

Cabinet Agenda

Date: Monday, 12th November, 2012
Time: 2.00 pm
Venue: Council Chamber - Town Hall, Macclesfield, SK10 1EA

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Part 2 Private Agenda - To Respond to any Representations Received**

To respond to any representations received from Elected Members or from the public regarding the reasons for any matters on this agenda being considered in private.

4. **Public Speaking Time/Open Session**

In accordance with Procedure Rules Nos.11 and 35 a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to the work of the Committee.

Individual members of the public may speak for up to 5 minutes but the Chairman will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers.

In order for an informed answer to be given, where a member of the public wishes to ask a question of a Cabinet Member three clear working days notice must be given and the question must be submitted in writing at the time of notification. It is not required to give notice of the intention to make use of public speaking provision but, as a matter of courtesy, a period of 24 hours notice is encouraged.

Please contact Cherry Foreman on 01270 686463
E-Mail: cherry.foreman@cheshireeast.gov.uk with any apologies or requests for further information or to give notice of a question to be asked by a member of the public

5. **Minutes of Previous Meeting** (Pages 1 - 8)

To approve the minutes of the meeting held on 10 October 2012 as a correct record.

6. **Key Decision CE12/13-26 Accountable Body Role for Cheshire and Warrington Local Enterprise Partnership** (Pages 9 - 18)

To consider acting as the Accountable Body for the Cheshire and Warrington Local Enterprise Partnership (LEP) for the administration of the Growing Places Fund and for LEP Core funding.

7. **Key Decision CE12/13-16 Options for the Establishment of an Autism Spectrum Condition Special School** (Pages 19 - 24)

To consider proposals to identify a suitable partner/sponsor for the establishment of an Autism Spectrum Condition Special School in Cheshire East.

8. **Key Decision CE12/13-31 Development Programme - Developer Framework** (Pages 25 - 30)

To consider the establishment of a new Developer Framework Agreement for development companies and related services, to aid delivery of the Council's Capital Programme.

9. **2012/2013 Mid Year Review of Performance** (Pages 31 - 90)

To consider the financial and non-financial performance of the Council at the mid-year stage of 2012/13, and to approve supplementary estimates, changes to the Capital Programme and a revision to the Treasury Management Strategy.

10. **Call in of Key Decision CE12/13 Delivery of Streetscape and Parking Maintenance Activities** (Pages 91 - 110)

Following the call-in of the decision made by the Cabinet at its meeting on 17 September 2012 the Environment and Prosperity Committee has considered this matter and, at its meeting on 1 November, decided to offer the following advice to Cabinet: -

‘That Cabinet be recommended to defer the decision until a full report has been received from the relevant Policy Development Group’.

The reports considered by the Scrutiny Committee are attached and the minute extract will be circulated as soon as possible.

Cabinet are requested to consider the advice offered.

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Cabinet**
held on Monday, 15th October, 2012 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Jones (Chairman)

Councillors Rachel Bailey, J Clowes, H Gaddum, L Gilbert, J Macrae, R Menlove, B Moran and P Raynes.

Officers in attendance:

Interim Chief Executive; Borough Solicitor and Monitoring Officer; Director of Finance and Business Services; Head of HR and Organisational Development; Strategic Director Children, Families and Adults; Strategic Director Places and Organisational Capacity; and the Transport Manager.

Also Present

Councillors Rhoda Bailey, Louise Brown, Paul Findlow, Mo Grant, Peter Groves, Peter Hayes, Steven Hogben, Andrew Kolker, Bill Livesley, Peter Mason, Arthur Moran, David Newton, Peter Nurse, Lesley Smetham, Andrew Thwaite, Steve Wilkinson and John Wray.

81 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor D Brown.

82 DECLARATIONS OF INTEREST

There were no declarations of interest at this stage of the meeting.

At the time of consideration of agenda item 15 (Minute 95 – Key Decision 12/13-23 Tatton Park Enterprises) Councillors J Macrae and P Raynes declared a non-pecuniary interest; they took no part in the discussion and did not vote on the decision requested.

83 PUBLIC SPEAKING TIME/OPEN SESSION

Councillor John Wray spoke in respect of the concern of residents of Moston, Crewe, at the number of applications being submitted for gypsy and traveller sites in their area; this followed a recent appeal case which had been allowed by a Planning Inspector on the grounds that there was insufficient such provision in Cheshire East.

The Leader responded and confirmed that a number of possibilities were currently being explored including the provision of a 14 pitch permanent site, and up to a 10 pitch temporary/permanent site, on Council owned land and also on that of a private developer. He confirmed the seriousness with which the Council was treating the matter and that it was anticipated that the position would become clearer within the next few months.

84 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 17 September 2012 be approved as a correct record subject to Minute 71 (Key Decision CE12/13-12 Affordable Housing Programme) being amended to remove the words “ *including houses for first time buyers for local occupancy to meet local needs*” being removed from the recommendation in respect of Birtles Road.

85 KEY DECISION 12/13-13 FINANCIAL SUPPORT FOR PUBLIC TRANSPORT

Consideration was given to a number of options for how best to meet the transport needs of local communities whilst at the same time achieving the reductions set out in the Business Plan for 2012/15. The proposals being considered would still provide support of £2.4m per year for public transport and also increase the amount spent on demand responsive transport to promote rural accessibility, inclusivity for older and disabled residents, and expand the service into evenings and weekends.

A number of Councillors expressed concern regarding proposals for specific services in the areas they represented; the Portfolio Holder confirmed that representations received from Town and Parish Councils would be given careful consideration

RESOLVED

1. That the planned investment of £2.4m (gross expenditure) per annum in continuing support for public transport contracts be endorsed.
2. That the proposal to reduce or withdraw funding subsidies for bus services supported by Cheshire East Council in line with the schedule set out in Appendix 3 of the report, resulting in a reduction in gross expenditure of £750,000 per annum be agreed, in accordance with the timetable shown in Appendix 5 of the report and the budget reallocations shown in paragraph 7.5 of the report.
3. That the Transport Manager, in consultation with the Cabinet Member for Environmental Services, be authorised to make final adjustments to individual contract decisions and timings in negotiation with bus operators, and to seek to secure the commercial operation of currently-subsidised routes.
4. That the formal establishment of a representative forum to engage on matters relating to flexible transport in particular, and older and disabled residents transport needs in general, be agreed.
5. That approval be given to the reinvestment of an additional £150,000 per annum in the provision of flexible, demand responsive transport, and also that consideration be given to including this allocation in the 2013/14 business planning process as a permanent recurring reinvestment.

86 KEY DECISION 12/13-25 AVAILABLE WALKING ROUTES POLICY

Consideration was given to reviewing the Councils policy in respect of the availability of routes to be walked to school, an updated copy of which was attached. The existing policy had been adopted as a legacy policy from Cheshire County Council and been in existence for approx 25 years. In addition it was reported that as a result of a recent Local Ombudsman case in the East Midlands most authorities were now in the process of re examining the approach to their policies and working practices.

As a result of changes in the last 25 years to the highway, footpath and public right of way network it was expected that there would be a balance of a substantial number of children who would no longer be entitled to transport and also some who would become newly entitled. In response to a request from the Children and Families Scrutiny Committee it was agreed that ward members be notified of forthcoming reassessments and the outcome.

RESOLVED

1. That approval be given to the policy for the assessment of walked routes to school.
2. That it be noted that this will trigger a process of reassessment with potential impacts on entitlement to transport at taxpayer expense.

87 KEY DECISION 12/13-19 REVIEW OF LEISURE SERVICES DELIVERY OPTIONS

Consideration was given to a request for approval to carry out a review of the existing model of 'in house' delivery, and to the need to appoint a consultant to evaluate the most efficient and effective delivery mechanism for the authority whilst still enabling it to achieve its corporate priorities.

RESOLVED

That approval be given to the procurement and appointment of a suitable leisure and financial consultant to quickly review the range of potential delivery models available and recommend a preferred option; to a virement from existing budgets to cover the cost of the work expected to be in the region of £30,000.

88 KEY DECISION 12/13-24 PUBLIC SERVICES NETWORK CONNECTIVITY PROCUREMENT

Consideration was given to the procurement of Public Services Network Connectivity with Cheshire West and Chester Council and other potential public service partners; this would provide a 'network of networks' to provide a secure version of the internet for the UK public sector by defining a set of standards with which industry suppliers needed to comply.

The Portfolio Holder for Prosperity and Economic Regeneration reported that the decision requested had been revised since the report had been written and was now as follows:

1. To approve Cheshire East Council procuring PSN Connectivity with Cheshire West and Chester Council and other potential public sector partners through Framework Agreement RM860 at a cost of £120,000 as fully funded and identified in the ICT Capital Programme for the years 2012/13.
2. To report to full Council on the outcome of the progress of the procurement exercise.

This was agreed by the Cabinet.

RESOLVED

1. That approval be given to Cheshire East Council procuring PSN Connectivity with Cheshire West and Chester Council and other potential public sector partners through Framework Agreement RM860 at a cost of £120,000, as fully funded and identified in the ICT Capital Programme for the years 2012/13.
2. That a report be made to full Council on the outcome of the progress of the procurement exercise.

89 THREE YEAR MEDIUM TERM FINANCIAL STRATEGY 2013-2016

Consideration was given to a report setting out the latest medium term financial forecasts for the Council and highlighting those areas that needed further attention by Members in setting an appropriate Financial Strategy for 2013/16.

The five key measures supporting the balancing of the financial position over the medium term, and considered by the Council in its budget setting, were set, these being Challenge financial assumptions; Review local taxation; Manage reserves; Manage cost drivers and Manage income. The report included a timetable of the key stages in developing the 3 Year Council Plan and Financial Strategy; the public facing dialogue would be accompanied by extensive communication and engagement with elected Members and staff over the same period.

RESOLVED

1. That the unprecedented scale and nature of the financial challenge facing the Council over the next 3 years and beyond be noted.
2. That the financial assumptions which are under consideration by elected Members as part of the Council's budget setting process for this 3 year period be noted.
3. That approval be given to the proposed approach to balancing the Council's medium term budget, using five key measures and applying 'Our principles to underpin budget decisions' as introduced in the 3 Year Council Plan for 2013-2016.

90 THREE YEAR COUNCIL PLAN 2013-2016

The Leader of the Council introduced this report setting out how the Council would develop a new 3 Year Council Plan for 2013/16. The report set out an

initial framework for the Plan which would be discussed widely with local partners, community groups, businesses and the public prior to its finalisation.

The comments of the Budget Task Group, which had considered the report at a meeting earlier that morning, were circulated; it was confirmed that they would be taken into account in the consultation.

RESOLVED

1. That approval be given to the proposed framework of a new 3 Year Council Plan based on the purpose, outcomes, priorities and budget principles set out in the report.
2. That the priorities for spending review and investment set out in this report be agreed and developed into more detailed business cases and action plans for projects, for further consideration by elected Members.
3. That the process for developing the 3 Year Council Plan, in parallel with the Council's supporting Medium Term Financial Strategy be agreed, in particular applying the proposed principles for budget decisions set out in the report.

91 NOTICE OF MOTION TO COUNCIL - CULTURE POLICY

At its meeting in April 2012 the Council received a Notice of Motion on Cultural Policy which was subsequently referred to the Cabinet. It was reported that the Portfolio Holder for Communities and Regulatory Services had initiated the development of a Cultural Statement and Action Plan, to include the review of a range of service areas and their contribution to the key outcomes of Participation, Conservation, Sustainable infrastructure, Promotion (of the Borough) and Employment; its findings and recommendations would be brought back to Cabinet for approval in due course.

RESOLVED

1. That the proposals for the production of a Cultural Policy to guide Council support to this area of work in the future be noted.
2. That the work currently being undertaken to support the delivery of a strong cultural sector within Cheshire East be noted.
3. That the response to the Notice of Motion be noted.

92 PLANNING APPEAL LOACHBROOK FARM, SANDBACH ROAD, CONGLETON

Cabinet was asked to note the urgent action taken by the Leader, the Deputy Leader and the Portfolio Holder for Communities and Regulatory Services in respect of lodging an appeal against the findings of a Planning Inspector in granting planning permission for the redevelopment of land for up to 200 dwellings, community facilities and associated infrastructure at this location. (Application 11/0736C)

RESOLVED

That the action be noted.

93 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 2, 3 and 4 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

94 KEY DECISION 12/13-17 APPOINTMENT OF PREFERRED CONTRACTOR, LYCEUM THEATRE, CREWE

Consideration was given to the report of the Strategic Director Places and Organisational Capacity.

RESOLVED

1. That approval be given to enter into a service contract and 15 year lease with the Company named in the report, in respect of the Lyceum Theatre, Crewe.
2. That final negotiation and agreement of the terms and conditions be delegated to the Assets Manager, the Head of Community Services and the Borough Solicitor.

95 KEY DECISION 12/13-23 TATTON PARK ENTERPRISES

Prior to consideration of this matter Councillors J Macrae and P Raynes, J Nicholson, and C Elwood all declared a non pecuniary interest in this matter. They took no part in the discussion or the vote on the decision requested.

Consideration was given to the report of the Strategic Director of Places and Organisational Capacity.

RESOLVED

That Councillors Jamie Macrae and Peter Raynes; the Strategic Director of Places and Organisational Capacity (John Nicholson); the Tatton Park Visitor and Economy Manager (Brendan Flanagan); be confirmed as Directors of Tatton Park Enterprises Limited, and that the Borough Solicitor and Monitoring Officer (Caroline Elwood) be confirmed as Company Secretary.

**96 PORTFOLIO HOLDER CHILDREN AND FAMILY SERVICES - COUNCILLOR
HILDA GADDUM**

The Leader announced that due to family commitments Councillor Hilda Gaddum was stepping down from her position as a Member of the Cabinet; she was presented with a bouquet in appreciation of her work as Portfolio Holder.

The meeting commenced at 2.00 pm and concluded at 3.00 pm

Councillor M Jones (Chairman)

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CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting:	12 November 2012
Report of:	Jez Goodman Economic Development & Regeneration Manager
Subject/Title:	Accountable Body role for Cheshire & Warrington Local Enterprise Partnership
Portfolio Holder:	Cllr Jamie Macrae Prosperity & Economic Regeneration

1.0 Report Summary

- 1.1 The Cheshire & Warrington Local Enterprise Partnership (LEP) is one of 39 business-led sub-regional partnerships which cover England, and are recognised by the Government. It is being funded through a number of initiatives to drive economic growth and job creation, including the Growing Places Fund (GPF) and LEP Core Funding. However, Government funds that are allocated to the LEPs have to be managed by a local authority as legal Accountable Body.
- 1.2 This report seeks a number of decisions by the Cabinet to make proper arrangements for Cheshire East Council's role as Accountable Body for GPF and LEP Core funding received and to be handled on behalf of the LEP, and to establish the process of approving individual bids relating to GPF and the roles and accountabilities of the various bodies involved.
- 1.3 GPF and LEP Core funding are two of a number of Government funding programmes which are being directed through LEPs, with others anticipated in the near future. Agreeing to take on the responsibilities of Accountable Body, combined with our representation on the LEP's Board, would place the Council in a key position of influence both in supporting the operation of these and influencing their design and impact for the benefit of our local and sub-regional economy.
- 1.4 This report relates principally to GPF and LEP Core funding, but it also seeks to establish a principle that the Council act as generic Accountable Body role for any further Government funding linked to economic development and regeneration. This is on the basis that the terms of the funding issued by Government are broadly consistent and, given they are comparatively broad, their impact on the Council should be modest. Where there are significant implications identified by the Director of Finance & Business Services or Borough Solicitor, or the annual grant for each initiative is in excess of £100,000, further approvals will be sought from Cabinet.

2.0 Decision Requested

That Members agree that:

- i) Subject to 2.0 (iii) below the Council acts as the Accountable Body in respect of the Cheshire & Warrington Local Enterprise Partnership (LEP) for the administration of the Growing Places Fund and LEP Core funding, and that delegated authority is given to the Director of Finance & Business Services to permit the Council to undertake an Accountable Body role for future funding directed by the Government towards the LEP (up to £100,000 annual grant per initiative), subject to consideration by the Borough Solicitor and Strategic Director for Places & Organisational Capacity, and in consultation with the Portfolio Holder (Finance).
- ii) the Director of Finance and Business Services, in consultation with the Portfolio holder for Finance, has delegated authority to release grant monies and administer the GPF loan repayment scheme in accordance with the grant conditions imposed by the CLG, based on the detailed recommendations of the Investment Panel of the LEP who, after obtaining appropriate professional advice, will consider and process all applications.
- iii) each successful tenderer appointed by the Cheshire & Warrington Enterprise Commission (CWEC), in relation to the GPF scheme, to provide legal and / or appraisal advice has provided the Council with the same duty of care and indemnity that they would have if the Council had carried out the procurement exercise itself, and CWEC itself an indemnity against any loss sustained by the Council in its role of Accountable Body relating to either the appointment of the external advisors or as a result of relying on such advice and releasing funding or entering into the loan agreements.

3.0 Reasons for Recommendations

- 3.1 To ensure that the Council has adequate governance arrangements in place to establish and continue to support the operation of a sub-regional programme utilising the Government resources, and enable potential projects across the sub-region to benefit from this funding on the terms and conditions set out by Central Government.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

**6.0 Policy Implications including - Carbon reduction
- Health**

- 6.1 No explicit policy implications are identifiable at this stage. However, the focus of the Growing Places Fund on delivering jobs and housing directly connects it to key strategic objectives included within the Council's Economic Development Strategy and Housing Strategy.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 The Accountable Body function relates to the financial administration of the funding. The LEP will be responsible for the appraisal and selection of project proposals, and the formulation of firm and reasoned recommendations for bringing forward to CEC, seeking the final approval of funding for schemes preferred for funding. The respective roles of Cheshire East Council, the LEP, and CWEC are further outlined below.

- 7.2 The Council, as the Accountable Body, will undertake the following tasks. All costs associated with these, including staff time, will be recovered as a legitimate expense from the GPF and/or other funding directed towards the LEP, where there is provision for supporting revenue expenditure within the terms of the funding.

- i) Enter into contracts (loan agreements) with funding recipients including appropriate clawback clauses/conditions, payment and repayment dates; contracts will include appropriate conditions to minimise risk to the council in terms of:
 - Misuse of funding
 - Non repayment of funding
 - State Aid and Procurement Regulations;
- ii) Make the payments directly to loan applicants as agreed in each loan agreement and directly receive repayments and interest on the loans, to be coded to the Growing Places Fund for reinvestment into other future schemes;
- iii) Establish clear financial management arrangements (including unique coding/ring fencing of Growing Places Fund, other funding grants and individual projects and project income);
- iv) Prepare for sign-off by the Chief Executive and Chief Internal Auditor the annual return to the Department for Communities & Local Government (DCLG) confirming that all use of funding has been in accordance with the grant conditions imposed by DCLG;
- v) Receive repayment of GPF funding and produce a quarterly statement of expenditure and receipts to the LEP Board;

- vi) Provide half-yearly detailed reporting to the LEP Board on the level of funds, including spend, interest, payback, re-investment and revenue, capital analysis;
- vii) Accrue interest on the GPF and other funding to be ring-fenced to support ongoing (revenue) programme management activities;
- viii) Undertake an annual audit and produce an Annual Audited Statement of Grant Expenditure for the LEP Board;

Cheshire & Warrington LEP (or, where required through CWEC) will

- i) Undertake appraisal of costs and end values of applicant schemes, in order to recommend selected projects to Cheshire East Council for approval of funding;
- ii) Review and recommend projects for funding, subject to agreed protocols;
- iii) Qualify financial standing of project applicants through a financial vetting process to be carried out by the HCA;
- iv) Procure appropriate legal / professional advice on state aid and appropriate debt rates and terms;
- v) Provide assurance on the terms on which the debt is offered is compliant with the rules governing the use of public money;
- vi) Receive quarterly financial reports from project proposers and undertake performance monitoring of projects providing progress reports to the LEP board and CEC as required but, as a minimum, 6 monthly. This will include revised financial data in relation to each project as it progresses;
- vii) Undertake a quarterly monitoring visit to ensure that the project is progressing and that appropriate records are being held;
- viii) Provide confirmation and evidence from projects that all GPF funding has been used for capital expenditure;
- ix) Undertake any necessary action to seek recovery of Growing Places Funding following a decision by the LEP Board;

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 Local Economic Partnerships (LEPs) were set up in 2011 by the Department for Business Innovation and Skills (BIS) and are voluntary partnerships between Councils and businesses which to help determine

local economic priorities and lead economic growth and job creation within local areas. The three Councils which belong to the Cheshire & Warrington LEP are Cheshire East, Cheshire West & Chester, and Warrington. There are 14 Board members, including senior elected members from the three Councils and leading business community figures. LEPs do not have separate legal status and therefore are unable to hold and distribute funds themselves. Accordingly, it is necessary for one of the Councils to be nominated as “Accountable Body” for this purpose, and the LEP has determined that Cheshire East will undertake this role. There is consequently a need for appropriate governance arrangements to be put in place in relation to this role.

- 8.2 The Cheshire & Warrington Enterprise Commission is a company limited by guarantee and was registered in 2002. It now works in close association with C&WLEP. It was restructured in 2010 so that its operations were focused on acting as host organisation for the LEP support staff and associated LEP activities, and it is now wholly owned by the three Councils. One of its Board members is Cheshire East Council’s Strategic Director for Places and Organisational Capacity. As a limited company, it has legal capacity to enter into contracts.
- 8.3 On 13 February CLG made a decision¹ to award, amongst awards to other LEPs, the sum of £8,723,909 (capital) and £178,039 (revenue) totalling £8,901,948 to the Cheshire & Warrington LEP. Further sums were granted by two further decisions both of 23 March 2012; “No.5 (£3,440,237 capital) and “No.7” (817,482)², making a capital total of £12,981,628 and a revenue total of £178,039. The total sum has already been paid into the Council’s accounts. In October, CLG made the “Local Enterprise Partnerships Core Funding Grant Determination (2012/13 31/2086)” by which Core Funding of £125,000 (revenue) was granted to Cheshire East Council as accountable body on behalf of the LEP.
- 8.4 In relation to the Growing Places funding allocated to C&WLEP, CWEC has undertaken a tender process (‘Call for Expressions of Interest’ – see Para 8.13), on behalf of the LEP, to seek tenders from external lawyers to provide advice on the appropriate contents and drafting of loan agreements and State Aid legal issues, and from commercial property management advisors to provide full appraisals of projects wishing to bid for GPF, including details of, for example, how loans will be repaid, their terms and triggers etc. They will use a rigorous project appraisal methodology for this purpose. The legal advisors and the property management advisors preferred by the LEP, as a result of their tendering process, have both indicated that they are willing to provide a duty of care towards the Council in relation to advice to be given, as would be the case if the Council had procured their services direct (their advice will be used by the LEP for it to formulate recommendations to bring forward to the Council for funding to be released). Whilst these indemnities should be sought by the Council, it is considered that, in order to further safeguard the Council’s position, CWEC should also be required to provide the Council with an indemnity as outlined in 2.0 above.

