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Cabinet

Agenda

Date:	**Monday, 24th June, 2013**
Time:	**2.00 pm**
Venue:	**The Capesthorne Room - 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. **Public Speaking Time/Open Session**

   In accordance with Procedure Rules Nos.11 and 35 a period of 10 minutes is allocated for members of the public to address the meeting on any matter relevant to the work of the meeting. Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

   Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

Contact: Paul Mountford, Democratic Services Officer
Tel: 01270 686472
E-Mail: paul.mountford@cheshireeast.gov.uk

4. **Questions to Cabinet Members**

A period of 20 minutes is allocated for questions to be put to Cabinet Members by members of the Council. Notice of questions need not be given in advance of the meeting. Questions must relate to the powers, duties or responsibilities of the Cabinet. Questions put to Cabinet Members must relate to their portfolio responsibilities.

The Leader will determine how Cabinet question time should be allocated where there are a number of Members wishing to ask questions. Where a question relates to a matter which appears on the agenda, the Leader may allow the question to be asked at the beginning of consideration of that item.

5. **Minutes of Previous Meeting** (Pages 1 - 10)

To approve the minutes of the meetings held on 28th May and 10th June 2013.

6. **Review of Services Delivered from Mountview** (Pages 11 - 92)

To consider a report on the outcome of the recent review of services delivered from Mountview in Congleton.

7. **Congleton Link Road - Viability Position Statement** (Pages 93 - 106)

To consider a report on the proposed Congleton Link Road between the A534 and A536.

8. **Alcohol Harm Reduction and Minimum Unit Pricing** (Pages 107 - 112)

To consider a report which provides an overview of the current position regarding minimum unit pricing for alcohol across Cheshire and Warrington and the wider region, and which recommends that progress towards reducing alcohol-related harm be accelerated by formally supporting the introduction of a minimum price per unit of alcohol.

9. **Preferred Delivery Model for Leisure, Sport, Play and Development Services** (Pages 113 - 228)

To consider a report on the benefits, implications and proposed approach to the creation of a new delivery vehicle for the Council's leisure facilities, sport, play and development services.

10. **Commissioning Crewe Cumberland Lifestyle Centre** (Pages 229 - 234)

To consider a report seeking approval to appoint the preferred contractor to work in partnership with Cheshire East Council to deliver a new Lifestyle Centre in Crewe.

11. **2012/2013 Final Outturn Review of Performance** (Pages 235 - 304)

To consider a report which provides summary and detailed information about the Council's financial and non-financial performance at the final quarter of the 2012/2013 Financial Year. The report also requests approval for supplementary estimates.

12. **Access to Payday Loan Websites through Public PCs in Libraries** (Pages 305 - 308)

To consider the introduction of a policy to block access to payday loan websites through public PCs in Cheshire East libraries and other Council buildings.

13. **Improving the Council's Approach to Procurement** (Pages 309 - 318)

To consider a proposal to engage consultants to support the Council in instilling a more robust approach to procurement.

14. **Major Change Project 6.4 - Determine Future Delivery Model for Waste Management Services** (Pages 319 - 346)

To consider a report on a future delivery model for waste management services.

15. **Exclusion of the Press and Public**

The report relating to the remaining item on the agenda has been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matter may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

16. **Major Change Project 6.4 - Determine future delivery model for waste management services - Interim Residual Waste Disposal Options** (Pages 347 - 356)

To consider a report on interim residual waste disposal options.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Cabinet**
held on Tuesday, 28th May, 2013 at Committee Suite 1,2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Jones (Chairman)
Councillor D Brown (Vice-Chairman)

Councillors Rachel Bailey, J Clowes, J P Findlow, B Moran, P Raynes and D Topping

Members in Attendance
Councillors G Baxendale, Rhoda Bailey, L Brown, K Edwards, D Flude, S Gardiner, P Groves, S Hogben, P Hoyland, L Jeuda, B Livesley, P Mason, A Moran, P Nurse, J Saunders, A Thwaite, G Wait, R West and S Wilkinson

Officers in Attendance
Kim Ryley, Paul Bradshaw, Tony Crane, Rachel Musson, Julie Openshaw and Paul Mountford

Apologies
Councillors L Gilbert and J Macrae

1 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

2 **PUBLIC SPEAKING TIME/OPEN SESSION**

There were no members of the public wishing to speak.

3 **QUESTIONS TO CABINET MEMBERS**

The Mayor, Councillor D Flude, sought an assurance that the proposed new case management system would be fully tested before it was purchased by the Council. The Leader gave that assurance. Councillor J Clowes, Portfolio Holder for Health and Adult Care, added that the system was already being tested by front line staff.

4 **MINUTES OF PREVIOUS MEETING**

RESOLVED

That the minutes of the meeting held on 7th May 2013 be approved as a correct record.

5 KEY DECISION 41 - ICT STRATEGY 2013-16

Cabinet considered the ICT Strategy for 2013-16. The Strategy set the corporate direction for ICT within the Council and supported corporate priorities.

