appendices 2a and 2b list proposals for Supplementary Capital Estimates (SCE)/ Virements up to and including £500,000 that Cabinet is requested to note.
8. 7 Appendix 3 lists proposed budget reductions that require Cabinet approval.

Key Service Capital Issues

8. 8 Services are faced with varying degrees of uncertainty over reduced levels of capital funding from the Government. Some of the impacts are known and are outlined below. In some areas though further work is ongoing to establish the impact of these funding issues, and the results of this exercise will be reported to Members in September.

People

8. 9 The Directorate is also faced with uncertainty over the possible effects of the Government's new Free Schools initiative. Within Children's and Families in general, schemes have slipped while the departmental capital prioritisation strategy has been developed.

However, the following schemes are due to commence shortly:-

- Alsager School Phase 1 - School Development Plan
- Tytherington High School – scheme to be determined after School organisation review

- Poynton High School – replacement of 6th Form.
8. 10 Within Adults, the Extra Care Housing scheme is subject to formal Government approval which is expected in October 2010. The Outline Business Case is currently being considered by CLG.
8. 11 In Health and Wellbeing, a formal response is awaited from the Government in respect of the level of grant to be allocated for Playbuilder schemes. Grant of £533k is expected in 2010-11.

Places

8.12 Crewe & Macclesfield Household Waste Recycling Centres

Total Approved Budget	-	£870k
Prior Year Spend	-	£120k
Budget 2010-11	-	£750k

The Macclesfield site (Danes Moss) suffers complex drainage and subsidence problems that could potentially cost a further £500,000. It may be possible to mitigate this cost by accommodating the drainage issue within the South Macclesfield Development Area (SMDA) new road construction. However, this would delay resolution of the drainage issue as planning for the SMDA is not due to be submitted until 2011. As site design cannot commence until the drainage solution is agreed, the timescale of the capital funding for this project would have to be extended to reflect this.

8.13 LTP Project - Crewe Green Link Road

Total Approved Budget	-	£8.684m
Prior Year Spend	-	£8.236m
Budget 2010-11	-	£0.447m

Work on the planning and design has been stopped following the Coalition Government's announcement on transport spending. However, negotiations are well advanced on the acquisition of land required to deliver the road and it has been decided to continue these to come to an agreement with each party. At this stage it is unknown as to what the final costs will be and, as such, there is a risk that funding requirements will exceed the available budget allocation in the LTP programme. Further, if the scheme were to be given the go ahead following the Comprehensive Spending Review additional costs could be incurred to progress the planning and design of the project. These could be as high as £100k to complete land deals and £200k to complete land deals and progress the project post CSR.

Failure to progress this project would have an adverse impact on the delivery of the Basford East Regional Investment Site and the potential

of Crewe Vision, undermining the emerging economic and planning strategies for the Council.

One option would be to re-allocate funds from other projects that deliver savings during the year.

8.14 LTP Project - SEMMMS

The scheme relates to roads in the north of the Council's area. It is managed within overall SEMMMS budget allocations and is not a separate line on Appendix1. The scheme sponsor is Stockport MBC, and as yet the share of costs has not been agreed. The scheme faces constraints similar to those outlined for the Crewe Green Link Road. Additional costs could amount to £150k. If the Council does not participate in this SEMMMS scheme it would lose influence over the development within its area. Options include negotiation with Stockport MBC to seek a reduced share of incurred and future costs.

8.15 Poynton Regeneration Scheme

Additional funding of £550k is required in 2010-11 to match a changed funding profile for the scheme to meet the construction of Phase 1 which is now scheduled for an August start on site. The overall funding for the project remains the same at £3.5m, so the funding profile originally identified as £650k in 2012-13 is now reduced to £100k.

Performance & Capacity

- 8.16 Specific issues to be addressed include the management and disposal of the Farm Estate, and the treatment of Shared Services assets owned jointly with Cheshire West and Chester Council.

8.17 Customer Relationship Management & Telephone System

In year Budget £1.356m; Outturn £650k; Variance £706k underspend

The CRM has been delayed because of the challenging procurement process. This started in June 2009 and has taken until July 2010 to select the preferred supplier. The transition phase for the CRM project is expected to last until September 2011 and so it is necessary to slip some of the capital programme into 2011-12.