- 8.5 As well as the advice to be provided by the external property advisors, the Homes & Communities Agency (HCA, the role of which is to discharge the statutory objectives set out in the Housing and Regeneration Act 2008) also offers a service, for which it makes no charge, to provide a business appraisal service, applying due diligence to checking the financial viability of applicants. The HCA has provided a draft Service Level Agreement for this purpose and invited the Council to sign up to it; however, it is considered that this advice should be provided by the HCA to the LEP direct, and there is no need for the Council to sign the SLA; the indemnity sought in 2.0 above addresses this.
- 8.6 Section 31(1) of the Local Government Act 2003 empowers a Minister of the Crown to pay a grant to a local authority towards expenditure incurred or to be incurred by the authority. The amount of such grants and the manner of payment can be such as the person paying it (i.e. the Minister) may determine, and they can be paid on such conditions as the person paying it may determine. Conditions may, in particular, include provision as to the use of the funding, and provision as to the circumstances in which the whole or part of this t must be repaid.
- 8.7 The capital element of the GPF grant was expressed to be capable of being used only in accordance with Regulations made under Section 11 of the Local Government Act 2003. However, although S11 provides for Regulations to be made to make provision about the use of capital receipts by a local; authority, it appears that no such regulations have yet actually been made.
- 8.8 The tranches of the GPF grant were further on the condition that the Chief Executive and Chief internal Auditor of each authority which receives capital grant, are required by not later than 31 December 2012, to sign and return to the Growth and Infrastructure Team of CLG, a declaration to the effect that “to the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Growing Places Fund [(No.2) / (No.5) / (No.7)] Grant Determination 2011/12: 31/1983 have been complied with”.
- 8.9 The GPF conditions go on to prescribe that if an authority fails to comply with these requirements, the Minister of State may reduce, suspend or withhold grant, or by notification in writing to the authority may require the repayment of the whole of any part of the grant, and such sum shall become repayable to the Minister immediately. Therefore, there are significant financial risks to the Council in its Accountable Body role if it makes any errors, even inadvertently, in the use of this grant funding. The Core Funding decision does not on the face of it appear to identify any conditions upon which this element of funding is granted (nor any penalty for non-compliance), although it does provide that “the purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them”.

- 8.10 It is apparent that the grant conditions, whilst clear as to sanctions for misuse, at least in relation to the GPF, are more vague as to what steps must be taken to ensure the proper use of these funds.
- 8.11 However, the Growing Places Fund Prospectus (issued by CLG in November 2011³ sets out the three overriding objectives of the Fund, as identified in the bullet points at 10.1 below.
- 8.12 It is apparent from the background to receipt of this funding that Government's intention is to provide an arrangement whereby applicants are granted loans through Accountable Bodies on behalf of their LEPs, on appropriate terms, to enable development and growth, with the funding to ultimately be repaid by the grantees, so that it can be recycled into further schemes with similar objectives.
- 8.13 Following the call for Expressions of Interest, eleven bids totalling £19.96 million have so far been submitted for funding and need to undergo detailed appraisal, particularly as the applications exceed the total funding available. Five are employment schemes, five are residential and one is a mixed use scheme. Three are in Cheshire East, four in Cheshire West, and four in Warrington. The work done by the LEP so far is set out in 10.3 below.
- 8.14 Whilst the Council as Accountable Body will release the funding in terms of the sums granted, it will rely upon decisions made by the LEP as to which projects are to be granted loan funding on this and, in turn, the LEP will rely on the advice of its external lawyers, property advisors and the Homes and Communities Agency (HCA).
- 8.15 As well as the safeguards outlined above, the Council will seek an indemnity from CWEC (which includes representation from Cheshire West & Chester Council and Warrington Borough Council) to safeguard Cheshire East Council against any possible clawback of GPF funding by CLG in respect of non-compliant grant of funding to projects. Whilst ideally indemnities might also be sought from the other two Councils involved in the LEP, the fact that CWEC is wholly owned by the three Councils involved, and the delay which may be involved in seeking indemnities from the other Councils may lead to the judgment that a CWEC indemnity alone is sufficient, although this involves an increased potential risk, since the circumstances in which any future clawback may be sought from Cheshire East Council, or the likelihood, cannot at present be foreseen with certainty.
- 8.16 Whilst the substantive legal advice on content and term of loan agreements will be provided to the LEP by external legal advisors as described above, there is also an internal resource requirement for the process of signing loan agreements for which funding has been released.

9.0 Risk Management

- 9.1 Cheshire East Council is legally responsible for the funding acting in the role as Accountable Body and this carries a degree of risk, in that inappropriate use of the funding could result in repayment to CLG being required. However the arrangements in this report seek to mitigate this risk as far as possible through appropriate governance and audit arrangements. 8.4 draws attention to the comparative risks of different indemnity arrangements.
- 9.2 As the C&WLEP's GPF scheme is developed, fuller consideration will be given to the management and mitigation of risks.

10.0 Background and Options

- 10.1 Over the past 12 months, Cheshire & Warrington Local Enterprise Partnership (LEP), one of 39 business-led partnerships covering England, has been allocated £13.1m from the Government's Growing Places Fund (GPF). This fund has three overriding objectives:
- generating economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing
 - allowing LEPs to prioritise the infrastructure they need, empowering them to deliver their economic strategies
 - establishing sustainable revolving funds so that funding can be reinvested to unlock further development and leverage private sector funding.
- 10.2 More recently, it has been announced that each LEP will be awarded £125k for 2012/13 as core funding, with the opportunity to draw down up to £250k per annum for the two following years⁴. This draw down will be subject to evidence of "pound for pound" match funding and to satisfying government's conditions which will be published this autumn. All LEPs will have to apply for future years' funding, probably by December 2012.
- 10.3 Other funding is expected by directed by the Government towards the LEPs, which will require an Accountable Body role. While the level, nature and conditions of these funds are not yet known, they are likely to be of a similar nature to GPF and core funding awards and require the Council to be prompt in response to its co-ordination of the funding with regards to the LEP.
- 10.4 The LEP has the discretion as to how the GPF and other funds are invested across the sub-region. In relation to GPF, the process to date has been:
- to issue an 'open call' for proposals from across the sub-region
 - to evaluate these against key criteria

- to invite shortlisted projects to present their cases in more detail at a panel comprising representatives of the LEP, local authorities and other advisers
- to negotiate on potential GPF loan deals
- to appoint specialist legal, commercial, financial and technical advisers to undertake a full appraisal of each preferred project and the terms of the GPF loans.

10.5 As explained in the legal advice above, it is necessary for the GPF and other funding to be administered by a local authority. Cheshire East Council has offered to undertake the role of Accountable Body, and the LEP Board has accepted. A formal decision is now required because:

- the accountable body will have to ensure that the funds are allocated and spent in accordance with local government accounting procedures and the grant terms including any state aid issues.
- loan payments will have to be made in the Council's name, albeit based on the LEP's decisions.

11.0 Access to Information

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

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References

¹ The "Growing Places Fund (No. 2) Grant Determination 2011/12: 31/1983"

² No.5 (£3,440,237 capital) and "No.7" (£817,482)

³ <http://www.communities.gov.uk/documents/regeneration/pdf/2024617.pdf>

⁴ <http://www.communities.gov.uk/news/newsroom/2217598>

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CHESHIRE EAST COUNCIL

REPORT TO: Cabinet

Date of Meeting:	12 November 2012
Report of:	Lorraine Butcher, Strategic Director Children, Families and Adults
Subject/Title:	Options and process for establishing an Autism Spectrum Condition Special School
Portfolio Holder:	Councillor Rachel Bailey

1.0 Report Summary

- 1.1 In 2010, Cheshire East Children and Families Service began the process of reviewing its arrangements for children and young people with Special Educational Needs and Disability (SEND).
- 1.2 One of the priority recommendations emerging from this ongoing review was the identified need to develop local specialist provision for children and young people with Autism Spectrum Condition (ASC) between the ages of 4 to 19.
- 1.3 As a consequence of evidenced need, the SEND review has an aspiration to develop an outstanding ASC-specific special school and service for children with Autism as close to their local community as possible, underpinned by our vision that 'no child, or young person is left behind', enabling every child and young person to achieve the best possible outcomes.
- 1.4 An outline business case for the proposal in principle was submitted to Cabinet in November, 2011. The Cabinet approved the proposal in principle and a feasibility study on siting the school on the former Church Lawton Primary School site endorsed the recommendation to commission.
- 1.5 In February this year, changes were made to the Education and Inspections Act 2006 part 2 in relation to the process for establishing new schools. The changes mean that where a local authority (LA) is seeking to establish a new school, the LA is now under a statutory duty to seek proposals to establish an Academy or Free School in the first instance. This is known as "the Academy/Free School presumption". Where the LA is setting up a new school in this way the Department for Education require that the LA provide the site and all the capital funding.
- 1.5 Consideration has recently been given to the Council's capital programme and whether or not the Council can afford to invest significant capital sums

into a school whose assets will automatically transfer to an Academy Trust or Free School.

- 1.6 In the light of this consideration, this report explains the alternative options for securing an ASC special school for children and young people with Autism in Cheshire East

2.0 Decision Requested

- 2.1 Approval to identify and support the proposals of a suitable partner/sponsor who can make a bid for funding to the Education Funding Agency to establish an ASC special free school in Cheshire East.

3.0 Reasons for Recommendations

- 3.1 Under the new Schools White Paper, Local Authorities have moved from being providers of education to a more strategic role as commissioners of educational services, promoting:
- High standards and fulfilment of every child's educational potential;
 - Increase diversity in school provision and greater parental choice, and
 - Champion educational excellence and fair access for all.
- 3.2 This involves a shift from managing maintained provision to strategic commissioning by:
- Promoting a good supply of strong schools, encouraging the development of Academies and Free School;
 - Ensuring fair access to all schools;
 - Supporting vulnerable pupils, including looked after children, those with Special Educational Needs and those outside mainstream provision;
 - Supporting maintained schools performing below the floor standards to improve quickly or convert to Academy status with a strong sponsor
- 3.3 In line with the new provisions of s.6A of the Education and Inspections Act 2006 the LA cannot proceed to establish a new school without notification to the Secretary of State for Education regarding an intention to establish a new school and inviting proposals for the creation of an academy/free school in the first instance. The LA must provide the site and capital.
- 3.4 Although a site for the new school has been identified, senior officers and members have considered that the Council cannot at this stage prioritise the capital budget and wishes, in the first instance, to explore whether a suitable partner might be identified who can submit a bid to the Education Funding Agency (EFA) for funding to set up a free school.
- 3.5 Cheshire East Council remains committed to securing an autism specific school and is exploring, in the first instance, whether this can be achieved through a partnership with a Free School provider.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications including - Carbon reduction & Health

6.1 The schools funding formula will need to be changed in negotiation with Schools Forum/ Education Funding Agency to accommodate the establishment of the school and the ongoing costs.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 The feasibility study recommends a capital figure of **£4,786,486** for the demolition of the existing building and the construction of a new school (option 1) or **£5,024,626** for the alteration and refurbishment of the existing building and the construction of an extension (Option 2). The successful partner/provider would be expected to bid for this capital under the Government's Free School Initiative.

7.2 The revenue impact is estimated at approximately **£1,669,915** per annum, once the school is fully populated. The impact comprises the revenue cost of the commissioned places, travel costs and a reduction in grant income to the Local Authority for the pupils in question.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 Existing statutory requirements under section 14 of the Education Act 1996 mean that LAs in their role as commissioners must plan and secure sufficient school places for their area.

8.2 Where a LA identifies the need to establish a new school (including a new special school) the amendments contained in the new section 6A Education and Inspections Act 2006 require that the LA seeks proposals to establish an academy/free school in the first instance.

8.3 Under the s.6A procedure, the LA must seek proposals by a specified date and after that date must notify the Secretary of State of the steps taken to seek proposals and the details of any proposals received. The notification to the Secretary of State **must** identify a possible site for the Academy/ Free School and such other matters as may be prescribed, including confirmation that the LA will provide all the capital funding.

8.4 Given that members and senior officers have reluctantly determined that the LA cannot afford any capital funding for the establishment of this new school, the DfE have advised that the only other possible route for the establishment

of the school is for the LA to seek proposals from potential partners who themselves can apply to the DfE to set up a free school and bid for capital under the Government's Free School initiative.

9.0 Risk Management

- 9.1 The establishment of a free school weakens the LA's ability to plan and implement Special Educational Needs and Disability provision locally, due to diminished control over any new special school establishment.
- 9.2 The success of the project overall is entirely dependent on a suitable partner being identified who can make a bid to the EFA for funding within the current window of opportunity.
- 9.3 The current application window for the 2014 wave of new Free Schools opens on Monday 17 December 2012 and closes on Friday 6 January 2013.
- 9.4 In identifying a partner to submit an application to the DfE the Council must demonstrate that it has acted transparently and that the opportunity has been made available to all interested parties. Such an exercise will require advertisement and evaluation and this could be a lengthy process meaning it may not be possible for a potential partner to submit their bid within the window of opportunity.
- 9.5 The DfE has stated that only high quality applications will be approved and will be subject to a rigorous approval process. There is a risk therefore that the LAs preferred partner's application will be unsuccessful.
- 9.6 The New Schools Network would be able to support any partner in their application.

10.0 Background and Options

- 10.1 Where a LA identifies the need to establish a new school, the new s 6A of the Education and Inspections Act 2006 (inserted by the Education Act 2011) places the LA under a duty to seek proposals to establish an academy or free school and to specify a date by which the proposals must be submitted.
- 10.2 The LA has to notify the DfE at the outset of its intentions to seek proposals for a new academy and confirm the site it will make available including confirmation that it will provide the capital costs of the project
- 10.3 If the LA are not willing to provide the capital costs of the new school the only other option available to it to secure the new provision is to seek and identify a suitable partner to work with it and who will then submit an application to the Education Funding Agency for funding independent of the LA.

11.0 Access to Information

- 11.1 The outline business case, feasibility study and other background papers can be inspected by contacting the report writer:

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CHESHIRE EAST COUNCIL

REPORT TO: Cabinet

Date of Meeting:	12 th November 2012
Report of:	Strategic Director - Places & Organisational Capacity
Subject/Title:	Development Programme – Developer Framework
Portfolio Holder:	Cllr Jamie Macrae

1.0 Report Summary

- 1.1 The Council's Asset Service is responsible for the active management of a land and property worth over £600m. Increasingly the Council is committed to promoting economic growth, regeneration and new housing development through the smarter use of this land and property portfolio.
- 1.2 The requirement for separate procurement exercises for almost every asset disposal or development project that the council undertakes is a significant barrier to maximising the value of our asset base and to operating as efficiently and effectively as possible. It is therefore proposed that the Council establishes a new developer framework in order to streamline this process.

2.0 Recommendation

That authority be delegated to the Strategic Director – Places & Organisational Capacity to take all necessary steps to establish a new Developer Framework Agreement for development companies and related services to aid delivery of the Council's capital programme, including appointing the successful bidders onto the Framework Agreement upon conclusion of the procurement exercise.

3.0 Reasons for this Recommendation

- 3.1 The Council has a responsibility to local Council Tax payers to manage its land holdings and property assets as efficiently and effectively as possible.
- 3.2 The Council is committed to utilising property as effectively as possible as a generator of wealth and to support the renaissance of our town centres. There is also a need for a significant number of new homes in the Borough over the next Local Plan period. The Council has a responsibility to make land and property available to facilitate the amount of new development that is required.
- 3.3 A developer framework would help the Council bring forward development opportunities more efficiently and will help speed up the development process in order to generate capital receipts and realise economic, environmental and social benefits of our land and property.

- 3.4 This is a period of great change for local government and it is very difficult to foresee all the possible eventualities in which this framework could be used. There is a risk that circumstances or projects emerge which are outside of the terms of reference of the framework. In those circumstances, an additional OJEU compliant process would most likely be required.

4.0 Wards Affected

The developer framework will positively impact on development and regeneration in all wards of the Borough.

5.0 Local Ward Members

As above

6.0 Policy Implications including – Carbon Reduction

- 6.1 Creating this framework will result in a better controlled and consistent project environment which will help enable the systematic consideration of all Council policies and objectives in asset disposals and development.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 The project to establish the framework will be delivered within the new Development Programme by officers from Economic Development, Legal, Procurement & Assets teams. The costs of initiating this work during 2012/13 will be absorbed within existing budgets.
- 7.2 Specialist legal, commercial and procurement inputs will be required during 2013/14 and a proposal will be put forward through the Business Planning process. The forecast cost of this is approximately £200,000 in 2013/14.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 In this report Cabinet's approval is being sought to delegate authority to the Strategic Director Places and Organisational Capacity to enter into a tendering exercise for the setting up of a framework agreement, and to appoint successful bidders onto that Agreement.
- 8.2 The Public Contracts Regulations allows local authorities to enter into framework agreements with service providers, following a competitive tendering process, and to select service providers to provide particular services, as and when required, from the established framework agreements.
- 8.3 In order to comply with the provisions of Regulation 19 (10) of the Public Contracts Regulations 2006, a Framework Agreement should not run beyond four years.

9.0 Risk Management

- 9.1 Establishing any framework, by definition, creates a controlled environment for future development and disposal projects. This has obvious advantages in terms of compliance. However, it is likely to result in much less flexibility when setting evaluation criteria or outcomes for specific sites or types of projects. Once there is a framework in place, it would not be permitted to add or remove any hurdles/requirements during future mini-competitions.
- 9.2 By acting alone, the Council will be able to establish a developer framework that accords with corporate objectives and priorities. There are obvious advantages in not having to negotiate or compromise with partners (e.g. other local authorities) to ensure that the framework is fit for purpose for our organisation. However, a single unitary authority acting alone is unlikely to be able to guarantee a sufficient number of call-offs on the Framework to generate 'bulk purchasing' discounts or substantial efficiency savings.
- 9.3 Any framework to some extent 'fixes' fees, tariffs and values. Across the UK, the general trajectory of consultant fees and land values has been downward or flatlining since 2008. In this environment, caution will need to be exercised on pricing to ensure that any further downward price movement benefits the Council and not the delivery partners.
- 9.4 The new framework will result in a major shift in the way sites are brought to the market in Cheshire East. There may need to be some reputation management to deal with any adverse opinions, especially from any unsuccessful developer - particularly if they have a special or historic interest in a particular site.
- 9.5 From a legal perspective, framework agreements should operate for a maximum of 4 years, and any contracts awarded from the framework should be for no longer than a reasonable period longer than the original term of the framework (maximum of 3 years). Planning issues and property arrangements can be time consuming, particularly on the larger sites, to resolve so it may not be appropriate to use a framework approach on all schemes particularly in the latter years of its operation.
- 9.6 A robust project plan will be worked up and will inform the proposals that are taken through the Business Planning process. Depending on the nature of the framework ultimately agreed (in terms of scope and complexity) and on the procurement approach, for example if competitive dialogue were required, the cost and timescales involved in establishing the framework may be higher than forecast at this stage.
- 9.7 Any supplier wishing to be involved in a complex and lengthy procurement project would want some assurance that there would be a range of sites available for development so we will need to provide assurance throughout the procurement about the scale and deliverability of the project pipeline.

10.0 Background

- 10.1 The Asset Management Service is tasked with delivering approximately £2million of efficiency savings during 2012/13 which is being realised through a range of measures including continued rationalisation of our operational estate, procurement of goods and services and implementation of a leaner staffing structure.
- 10.2 At present, when the Council wishes to deliver a property outcome on its land, whether through a disposal or a development, there generally has to be a competitive bidding process for each site or opportunity. There are exceptions to this for example if there is an approval to negotiate with a single bidder.
- 10.3 Depending on the value of a particular asset or on the certainties and controls required by the Council, in terms of deliverables and timescales, these competitive procurement exercises are often expensive and time consuming.
- 10.4 By carrying out a single OJEU compliant procurement process to establish a new developer framework, the Council will appoint a selection of delivery partners across a range of disciplines such as consultancy, affordable housing, and mixed use regeneration.
- 10.5 Frameworks of this kind have been embraced by a number of high-performing local authorities and Homes & Communities Agency (HCA). They are also generally supported by private sector developers, consultants and Housing Associations as an efficient route to bringing assets to market.
- 10.6 Once a framework is established, developers and services would be procured through much more streamlined 'mini-competitions' which will be quicker and more straightforward. There would be strict requirement for the mini-competitions to be conducted within the terms of the original OJEU compliant process.
- 10.7 Establishing a developer framework would contribute to the following four objectives of the Assets service:
- To consolidate our operational estate and minimise our carbon footprint and associated operational costs.
 - To serve Cheshire East customers by providing cost effective property engagement and construction services which support frontline service delivery.
 - To deliver a strategic land and property disposal programme which contributes to our overall capital investment strategy.
 - To utilise strategic assets to deliver wider regeneration benefits and stimulate jobs and economic growth.

- 10.8 An outline timeline for establishing a framework of this kind would be as follows:

December 2012:

Agree objectives, selection & award criteria and Issue Contract/Pin Notice

March 2013:

Invite Expressions of Interest, including pre-qualification information

July 2013:

Issue of tender documents (e.g. Invitation to Tender etc) and submission of bids by Tenderers

November 2013:

Tenders opened, compliance checks and evaluation

March 2014:

Final approvals & contract award

- 10.9 The detailed operational model of the framework is yet to be determined as there are a number of choices to be made, including the breakdown of the sub-categories (so-called lots) within the framework and the extent to which we work in partnership with neighbouring local authorities, sub-regional bodies or Government Agencies (such as HCA).
- 10.10 The framework would be divided into lots covering different stages of the development process from soft market testing to physical construction. Services could include:
- Project appraisal
 - Project and programme management
 - Finance and funding
 - Land assembly and planning
 - Design and technical
 - Commercial, cost and construction management
 - Construction
 - Sales and marketing
- 10.11 The process would cover the procurement of housing, commercial and mixed use development. Developers appointed through the framework will be expected to cover all areas of the development process such as the raising of development finance, obtaining planning permission, supply chain management, design and construction, including where appropriate the provision of affordable housing in association with a registered provider, design and construction of buildings and infrastructure, sales and marketing, aftercare and maintenance.

- 10.12 In short, it would aim to provide a one stop shop for development and construction-related works and services and work alongside our existing construction and consultancy panels managed by the Asset Service.
- 10.13 A bespoke framework to the Cheshire East area has advantages. Local companies are more likely to bid into a more local process and the selection process will ensure that tenderers are evaluated according to this Council's specific requirements.
- 10.14 Although this is a substantial piece of procurement work and will require a corporate approach, and the OJEU process can be bureaucratic and time consuming (between 12 and 18 months), it should result in significant time and resource savings and efficiencies going forward.