Councillor D Brown, Portfolio Holder for Strategic Communities, informed Members of the following additional bullet point for the Strategy, under Section 3 – ICT Vision:

"Support the changing nature of service delivery through new and improved operating models such as social enterprises, separate legal entity, development companies, etc."

RESOLVED

That

(1) the corporate Information and Communications Technology Strategy 2013-2016 be approved; and

(2) the officers be authorised to take all necessary actions to publish and implement the Strategy.

6 KEY DECISION 52 - HOME TO SCHOOL TRANSPORT

Cabinet considered a revised home to school transport policy.

Cabinet had previously approved proposed changes to the policy specifically in relation to discretionary areas of activity. Revised government guidance, reaffirmed the Council's updated policy and set out statutory guidance that councils must take into account when formulating policy for the rights of parents who wished to challenge entitlement and eligibility decisions regarding home to school transport.

The appropriate policy clarifications had been made to ensure that the Council was meeting its statutory obligations.

RESOLVED

That

(1) the revised Home to School transport policy be received; and

(2) the officers be authorised to undertake all actions necessary to publish and implement the policy in accordance with statutory requirements.

7 **KEY DECISION 53 - CONTRACT FOR PROVISION OF BANKING AND CARD TRANSACTION SERVICES**

Cabinet considered a report on the award of the contract for banking and card services.

The Council had a requirement to undertake a tender for the provision of banking and card transaction services. The current contracts had been in place with the Co-Operative Bank and Global Payments (formerly HSBC) since 2009 and were due to expire in March 2014.

RESOLVED

That the Chief Operating Officer in consultation with the Borough Solicitor and the Portfolio Holder for Finance be authorised to award the contract for banking and card services.

8 **KEY DECISION 5 - AWARD OF CONTRACT FOR THE FLEXIBLE TRANSPORT SERVICE**

Cabinet considered a report seeking approval to award the contract for a long term flexible demand responsive transport contract from 15th July 2013 until 14th July 2018. The total value of the contract was £2,300,208 over 5 years with the option to extend the contract for a further 2 years.

The contract would replace two interim flexible transport contracts that had been in place since spring last year following the withdrawal of 'dial a ride' services in the Borough.

RESOLVED

That

(1) the contract for the new flexible transport service be awarded to Tenderer 1 with a contract end date of 14th July 2018; and

(2) the officers be authorised to award the contract and to work with the operator to plan, mobilise and start the service on 15th July 2013.

9 **KEY DECISION 6 - CREWE GREEN LINK ROAD SOUTH: CONTRACT AWARD AND FORWARD FUNDING OF DEVELOPER CONTRIBUTIONS BY COUNCIL**

Cabinet considered a report seeking approval to award the Early Contractor Involvement (ECI) Contract for the design and construction of the Crewe Green Link Road (South) scheme to the winning Tenderer following a fully compliant tender evaluation of all the bids.

The report also sought approval for the Council to `forward fund` the delivery of the link road in advance of the potential availability of developer (S106) contributions to the scheme to evidence the scheme's viability through the imminent CPO public Inquiry.

RESOLVED

That

(1) Tenderer 1 be confirmed as the winning Contractor for the Early Contractor Involvement (ECI) Contract for the design and construction of Crewe Green Link Road (South);

(2) the ECI Contract between the Council and Tenderer 1 be formally entered into on the terms and conditions set out in the tender following completion of a ten working day statutory standstill period in accordance with the Public Contracts Regulations 2006;

(3) it be noted that this decision will permit Contract Award and Authority to Proceed with Phase 1 – 'Design and development of Target Cost only;

(4) the winning Contractor's proposal to undertake some limited elements of the Detailed Design work as part of Phase 1 be approved and responsibility for Change Control be delegated to the Head of Environmental Protection and Enhancement in consultation with the Portfolio Holder;

(5) the Council forward fund the anticipated but contingent maximum developer (S106) contributions to the scheme up to a value of £8.8M in order to meet the current programme as agreed with the DfT pursuant to their programme entry confirmation letter, dated December 2011;

(6) it be noted that this decision does not include the funding required to deliver the spur roads off the central roundabout; and

(7) authority to proceed from Phase 1 to Phase 2 (Scheme Detailed design and construction) and the submission of the final DfT Funding bid be subject to a future Cabinet decision when the Target Cost is known and the extent of developer residual funding is finally established.

10 **KEY DECISION 7 - CONTRACT FOR THE SUPPLY OF LIQUID FUELS**

Cabinet considered a report outlining the options for a new contract for the supply of liquid fuels.

The Council currently had a contract with GB Oils Limited for the supply of Liquid Fuels via a Government Procurement Service Framework Agreement. The contract was due to expire on 31st May 2013 and work had been ongoing to manage arrangements for the re-tender of the contract. The report outlined the options for the new contract.

RESOLVED

That the use of an existing public sector framework arrangement as outlined in section 11.2 of the report be approved.

11 **KEY DECISION 8 - CREATIVE DESIGN AND PRINT FRAMEWORK AGREEMENT**

Cabinet considered a report seeking authority to implement a new creative design and print framework agreement.