11.0 Access to Information

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

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CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting:	12 November 2012
Report of:	Director of Finance & Business Services / Strategic Director, Places & Organisational Capacity
Subject/Title:	2012/2013 Mid Year Review of Performance
Portfolio Holders:	Cllr. Peter Raynes / Cllr. Barry Moran

1.0 Report Summary

- 1.1 Cheshire East is committed to continuous improvement and excellence in all that it influences and delivers. This report, attached as Annex 1, gives summary and detailed information about its financial and non-financial performance at the mid-year stage of 2012/13. The report also requests approval for supplementary estimates, changes to the Capital Programme, and a revision to the Treasury Management Strategy.
- 1.2 Section 1 of the report provides projections of Service financial performance for the 2012/13 financial year. It focuses on the key financial pressures which the Council's Services are facing, areas of high financial risk to the Council and the strong remedial measures identified by Services to mitigate these pressures. Key issues affecting Services' Capital Programmes are also reported.
- 1.3 Section 2 provides an update on the overall Financial Stability of the Council, including the positions on Grants, Council Tax and Business Rates, Treasury Management, Centrally held budgets, and the management of the Council's Reserves.
- 1.4 Section 3 provides a summary of the key non-financial performance headlines for the year to date.

2.0 Decision Requested

- 2.1 Cabinet is requested to note and comment as appropriate on the following issues:
 - the projected Service revenue and capital outturn positions (**Section 1**);
 - the overall financial stability of the Council, and the potential impact on the Council's general reserves position (**Section 2**);
 - the Council's invoiced debt position (**Appendix 2**);
 - the delivery of the overall Capital Programme (**Section 2, paragraphs 105 to 119 and Appendix 3**);

- the service performance successes achieved during the first half of 2012/2013, and consider issues raised in relation to underperformance against targets and how these will be addressed (**Section 3**).

2.2 Cabinet is requested to approve the following:

- Supplementary Revenue Estimate of £40,000 for additional expenditure in Children & Families fully funded from specific grant (**Section 2, paragraph 93**)

2.3 Cabinet is requested to ask Council to approve the following:

- Reductions in the approved capital programme (**Appendix 4**)
- Supplementary Capital Estimates and Virements (**Appendix 5**)
- Amendments to the Treasury Management Strategy (**Appendix 7**)

3.0 Reasons for Recommendations

3.1 The Council is committed to high standards of achievement and continuing improvement. Performance information plays a vital role in ensuring that the Council celebrates its achievements, understands its performance in key areas and addresses issues of underperformance. The Council and partners have identified a series of improvement measures to support outcomes for local people as outlined in the priorities and objectives of the Sustainable Community Strategy.

3.2 In accordance with good practice, Members should receive a quarterly report on the financial performance of the Council. Finance Procedure Rules set out the requirements for financial approvals by Members, and relevant recommendations are contained in this report.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications including – Carbon Reduction, Health

6.1 Performance management supports delivery of all key Council policies including carbon reduction and health. The projected outturn position, ongoing impacts in future years, and the impact on general reserves will be fed into the assumptions underpinning the 2013/2014 Financial Scenario and 3 Year Plan process.

7.0 Financial Implications (Authorised by the Director of Finance & Business Services)

- 7.1 The Council's financial resources are aligned to its priorities and used to deliver priority outcomes for local communities. Monitoring performance helps ensure that resources are used effectively and that business planning and financial decision making are made in the context of performance.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 Although the Council will no longer be required to report to Government on its performance against measures in the National Indicator Set, monitoring and reporting on performance is essential if decision-makers and the public are to be assured of adequate progress against declared plans and targets.

9.0 Risk Management

- 9.1 Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2012/13 Budget and the level of general reserves will be factored into the 2013/14 Financial Scenario and Budget, and Reserves Strategy.
- 9.2 Performance and risk management are part of the key management processes of the Authority. Risks are captured both in terms of the risk of underperforming and the risk to the Council in not delivering its ambitions for the community of Cheshire East.

10.0 Background

- 10.1 The mid-year financial position demonstrates the strength of the performance information provided in the 1st Quarter Review of Performance to Cabinet on 20th August 2012. The Council has an ambitious savings target of £21.7m for 2012/13, with an extremely challenging delivery plan. The risk of non-delivery of this ambitious plan, alongside emerging in-year pressures, is being managed well and strong mitigation plans have already been identified and are being delivered.
- 10.2 The strength of Member and management action in the first half of the financial year has led to an improvement of £1m in the projected overall position since the 1st Quarter Review. This would result in an increase in the Council's general reserves level from £11.4m to £12.5m. However, work continues to further mitigate the projected Service pressures and the aim is to better the overall performance against the Budget by the end of the financial year.
- 10.3 Our vision, corporate plans, financial allocations, democratic and organisational structures are all designed to help us achieve the outcomes that matter to the people of Cheshire East. Performance reporting and a focus on improvement are fundamental to achieving our long term ambitions. The report reflects a developing framework to embed performance management culture throughout the organisation.

11.0 Access to Information

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

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Mid Year Review of Performance 2012 / 2013

Page 35

November 2012

Introduction

As part of the annual performance reporting framework set out in the Finance and Contract Procedure Rules, regular reports are required to be published. The Council is committed to high standards of achievement and continuing improvement. The report reflects a developing framework to embed performance management culture throughout the organisation.

The report provides an update of the Council's financial and non-financial performance at the mid-year stage of 2012/2013, and also seeks Member approval to Supplementary Revenue and Capital Estimates and Virements. An overview and summary financial table are provided at the beginning of the report.

Section 1 of the report provides projections of Service financial performance for the 2012/2013 financial year. It focuses on the key financial pressures which the Council's services are facing, areas of high financial risk to the Council, and the strong remedial actions identified by services to mitigate these pressures. Key issues affecting Services' capital programmes are also reported.

The figures included in this section reflect the original Business Plan adjusted for Supplementary Estimates and Virements, including those requested in the report. These updated budget figures will be reflected in Version 3 of the Budget Book which will be published shortly.

Section 2 provides an update on the overall Financial Stability of the Council, including the positions on Grants received, Council Tax and Business Rates, the Council's overall Capital Programme and its funding, Treasury Management, Centrally held budgets, and the Management of the Council's Reserves.

Section 3 provides a summary of the key non financial performance headlines for the year to date.

Appendices are provided as follows:-

- **Appendix 1** provides explanations of changes to the Revenue Budget reported to Cabinet at the First Quarter Review (FQR) in August 2012 which have been authorised or require authorisation via this quarterly report.
- **Appendix 2** analyses the position on Outstanding Debt.
- **Appendix 3** summarises revised in year Capital budgets and the revised forecasts of total Capital Programme expenditure and its funding.
- **Appendix 4** lists reductions to the total approved budgets of projects within the Capital programme.
- **Appendix 5** lists requests for Supplementary Capital Estimates and Virements.
- **Appendix 6** shows the latest position on the Corporate Grants register.
- **Appendix 7** provides details of Treasury Management investments.
- **Appendix 8** details progress against Performance Indicators.

Contents

Introduction.....	- 1 -
2012/2013 Revenue Forecasts – Mid Year Review Summary	- 3 -
Overview	- 4 -
Section 1. Directorate Financial Summary	- 5 -
Section 2. Financial Stability	- 18 -
Section 3. Performance Report – Strategic Director Places and Organisational Capacity	- 25 -
Appendices	
Appendix 1 – Changes to Revised Budget 2012/2013 since First Quarter Review	- 28 -
Appendix 2 – Debt Management.....	- 30 -
Appendix 3 – Summary Capital Programme and Funding.....	- 31 -
Appendix 4 – Reductions in Capital Programme	- 32 -
Appendix 5 – Request for Supplementary Capital Estimates (SCEs) and Virements	- 35 -
Appendix 6 – Corporate Grants Register as at 30 th September 2012	- 40 -
Appendix 7 – Treasury Management	- 41 -
Appendix 8 – Performance Report	- 45 -

2012/2013 Outturn Forecast at Mid Year Review

Financial Position

2012/2013 Mid Year Review	REVENUE				Change from FQR £m	For Further information please see the following sections
	Revised Net Budget	Emerging Pressures	Remedial Actions Identified to Date	Current Forecast Over / (Underspend)		
	£m	£m	£m	£m		
DIRECTORATES						
Children & Families	59.1	5.5	-4.2	1.3	0.5	Section 1, Paragraphs 2-11
Adults	98.7	11.0	-6.9	4.1	0	Section 1, Paragraphs 20-33
Places & Organisational Capacity	77.0	4.7	-3.2	1.5	-0.8	Section 1, Paragraphs 37-55
Corporate Services	26.4	0.7	-0.3	0.4	-0.1	Section 1, Paragraphs 73-86
TOTAL: Directorates	261.2	21.9	-14.6	7.3	-0.4	
CENTRAL BUDGETS						
Specific Grants	-41.5	-0.2		-0.2	0	Section 2, Paragraphs 94
Capital Financing	14.8	-0.9		-0.9	-0.6	Section 2, Paragraphs 121-122
Contingencies	4.5			0	0	Section 2, Paragraphs 126-127
TOTAL: Central Budgets	-22.2	-1.1		-1.1	-0.6	
TOTALS	239.0	20.8	-14.6	6.2	-1.0	

	Planned Contribution 2012/2013 Revised Budget £m	Forecast Variance @ Quarter 2 £m	Impact on reserves Quarter 2 Forecast £m
Impact on Reserves	7.3*	-6.2	1.1

*Reduced from £7.6m by Supplementary Revenue Estimates on 19th July 2012

General Reserves Balance	2012/2013 Budget £m		Quarter 2 Forecast £m	
Opening Balance April 2012	13.2	Actual	11.4	} Section 2, Paragraphs 130-134
2012/13 Impact on Reserves (see above)	7.6	Forecast	1.1	
Closing Balance March 2013	20.8	Forecast	12.5	

Overview

The following key points provide an overview of the Mid Year Review position. The Revenue and Reserves positions below are linked to the preceding table.

Revenue

- Overall Directorate revenue budget is forecast to overspend by £7.3m (3%).
- Services face emerging pressures totalling £21.9m, and to date have identified remedial actions of £14.6m to mitigate this issue.
- Demand led service pressures applying across directorates include:-
 - **Children & Families** - Care costs £3.8m; Social Care staffing £0.8m; Unachievable transport savings £1.1m
 - **Adults** – Learning Disability Pooled Budget £7m; Other Care costs £2.6m
 - **Places & Organisational Capacity** - Community income £1.1m; Assets £2.2m; Waste, Recycling & Streetscape £1.4m;
 - **Corporate Services** - ICT (incl Shared Services) £0.8m
- Central Budgets – a £1.1m saving is forecast from a reduction in interest charges and debt repayment costs (£0.9m), and increased grants (£0.2m).

Portfolio Holders and Chief Officers will strive to identify further remedial action to mitigate the £7.3m forecast overspend. Progress will be reported at the Three Quarter Year Review.

Reserves

The forecast overspend impacting on general reserves (after approved

allocations) is £6.2m.

- The 2012/2013 Budget was balanced, and provided for a contribution of £7.6m to balances to meet medium term strategic requirements. At Mid Year reserves are forecast to increase by £1.1m to £12.5m.

Capital

- The 4 year programme has been revised to reflect the outcome of the challenge process and reductions / deferrals of £42m have been made. This will reduce the overall borrowing requirement by £32m.
- £3m is to be spent in 2012/2013 to deliver the first phase of the Highways Asset Recovery Programme with a further £20m to be invested over the next two years. This utilises capacity released from the recent capital review.
- The revised in year budget of £74.6m is forecast to underspend by £3.6m.

Debt

- Total outstanding Debt (excluding local taxation) is £10.3m, of which £2.9m is over 6 months old. A bad debt provision of £2.5m is available to meet potential write-offs.

Financial Stability

- c. 99% of Council Tax / Business Rates are collected within 3 years.
- Investment income is £0.1m higher than budgeted, following improved returns in the second quarter. Average interest rate earned on investments (0.8%) is higher than the London Inter Bank 7 day rate.

Performance

- At the Mid Year point, 46.2% of service performance indicators are on target or exceeding their target.

1. Directorate Financial Summary

Introduction

1. This section provides details of the key revenue and capital issues emerging from the mid year review. It highlights the main budget pressures faced by the Council, and remedial actions proposed to mitigate these pressures.

Children and Families

2. The service has a net budget of £59.1m, excluding Dedicated Schools Grant (DSG) which is shown separately (**paras 18-19**). **Table 1** highlights that emerging pressures of £5.5m have been identified. Remedial action of £4.1m has been identified to date which will reduce the forecast overspend to £1.3m (an increase of £0.5m since First Quarter Review (FQR)). The increased pressure is coming from higher care cost packages. Whilst short term remedial action is helping to manage the gross pressures, longer term initiatives need to be developed and delivered to help achieve long term savings.

Table 1 – Children and Families Revenue (excluding DSG)

	REVENUE				Change from FQR £000	Paragraph Number(s)
	Revised Net Budget £000	Emerging Pressures £000	Remedial Actions Identified to Date £000	Current Forecast Over / (Underspend) £000		
Children & Families						
Directorate	762	0	-238	-238	0	
Safeguarding & Specialist Support	27,395	4,367	-500	3,867	508	4-9
Early Intervention & Prevention	11,857	0	-2,100	-2,100	300	10
Strategy, Planning & Performance	19,148	1,141	-1,350	-209	-295	11
	59,162	5,508	-4,188	1,320	513	

3. **Table 2** shows that the service has a 2012/2013 capital budget of £17.7m. Expenditure is forecast to be £17.0m, resulting in a forecast underspend of £0.7m, which will be spent in future years.

Table 2 – Children and Families Capital

	FQR Budget	Revised MYR Budget	Forecast Expenditure	Current Forecast (Over/ Underspend)	Paragraph Number(s)
	£m	£m	£m		
Children & Families					
Safeguarding & Specialist Support	0.8	0.8	0.6	-0.2	
Early Intervention & Prevention	0.4	0.2	0.3	0.1	
Strategy, Planning & Performance	16.8	16.7	16.1	-0.6	
	18.0	17.7	17.0	-0.7	12-17

Key Revenue Issues

Safeguarding and Specialist Support (SSS)

- The external care placements budget for Cared for Children is forecast to overspend by £3.8m an increase of £0.6m from FQR. Whilst the number of Cared for Children has reduced to 420 at the end of September from 434, the rise in costs is due to a number of factors including: the impact of looking after children who do not continue in education but still have a social care cost (i.e. when they are in Education, this is partially funded by the Education Funding Agency and no provision needs to be made for social care day services) and the cost of providing care to children with increasingly complex needs.
- Remedial action of £0.5m associated with reduced care costs (i.e. through reviews and care contract commissioning) is expected to be delivered by the service and this assumption is still being factored in as part of these projections. However, taking into account the increase in care costs from FQR the delivery of this action is still high risk.
- The service is continuing to review out of borough placements, to try and ensure that the council fulfils its corporate parenting responsibility and keeps children within the local area. The service

is investing in local residential services and continues to build capacity locally.

- There continues to be a shortage of foster carers, despite a very heavily advertised recruitment campaign (FACE). The ability of the service to invest and develop this function is currently impacted by the budget pressures within care costs. Consideration is being given to benefits and support that would encourage more foster parents, including a capital proposal to assist with enhancing foster parents properties to facilitate with the care of some of our more vulnerable children.
- The service continues to experience difficulty in attracting and recruiting key personnel into front line social worker posts, leading to a reliance on more costly agency staff in the interim. This is leading to a pressure of £0.8m within the service. An internal report has been commissioned to consider what options are available and will be brought forward separately to Members.
- The new Head of Service for Children's Social Care, who has now started, will develop and shape the direction of the service more efficiently, while also improving the outcomes for children and young people. Consideration needs to be given to longer term service delivery models that are adopted, especially in relation to complex care, which links very closely to the similar pressures being experienced within the Adults care budgets. An officer working group chaired by the Director, working closely with the health partners is currently assessing the long term impacts of children and adults with increasingly complex care needs.

Early Intervention and Prevention

- The Children and Families service are currently managing their overall budget pressure position through mitigating action involving the use of base budget targeted at preventative services. An underspend of £2.1m is expected to be delivered, however there does continue to be a risk that the service is curtailing investment in key areas that could deliver longer term savings. This will be an

important consideration of the budget setting processes for 2013/2014 and onwards.

Strategy, Planning and Performance

11. The main pressure within the service is from the policy proposal to deliver £1.1m of transport savings, which links to the delays in implementing policy changes for post 16 and denominational home to school transport. Following the FQR, the remedial action plan targeted £0.8m of savings from the overall transport budgets, which was deemed to be achievable in year and this level of saving continues to be factored into these assumptions.

Capital

12. Following the Capital Challenge Session for Children and Families forecast expenditure for the next three financial years has reduced by £8.4m; this reduction includes the deferral of Church Lawton Specialist School, including the Specialist Schools Provision £3.9m. The Pupil Referral Unit has been removed from the programme completely resulting in a budget reduction of £1.5m.
13. In total twenty six Children and Families schemes have been reduced or taken out of the programme entirely, contributing £5.4m to the reduction in the requirement for borrowing. £1.3m of government grants have been deferred pending further business case submissions to the Executive Monitoring Board. **Appendix 4** provides the full list of budget reductions to be approved.
14. A virement of £0.8m has been requested for Mobberley Primary School to extend the school and facilities to improve the parental preferences as the school is one of the most popular and successful in the Knutsford area. Demand for places at the school has increased since the closure of Ashley Primary School in 2004. The scheme will be funded from the Capital Maintenance grant allocation for 2012/2013.

15. **Table 2** illustrates the reduction in the Capital budget from the First Quarter of £0.3m. This lower figure is due to the schemes that have been removed or deferred from the programme having the majority of their capital expenditure forecast in future years.
16. From an in year point of view as a result of removing and deferring two of the Children and Families schemes there is a risk of £100,000 of abortive costs that may require funding from revenue. The Pupil Referral Unit has been removed from the programme completely and has incurred costs of £55,000 that can no longer be funded by capital resources. The Church Lawton Specialist School scheme has incurred £45,000 of expenditure. This scheme has been deferred pending a revised business case to be submitted to the Executive Monitoring Board at a later date and the costs could potentially be treated as feasibility costs pending further approval.
17. Overall the in-year impact on 2012/2013 revenue position has not been significant as a majority of the schemes were due for completion in future years and the savings realised impacting on future year's revenue budgets.

Dedicated Schools Grant (DSG)

18. **Table 3** shows that total pressures on DSG for 2012/2013 are currently £3.8m, which is unchanged from FQR.

Table 3 – Dedicated Schools Grant

	REVENUE				Change from FQR £000	Paragraph Number(s)
	Revised Net Budget	Emerging Pressures	Remedial Actions Identified to Date	Current Forecast Over / (Underspend)		
	£000	£000	£000	£000		
Schools Grant Funded including DSG						
Strategy, Planning & Performance - DSG	0	3,833	-300	3,533	3,533	19
Schools (Individual School Budgets)	0	0	0	0	0	
Other Schools Provision	0	0	0	0	0	
Pupil Premium	0	0	0	0	0	
	0	3,833	-300	3,533	3,533	

19. The DSG budget is fully funded by a ring fenced grant of £191m, of which approximately 93% is formally delegated to schools and the remaining 7% is retained centrally by the Council for statutory functions that have not been delegated. The majority of the 7%, which equates to just over £17m is spent on the specific educational needs of children. Special Educational Needs expenditure is determined by children either receiving a formal Statement assessing their needs or an Individual Pupil Funding assessment. The SEN budget is experiencing significant increases in pressure resulting in an overspend of £3.5m, which is ring fenced to DSG and will be either carried forward or managed against the overall DSG position. This issue is being discussed, and a remedial action plan is being managed, with the Schools Forum.

Adults

20. The Adults Service has a net budget of £98.7m. **Table 4** shows that the service faces emerging pressures of £11m. Remedial action of £6.9m has been identified which will reduce the net forecast position to an estimated £4.1m overspend. Whilst short term remedial action is helping to manage the gross pressures, longer term initiatives need to be developed and delivered to help achieve long term savings.

Table 4 – Adults Revenue

	REVENUE				Change from FQR £000	Paragraph Number(s)
	Revised Net Budget	Emerging Pressures	Remedial Actions Identified to Date	Current Forecast Over / (Underspend)		
	£000	£000	£000	£000		
Adults						
Care4CE	0	286	-575	-289	-97	
Strategic Commissioning	36,242	2,924	-450	2,474	-276	29-33
Business Management and Challenge	3,427	154	-700	-546	-16	
Individual Commissioning	59,109	7,643	-5,175	2,468	400	22-28
	98,778	11,007	-6,900	4,107	11	

21. **Table 5** shows that the service has a revised 2012/2013 capital budget of £1.5m. Expenditure is forecast to be in line with budget.

Table 5- Adults Capital

	FQR Budget	Revised MYR Budget	Forecast Expenditure	Current Forecast (Over/ Underspend)	Paragraph Number(s)
	£m	£m	£m		
Adults					
Care4CE	0.3	0.4	0.4	0.0	
Business Management and Challenge	1.8	1.1	1.1	0.0	
	2.1	1.5	1.5	0.0	34-36

Key Revenue Issues

Individual Commissioning

22. The main pressure within the Adults continues to be care costs. The Individual Commissioning service has a gross pressure of £7.6m in year mainly relating to care costs which is being mitigated by remedial action of £5.2m, leaving a net forecast overspend of £2.5m. The Learning Disability Pooled budget arrangement with Central and Eastern Cheshire PCT accounts for £5m of the gross overspend position within Individual Commissioning.
23. An external assessment of cost pressures within the service has recently been undertaken. This has identified areas both of high performance in relation to spend but also opportunities where further efficiencies might be explored. The service are currently exploring a number of options to reduce care costs including:
 - Individual Commissioning maximising their use of Care4CE services
 - Letter to service providers to negotiate costs
 - Care package reviews
 - More rigorous review of care placements, including an independent review
 - Review of respite placements (especially those over 6 weeks)
 - Pursuing Continuing Healthcare (CHC) reviews with health, whereby health have the ongoing liability to deliver and pay for care
 - Review of commissioning models in the longer term.
24. Remedial action is being delivered in a number of key areas (i.e. vacancy management; stopping expenditure on uncommitted activities; utilising Care4CE). However, there continues to be risks associated with achieving remedial actions linked to care costs.
25. Since the FQR, the care cost projection has increased by £0.9m due to a number of factors but particularly due to the following:
 - 5 new high cost care customers have presented themselves since FQR at a cost of £0.4m for 2012/2013 (the full year effect of these packages is £0.7m).
 - The full year impact of complex care packages commissioned part way through 2011/2012 also add additional pressure to 2012/2013 position.
26. Whilst the service are making good progress at keeping overall care numbers steady, care packages for complex care needs continue to add pressure to the overall care cost position.
27. The service have appointed new managers at the Strategic level who will provide capacity to review the direction of the service and be able to consider new commissioning models with the Strategic Commissioning managers.
28. There continues to be a risk that not all the identified remedial action is achievable, especially in relation to care cost reviews.

Strategic Commissioning

29. The main pressure within the Strategic Commissioning budget continues to be the gross overspend of £2m on the Learning Disability pooled budget health networks and £0.8m of unachieved savings from earlier redesign policies.
30. The current pressure on the health networks is £2m. This has reduced by £0.2m from FQR because of the temporary transfer of the additional Learning Disability and Health reform grant over and above the Valuing People Now transfer (this was agreed as part of a Supplementary Revenue Estimate in the FQR). Whilst these contracts are due to expire in March 2013, it will not be possible to complete a re-tender exercise by April 2013. A decision needs to be made about whether the existing contract should be extended (and the time period of this extension) with a longer term objective to re-tender the whole contract (a lead time of 9-12 months is required).
31. Good progress is being made in relation to the remedial action of £0.4m i.e. Supporting People and the Voluntary Community and Faith sector contracts.

32. A letter has been sent out to providers advising the market of the financial position that the council face and seeking ways of delivering efficiencies whilst continuing to maintain a good standard of care. The response to this letter has been encouraging and further engagement work with interested providers will now take place.
33. New strategic managers have just taken up post within the service and this should provide the service with the capacity to review and amend existing care pathways and commissioning models.

Key Capital Issues

34. Following the Capital Challenge Session for Adults, forecast expenditure for the next three financial years has reduced by £9.8m. The reduction includes the deferral of Hollins View, £6.0m, an Adults care facility and the ICT Combined Project £3.8m.
35. The deferrals have reduced the requirement for borrowing by £8.8m and call on government grant and the Capital Reserve by £0.7m and £0.4m respectively. **Appendix 4** provides the full list of budget reductions to be approved. Both schemes are pending a further business case submission to the Executive Monitoring Board.
36. **Table 5** illustrates the reduction in the Capital budget from the First Quarter of £0.6m. This lower figure is due to the schemes that have been removed or deferred from the programme having the majority of their capital expenditure forecast in future years.

Places & Organisational Capacity Directorate

37. Places & Organisational Capacity Directorate has a net budget of £76.9m. **Table 6** highlights that emerging pressures of £4.7m have been identified. Remedial action of £3.2m has been identified to date which will reduce the forecast overspend to £1.5m (an improvement of £0.8m since FQR).

Table 6 – Places & Organisational Capacity Revenue

	REVENUE				Change from FQR £000	Paragraph Number(s)
	Revised Net Budget	Emerging Pressures	Remedial Actions Identified to Date	Current Forecast Over / (Underspend)		
	£000	£000	£000	£000		
	Places & Organisational Capacity					
Waste, Recycling & Streetscape	26,885	409	0	409	-751	39-44
Highways & Transport	17,275	119	-260	-141	188	45-46
Community Services	150	1,737	-313	1,424	476	47-49
Development	22,506	2,231	-2,176	55	-509	50-53
Performance, Customer Services & Capacity	10,078	205	-435	-230	-230	54-55
	76,894	4,701	-3,184	1,517	-826	

38. **Table 7** shows that the service has a revised 2012/2013 capital budget of £47.5m. Expenditure is forecast to be £45m, resulting in an underspend of £2.5m, which will be spent in future years.

Table 7 – Places & Organisational Capacity Capital

	FQR Budget	Revised MYR Budget	Forecast Expenditure	Current Forecast (Over/ Underspend)	Paragraph Number(s)
	£m	£m	£m		
Places & Organisational Capacity					
Waste, Recycling & Streetscape	0.8	0.8	0.8	0.0	71-72
Highways & Transport	24.0	26.7	26.1	-0.6	58-64
Community Services	2.9	2.6	2.0	-0.6	65
Development	21.3	16.5	15.2	-1.3	66-69
Performance, Customer Services & Capacity	1.1	0.9	0.9	0.0	70
	50.1	47.5	45.0	-2.5	

Key Revenue Issues

Waste, Recycling and Streetscape

39. The Service is reporting net budget pressures of £0.4m at MYR; an improvement of £0.7m from FQR. Gross pressures in Waste & Recycling and Streetscape are currently £0.9m and £0.5m respectively, however in year management actions (reflected in the net forecast) are reducing these projections to a £0.6m overspend and (£0.2m) under-spend.
40. In Waste & Recycling the gross pressures of £0.9m reflect;
- £0.4m over-spend against core collection costs (agency and fleet), attributable to original budget reductions not being achievable, combined with a review of pool staff provision being required.
 - £0.5m overspend is forecast against a number of contract related pressures comprising: recycling bulking contract and related bank holiday haulage, green waste contract haulage and non achievement of proposed landfill diversion savings in year.
 - Additional pressures in-year against fuel of approximately £0.3m, due to in part to increased usage / consumption, increased fuel prices and inclusion of a lower than required budget inflation provision.
 - Further pressures in Waste of £0.2m as previously reported relate to: one-off buy out of overtime allowances; additional costs in respect of changes in terms relating to overtime and time off in

lieu; reduced demand for the bulky waste service or Schedule 2 property collections impacting income.

- The pressures above are offset by an improved waste disposal contract forecast under-spend of (£0.5m), resulting from refinement of the waste disposal tonnage projections. This is an improvement of £264,000 on the FQR forecast.
41. These gross pressures are forecast to continue into 2013/2014 to some degree; however in-year they are being offset in part by one off actions totalling (£0.3m) across the Waste Service, including vacancy management and other one off actions.
42. The key forecast change in Waste & Recycling since FQR of £0.7m relates to a revision of the resources required to progress the Waste Procurement project. The Service estimates that only £75,000 will be required in year for external consultancy, funded from one-off investment budget (originally allocated to Streetscape). A further £0.7m is projected as being required in 2013/2014 (one-off) and will be built into the business planning process.
43. In Streetscape, gross pressures of £0.5m relate mainly to the later than anticipated Service review savings £0.1m (net) and unachievable income budgets of £0.2m in Grounds Maintenance (reduced S106 forecast) and Parks Development; additional one-off costs of £0.1m associated with later than expected property / service transfers, many of which are now forecast to occur in November 2012 and a further £0.1m pressure re impact of decision at FQR to defer the auto lorry lease termination (see mitigations below).
44. The income pressures above are likely to continue into 2013/2014 although the Service is looking to minimise the impact where possible. In year however, the service is mitigating these pressures and contributing to the wider Directorate pressures through one off actions of £0.6m comprising; vacancy management and a review of supplies budgets and an under-spend relating to investment monies. Other actions, subject to

outcome of the Streetscape Review, relate to improved fuel usage forecast compared to FQR (£0.1m).

Highways and Transport

45. The Transport service has reported a net pressure of £158,000. The forecast has worsened by a net £177,000 from FQR, reflecting the reduction of income from internal recharges for transporting eligible scholars on public transport supported bus services. The MYR forecast position assumes that the recommended changes in bus subsidy approved in principle by Cabinet on 15 October are fully implemented. However, the precise details have yet to be determined and if the proposals are not fully implemented this may materially increase the overspend against the 2013/2014 Budget and beyond.
46. Remedial actions being considered to help mitigate the overall cost pressures include: reduced spending on Highways maintenance Public Rights of Way and Countryside services, through a review / deferral of the routine maintenance programmes and other in-year non pay savings. Whilst not yet factored into the MYR forecast or remedial actions, but subject to the severity of the weather through the winter months, there may be scope for further savings from the Highways winter provision budget (e.g. salt usage, winter fleet costs and winter contingencies).

Community Services

47. Community Services is projecting income shortfalls totalling £1.1m. This mainly comprises:
 - £0.7m in the Car Parking Service; similar to the position for 2011/2012, this is attributable to continuing economic recessionary pressures and lower than anticipated customer demand, along with enforcement income being lower due to the Automatic Number Plate Recognition capital project not progressing - these pressures are currently forecast to continue in 2013/2014.
 - £0.3m relating to the Leisure Service; reflecting continuing economic pressures; income targets for school swimming and

savings from review of the core service recharge not being achievable; - these pressures are currently forecast to continue into 2013/2014.

48. Pay and non pay expenditure pressures of £0.6m are forecast at MYR, largely due to the shortfall in base pay budget in the Leisure Service and CCTV overtime costs, along with the impact of pay harmonisation premium payments and the costs of taxi licensing tests. These pressures are also forecast to continue in 2013/2014.
49. Despite continued pressures within the Service, a series of in-year remedial actions are proposed totalling £0.3m. These include changes to fees and charges (specifically in Pest Control), further vacancy management and other non pay savings across the Service.

Development Service

50. Overall the Development Service is reporting budget pressures of £2.2m at MYR, along with a series of mitigations/ remedial actions to improve the overall position, to a £55,000 overspend. The Assets Service has undergone significant changes during the first six months of 2012/2013, implementing the Corporate Landlord role and taking on the associated operational and budgetary responsibilities. At the Mid Year point, following further work in respect of finalising transfers of budgets from other Services and analysing spend/ income in detail, the current forecast shows emerging pressures totalling £2.9m.
51. This reflects various matters, including: unrealised savings targets of £0.5m (from asset disposals and street lighting energy); £0.8m on holding costs of surplus/ interim-managed properties; £0.8m against operational properties (some only part-budgeted, others where no budget transferred due to prior year budget savings/ reductions); rent income budget shortfalls of £0.7m in the Investment portfolio, relating to permanent income loss (on four specific sites), market conditions for industrial / commercial

premises; and also one-off costs associated with later than expected property/ service transfers.

52. Some £1.6m of the gross pressures above are being mitigated in-year within other areas of the Assets Service, through a combination of ongoing savings (£0.2m) and one-off remedial actions (£1.4m) comprising: energy rebate/ water savings; vacancy management; capitalisation of staff time; reductions in non-responsive maintenance; additional income and other spend reductions. Furthermore, remedial actions totalling £0.6m are reducing the overall Assets Service pressures to £0.8m, an improvement of £0.3m since FQR. The £0.8m reflects the underlying base budget shortfall, as previously noted in monitoring reports during last year.
53. The remainder of the Development Service is forecasting a total of £0.8m savings to help mitigate the overall Directorate budget pressures. This has resulted principally from vacancy management and higher than anticipated income from land search fees. Since FQR there has been an improvement of £0.2m, mainly from within Strategic Housing through the repayment of rent deposit bonds, rental income and deferring research and survey expenditure until 2013/2014. The Housing Service is undertaking a strategic review, which will consider potential for any ongoing efficiency savings beyond the current year. The above position excludes potential one-off planning appeal costs, which can not be contained within the Service budget. Further details will be reported at the Third Quarter Review.

Performance, Customer Services and Capacity (PCSC)

54. Library Shared Services have budget pressures of £155,000, an increase of £37,000 on the position at FQR. These result from planned budget savings which are no longer achievable; a fall in income from the Education Library Service; increased property costs and relocation payments following the move to the new premises. However, the pressure will be fully mitigated in

2012/2013 by reductions in Cheshire East's Library expenditure through vacancy management and reducing expenditure on the book fund. A formal review of the Library Shared Service is underway as described in the Library Strategy to part mitigate the pressures identified in future years. The remaining pressures will have to be met from efficiency savings within Cheshire East's Library Service.

55. As reported at FQR, it is expected that £50,000 of the original £100,000 corporate Lean Review saving target will be achieved. One-off savings of £0.2m in 2012/2013 across the Service have been identified to contribute to the overall Directorate position. These, together with the continuation of identifying Lean Savings throughout the Council, have led to an overall projected under-spend of £0.2m for PCSC at MYR.

Capital Programme – Key Issues

56. Following the Capital Challenge Sessions for Places & Organisational Capacity the Directorate has reduced the capital programme by £17.4m, the borrowing requirement has reduced by £16.9m, Capital Reserve £0.3m and revenue contributions £0.2m. **Appendix 4** provides the full list of budget reductions to be approved.
57. **Table 7** illustrates the reduction in the Capital budget from the First Quarter of £2.6m. The most significant reduction of £4.8m can be seen in the Development Service which includes the Housing, Economic Development and Asset Management schemes. This has been off-set by the proposed additional highway investment of £3m in 2012/2013.

Highways and Transport

58. Highway Asset Recovery Programme - Cheshire East's highway network is valued at £236m and is the Council's largest single asset. It is vital to the functioning of the Borough. However, such an asset is also expensive to maintain and Cheshire East has, in common with other Councils, under-invested in highway maintenance over many years. This has resulted in a gradual but accelerating deterioration of the network, hindering the Borough's economy as well as failing to provide the street environment and level of service resident's demand. Further consequences of the deteriorating network are an increasingly large number of costly insurance claims resulting from tripping and slipping accidents, in addition to a constant pressure from residents for reactive repairs to deal with immediate cosmetic and safety problems, with such repairs failing to cure the long term structural decline.
59. A highways asset management model has been developed to give an accurate assessment of the condition of the network and the investment required to keep the network in good working order. The gap between investment needed and funding provided has been growing, resulting in a position where the Council needs to manage the declining condition of its network. Current available funds have been spread thinly over the Borough to try and slow the deluge of required maintenance works, resulting in work on other parts of the network only being undertaken if an inspection determines the condition represents a safety risk. This level of investment creates the climate members will be familiar with in terms of regular complaints and general dissatisfaction with the condition of roads and footways.
60. The proposal to invest £3m this financial year and a further £20m over the next two years will seek to interrupt the current cycle of decline in the condition of our roads by early targeted investment aimed at restoring a number of roads now beyond their serviceable life. Funding would be targeted at areas where the maximum long term benefit will be achieved. This is likely to be through the treatment of deteriorating roads that can have preventative measures applied now to avert deterioration to a state where they require both more substantial and costly repairs.
61. Consideration will be given to the practicalities of programming substantial amounts of additional work, both in terms of the resources required and the disruption to the network which could arise in the remaining months of the year. The plan will be designed to deliver a number of key activities including tackling drainage problem hot spots, pre-patching areas in readiness for the surface dressing programme during the summer months and carriageway surfacing improvement works where more serious issues exist.
62. The investment will bring a number of key benefits to the Council by providing a network in good condition and will assist the authority in managing its statutory obligation to maintain a safe and accessible highway network by providing a reduction in the number of defects on the network. A fewer number of defects will reduce the number of third party claims for compensation while improving customer perception of the Council in delivering improvements to areas of greatest concern
63. Alderley Edge By-Pass – In the 2011/2012 Final Outturn Performance report to Cabinet on 23 July 2012 it was noted that this project will remain within existing budget provision for 2012/2013, 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.
64. 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, the position is being monitored and will be reported to the Executive Monitoring Board throughout 2012/2013.

Community

65. The Community Service has overall budget reductions totalling £0.6m on three 2012/2013 Car Parking schemes, including Other Car parking Improvements, £0.5m. This is a significant reduction of over 55.5% of the original 2012/2013 budget approvals. The in-year reduction is £0.3m.

Development

66. The Development Service has an overall reduction on forecast expenditure of over £9.9m over the next three financial years. From an in-year position Housing has made reductions of £0.8m on the Disabled Facilities, Private Sector Assistance and Assisted Purchase Schemes. The Empty Homes Initiative has been removed from the programme due to insufficient take-up.
67. Within Economic Regeneration in-year reductions equate to £2.0m, resulting in reductions on Town Regeneration (£0.4m), Crewe Town Centre Refurbishment (£0.9m) and Parkgate Development site (£0.2m). The Crewe Regeneration Scheme (£0.4m) has been removed from the capital programme.
68. The potential impact on revenue by reducing or removing the Economic Development schemes could mean that work on improving infrastructure and potentially reducing future maintenance costs will not materialise. There is also a risk without a certain level of investment the additional revenue from National Non-Domestic rate and Council tax customers might not be achieved.
69. Asset Management have deferred part of the Accommodation Strategy (£1.5m) and Energy Consumption (£0.3m) budgets to allow officers to submit revised business cases to the Executive Monitoring Board.

Performance, Customer Services & Capacity

70. Performance, Customer Services and Capacity have made in-year budget reductions of £0.2m which includes £0.1m from their Customer Access in Libraries and £0.1m from the Radio Frequency budgets.

Waste and Open Spaces

71. The Waste and Open Spaces have made an overall budget reduction of £4.0m by removing the Household Waste and Recycling Centre scheme scheduled to commence in 2013/2014.
72. There is an emerging pressure within the in-year budget in respect of the Queens Park Restoration scheme. The project is now approaching completion of the primary phase. The Management and Maintenance Plan is being finalised, ready for adoption and sign off by the Heritage Lottery Fund (HLF). Certain elements of the park restoration remain outstanding and an appraisal of options is currently being undertaken with HLF in order to develop an effective funding and delivery process. In line with discussions at the Capital Asset Group in May 2012, there may be a need for an additional virement to meet the final contractor claim when negotiations are completed, this will be submitted to the Executive Monitoring Board for consideration at a future date.

Corporate Services

73. Corporate Services have a net budget of £26.4m. **Table 8** highlights that emerging pressures of £0.7m have been identified. Remedial action of £0.3m has been identified to date, which will reduce the forecast overspend to £0.4m (an improvement of £0.1m since FQR).

Table 8 – Corporate Services Revenue

	REVENUE				Change from FQR £000	Paragraph Number(s)
	Revised Net Budget	Emerging Pressures	Remedial Actions Identified to Date	Current Forecast Over / (Underspend)		
	£000	£000	£000	£000		
Corporate Services						
Finance & Business Services	17,702	317	-94	223	-136	75-81
HR & OD	3,141	152	-132	20	-112	82-83
Borough Solicitor	5,557	267	-104	163	103	84-86
	26,400	736	-330	406	-145	

74. **Table 9** shows that Corporate Services has a revised 2012/2013 capital budget of £7.9m. Expenditure is forecast to be £7.5m, resulting in an underspend of £0.4m, which will be spent in future years.

Table 9 - Corporate Services Capital

	FQR Budget	Revised MYR Budget	Forecast Expenditure	Current Forecast (Over/ Underspend)	Paragraph Number(s)
	£m	£m	£m		
Corporate Services					
Finance & Business Services	11.4	7.9	7.5	-0.4	
	11.4	7.9	7.5	-0.4	87-88

Finance & Business Services

75. The Service is reporting a net pressure of £223,000, an improvement of £136,000 since FQR. Within the forecast for Finance and HR Shared Services an estimated £208,000 pressure is attributable to Finance. This is a reduction of £14,000 since FQR. There is continuing dialogue with Shared Services, regarding programmes of work to contain spending within budget and identifying other mitigating actions.

76. Further pressures have come from budgets held centrally on behalf of the authority, from pensions gratuities; additional external audit fees; and continued pressure through bank and credit card charges. The Finance Service has undertaken remedial actions including holding vacancies and control of non-pay spend. Also, some savings have been achieved in terms of bank charges, with further savings being anticipated through the new external audit arrangements. Overall, a net pressure of £53,000 is currently estimated.
77. The Benefits Service continues to show a favourable net variance of £0.6m, compared to budget. This follows a review of outturn for 2011/2012 and consideration of benefit subsidy levels realised, relative to benefit payments made, over the last couple of years.
78. ICT Services reported a net budget pressure of £350,000 at FQR in relation to savings targets, principally in respect of disaster recovery and broadband network consolidation. The budget pressure at MYR has been revised down to £281,000, which has been offset by £67,000 of remedial action relating to vacancy management, and additional capitalisation of staff, giving a net pressure of £214,000. The improved position has been achieved by remedial action plus scrutiny of non-staff spend. The Service is reviewing broadband contracts, with a view to ceasing lines and driving down costs which may help to mitigate part of the pressure.
79. The pressure reported relating to ICT Shared Services at FQR of £500,000 has reduced to £481,000 at mid-year. The Service is holding vacancies where possible to help mitigate this pressure. Work is continuing on a review of third party spend, staffing reductions, and full cost recovery of income to deliver a balanced budget in 2013/2014.
80. It is estimated that £343,000 will be required to cover ICT Shared Service voluntary redundancies, which would leave an underspend of £132,000 on the one-off cost of investment budget, which is included in the figures for ICT.

81. Revenues, Procurement, Shared Services Manager, Internal Audit, and Insurance are forecasting net nil positions.

HR & OD

82. Finance and HR Shared Service figures indicate that although the Shared Service is reporting an overall net pressure of £190,000, an under-spend of £18,000 is attributable to HR. This is off-set by a reported pressure of £20,000 within the Occupational Health Unit Shared Service.
83. Base budget pressures of £132,000 reported at first-quarter for HR & OD, relating to management savings targets and also a Redeployment Officer post, have increased to £152,000 once the pressure from OHU is taken into account. However, the Service has reduced this to a net pressure of £20,000 at mid-year with a number of temporary one off remedial actions and mitigations (including additional income generated through the Health and Safety and HR Delivery CheSS agreements, and vacancy management).

Borough Solicitor

84. The Council's Reserves Strategy, reflected in the risk-assessed level of reserves, includes provision for legal investigations. The Legal Service projected financial performance includes an additional cost of £90,000 related to the independent investigation of the Lyme Green project. This has contributed to the overall pressures against the Legal Service budget of £163,000.
85. Registration Services anticipate a net budget pressure of £42,000 in respect of additional staff resources required to meet its challenging income target, particularly in terms of additional marriage ceremonies. Further investment in marketing of £25,000 (funded by the Invest to Save budget) will continue to promote the Service.

86. The Coroner Service has a base budget shortfall of approximately £50,000; this will be considered in the budget planning process for 2013/2014. This pressure has been temporarily mitigated by various items, including the receipt of a £26,000 refund relating to last year, when numbers of deaths in Cheshire were lower than the average forecast. Consequently the Service is reporting a net pressure of £18,000.

Capital Programme

87. Corporate Services have made an overall budget reduction of £6.6m over the next three financial years on forecast expenditure. All the reductions relate to the ICT Service on the 2012/2013 capital schemes, Core System Stability (£3.1m), Location Independent Workforce (£2.3m), Superfast Broadband (£0.4m) and Enabling Citizen's and Businesses (£0.7m). Table 9 illustrates the reduction in the Capital budget from the First Quarter of £3.5m which was funded primarily from the Capital Reserve.
88. The Supplementary Capital Estimate of £40.4m relates to the recognition of the external contributions from our partners as part of the Superfast Broadband Project. The partners concerned are Cheshire West and Chester, Halton and Warrington Borough Councils. ERDF, Department of Business, Innovation and Skills, Local Enterprise Partnership, BDUK and a private sector provider of superfast broadband facilities. This is a national initiative to improve primarily the superfast broadband coverage for businesses in Cheshire, to stimulate employment and to improve GDP. Cheshire East is the lead Council and the accountable body for the monitoring of the scheme.

Debt

89. A summary of outstanding invoiced debt by Directorate is contained in **Appendix 2**.

2. Financial Stability

Government Grant Funding of Local Expenditure

90. Cheshire East receives two main types of Government grants, formula grant and specific grants.
91. The overall total of Government grant budgeted for in 2012/2013 was £402.2m. Cheshire East Council's formula grant will be £67.7m and specific grants were originally budgeted to be £334.5m based on Government announcements to February 2012. Further announcements have revised this figure to £343.9m. Specific grants are split between non-ringfenced (£137.3m) and ringfenced (£206.6m). Spending in relation to ringfenced grants must be in line with the purpose for which it is provided.
92. **Table 10** summarises the updated forecast position for all grants in 2012/2013. A full list of grants is provided at **Appendix 6**.

Table 10 – Summary of Grants to date

	Forecast FQR 2012/13 £m	Forecast MYR 2012/13 £m	Variance 2012/13 £m
Formula Grant			
Revenue Support Grant	1.3	1.3	0.0
Business Rates	66.4	66.4	0.0
	67.7	67.7	0.0
Specific			
Ringfenced Grants	208.9	206.6	2.3
Non Ringfenced Grants - held within service	95.5	95.5	0.0
Non Ringfenced Grants - held corporately	41.7	41.8	-0.1
	346.1	343.9	2.2
Total Government Grant Funding	413.8	411.6	2.2

93. Ringfenced grants have decreased by £2.3m since FQR. The main reason for this is the anticipated reduction to grants of £2.5m due to the conversion of Eaton Bank High to an Academy School. This has been partly offset by new funding for summer schools programmes in secondary schools and increases in 16-19 bursary and pupil premium grants.
94. There is a small increase in non ringfenced grants of £100,000 since FQR. Of this, £40,000 relates to a newly announced Adoption Improvement Grant. The award of this specific grant is conditional upon it being used to fund implementation of the Government's reform programme to improve adoption practice and services, and particularly activities to speed up adoption, and increase the numbers of adopters being recruited and approved. The grant must be used in 2012/2013. Children & Families are requesting a Supplementary Revenue Estimate of £40,000 to use this funding for implementation of the Adoption Improvement action plan in Cheshire East. Overall, after taking account of previously approved Supplementary Revenue Estimates funded from specific grant, it is estimated that an additional £0.2m grant over budget will be received in 2012/2013 (see overview table on page 3).

Collecting Local Taxes for Local Expenditure

95. Cheshire East Council collects Council Tax and National Non Domestic Rates (NNDR) for use locally and nationally.

Council Tax

96. Council Tax is set locally and retained for spending locally. Council Tax was frozen for 2012/2013 at £1,216.34 for a Band D property. This is applied to the taxbase.
97. The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect Council Tax from (after adjustments for relevant discounts,

exemptions and an element of non collection). The taxbase for 2012/2013 was agreed at 146,807.37 which, when multiplied by the Band D charge, means that the expected income for the year is £178.6m. Council Tax therefore funds approximately 73% of the Council's net revenue budget of £246.3m.

98. In addition to this, Cheshire East Council collects Council Tax on behalf of the Cheshire Police Authority, the Cheshire Fire Authority and Parish Councils. **Table 11** shows these amounts separately, giving a total collectable amount of £214.9m.

Table 11 – Cheshire East Council collects Council Tax on behalf of other precepting authorities

	£m
Cheshire East Council	178.6
Cheshire Police Authority	22.1
Cheshire Fire Authority	9.8
Town & Parish Councils	4.4
	<u>214.9</u>

Source: Cheshire East Finance, October 2012

99. This figure may vary slightly during the year if more discounts and exemptions are granted or more properties are built.
100. The Council expects to collect at least 99% of the amount billed, but will always pursue 100% collection. However, to allow for any delay in collection the amount billed should therefore be slightly more than the actual budget. The amount billed to date is £217.0m.
101. **Table 12** shows collection rates for the last three years, and demonstrates that 99% collection is on target to be achieved within three years.

Table 12 – 99% of Council Tax will be collected within 3 Years

	% Collected to date
2010/2011	99.0%

2011/2012	98.6%
2012/2013	62.9%

Source: Cheshire East Finance, October 2012

National Non Domestic Rates (NNDR)

102. NNDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes in line with inflation and takes account of the costs of small business rate relief. The inflation factor used is 5.6% which reflects the Retail Price Index as at September 2011. NNDR is set nationally and paid over into the NNDR pool to be re-allocated across the country according to need.
103. The small business multiplier applied to businesses who qualify for the small business relief has been set at 45.0p in 2012/2013. The non-domestic multiplier has been set at 45.8p in the pound for 2012/2013.
104. The amount collected does not relate to the amount that is redistributed to the Council but it must be noted that the total collected includes amounts that will be distributed to police and fire authorities as well as local government.
105. **Table 13** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.

Table 13 – Over 99% of Rates are collected within 3 years

	% Collected to date
2010/2011	99.3%
2011/2012	98.5%
2012/2013	60.8%

Source: Cheshire East Finance, October 2012

Capital Programme 2012/2016

106. As reported in the FQR, a comprehensive review of the programme has now been completed with the intention of making substantial savings and focusing delivery capacity on initiatives with the highest priority.
107. A series of meetings were held in September to review and challenge the current Capital Programme, involving the Capital Visioning Group, Portfolio Holders, Directors and Heads of Service.
108. The key aims of the challenge sessions were to reduce the existing programme for four significant reasons:
- Realign capital expenditure with corporate priorities
 - Cap the capital financing budget, reducing the need for future borrowing
 - Create financial & non-financial capacity to enable new schemes to come forward
 - Reassess business cases, particularly for investment projects.
109. Following the reduction in the capital programme it has been possible to use the additional financial capacity to provide new investment which has the highest priority for the Council. The highways structural maintenance programme is therefore to be increased in 2012/2013 by £3m funded by Prudential borrowing.
110. Further details of the proposed highway asset improvement are provided in **paragraphs 58-62**.
111. The revised programme is now submitted for approval and is summarised in **Table 14**.
112. At the mid-year position the capital programme has reduced by £42.4m due to the following (see **Appendix 4** for details):-

- Budget reductions totalling £24.2m, where schemes have been either been fully removed from the programme or are continuing with restricted resources.
- A budget reduction of £1.9m relating to the Devolved Formula Capital Budget to realign it with available resources. It should be noted that this transaction is to correct a previous overstatement of the budget and the reduction has no adverse impact on the Council.
- Budget deferrals totalling £16.3m, where schemes have been removed from the programme and will require new business cases identifying benefits and demonstrating future revenue savings in order for them to be considered for re-inclusion.

Table 14 – Summary Capital Programme

	Original Forecast Budget @ FQR 2012/16 £m	Amendments to Original Forecast Budget 2012/16 £m	Amended Original Forecast Budget 2012/16 £m	Budget Reductions £m	Budget Deferrals £m	SCE's £m	Revised Total Forecast Budget 2012/16 £m
Children & Families	31.2	0.0	31.2	-4.3	-4.3	0.3	22.9
Adults	5.3	6.0	11.3	0.0	-9.8	0.1	1.6
Places & Organisational Capacity	92.0	27.1	119.1	-15.2	-2.2	3.3	105.0
Corporate Services	41.0	-6.6	34.4	-6.6	0	40.4	68.2
	169.5	26.5	196.0	-26.1	-16.3	44.1	197.7

113. Further work will be undertaken to identify additional savings, in particular the ICT Programme will be subject to further scrutiny and workshops are being held to identify business requirements to enable the harmonisation of current systems.
114. Since reporting the figures in the FQR a number of amendments have been required to align the reported Original Forecast budget of £169.5m with the total approved budget for the 2012/ 2016 capital programme of £196m.

115. The amendments are the inclusion of Hollins View (£6m), Household Waste Recycling Centres (£4m), Structural Maintenance (£1.5m), Weston Cemetery (£0.2m) and the Local Transport Plan (LTP) funding (£21.4m – 2013/2015). These schemes were originally omitted from the capital monitoring as they are due to commence after 2012/2013 and therefore no expenditure was due to be incurred in the current financial year. However to show fully the impact of the budget reductions and deferrals through the Capital Challenge sessions on the overall forecast expenditure for the next three years they are included. In particular for the Places and Organisational Capacity Directorate their overall forecast expenditure has increased by £10m since FQR due to inclusion of the £21.4m (LTP) budget. A reduction of £6.6m has also been made to adjust for the inclusion of ICT schemes post 2014/2016 that are not currently part of the approved capital programme.
116. A number of Supplementary Capital Estimates have been included at mid-year and they are all funded by external resources with the exception of the highways asset recovery programme, which is to be funded from prudential borrowing, afforded from the savings in the Capital Programme. A SCE of £40.4m recognises the contributions from our partners that are required to fund the entire Superfast Broadband scheme.
117. The revisions to the current programme have reduced the borrowing requirement by £29.4m and this will realise savings in the debt repayment costs in 2013/2014 and future years. As a result the proportion of the capital programme to be funded from borrowing has reduced to 25% from 41%. The Capital Reserve commitment has also reduced by £6.0m allowing funds to be made available for future schemes that are more aligned to the Council's strategic priorities.
118. The revised 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 shown in **Table 15**.

Table 15 – Capital Funding Sources

	Original Total Forecast Budget £m	Revised Total Forecast Budget £m	Variance £m
Grants	73.7	70.0	-3.7
External Contributions	2.1	43.3	41.2
Linked/Earmarked Capital Receipts	3.4	3.4	0.0
Supported Borrowing	3.3	1.7	-1.6
Non-Supported Borrowing	74.8	47.0	-27.8
Revenue Contributions	1.0	0.6	-0.4
Capital Reserve	37.7	31.7	-6.0
	196.0	197.7	1.7

119. **Appendix 5** lists requests for Supplementary Capital Estimates and Virements in respect of forecast overspends and additional schemes not previously approved as part of the 2012/2013 Capital Programme. All Supplementary Capital Estimates are fully funded by external contributions, revenue contributions, grant or underspends.
120. **Table 16** illustrates the in-year changes to the capital programme which shows an overall reduction of £7m, this reflects the re-profiling of in year forecasts and the removal of schemes with capital expenditure originally forecast to be spent in 2012/2013. Progress against the forecast budget will continue to be monitored though out the year and updated at Third Quarter Review

Table 16 – In Year Changes to the Capital Programme

	FQR Budget	Revised MYR Budget	Forecast Expenditure	Current Forecast (Over/ Underspend)
	£m	£m	£m	
Children & Families	18.0	17.7	17.0	-0.7
Adults	2.1	1.5	1.5	0.0
Places & Organisational Capacity	50.1	47.5	45.0	-2.5
Corporate Services	11.4	7.9	7.5	-0.4
	81.6	74.6	71.0	-3.6

Central Adjustments

Capital Financing Costs

121. The capital financing budget includes the amount charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long term loans. These budgeted costs are partly offset by the interest the Council anticipates earning from temporary investment of its cash balances during the year. The capital financing budget of £14.8m accounts for 6% of the Council's total revenue budget.
122. At MYR, the overall saving on the capital financing budget is forecast to be £0.9m, due to a reduction in debt repayment costs and savings in external interest charges. The review of the capital programme has also led to improvements in the overall cash balances position and estimated external interest charges are now not expected to be fully incurred in 2012/2013. The Council is working with its treasury management advisors, Arlingclose to complete a balance sheet efficiency review; this will establish the most cost effective means of financing the capital programme and making adequate provision for the repayment of debt.

Treasury Management

123. Investment income is currently £110,000 higher than budgeted which is a significant improvement from the FQR position which was affected by poor performance of the externally managed funds. An improvement in performance of these funds combined with higher than expected cash balances and the ability to fix some deposits for slightly longer periods has led to increased investment returns. Based upon the current economic forecasts, investment interest rates are not expected to increase and credit quality and liquidity of investments will continue to take priority over yield.

- The average lend position (the 'cash balance') including fund manager and legacy balances up to the end of the second quarter was £77.6m.
- The average annualised interest rate received on in house investments up to the end of the second quarter was 0.80%
- The average annualised interest rate received on the externally managed Investec fund up to the end of the second quarter was 0.96%.

124. The Council's total average interest rate up to the end of quarter 2 in 2012/2013 was 0.84%. This is higher than the average London Inter-bank Bid Rate for 7 days at 0.45%. The base rate remained at 0.50% for the quarter.

Table 17 – Interest Rate Comparison

Comparator	Average Rate Q2
Cheshire East	0.84%
LIBID 7 Day Rate	0.54%
LIBID 3 Month	0.79%
Rate	
Base Rate	0.50%

125. All investments are made in accordance with the parameters set out in the Treasury Management Strategy Statement (TMSS)

approved by Council on 23rd February 2012. This strategy sets out minimum credit rating criteria for any investment counterparty taking into account both long term and short term credit ratings. However, long term and short term ratings do not correlate precisely and can lead to inconsistencies in the application of ratings in determining credit worthiness. It is recommended that the minimum long term credit ratings are retained. However, Council is asked to approve that the short term credit rating criteria is removed from the TMSS. An amended extract from the TMSS is attached in **Appendix 7, paragraph 13**. Any short term risk will continue to be managed by limiting the duration of any investments in accordance with advice received from our treasury management advisors enabling a swift reaction to any real or perceived changes to the credit worthiness of any counterparty. Removal of the short term credit rating criteria would enable the Council to lend to Royal Bank of Scotland which currently has short term credit ratings below that included in the TMSS but does have a sufficiently high enough long term credit rating.

Central Contingencies

Pensions

126. The 2012/2013 budget contained £0.7m contingency provision to meet the impact of the increase in Employer Pensions contributions. This has been fully allocated to services.

Severance and relocation costs

127. A provision of £4.0m was included in the 2012/2013 budget to meet ongoing actuarial charges relating to Voluntary Redundancies (VR), and relocation costs arising from Local Government Reorganisation. It is expected that spending will be in line with the provision. Overall though, relocation costs are lower than originally forecast, and consequently provision has been made in the 2012/2013 budget to return surplus funding transferred to the Council on reorganisation, to CWAC, in accordance with the joint agreement between the two councils.

Outturn Impact

128. The impact of the projected service outturn position is to reduce balances by £7.3m as reported in **Section 1**.
129. Taken into account with the service related items detailed above, the impact of these service outturn issues is to reduce balances by £6.2m, summarised as follows:

Table 18 – Service Outturn Impact

	£m
Service Outturn	-7.3
Specific Grants	0.2
Capital Financing	0.9
	<hr/> -6.2

Management of Council Reserves

130. The opening balance at 1 April 2012 on the Council's General Reserves decreased from a budgeted £13.2m to an actual position of £11.4m, due to the final outturn position for 2011/2012
131. The Council's Reserves Strategy 2012/2015 stated that the Council would maintain reserves to protect against risk and support investment. The Strategy forecast an increase in the level of reserves to £20.8m by 31st March 2013 with a risk assessed minimum level of £15m.
132. The budget included a planned contribution to reserves of £7.6m. On 19th July, Council approved Supplementary Revenue Estimates of £0.3m for 2012/2013 relating to grant income received in 2011/2012 which effectively was being held in general reserves. This produced a revised budget of £7.3m.
133. Taken together with service outturn impacts above, the overall impact is a net increase in general reserves of £1.1m to £12.5m as shown in **Table 19**.

Table 19 – Change in Reserves Position

	£m
Opening Balance at 1 April 2012	11.4
Planned Contribution to Reserves	7.3
	<hr/> 18.7
Service Outturn Impacts	-6.2
Forecast Closing Balance at March 2013	<hr/> 12.5

134. The balance of £12.5m is below the Reserves Strategy risk assessed minimal level of £15m. However, the assessment included an element of risk for a potentially adverse outturn impact, and therefore overall the level of reserves remains broadly adequate in risk terms.

3. Performance Report - Strategic Director Places & Organisational Capacity

2012/2013 Quarter Two (Mid Year) Performance

135. This section provides a high level summary of the key performance headlines for the first six months of 2012/2013.
136. For external reporting purposes at the end of quarter two, the Council continues to report on a basket of measures retained within service plans from the former National Indicator Set, and the former Best Value Performance Indicator Set.
137. At the request of the Strategic Director of Children, Families and Adults, three additional local performance measures relating to adoption of children will now be externally reported.
138. In total 26 measures are now being externally reported on a quarterly basis during 2012/2013, with additional measures being reported at year-end.

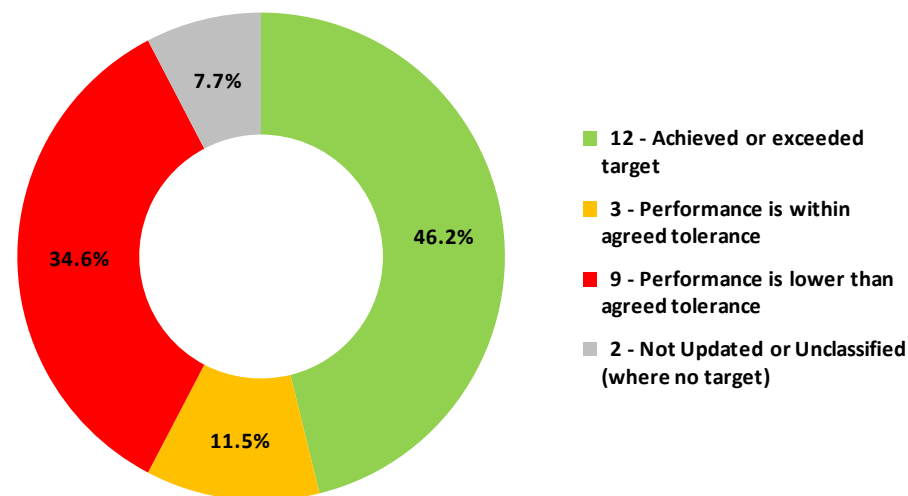
Performance Measure Tolerances (Red/Amber/Green ratings)

139. The Council's electronic monitoring and performance system (CorVu) is pre-populated with a five percent tolerance against the targets set by service areas, meaning that the system assigns a 'red' assessment to performance data 5% (or more) short of the target, an 'amber' assessment to data within 5% of the target, and a 'green' assessment to data performing on or above target. Where strong cases are made for the revision of tolerances (e.g. where a 5% tolerance is not appropriate due to a measure's data return format), tolerances will be revised to support individual targets. In all other circumstances, the 5% tolerance will remain in place for performance measure reporting in 2012/2013.

2012/2013 Quarter Two (Mid Year) Performance Against Target

140. Performance assessments (red; amber; green) were made based on performance against target.

2012/2013 Q2 Actual vs Target



141. **46.2%** of measures are on target or exceeding their target at 2012/2013 Mid Year.
142. However **34.6%** did not achieve their quarterly target:

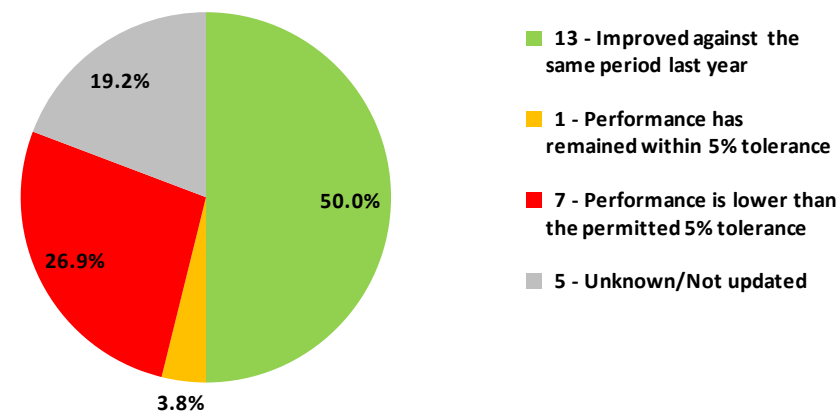
Directorate	Reference	Definition
Children, Families & Adults	NI 59	Initial assessments for children's social care carried out within 7 working days of referral
	NI 60	Core assessments for children's social care that were carried out within 35 working days of their commencement
	NI 117	16 to 18 year olds who are not in education, training or employment (NEET)
	NI 130	Social care clients receiving Self Directed Support (Direct Payments and Individual Budgets)
	NI 131	Delayed transfers of care from hospitals
	NI 146	Adults with learning disabilities in employment
Places & Organisational Capacity	NI 155	Number of affordable homes delivered
	NI 157a	Processing of planning applications as measured against targets for major application types
Human Resources	BV 12	Working days lost due to sickness absence

(See Appendix 8 for further details)

Year On Year Direction Of Travel

143. Performance assessments (red; amber; green) have been made based on current performance compared to Q2 2011/2012.

Sept 2011 vs Sept 2012



144. The 7 (26.9%) measures which failed to achieve the same level of performance when compared to the same period last year were:

Directorate	Reference	Definition
Children, Families & Adults	NI 59	Initial assessments for children's social care carried out within 7 working days of referral
	NI 65	Children becoming the subject of a Child Protection Plan for a second or subsequent time
	NI 125	Achieving independence for older people through rehabilitation/intermediate care
	NI 130	Social care clients receiving Self Directed Support (Direct Payments and Individual Budgets)
	NI 131	Delayed transfers of care from hospitals
	NI 155	Number of affordable homes delivered
Places & Organisational Capacity		
Human Resources	BV 12	Working days lost due to sickness absence

(See Appendix 8 for further details)

Appendices to Mid Year Review of Performance 2012 / 2013

November 2012

Appendix 1 – Changes to Revised Budget 2012/2013 since First Quarter Review

	FQR Net Budget £000	Additional Grant Funding £000	Allocations from Contingencies £000	Restructuring & Realignments £000	Other Virements £000	Revised Net Budget £000
<u>Children & Families</u>						
Directorate	762					762
Safeguarding & Specialist Support	26,535	40	50	770		27,395
Early Intervention & Prevention	12,256		35	-434		11,857
Strategy, Planning & Performance	19,439		45	-336		19,148
	58,992	40	130	0	0	59,162
<u>Adults</u>						
Care4CE	0					0
Strategic Commissioning	36,135		163	-56		36,242
Business Management and Challenge	3,334		17	76		3,427
Individual Commissioning	59,151			-20	-22	59,109
	98,620	0	180	0	-22	98,778
CHILDREN, FAMILIES & ADULTS	157,612	40	310	0	-22	157,940
Waste, Recycling & Streetscape	26,409		55	421		26,885
Highways & Transport	17,274		21	20	-40	17,275
Community Services	205		60	-115		150
Development	22,907		75	-436	-40	22,506
Performance, Customer Services & Capacity	9,904		45	110	19	10,078
PLACES & ORGANISATIONAL CAPACITY	76,699	0	256	0	-61	76,894

Finance & Business Services
 HR & OD
 Borough Solicitor
CORPORATE SERVICES

FQR Net Budget £000	Additional Grant Funding £000	Allocations from Contingencies £000	Restructuring & Realignments £000	Other Virements £000	Revised Net Budget £000
17,556		63		83	17,702
3,121		20			3,141
5,537		20			5,557
26,214	0	103	0	83	26,400
260,525	40	669	0	0	261,234

TOTAL SERVICE OUTTURN

CENTRAL BUDGETS

Specific Grants
 Capital Financing
 Contingencies
 Contribution to Reserves

-41,495	-40				-41,535
14,800					14,800
5,170		-669			4,501
7,245					7,245
-14,280	-40	-669	0	0	-14,989

TOTAL BUDGET

246,245	0	0	0	0	246,245
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Appendix 2 – Debt Management

1. In addition to the collection of Council Tax and National Non-Domestic Rates the Council also issues invoices to organisations or individuals for certain key services. Performance related to Council Tax and Non-Domestic Rates is contained in **Section 2** of this report.
2. Total Invoiced Debt at the end of September 2012 was £12.7m. After allowing for £2.4 m of debt still within the payment terms, outstanding debt stood at £10.3m. This is £5.8m higher than at 30th June mainly due to £5.3m of debt relating to the PCT contribution towards the Learning Disability Pooled Budget within Adults Services.
3. The total amount of service debt over 6 months old is £2.9m which is broadly unchanged since FQR.
4. Services have created debt provisions of £2.5m to cover this debt in the event that it needs to be written off.
5. The Council uses a combination of methods to ensure prompt payment of invoices. Recovery action against unpaid invoices may result in the use of debt collectors, court action or the securing of debts against property.
6. An analysis of the invoiced debt provision by directorate is provided in the table:

	Outstanding Debt £000	Over 6 months old £000	Debt Provision £000
Children & Families			
<i>Children & Families</i>	529	364	197
<i>Schools</i>	55	42	28
Adults	7,928	1,684	1,606
Total Children, Families & Adults	8,512	2,090	1,831
Waste, Recycling & Streetscape	426	150	139
Highways & Transport	371	246	159
Community	140	95	90
Development	867	274	274
Performance, Customer Service & Capacity	6	3	3
Total Places & Org Capacity	1,810	768	665
Finance & Business Services	17	15	4
HR & OD	5	1	1
Borough Solicitor	5	1	1
Total Corporate Services	27	17	6
TOTAL	10,349	2,875	2,502

Appendix 3 – Summary Capital Programme and Funding

Department	FQR In-Year Budget	SCE's/ Virements/ Reductions Qtr 2	Revised MYR In-Year Budget	Forecast Expenditure			
	2012-13 £'000	2012-13 £'000	2012-13 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	Post 2014-15 £'000
Adults, Children & Families							
New Starts	7,668	71	7,739	6,962	5,416	0	0
Ongoing schemes	12,417	-944	11,473	11,540	509	0	0
	20,085	-874	19,211	18,502	5,925	0	0
Places & Organisational Capacity							
New Starts	26,145	1,552	27,697	25,846	21,285	20,262	1,512
Ongoing schemes	24,040	-4,244	19,796	19,197	13,824	3,100	0
	50,185	-2,692	47,493	45,043	35,109	23,362	1,512
Corporate Services							
New Starts	10,290	-3,509	6,781	6,784	29,194	30,364	0
Ongoing schemes	1,093	0	1,093	763	829	327	0
	11,383	-3,509	7,874	7,547	30,023	30,691	0
Total New Starts	44,103	-1,886	42,217	39,592	55,895	50,626	1,512
Total Ongoing schemes	37,550	-5,188	32,362	31,500	15,162	3,426	0
Total Capital Expenditure	81,653	-7,074	74,579	71,092	71,057	54,052	1,512

Funding Source	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Grants	37,729	18,817	13,502	0
External Contributions	2,188	20,870	20,234	0
Linked/Earmarked Capital Receipts	356	756	756	1,512
Supported Borrowing	1,729	0	0	0
Non-supported Borrowing	14,974	19,449	12,588	0
Revenue Contributions	555	0	0	0
Capital Reserve	13,561	11,165	6,972	0
Total	71,092	71,057	54,052	1,512

Appendix 4 – Reductions in Capital Programme

Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason
ADULTS, CHILDREN AND FAMILIES				
DFC Grant	4,730,808	2,818,382	1,912,426	Budget Realignment
Hurdesfield / Ethel Elks	1,115,000	865,000	250,000	Capital Challenge
Short Break Re Provision 11-12	300,000	50,500	249,500	Capital Challenge
Contact Point / Further Dev of Children's Hub/ e-CAF	382,000	236,665	145,335	Capital Challenge
Minor Works / Accessibility (<£100k)	382,000	222,985	159,015	Capital Challenge
Pupil Referral Unit 11-12	1,500,757	38,052	1,462,705	Capital Challenge
Specialist Special Needs Provision 11-12	950,000	0	950,000	Capital Challenge
Land Block 10-11	66,650	1,213	65,437	Capital Challenge
Land Drainage 10-11	63,140	54,027	9,113	Capital Challenge
VA Contributions 10-11	12,997	2,250	10,747	Capital Challenge
Kings Grove Mobile Replacement	792,000	609,912	182,088	Capital Challenge
Church Lawton - Specialist Provision	2,995,805	6,347	2,989,458	Capital Challenge
Sandbach Childrens Centres Ph3	758,959	754,353	4,606	Capital Challenge
Adults workforce Census East	14,920	0	14,920	Capital Challenge
Children's Workforce Dev Sys East	70,000	11	69,989	Capital Challenge
Signage (£5k*20 centres, estimate)	13,000	9,397	3,603	Capital Challenge
Primary Capital Programme (PCP)	22,000	0	22,000	Capital Challenge
Cledford TLC Scheme	3,360,000	3,345,630	14,370	Capital Challenge
TLC Dean Oak's PS	3,186,894	3,168,971	17,923	Capital Challenge
TLC Vernons PS Amalgamation	3,753,000	3,727,542	25,458	Capital Challenge
Offley Primary School	1,017,653	1,014,330	3,323	Capital Challenge
Stapely Broad Lane PS - Replacement of temp accomodation	907,970	901,575	6,395	Capital Challenge
TLC Sir William Stanier Comm S	21,447,626	21,413,515	34,111	Capital Challenge
Alsager H S Perf Arts Cent	1,100,000	1,079,361	20,639	Capital Challenge
St Johns Wood CS - Sports Barn	268,000	264,000	4,000	Capital Challenge
Monks Coppenhall Primary School	120,000	117,812	2,188	Capital Challenge
Hollins View	6,000,000	0	6,000,000	Capital Challenge
Combined ICT Project	4,368,610	567,095	3,801,515	Capital Challenge

Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason
PLACES & ORGANISATIONAL CAPACITY				
Streets & Open Spaces				
Springfield Road Allotments	36,000	32,546	3,454	Capital Challenge
Allotment Improvements	15,000	11,931	3,069	Capital Challenge
HWRC Sites Review	4,000,000	0	4,000,000	Capital Challenge
Highways & Transport				
Vaudreys Wharf Canal	600,000	98,018	501,982	Capital Challenge
Drain Improvements - Joey the Swan	35,000	0	35,000	Capital Challenge
Alderley Edge Village Enhancements	109,301	94,007	15,294	Capital Challenge
Structural Maintenance	1,500,000	0	1,500,000	Capital Challenge
Community				
Parking Penalty Charge Notice Processing	112,000	87,000	25,000	Capital Challenge
Macclesfield Car Park Management Plan	242,384	200,000	42,384	Capital Challenge
Other Car Parking Improvements	696,649	180,000	516,649	Capital Challenge
Crematoria - Replacement Cremators	450,000	60,000	390,000	Capital Challenge
Alderley Edge Cemetery	89,153	7,073	82,080	Capital Challenge
Weston Cemetery	150,000	0	150,000	Capital Challenge
Development				
Town Regeneration & Development	6,035,000	2,757,000	3,278,000	Capital Challenge
Crewe Town Squares Refurb	2,908,702	2,034,640	874,062	Capital Challenge
Crewe Regeneration	845,000	0	845,000	Capital Challenge
Visitor Information Centres	30,000	0	30,000	Capital Challenge
Parkgate - Regeneration	1,282,000	509,254	772,746	Capital Challenge
Private Sector Assistance	1,599,284	1,316,284	283,000	Capital Challenge
Assisted Purchase Scheme	811,049	590,844	220,205	Capital Challenge
Empty Homes Initiatives	500,000	885	499,115	Capital Challenge
Private Sector Assistance	300,000	0	300,000	Capital Challenge
Disabled Facilities for Cheshire East Residents	1,320,000	920,387	399,613	Capital Challenge
Municipal Buildings Office Ref	650,000	0	650,000	Capital Challenge
Office Accommodation Strategy	9,830,000	8,376,339	1,453,661	Capital Challenge
Energy Consumption	660,000	350,000	310,000	Capital Challenge
Performance, Customer Services & Capacity				
Customer Access in Libraries	77,000	0	77,000	Capital Challenge
Radio Frequency ID (RFID)	1,200,000	1,073,621	126,379	Capital Challenge

Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason
CORPORATE SERVICES				
ICT				
Local Independent Workforce	10,711,688	8,390,000	2,321,688	Capital Challenge
Enable Citizens and Businesses	1,700,000	964,000	736,000	Capital Challenge
Core System Stability	18,456,594	15,342,000	3,114,594	Capital Challenge
Superfast Broadband	1,618,000	1,224,000	394,000	Capital Challenge
HR				
Accident Reporting system New scheme	18,000	15,150	2,850	Money returned to Revenue
Totals			42,383,689	

Appendix 5 – Request for Supplementary Capital Estimates (SCEs) and Virements

Capital Scheme	Starts Year	Amount Requested £	Funding	Reason for SCE/Virement	PARA Ref
<u>SUPPLEMENTARY CAPITAL ESTIMATES</u>					
Adults, Children and Families					
Adelaide Special School	2011/12	26,353	Adelaide School Contribution	School agreed to fund overspend against total approved budget from their School budget	
The Quinta Primary	2011/12	37,000	School Contribution	School has agreed to fund additional funding requirement	
Monks Coppenhall	2011/12	1,849	School Contribution	School has agreed to fund the residual expenditure on the scheme as funding was removed as part of the C&F Capital Challenge session - 03/09/2012	
The Berkeley Primary	2012/13	2,559	School Contribution	School has agreed to fund additional funding requirement	
Shavington High School	2012/13	1,520	School Contribution (LMS budget)	School has agreed to fund additional funding requirement	
Capital Maintenance Grant	2012/13	30,000	Puss Bank Primary School (School Contribution)	School has agreed to fund roofing work	
Capital Maintenance Grant	2012/13	5,000	Hollinhey Primary School (School Contribution)	School has agreed to fund roofing work	
Capital Maintenance Grant	2012/13	30,000	Malbank High School (School Contribution)	School has agreed to fund replacement window work	
Capital Maintenance Grant	2012/13	15,000	Ashdene Primary School (School Contribution)	School has agreed to fund replacement window work	
Goostrey Primary School	2011/12	4,500	School Contribution	School agreed to fund overspend against total approved budget from School budget for fire screen	
Alsager Highfields Primary School	2011/12	83,000	School Contribution	School agreed to fund overspend against total approved budget from School budget	
Leighton Primary School	2011/12	18,735	Schools LMS budget	School agreed to fund additional works for mobile replacement	
Building Base Review	2012/13	86,030	Capital Grant for Lincoln House (LDDF Moneys)	Grant funding has been sitting in Revenue and has been transferred to capital to account for and utilise the grant monies correctly.	
Building Base Review	2012/13	57,350	Capital Grant for Carter House (LDDF Moneys)	Grant funding has been sitting in Revenue and has been transferred to capital to account for and utilise the grant monies correctly.	

Capital Scheme	Starts Year	Amount Requested £	Funding	Reason for SCE/Virement	PARA Ref
<u>Places & Organisational Capacity</u>					
Highways & Transport					
S278 - Dunwoody Way (Apartments)	2011/12	1,500	External Contributions from Developer	The original developer went bankrupt leaving the scheme part done, a new developer is now finishing the development and as a new agreement is required the costs to complete have risen from £500 to £1,500. This increase in costs will be met by the Developer.	
Accessibility - Bus Network Investment	2011/12	8,052	S106 Contribution	The existing Accessibility programme of LTP funded works is to be extended to include the provision of sustainable transport facilities at Knutsford Railway Station so that existing S106 funding could be used to further enhance existing plans at the site and to contribute to reducing car dependency and to encourage cycling.	
Connect 2 Phase 3	2010/11	124,000	Additional Sustrans grant	Increased as a result of the need to re-design intended route. Concerns expressed by landowner late in design process. Sustrans successfully approached for additional funding to cover the increased design and construction costs. Failure to complete project would have resulted in significant abortive costs for CEC.	
Highway Structural Maintenance	2012/13	3,000,000	Prudential Borrowing	Increase in investment in new and existing roads infrastructure	58-62
Development					
Private Sector Assistance	2011/12	3,467	Repayments of Decent Homes grant	Increase due to repayments of 2 Decent Homes loan, to be recycled as loans for future applicants.	
<u>Corporate Services</u>					
Superfast Broadband	2012/13	40,421,708	External Contributions from Cheshire West & Chester B.C., Halton B.C., Warrington B.C., ERDF, LEP fund, BDUK, Private sector provider	The update is to reflect the gross cost of the overall project, together with the partner contributions, grants and private sector investment.	88
Total SCE's Requested		43,957,623			

						Virement FROM ...		
Capital Scheme	Starts Year	Amount Requested £	Funding	Reason for SCE/Virement	PARA Ref	Starts Year	Capital Scheme	Amount Requested £
<u>CAPITAL BUDGET VIREMENTS</u>								
<u>Adults, Children and Families</u>								
Minor Works / Accessibility (<£100k)	2011/12	96,000	Capital Maintenance Grant	School scheme has now ceased and the grant funding made available has been used to finance the Minor Works block scheme instead of prudential borrowing as per the C&F Capital Challenge Session -03/09/12		2012/13	Woodcocks Well Primary School	96,000
Minor Works / Accessibility (<£100k)	2011/12	25,099	Capital Maintenance Grant	Scheme under spent so the grant funding has been made available to finance the Minor Works block scheme instead of prudential borrowing as per the C&F Capital Challenge Session - 03/09/2012		2011/12	Middlewich High Secondary School	25,099
Minor Works / Accessibility (<£100k)	2011/12	21,000	Capital Maintenance Grant	Used Capital Maintenance Grant funding from 2012/13 Minor Works allocation to fund 2011/12 Minor works block scheme - to replace the prudential borrowing requirement as per the C&F Capital Challenge session 03/09/12		2012/13	Minor Works (<£100k)	21,000
Minor Works / Accessibility (<£100k)	2011/12	8,039	Capital Maintenance Grant	Used Capital Maintenance Grant funding from 2011/12 Suitability Bids allocation to fund 2011/12 Minor works block scheme - to replace the prudential borrowing requirement as per the C&F Capital Challenge session 03/09/12		2011/12	Suitability Bids (<£100k)	8,039
Minor Works / Accessibility (<£100k)	2011/12	9,000	Capital Maintenance Grant	Used Capital Maintenance Grant funding from 2012/13 Minor Works allocation to fund 2011/12 Minor works block scheme - to replace the prudential borrowing requirement as per the C&F Capital Challenge session 03/09/12		2012/13	Capital Maintenance Grant	9,000
Minor Works / Accessibility (<£100k)	2011/12	31,000	Capital Maintenance Grant/DFC Contribution from Alsager School (All within Accessibility)	Projects with different start years aligned to afford a more sustainable solution.		2012/13	Accessibility (<£100k)	31,000
Goostrey Primary School	2011/12	1,106	Prudential Borrowing	Asset Management service has agreed to fund asbestos removal works as part of their Compliance work		2011/12	COMPLIANCE 2011/12	1,106
Rode Heath Primary School	2011/12	5,000	DFC Capital Grant	School has agreed to fund overspend against the total approved budget on new build from their DFC allocation		2012/13	DFC Grant	5,000
Poynton High School	2010/11	31,000	Capital Maintenance Grant	To fund overspend against total approved budget from the capital maintenance grant allocation for 2012/13		2012/13	Capital Maintenance Grant	31,000
Mobberley CE Primary School	2012/13	796,000	Capital Maintenance Grant	Scheme has been agreed at TEG & EMB to fund new classrooms, toilet facilities to accommodate the increase in the need for child places at the school.	14	2012/13	Capital maintenance Grant	796,000

						Virement FROM ...		
Capital Scheme	Starts Year	Amount Requested £	Funding	Reason for SCE/Virement	PARA Ref	Starts Year	Capital Scheme	Amount Requested £
Places & Organisational Capacity								
Streets & Open Spaces								
Sandbach Park Building Refurb	2008/09	1,989	S106 Contribution	Re-alignment required to fund unexpected Assets staff time bookings not in original project scope		2009/10	Sandbach Park	1,989
Congleton Park Improvements - Town Wood	2009/10	1,660	S106 Contribution	Lower Heath Community Project has finished and left over S106 funds can be applied to Congleton Park for qualifying works		2011/12	Lower Heath Community Project	1,660
Highways & Transport								
Connect 2 Phase 3	2010/11	106,000	Local Transport Plan 12-13 Direct Grant	Increased as a result of the need to re-design intended route.Concerns expressed by landowner late in design process. The virement of budget will fund the associated land compensation costs. Failure to complete project would have resulted in significant abortive costs for CEC.		2012/13	Bridge Maintenance Minor Works	106,000
Performance, Customer Services & Capacity								
Website and Telephony 2012/13	2012/13	7,040	Capital Reserve	The virements were requested due to budget pressures resulting from the change in the hourly rate for ICT Shared Services recharges.		2008/09	Customer Access	7,040
Customer Relationship Management & Telephone System	2009/10	8,382	Capital Reserve	The virements were requested due to budget pressures resulting from the change in the hourly rate for ICT Shared Services recharges.		2008/09	Customer Access	8,382
Customer Relationship Management & Telephone System	2009/10	7,618	Capital Reserve	The virements were requested due to budget pressures resulting from the change in the hourly rate for ICT Shared Services recharges.		2010/11	Radio Frequency ID (RFID)	7,618
Community Services								
Nantwich Pool Enhancements (part-funding)	2008/09	372,000	Prudential Borrowing	Combination of increase in costs since Feasibility		2012/13	Minor Works 2012/13	108,000
			Capital Reserve	stage and final contractor submission along with an increase in project scope to include		2008/09	Disability Discrimination Act Improvements/ Adaptations	59,000
			Prudential Borrowing	extensions for a fitness suite & exercise studio		2012/13	AMS BLOCK 12/13	205,000
Development								
Wilmslow Feasibility 11/12	2011/12	25,381	Revenue Contribution	The intention had been to fund this work through the Town Regeneration & Development capital budget 2012/13. However, this is ultimately financed through prudential burrowing and, as the focus of this project is essentially feasibility, it is more appropriate to fund it through the Feasibility Studies capital budget which is financed from the revenue account. This Feasibility Studies budget was allocated to inform the business case and delivery strategy for the Lifestyle concept and associated projects.		2011/12	Feasibility Studies 11/12	25,381
Total Virements Requested		1,553,314						1,553,314

						Virement FROM ...		
Capital Scheme	Starts Year	Amount Requested £	Funding	Reason for SCE/Virement	PARA Ref	Starts Year	Capital Scheme	Amount Requested £
Requests for Budget Adjustments within Programme to consolidate funding								
These Budget adjustments are wholly within the same Project/Programme/Block allocation category but across Starts Years and are required to consolidate Programme/Block Budgets								
<u>Places & Organisational Capacity</u>								
Development Disabled Facilities Grants	2012/13	25,000	Prudential Borrowing	Projects within the same Programme with different start years, rolled up so that they can be shown as one line in the Capital Programme.		2011/12	Disabled Facilities for Cheshire East Residents	25,000
Total SCE's, Virements and Budget Adjustments		45,535,937						1,578,314

Appendix 6 – Corporate Grants Register as at 30th September 2012

	Forecast June FQR 2012/13 £000	Forecast Sept MYR 2012/13 £000	Variance 2012/13 £000
<i>Note</i>			
Formula Grant			
Revenue Support Grant	1,287	1,287	0
National Non Domestic Rates	66,390	66,390	0
Total Formula Grant	67,677	67,677	0
Specific Grants			
Ringfenced Grants			
Dedicated Schools Grant	195,650	193,540	2,111
Pupil Premium Grant	3,944	4,009	-64
Sixth Forms Grant (EFA)	9,221	8,801	419
Golden Hello	40	40	0
16-19 Bursary	83	128	-45
Summer Schools (New Grant as at July-2012)	0	90	-90
Total Ringfenced Grants	208,938	206,608	2,331
Non Ringfenced Grants - held within service			
Council Tax Benefit Subsidy	1 20,408	20,408	0
Housing Benefit Subsidy	1 75,128	75,128	0
Total Benefit Subsidies	95,536	95,536	0
Non Ringfenced Grants - held corporately			
Early Intervention Grant	12,908	12,908	0
Learning Disabilities & Health Reform - PCT transfer	6,128	6,128	0
Learning Disabilities & Health Reform	4,417	4,417	0
Adult Skills & Adult Safeguarding Learning	675	675	0
Skills Funding Agency	216	294	-78
YOS grant	418	418	0
NHS Funding	3,756	3,756	0
Troubled Families	522	522	0
Troubled Families - Co-ordinator	100	100	0
Music Grant	143	143	0
Adoption Improvement Grant	0	40	-40 SRE bid
Housing Benefit & Council Tax Admin.	2,094	2,094	0
NNDR Administration Grant	562	562	0

Notes

1

The budgets for Council Tax Benefit and Housing Benefit Subsidy grants are held within the service.

	Forecast June FQR 2012/13 £000	Forecast Sept MYR 2012/13 £000	Variance 2012/13 £000
<i>Note</i>			
Non Ringfenced Grants - held corporately			
<i>Local Service Support Grant -</i>			
Preventing Homelessness Grant	253	253	0
Lead Local Flood Authorities	176	176	0
Community Safety Fund	148	148	0
Extended Rights to Free Transport (C&F)	385	385	0
LSS Total	963	963	0
Mortgage Rescue / preventing Repossessions	107	107	0
Community Transport Grant	139	139	0
Local Sustainable Transport Fund	578	578	0
New Homes Bonus 2011/12	870	870	0
New Homes Bonus 2012/13	1,844	1,844	0
New Homes Bonus 2013/14	0	0	0
Affordable Homes - starts 2012/13	85	85	0
Council Tax Freeze Grant 12/13	4,505	4,505	0
Council Tax - New Burdens	84	84	0
Community Rights to Challenge New Burdens grant	9	9	0
LACSEG refund from 2011/12 formula grant	503	503	0
New Burden Temporary Deferment Business Rates 12/13	0	5	-5
New Burden Community Rights to Bid	0	5	-5
Children's Workforce in Schools Modernisation Grant	0	0	0
Learner Support Funds	0	0	0
16+ Transport Partnership grant	0	0	0
Further Education Funding (16-18 Funding)	0	0	0
<i>Grants Claimed Retrospectively -</i>			
Milk Subsidy	28	0	28
Asylum Seeker	0	0	0
Workstep	0	0	0
Migration Impact Fund (Communities of Interest)	0	0	0
	41,653	41,753	-100
Total Specific Grants	346,127	343,897	2,230
Total Government Grant Funding	413,804	411,573	2,230

Appendix 7 – Treasury Management

Counterparty Limits and Investment Strategy

1. The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. For named UK banks and building societies this has been set at 15% of our total investments subject to a maximum value of £15m. These limits apply to the banking group that each bank belongs to. Limits for Money Market funds have been set at 25% of total investments subject to a maximum value of £20m. There is also a maximum that can be invested in all Money Market Funds at any one time of 50% of the value of all investments.
2. Our approved counterparties list also includes a number of foreign banks although, to date, none have been used. Due to the on-going problems in the Eurozone and consistent with advice from our Treasury Management advisors, direct investments in most other European countries are not currently being considered. The limits applicable to foreign banks are the same as those applied to UK banks.
3. Banks credit ratings are kept under continual review although there have been no material changes in the last quarter. Due to the on-going uncertainties in the European financial markets most banks are limited to overnight deposits only; the exceptions being Barclays Bank and Nationwide Building Society to which a 100 day limit applies, and HSBC and Standard Chartered to which a 6 month limit applies. The short term ratings of Royal Bank of Scotland (RBS) remain below that specified in our Treasury Management Strategy so no further investments are currently being made. However, after consultation with our advisors, the intention is to remove this restriction relating to short term ratings from the Treasury Management Strategy.
4. Although a number of ratings are considered (long-term, short-term, support, viability), it is the long-term rating that is the ultimate driver of creditworthiness of financial institutions. In the capital markets, the perceived credit standing of an institution is referenced by its long-term rating which represents an agency's view of an institution's capacity to honour its financial obligations and its vulnerability to foreseeable events. The long-term rating is the principal driver of a bank's funding costs and perceived creditworthiness internationally, and hence market sentiment towards that institution. This is the reason long-term ratings should have prominence in comparison to other ratings.
5. The Council does not place over-reliance on credit ratings alone and therefore takes additional factors into account to assess an institution's overall creditworthiness such as credit default swaps, share prices, sovereign support mechanisms and economic fundamentals (a country's net debt/GDP) as well as on corporate developments and/or news of market sentiment towards counterparties.
6. Opportunities are being taken whenever possible to fix investments for short periods to take advantage of slightly higher rates. In quarter 2 these have been generally been 3 month investments with Lloyds TSB and 1 month investments with Santander. The Council continues to make use of a 100 day notice account at Barclays which yields a margin above the 3 month LIBOR rate.
7. **Table 1** shows the current investments and limits with each counterparty. A full analysis of the types of investment and current interest ratios achieved is given in **Table 2**.

Table 1 – Current Investments and Limits

Counterparties	Limits		Investments as at 30/09/12	
UK BANKS				
Barclays Bank	15%	£15m	10%	£9m
Co-operative Bank:	15%	£15m	9%	£8.3m
HSBC Bank	15%	£15m	-	-
Lloyds TSB	15%	£15m	13%	£12m
Royal Bank of Scotland	-	-	-	-
Santander (UK) plc	15%	£15m	13%	£12m
Standard Chartered Bank	15%	£15m	-	-
BUILDING SOCIETIES				
Nationwide Building Society	15%	£15m	-	-
Money Market Funds	50%		33%	
Deutsche	25%	£20m	6%	£6m
Ignis	25%	£20m	11%	£10m
Federated Prime Rate	25%	£20m	10%	£9m
Scottish Widows	25%	£20m	6%	£6m
Pooled Funds - External Fund Manager	50%		22%	£20.1m
				£92.4m

Table 2 – Types of Investments and Current Interest Rates

Instant Access Accounts	Avg rate %	£000's
Instant Access Accounts	0.65%	13,287
Money Market Funds	0.57%	31,000

Notice Accounts	Avg rate %	£000's
Notice Accounts (up to 100 days)	0.94%	9,000

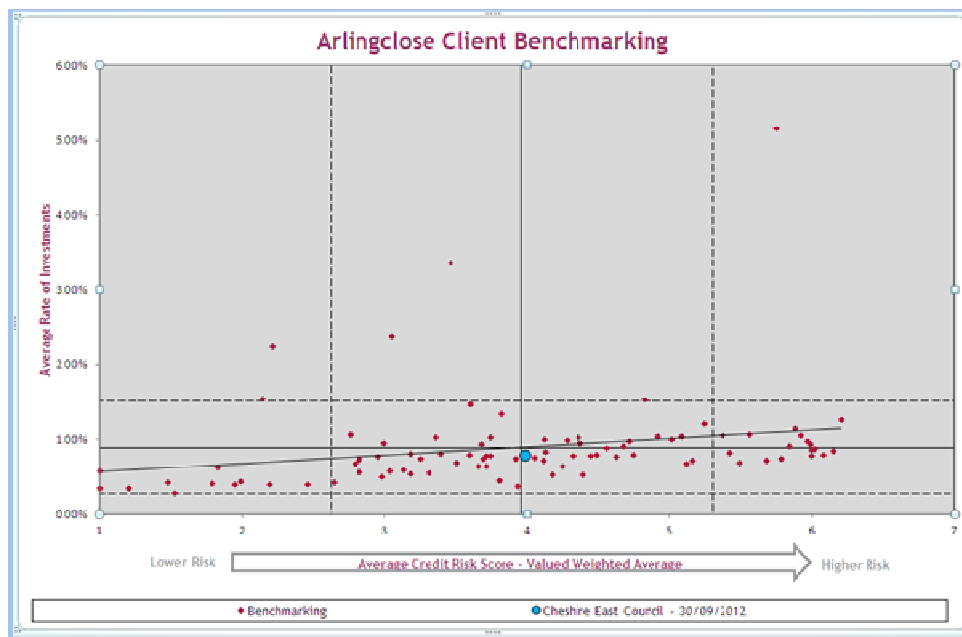
Fixed Term Deposits	Start	Maturity	Rate %	£000's
Lloyds TSB	01/08/2012	01/11/2012	1.35	4,000
Lloyds TSB	08/08/2012	08/11/2012	1.35	4,000
Lloyds TSB	16/08/2012	16/11/2012	1.35	4,000
Santander (UK)	03/09/2012	03/10/2012	0.83	2,500
Santander (UK)	11/09/2012	11/10/2012	0.83	2,000
Santander (UK)	19/09/2012	19/10/2012	0.82	2,500

Externally Managed Funds	£000's
Pooled Investments	20,139

Maturity Profile	£000's
Instant Access	44,287
Maturing < 1 month	7,000
Maturing within 1 - 6 months	21,000
Maturing within 6 – 12 months	0
Externally Managed Funds	20,139
Total	92,426

8. Benchmarking of investment returns is notoriously difficult as the level of returns is related to the level of risk and different Local Authorities take different views on risk. The table below shows the credit scores against the level of return comparing Cheshire East with other Local Authorities as at 30th September 2012 that use

the same treasury advisors as ourselves. This reveals that both our risk appetite and the returns achieved are average compared to other Local Authorities. Returns could be increased by using lower credit rated counterparties or increasing the duration of investments. Many authorities with lower risk but higher returns than Cheshire East have historic longer dated investments which have yet to mature or have lower and less volatile daily cash balances. Higher cash balance means spreading the risk among counterparties even if the rate paid by some counterparties is relatively low.



Source: Arlingclose Ltd

Performance of Fund Manager

9. The table below shows the performance of the funds (net of fees) since the initial investment of £20m (£10m in each model) on 27th May 2011.

	STANDARD MODEL	DYNAMIC MODEL
April 2012	0.00%	-0.06%
May 2012	-0.04%	-0.13%
June 2012	0.10%	0.17%
July 2012	0.24%	0.27%
August 2012	0.07%	0.10%
September 2012	0.11%	0.13%
Cumulative 2012/2013	0.48%	0.49%
Value of Investment at 30/09/12	£10,145,972	£10,116,647
Fees (Total since start)	£34,087	£36,686
Average Annual Rate as at 30/09/12	0.84%	0.60%

10. Performance of the funds in April and May was affected by the continued debt crisis in Europe, in particular the uncertainties over the Greek economy.
11. Corporate Bonds and emerging market debt were all affected by the European debt issues but improved greatly in June once the markets settled down. They have continued to provide most of the gains on the funds since then. Most good credit quality

Government stocks continue to offer very low yields but the funds have focused on other AAA rated stocks (such as Norway, Canada and Australia) which have helped the performance of the Short dated bonds element of the funds.

12. The performance of the funds in the last quarter has been encouraging and more in line with our expectations than previously. The nature of these investments is that performance can be volatile so they should only be judged over a longer period of time. Regular meetings are being held with the fund managers to assess the on-going performance and suitability of these funds.

Amendment to Treasury Management Strategy Statement (TMSS)

13. As indicated in **Section 2** of the report, attached is the extracts from the TMSS showing the proposed changes for approval.

Specified Investments

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high” credit quality as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies

- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- Treasury Bills (T-Bills)
- Local Authority Bills (LA Bills)
- Commercial Paper
- Corporate Bonds
- AAA-rated Money Market Funds
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

1. ** Investments in these instruments will be on advice from the Council’s treasury advisor.*
2. *The use of the above instruments by the Council’s fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent ~~short-term/~~long-term ratings assigned by Moody’s, Standard & Poor’s and Fitch (where assigned):

Long-term minimum: A3 (Moody’s) or A- (S&P) or A-(Fitch)

~~*Short-term minimum: P-1 (Moody’s) or A-1 (S&P) or F1 (Fitch).*~~

In addition the Council will also make use of short term call accounts with the Councils current bankers, the Co-operative Bank, who do not meet the Council’s minimum creditworthiness criteria, although the ratings do.

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

Appendix 8 – Performance Report

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep – 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
Children, Families & Adults	CFA001	Average time between a child entering care and moving in with its adoptive family, for children who have been adopted (days)	Quarterly	Low	719 days	640 days	593 days	The Directorate is currently implementing an Improvement Plan agreed with the DFE to improve timescales for children awaiting to be adopted. Performance since application of the Plan is showing some improvements. It is important to recognise that small numbers, which are involved here, can have disproportionate impact on the figures. We also expect some variation over the year as there are still children prior to improvements in our system, who are already out of timescale, who have not yet been adopted and will show in future figures. The second quarter shows an improving picture both in relation to our own performance and the new revised national 3 year average.
	CFA002	Average time between a local authority receiving court authority to place a child and the local authority deciding on a match to an adoptive family (days)	Quarterly	Low	260 days	214 days	180 days	Again the first two quarters of this year show improvement both in relation to our own target and the national average. We are still above the national average (198 as opposed to 195) but this is an improvement on last year's figures.

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep - 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
	CFA003	Percentage of children who wait less than 21 months between entering care and moving in with their adoptive family	Quarterly	None	46%	Not Set	44%	Rationale for calculation of this figure has been obtained from number of children adopted during 01/04/2012-30/09/12, number of children placed with adoptive carers at 30/09/12 and number of children with an adoption decision at 30/09/12 who have not been cared for longer than 21 months. The figure is for period 01/04/12-30/09/12 not a cumulative 3 year figure. Whilst this has dropped slightly from last year, the drop is minor (46% to 43.5%), we are still a little way off the national average (56%), but are working with a new tracker system to improve this. This is part of the Improvement Plan for Adoption.
	NI 19	Rate of proven re-offending by young offenders	Quarterly	Low	0.97 number	1.00 number	1.05 number	Q2 data available in November 2012. This figure relates to most recent available data for Q1; a cohort of 107 individuals who received an outcome during Jan - Mar 2011 and the frequency rate of re-offending within 12months.

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep - 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
	NI 59	Initial assessments for childrens social care carried out within 10 working days of referral	Quarterly	High	52.20%	75.00%	36.00%	Overall picture for six months is 731 IA's completed and 41% signed off within 10 days. The Children's Assessment Team which undertakes this work is currently subject to review due to the high dependency upon agency staff.
	NI 60	Core assessments for childrens social care that were carried out within 35 working days of their commencement	Quarterly	High	60.60%	75.00%	59.20%	Work continues to ensure the balance between timeliness and quality is not compromised
	NI 64	Child protection plans lasting 2 years or more	Quarterly	Low	2.63%	5.00%	1.60%	This represents good performance.
	NI 65	Children becoming the subject of a Child Protection Plan for a second or subsequent time	Quarterly	Low	11.11%	15.00%	15.70%	The appropriate re-registration of a large family of siblings due to change in circumstances has resulted in a higher than desired % This figure can be skewed significantly by a small number of children being registered in a quarter but one large family group subject to a re-registration

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep – 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
	NI 67	Child protection cases which were reviewed within required timescales	Monthly	High	100.00%	100.00%	100.00%	The purpose of this indicator is to demonstrate that the multi-agency plans to keep the most vulnerable children in Cheshire East safe are independently reviewed in a timely way to ensure they are appropriately robust. Operational arrangements will ensure that this is a priority and will endeavour to continue to achieve 100%.
	NI 111	First time entrants to the Youth Justice System aged 10 to 17	Quarterly	None	188 number	Not Set	37 number	Q2 data available November 2012. Figure relates to the Q1 period 1/4/2012 - 30/06/2012; the most recent available data.
	NI 117	16 to 18 year olds who are not in education, training or employment (NEET)	Quarterly	Low	5.00%	4.90%	5.50%	Figure relates to the end of August 2012. Sept and Oct are normally higher pending clarification of those leaving YR 11 and their final destination.
	NI 125	Achieving independence for older people through rehabilitation/ intermediate care	Monthly	High	74.40%	74.40%	78.30%	The new Service Manager for Intermediate Care is currently looking at new and better collection methods to increase response rates. The information needed to collate this indicator comes from two different hospital trusts and we are working through options to standardise this.

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep - 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
	NI 130	Social care clients receiving Self Directed Support (Direct Payments and Individual Budgets)	Monthly	High	45.50%	45.00%	39.40%	Work is being undertaken on this measure to address performance issues. The Team Support Service are working with teams to help them drive up performance on this measure. Coaching sessions are taking place and a briefing has been sent to teams.
	NI 131	Delayed transfers of care from hospitals	Monthly	Low	8.70 number	8.70 number	10.10 number	The figure within this measure that account for delays attributable to adult social care is only 0.17
	NI 132	Timeliness of social care assessment	Monthly	High	92.80%	94.00%	94.10%	This measure continues to perform well. New reporting at team level has been produced so that team managers can now see more detailed breakdowns of time taken for completion of assessments.
	NI 133	Timeliness of social care packages	Monthly	High	93.80%	93.00%	94.50%	Performance remains consistent on this measure and above target. A review of this measure is currently being considered: this measure is based on the old national indicator which was created prior to developments around personalisation and programmes such as reablement.

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep - 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
	NI 135	Carers receiving needs assessment or review and a specific carers service, or advice and information	Monthly	High	35.45%	25.30%	27.40%	There was a significant improvement in 2011/12 but we are still looking at ways to help more carers in 2012/13. For example we are currently exploring ways of improving and increasing the numbers of carer's assessments with an organisation that works with carers on behalf of Community Mental Health Teams.
	NI 141	Percentage of vulnerable people achieving independent living	Quarterly	High	73.45%	65.00%	80.19%	Performance is up on last year and is exceeding target. A high number of people are being supported to make the move into their own independent accommodation.
	NI 142	Percentage of vulnerable people who are supported to maintain independent living	Quarterly	High	98.43%	98.70%	97.94%	Although very slightly under target this still shows that long term and floating support services continue to be very successful at helping vulnerable people to live independently.
	NI 145	Adults with learning disabilities in settled accommodation	Monthly	High	52.90%	31.00%	31.50%	Although there was significant improvement on this measure in 2011/12, a stretching end year target of 70% has been set. The Team Support Service are currently looking at where there are opportunities to improve performance through new ways of collecting the data required.

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep - 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
	NI 146	Adults with learning disabilities in employment	Monthly	High	7.00%	4.36%	3.33%	Although currently below challenging target, this is better than same point last year (2.44% at Quarter 2 2011/12).Work is ongoing to help support learning disabled people into work opportunities: for example, Work Placement Officers continue to further explore the use of assistive technology when arranging in-work support for customers.
Places & Organisation Capacity	NI 155	Number of affordable homes delivered (gross)	Quarterly	High	247 number	75 number	55 number	This quarter's provision derives mainly from two of our larger providers. Overall housing market remains sluggish which has limited the progress on market sites across the Borough resulting in our housing target for affordable homes completions not being met.
	NI 157a	Processing of planning applications as measured against targets for major application types	Quarterly	High	31.30%	60.00%	51.80%	Provisional figure reported - Performance levels are down from Q1 and now missing target of 60%.
	NI 157b	Processing of planning applications as measured against targets for minor application types	Quarterly	High	51.70%	65.00%	76.30%	Provisional figure reported - Performance marginally down from Q1 however target is still being met.
	NI 157c	Processing of planning applications as measured against targets for other application types	Quarterly	High	69.60%	80.00%	91.70%	Provisional figure reported - Performance marginally down from Q1 however target is still being met.

Corporate Scorecard Report for 12 /13 Quarterly Reporting

(Organisation Summary)

Sep - 2012

Objective	Measure		Frequency	Polarity	Result 2011/12	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2012/13								
HR & OD	BV012	Working days lost due to sickness absence (cumulative)	Monthly	Low	9.16 days	3.80 days	4.46 days	Sickness absence is an issue that the Council takes seriously and reviews on a regular basis. We have an action plan in place to address absence and, as well as close monitoring and training for line managers, we have implemented a number of proactive initiatives. These include increased use of occupational health services and provision of specialist advice and guidance on, for example, cancer, healthy lifestyles and stress awareness. We have also held two wellbeing events for employees this year with another three planned to take place during November and December.

CHESHIRE EAST COUNCIL

ENVIRONMENT AND PROSPERITY SCRUTINY COMMITTEE

Date of meeting: 1 November 2012
Report of: The Borough Solicitor and Monitoring Officer
Title: Call-in of Key Decision CE12/13-18 Delivery of Streetscape and Parking Maintenance Activities

1.0 Report Summary

This report sets out the procedure for the Call-in of the decision of the Cabinet made on 17 September 2012.

2.0 Recommendations

- 2.1 That the Scrutiny Committee considers whether or not it wishes to offer advice to the decision maker in response to the Call In.

3.0 Wards Affected

- 5.1 All Wards

4.0 Local Ward Members

- 4.1 All Members for the above Wards.

5.0 Policy Implications

- 5.1 Contained within the attached report.

6.0 Financial Implications

- 6.1 Contained within the attached report.

7.0 Legal Implications

- 7.1 Contained within the attached report.

8.0 Risk Assessment

- 8.1 Contained within the attached report.

9.0 Background and Options

- 9.1 In accordance with Scrutiny Procedure Rule 12.3, any 8 or more Councillors can call in a decision. In this case, 9 Members have called in the above decision for the reasons identified in Appendix 1

9.2 In accordance with Scrutiny Procedure Rule 12.6 the Committee has two options in respect of any further action. The Committee may decide to offer no advice, in which case the decision may be implemented. Alternatively, the Committee may decide to offer advice, in which case, the matter must be referred to the decision maker, in this case the Cabinet Member for Prosperity, in order for a decision to be made upon it. In accordance with Scrutiny Procedure Rule 12.8, the decision maker is not bound to accept any advice offered to him and will have sole discretion on any further action to be taken. Such action may include:

(1) Confirming with or without amendment the original decision; or

(2) Deferring the matter pending further consideration; or

(3) Making a different decision.

9.3 Where the Scrutiny Committee decides to offer advice, this must be clearly documented in the minutes

9.4 If the Scrutiny Committee decides not to offer any advice, then the decision of the Cabinet can be implemented immediately.

9.5 Full details of the Call-In Procedure can be found at Scrutiny Procedure Rule 12

9.6 The Cabinet Member for Environment and relevant officer will attend the meeting to explain the background and reasons for the decision and to answer any questions the Committee may have.

9.7 The following records the decision of the Cabinet of 17 September 2012:

1. That, subject to no challenge being received during the Voluntary Ex-ante Transparency Notice period commonly referred to as the VEAT notice, approval be given to extending the scope of the Highways Services Contract to include Streetscape and Parking Maintenance activities as outlined in 10.2 and 10.6 of the report.
2. That approval be given to the publication of a procurement VEAT Notice
3. That approval be given to the development of a detailed activity programme that will engage with elected members, existing employees and their Trade Union representatives, with a view to achieving a commencement date of 1 January 2013 for the new service delivery arrangements.

9.8 The Report of the Strategic Director, Places and Organisational Capacity considered by the Cabinet is attached at Appendix 2.

9.9 A response to the issues raised in the Call-In Notice is attached at Appendix 3 (report to follow).

10.0 **Appendices**

Appendix 1 – Call In Notice

Appendix 2 – Report of the Strategic Director, Places and Organisational Capacity

Appendix 3 – Response to the issues raised in the Call-in Notice (To Follow)

For further information:-

Officer: katie Smith

Tel No: 01270 686465

Email: katie.smith@cheshireeast.gov.uk

Background Documents:-

Documents are available for inspection at:

Legal and Democratic Services, Westfields, Middlewich Road, Sandbach, CW11 1HZ

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Appendix 1

Call-in of Key Decision CE12/13-18 Delivery of Streetscape and Parking Maintenance Activities

The 9 councillors listed below have called in the decision of the Cabinet on the grounds:

Streetscape works well, perhaps excellently. Highways contract is unproven and insufficient evidence is available to show that the service will not deteriorate or even to make the decision to change. Also:

- Professional advice was not taken from officers or not duly considered.
- The decision was taken in the absence of adequate evidence.
- There was inadequate consultation relating to the decision.
- Viable alternatives were not considered.

Councillor D Brickhill

Councillor S Hogben

Councillor B Murphy

Councillor A Moran

Councillor S Jones

Councillor M Grant

Councillor R Fletcher

Councillor B Burkhill

Councillor M Parsons

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CHESHIRE EAST COUNCIL

CABINET

Date of Meeting: 17 September 2012

Report of: Strategic Director – Places and Organisational Capacity
Subject/Title: Inclusion of Streetscape and Parking Maintenance
Activities Within the Highway Services Contract
Portfolio Holder: Cllr Rod Menlove

1.0 Report Summary

- 1.1 This report seeks Cabinet approval to extend the scope of the Highways Services Contract by the inclusion of existing Streetscape and Parking Maintenance (excluding parking enforcement) activities that are currently undertaken directly by the Council (refer to 10.2 and 10.6 for full details). The activities being considered are those that are predominantly undertaken within the highway boundaries or those activities (such as grounds maintenance) that are similar in nature to cyclical and routine activities undertaken within the scope of the Highways Services Contract currently managed by Ringway Jacobs. The report outlines the benefits and risks of extending the scope of the Highways Services Contract. The report also seeks delegated authority to commence discussions with Ringway Jacobs that will ultimately aim to result in the new service arrangements commencing on 1 January 2013.
- 1.2 It is anticipated that the increased contract scope will realise immediate savings in the last quarter of 2012-2013 in excess of £50,000, increasing to a full-year saving of over £250,000 during 2013/14 on existing annual revenue budgets within Streetscape, rising to a value of circa £450,000 per annum from 1 April 2014 after the first full year of operation, without any reduction in existing service standards and any compromise on ongoing initiatives. Parking Maintenance will see efficiencies generated from combining the management activities with those undertaken within the Highways Team, seeing works associated with Traffic Regulation Orders and maintenance activities that are common to both areas being combined as one operational team activity without a reduction in service standards. It is anticipated that after the first full year of operation, efficiencies generated will be in excess 7.5% of current operating costs.
- 1.3 Members attention is drawn to paragraph 10.13 which describes how these proposals are intended to be complimentary to the Council's localism agenda.

2.0 Decision Requested

- 2.1 Cabinet is requested to approve the (subject to no challenge being received during the Voluntary Ex-ante Transparency Notice period commonly referred to as the VEAT notice) extension of the scope of the Highways Services Contract to include Streetscape and Parking Maintenance activities as outlined in 10.2 and 10.6 below.
- 2.2 To approve the publication of a procurement VEAT Notice
- 2.3 To approve the development of a detailed activity programme that will engage with elected members, existing employees and their Trade Union representatives with a view to achieving a commencement date of 1 January 2013 for the new service delivery arrangements.
- 2.4 To note that extending the scope of the Highways Services Contract will trigger the automatic application of the TUPE Regulations which will affect a transfer of a number of existing Council employees within the Streetscape, Parking and Fleet Services to Ringway Jacobs.

3.0 Reasons for Recommendations

- 3.1 Due to the ever increasing financial pressures that the Council is facing, new and innovative ways of service delivery are required that will allow the Council to achieve 'more for less', ensuring that existing service provision continues to the same high standards as delivered previously whilst being sustainable in future years.

4.0 Wards Affected

- 4.1 All Wards are affected by the proposal.

5.0 Local Ward Members

- 5.1 All Ward Members are affected by the proposal.

**6.0 Policy Implications including – Carbon Reduction
- Health**

- 6.1 The existing Highways Services Contract requires Ringway Jacobs to carry out the services in a manner that achieves greater value for money for the Council, year on year, by reducing costs and delivering the Services more efficiently whilst seeking to maximise the achievement of the Council's Strategic Objectives throughout the contract period. Our Strategic Objectives include 'limiting carbon emissions', which ensures that Ringway

Jacobs are required to demonstrate that they are achieving this. Additionally, in support of this, Ringway Jacobs must also maximise the 'achievement of the objectives set out in the Local Transport Plan'. The Local Transport Plan includes Priority Policies that work towards carbon reduction, through for example, minimising the future need to travel and through encouraging technological development in transport services in partnership with operators.

- 6.2 Ringway Jacobs have already embraced the Council's objectives associated with well being and carbon reduction and in the short time they have been in operation, have become an integrated member of the Carbon Reduction Group. The same approach will apply to all services included within the increased scope of contract.
- 6.3 An existing performance framework exists which requires Ringway Jacobs to measure performance in this area with challenging targets established for energy reduction.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 The services which are included within the scope of works for the Highways Services Contract and undertaken by Ringway Jacobs as core services have an annual value of around £14 million (capital and revenue).
- 7.2 The current 2012-13 annual combined value of the Streetscape services associated with Grounds Maintenance and Street Cleansing activities is around £5.5 million.
- 7.3 The new arrangement will deliver immediate savings in the last quarter of 2012/13 in excess of £50,000, increasing to a full year saving of over £250,000 during 2013/14 on existing annual revenue budgets within Streetscape, rising to a value of circa £450,000 per annum from 1 April 2014 after the first full year of operation when compared to existing Service costs. This will be achieved through the removal of existing casual/agency staff combined with operational efficiencies secured during the first full year of operation, generating savings of around 7.5% as per the contractual commitment contained within the Highways Services Contract. In addition to these initial savings, future year-on-year savings of 3% per annum will be secured from innovation and efficiency gains. The potential additional 2013/14 & 14/15 savings referred to above (circa £400,000), over and above the £50,000 savings already secured against the approved 2012/13 budgets, will be reported as part of the Business Planning process for 2013/14 onwards and will be clarified after the detailed work associated with increasing the Contract scope is completed (as referred to in 7.2 above).
- 7.4 Parking Maintenance will benefit from efficiencies generated from combining the Parking Maintenance activities with those similar activities

undertaken by Ringway Jacobs as part of the Highway Services Contract. Over the course of the first full year of operation, the Council will benefit from efficiency improvements that will see a reduction in running costs without any reduction in service standards. It is anticipated that after the first full year of operation, efficiencies generated from service delivery will reduce the current financial pressure across the Service by around 7.5% combined with a further year on year reduction of 3% per annum associated with future innovation and efficiency gains. Again, additional future savings referred to above, the approved 2012/13 budgets, will be reported as part of the Business Planning process for 2013/14 onwards and will be clarified after the detailed work associated with increasing the Contract scope is completed (as referred to in 7.2 above).

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Council has entered into the Highways Services Contract (the Contract) with Ringway Jacobs. The term of the Contract is five years with the opportunity to extend for a further two years (depending on performance and at the Council's ultimate discretion). The Contract commenced early October 2011.
- 8.2 The Council, as Highway Authority for the Cheshire East area, has numerous powers and duties under the Highways Act 1980 to carry out highway associated activities including maintenance, improvement and repair work on the highway network all of which were included within the original contract scope as set out in the OJEU Procurement Notice (the Notice) for the Contract. None of the duties discharged by Ringway Jacobs on behalf of the Council relieve the Council of those powers and duties and the Contract contains contractual remedies that can be exercised in the event that Cheshire East Highway's fails to discharge the functions.
- 8.3 The Highways Services Contract sets out very clearly the statutory obligations of the Council the performance of which, are delegated to Ringway Jacobs along with the protocol for the discharge of other statutory obligations of the Council.

Substantially amending the scope of a contract post award of tender can lead to a breach of the procurement rules. A substantial change in scope could amount to an award of a new contract which could then be challenged as an unlawful award of contract. Some elements of the increased service e.g. verge and hedge management are specifically within the scope of the Contract. However other elements, namely street cleansing and grounds maintenance activities in parks and open spaces amount to a technical breach of the Notice. Although the wording within the Contract was widely drafted with a catch all phrase of 'any additional services as may be requested by the Employer from time to time' this would be legally construed in the light of the overall content of the Notice and the categories of services included within that Notice. Although adding the services to the Contract would not result in the value of the Contract exceeding the estimated financial contract value given in the Notice this is not the only

issue to consider when interpreting if a change in scope amounts to an award of a new contract that could be challenged as an unlawful award of contract.

- 8.4 Advice was sought from Bevan Brittan, the external solicitors involved in the procurement of the Highway's Contract, as to the potential risk of a challenge that could result from any perceived change in the scope and value of the contract. Bevan Brittan has provided clear advice as to what is unequivocally within scope and what is in strict legal terms was outside scope. A commercial view was proffered as to the risk of challenge by the unsuccessful tenderers; this was considered to be low. However, a challenge can be brought by anyone, in practical terms only parties that might stand to benefit bring claims, however in the given situation the Council needs to consider the Unions and Members and would be unwise to proceed in the event that there was not universal support for the action. Although it is envisaged that the risk of challenge from both internal and external sources is minimal, the proposed increased scope of activities will result in a variation to the existing arrangement that is sufficiently material to fall beyond the scope of works originally advertised and with hindsight should have been included on the original published OJEU Notice. It is not only original tenderers that could challenge the award organisations that are able to provide street cleansing and/or park maintenance might also wish to challenge, any one could raise a complaint with the EU Commission which would pursue the Council of its own volition.
- 8.5 It has been suggested that prior to the Council extending the scope of the Contract it could protect its position by issuing a VEAT Notice. Provision is made for the VEAT Notice in the Public Procurement Regulations to be used to advertise to the market an intention to award a contract directly without making a call for competition. However these direct awards can only be made where explicit justification is given. The permissible justifications are set out in regulation 14 as follows:
- (1) A contracting authority may use the negotiated procedure without the prior publication of a contract notice in accordance with regulation 17(3) in the following circumstances-
- (a) in the case of a public contract-
- (i) when a contracting authority is using the negotiated procedure in accordance with regulation 13(a) and invites to negotiate the contract every economic operator which submitted a tender following an invitation made during the course of the discontinued open procedure or restricted procedure or competitive dialogue (not being a tender which was excluded in accordance with regulation 15(11), 16(7) or 18(10)); and
- (ii) subject to paragraph (2), in the absence of tenders, suitable tenders or applications in response to an invitation to tender by the contracting authority using the open procedure or the restricted procedure but only if the original terms of the proposed contract offered in the discontinued procedure have not been substantially altered in the negotiated procedure;

(iii) when, for technical or artistic reasons, or for reasons connected with the protection of exclusive rights, the public contract may be awarded only to a particular economic operator;

(iv) when (but only if it is strictly necessary) for reasons of extreme urgency brought about by events unforeseeable by, and not attributable to, the contracting authority, the time limits specified in-

(aa) regulation 15 for the open procedure;

(bb) regulation 16 for the restricted procedure; or

(cc) regulation 17 for the negotiated procedure;

The Council does not fit comfortably within these justifications, however as Bevan Brittan has advised issuing the VEAT is a way of flushing out potential challenges and would protect the Council's position.

Although the publication of the VEAT notice in itself can encourage a challenge, in practice since the introduction of the New Directive Remedies these notices are being used across the EU to resolve the changing needs of long-term arrangements.

A challenge can be received anytime during the first six months of a Contract but by following the VEAT Notice approach identified above, will reduce the risk of any challenge being made.

- 8.6 It must also be noted that extending the scope of the Contract will trigger the automatic application of the TUPE Regulations which will affect a transfer of a number of existing Council employees within the Streetscape, Parking and Fleet Services to Ringway Jacobs.

9.0 Risk Management

- 9.1 The potential risks to the Council of a procurement challenge are dealt with in paragraph 8.5 above.
- 9.2 The Council is at the forefront of pursuing devolution of services and the objectives of the Localism Act 2011 with its Town and Parish Councils. Currently a 'Pathfinder' is underway with Congleton Town Council. The Pathfinder has been conducting trials on local delivery of services and is currently considering the benefits of devolving services from Cheshire East Council to the Town Council of Congleton. Other Town and Parish Councils are also considering similar service delivery models. The extended Contract with Ringway Jacobs will not prevent or delay such initiatives and is flexible enough to accommodate future delivery needs.
- 9.3 Achieving the target date of 1 January 2013 for the commencement of service delivery under the revised scope of contract is dependant upon the successful completion of 2 key activities, namely, concluding the terms of

the extension with Ringway Jacobs and liaising with staff and trade unions in relation to TUPE transfer.

- 9.4 The Council has recently introduced a requirement for all major projects and programmes to be reviewed by a new corporate quality assurance group called the Executive Monitoring Board (EMB) before they can proceed. Major projects and programmes are defined where there is a total cost in excess of £250k and/or where there is significant risk. The project arising from this report will therefore need to be reviewed by the EMB prior to any approval to proceed being given.

10.0 Background and Options

Grounds Maintenance and Street Cleansing Existing Arrangements

- 10.1 There are currently 143.3 full-time equivalent (FTE) Council employees employed on Grounds Maintenance, Street Cleansing and related Fleet activities, along with 17 FTE agency employees. These 138.3 members of staff within the Streetscape Service (operatives, apprentices and a mixture of office-based staff) along with 5 employees who work within Fleet Services, maintaining vehicles and plant. The exact numbers of staff eligible for TUPE transfer will be determined as scope of the contract extension is finalised.
- 10.2 Services to be included within the revised scope of contract :
- All highway verges (Already included within scope of works for Ringway Jacobs);
 - Grounds maintenance activities in parks and open spaces;
 - Horticultural activities;
 - Tree Management;
 - Street Cleansing activities; and
 - Litter & dog bin emptying;
- 10.3 Services to be excluded from the revised scope of contract:
- Allotments;
 - Public Conveniences;
 - Markets; and
 - Bereavement Services
- 10.4 The operation is currently undertaken from nine discrete sites across the borough. Locations are determined by the key work locations and the mobility of the equipment used during maintenance operations.

Car Parks and Parking Services Existing Arrangements

- 10.5 There are currently 2 Council employees employed directly working on Parking Maintenance activities that have been identified eligible for transfer.
- 10.6 Services to be included within the revised scope of contract:
- Maintenance and management of all off-street and on-street parking facilities.
- 10.7 Services to be excluded from the revised scope of contract:
- Civil parking enforcement activities
 - All other services within Community Services.
- 10.8 Although the existing service provision is predominantly focussed upon parking enforcement issues, all activities associated with Parking Maintenance and management are common to highway management activities, requiring the same resources and management/maintenance regimes to deliver the service. These common practices will allow future efficiencies to be generated.
- 10.9 The operation is currently managed within Community Services.

Management Arrangements – Highways Services Contract

- 10.10 Ringway Jacobs are the service provider for the Councils Highways Services Contract.
- 10.11 A 'Thin Client Team' has been established to oversee the Contract. The Thin Client is responsible for ensuring that Ringway Jacobs work in accordance with the Council's objectives and achieves all the performance standards contained within the Contract and complies with all the financial controls required for a contract of this size and complexity.
- 10.12 It is intended that the additional service provision identified above in 10.1 and 10.5 will be managed in accordance with the existing Contract. The size of Thin Client Team may need to be slightly increased to oversee the additional contract elements and this will be determined prior to service commencement.

Key Priorities - Addressing Localism

- 10.13 This is a key objective of the Council and considerable focus has been given to ensuring that Ringway Jacobs' solutions address localism. The Council is at the forefront of enabling its Town and Parish Councils to have a greater say on the way services are delivered in their areas.
- A greater focus upon localism has the potential to increase the reputation of both Cheshire East and the local Towns and Parish

Councils. This approach may also gain national recognition for enabling local working, reducing the amount of complaints received, and increasing the quality of the services, whilst still achieving the necessary efficiency savings over the long term.

- Ringway Jacobs are committed to working closely with the Council to achieve any objectives associated with localised devolution opportunities whilst also embracing any changes resulting from the introduction of the Localism Act 2011; and Engaging with existing Town and Parish Councils to form part of the decision making process.
- The Council has for some time been working with Congleton Town Council on a Pathfinder project that, if agreed will see a range of services being provided by the Town Council. This arrangement would result in a number of employees being transferred to Congleton Town Council with responsibility for the provision of plant and other equipment remaining with the Council and managed via the Highways Services Contract. It is expected that the financial implications of this arrangement will provide at least the same value for money as those provided through the Ringway Jacobs contract.
- Should other Town and Parish Councils wish to pursue similar initiatives the Contract with Ringway Jacobs is flexible enough to accommodate this along with other local requirements such as the 'Parish Compact Agreements' (arrangement that allows small budget allocations to be paid directly to Town and Parish Councils to facilitate self delivery of some services. A number of Parish Compacts remain in place following their previous use by Crewe and Nantwich District Councils. The arrangements are expected to continue and may provide a model for further future devolution subject to the requirement that these arrangements provide at least the same value for money as those provided through the Ringway Jacobs contract.
- Whilst the Congleton Pathfinder and Parish Compacts illustrate 2 forms of service devolution it is recognised that others models may develop over time. The Contract extension with Ringway Jacobs will be developed in such a manner that supports this subject to the overall value for money considerations set out above.

Key Priorities - Innovation and Efficiencies

- 10.14 A key focus under the Highways Services Contract is to improve the efficiency of the provision of services provided. Ringway Jacobs has produced a schedule of the potential efficiencies and are currently working towards achieving them over the agreed timescale. Budgets have already been adjusted to reflect these improvements.
- 10.15 Ringway Jacobs (Ringway Jacobs) operates similar contracts across the UK; this allows them to bring their knowledge and innovation from elsewhere to benefit Cheshire East.

Key Priorities – Trade Union and Staff Engagement

10.16 Ringway Jacobs have already demonstrated their ability to work closely with all employees that are eligible to transfer from the Council. During the Highways Services procurement, over 140 eligible staff from both the Council and the existing term maintenance contractor (BAM Nuttall) transferred to Ringway Jacobs. A Staff Stakeholder Group was created and was active throughout the transfer process. A new Stakeholder Group will be established during the proposed change in scope of the Highways Services Contract. The group will facilitate employee engagement and cascade information to colleagues as things progress. The group includes union representatives and allows all issues and concerns to be raised and discussed on behalf of the wider employee group.

10.17 Key issues and concerns raised during previous meetings have been:

- Pension issues;
- TUPE issues, when will information be released to staff;
- Depot/accommodation strategy – ‘Where will I be based’; and
- Programme – timeline of events;

Mobilisation and Contract Commencement

10.18 Unlike the Highways Services Contract the speed at which the existing Contract scope could be varied and TUPE arrangements progressed could be completed within a very short period of around twelve weeks. The target date for new service arrangements commencing is 1 January 2012.

11.0 Access to information

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

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CHESHIRE EAST COUNCIL

Response to Call-In (Decision CE12/13)

Report of: Head of Highways and Transport.

Title: Delivery of Streetscape and Parking Maintenance Activities.

Portfolio Holder: Cllr Rod Menlove

1.0 Background

- 1.1 Over the last few months, work has been undertaken to determine the potential benefits and opportunities that could be realised from the delivery of services associated with Grounds Maintenance (in parks and open spaces), Street Cleansing and Car Park maintenance/management activities being delivered by Ringway Jacobs as part of the integrated Highways contract.
- 1.2 The transfer has the potential to realise immediate savings in excess of £50,000 on existing annual revenue budgets within Grounds Maintenance and Street Cleansing, rising to a value of circa £450,000 after the first full year of operation, without any reduction in existing service standards and any compromise on ongoing initiatives such as devolution of services and the objectives of the Localism Act 2011. The arrangement will remain flexible enough to accommodate any future requirements associated with transferring services to Town and Parish Councils in accordance with the trial projects that have been undertaken recently and any future variations.
- 1.3 Car Park maintenance/management will become fully integrated within the highway asset base, allowing a more efficient operating model to be developed that will generate further significant savings and over the course of the first full year of operation, will see a reduction in running costs.
- 1.4 A report was presented to Cabinet on 17th September 2012, with the following resolutions made:
1. That, subject to no challenge being received during the Voluntary Ex-ante Transparency Notice period commonly referred to as the VEAT notice, approval be given to extending the scope of the Highways Services Contract to include Streetscape and Parking Maintenance activities as outlined in 10.2 and 10.6 of the report.
 2. That approval be given to the publication of a procurement VEAT Notice
 3. That approval be given to the development of a detailed activity programme that will engage with elected members, existing employees

and their Trade Union representatives, with a view to achieving a commencement date of 1 January 2013 for the new service delivery arrangements.

4. That it be noted that extending the scope of the Highways Services Contract will trigger the automatic application of the TUPE Regulations which will affect a transfer of a number of existing Council employees within the Streetscape, Parking and Fleet Services to Ringway Jacobs.

- 1.5 The resolutions made have subsequently been challenged and called-in on the following grounds:

- Professional advice was not taken from officers or not duly considered
- The decision was taken in the absence of adequate evidence
- There was inadequate consultation relating to the decision
- Viable alternatives were not considered

2.0 Next Steps

- 2.1 An item has been added to the Environmental and Prosperity Scrutiny Committee arranged for 1st October 2013.
- 2.2 During the call-in procedure, discussions will generally be focussed around the grounds for call-in with the responses to each item as follows:

Professional advice was not taken from officers or not duly considered

Indicative discussions have been held with key staff over a variety of options available to the Council that will maintain existing service provision whilst delivering future savings.

The Council has now conducted a number of strategic procurement exercises with the most recent for similar activities being the “integrated Highways Services Contract” awarded to Ringway Jacobs in October 2012. Typically, contracts of this size can take up to two years to procure.

Discussions were held with key staff from within the Service and also guidance secured from support services (internal and external) on the opportunities to incorporate the Streetscape and Parking activities into the existing contract. The existing contract already has a number of defined benefits identified. By utilising this arrangement the Council will secure immediate savings whilst avoiding excessive procurement costs.

The first step in the process will be to follow the VEAT Notice arrangements to advertise the proposed changes.

The decision was taken in the absence of adequate evidence

The evidence for the decision was based upon:

- Speed of delivery – if this could be added to the existing Contract in place with Ringway Jacobs then the project could be delivered quickly with clearly defined savings being generated and significant savings in resources/financial investment associated with procurement and contract mobilisation issues.
- The contract developed for the Highways Contract is clearly defined with “one-off” transitional and ongoing “year-on-year” savings included, all of which are linked to a performance framework of achievements.

There was inadequate consultation relating to the decision

It was always envisaged that if approved to proceed, the first step in the process would be to issue the VEAT notice. Following publication, a detailed engagement programme would be established via the Environment and Prosperity Policy Board along with a number of engagement events with all Council Members. Ringway Jacobs have extensive experience of managing similar projects and more importantly they have specific experience of working closely with Cheshire East Members. The change in scope process adopted by Ringway Jacobs will make adequate provision for member engagement/consultation in advance of any change in scope being agreed. Additionally,

Viable alternatives were not considered

A number of options were considered all of which would take a considerable amount of time and resources to secure. By adopting the change in scope option, the Council can achieve the following:

- Implement in advance of the 2013/14 financial year;
- save significant amounts of money on procurement costs;
- deliver immediate savings in accordance with existing commitments secured through the Highways Contract; &
- Allow the Council to continue with its devolution programme.

3.0 Reasons for Proposed Action

- 3.1 Due to the ever increasing financial pressures that the Council is facing, new and innovative ways of service delivery are required that will allow the Council to achieve “more for less”, ensuring that existing service provision continues to the same high standards as delivered previously whilst being sustainable in future years.

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