Creative design and print services were procured externally by a number of different services within the authority. In September, 2010 Cheshire East Council put in place a contract for Creative Design and print services with a single provider. The contract expired on 15th April 2013.

The report sought authority to implement a new Creative Design and Print Framework Agreement which would provide a value for money and flexible creative design and print service for the authority. The Framework Agreement held a notional value of between £800k and £1.2m over the period of the contract which was for two years with the option to extend for one year and then one more year: a potential total period of four years.

RESOLVED

That following an OJEU procurement process, the Portfolio Holder for Strategic Communities be given delegated authority to appoint the successful bidders to the Creative Design and Print Framework Agreement.

12 **KEY DECISION 9 - PROCUREMENT OF NEW CASE MANAGEMENT SYSTEM**

Cabinet considered a report requesting approval to procure a new case management system (CMS).

The Council used the CIVICA PARIS CMS to plan and deliver Adults' and Children's social care services. PARIS was a legacy system which was no longer fit for purpose and the Council needed to procure and implement a new CMS as soon as possible. A new system would reduce maintenance costs, avoid future procurement and implementation costs and better support service delivery.

RESOLVED

That

(1) with effect from June 2013 the Council procure a new Case Management System on the basis set out in the report; and

(2) a five year contract be awarded to the winning bidder to supply, implement and support its proposed CMS solution by December 2013, subject to:

- a clear schedule for reviewing the performance of the supplier
- the option to extend the contract in increments of one or more years for up to five additional years after the first five or in accordance with the terms of the framework
- a clear schedule of break-points to give notice on the contract should the Council decide not to extend it after five years or earlier if the performance of the supplier is ultimately deemed unacceptable.

13 **KEY DECISION 10 - UPDATE ON THE REVIEW OF SERVICE DELIVERY OPTIONS - LEISURE SERVICES**

Cabinet considered a report seeking approval for the creation of a company to deliver leisure services.

Cabinet had previously resolved: "That approval be given to the procurement and appointment of a suitable leisure and financial consultant to review the range of potential delivery models available and recommend a preferred option for leisure and related services."

The report set out the work to date on the various potential delivery models to secure the future of leisure services and sought approval for the creation of a company that would be a charitable Trust and for the delivery of leisure services to be transferred to that company.

The Council's leisure facilities were currently managed in-house. In line with the need to deliver efficiencies in future service provision the report outlined the conclusions from the options appraisal work by FMG consulting. The full options appraisal report was attached at appendix A to the report. The project had been reviewed by the Technical Enabler Group on 2nd May 2013 and the Group's comments had been taken into account.

RESOLVED

That

(1) Cabinet notes the findings of the options appraisal and consultation exercise that have concluded that the most appropriate model for the delivery of leisure services is that of a charitable trust;

(2) the recommissioning of leisure services be approved with an effective target date of 1st April 2014 and with the new operating model being

established by the end of the year at the latest. In making this decision, Cabinet takes into consideration sections 9 and 10 of the report and in particular 9.1; and

(3) subject to resolution (2), delegated authority be given to the Head of Public Protection and Enforcement (SRO for the project), Borough Solicitor and 151 Officer (or the officers that are devolved those powers) to implement the preferred delivery model in consultation with the Portfolio Holder and Leader of the Council.

14 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

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

15 **KEY DECISION 51 - DOMICILIARY SUPPORT IN EXTRA CARE HOUSING SCHEMES**

Cabinet considered a report seeking delegated authority to award four domiciliary care contracts to provide care and support in the following extra care housing schemes:

Beechmere, Crewe
Oakmere, Handforth
Willowmere, Middlewich
Mill House, Nantwich

The contracts would be let for an initial five year term with a possibility to extend for up to two further years.

RESOLVED

That delegated authority be given to the Executive Director of Strategic Commissioning to award the contract to the tenderer scoring highest in a legally compliant procurement exercise.

The meeting commenced at 2.00 pm and concluded at 3.20 pm

M Jones (Chairman)

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Cabinet**
held on Monday, 10th June, 2013 at Committee Suite 1 & 2, Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Jones (Chairman)

Councillors Rachel Bailey, J Clowes, J P Findlow, P Raynes and D Topping

Members in Attendance
Councillors D Marren and A Thwaite

Officers in Attendance
Kim Ryley, Paul Bradshaw, Lorraine Butcher, Rachel Musson, Caroline Simpson, Tessa Leonard and Paul Mountford

Apologies
Councillors D Brown, L Gilbert and B Moran

16 DECLARATIONS OF INTEREST

There were no declarations of interest.

17 FUTURE OF MACCLESFIELD TOWN FOOTBALL CLUB

In accordance with Section 100B(4)(b) of the Local Government Act 1972 the Chairman was of the opinion that by reason of special circumstances this item should be considered as a matter of urgency. The Chairman of the Corporate Scrutiny Committee had been consulted in accordance with Section 54.6 of the Executive Arrangements and Cabinet Procedure Rules and had agreed that the decision was urgent and could not reasonably be deferred.

Cabinet considered an urgent report on the future of Macclesfield Town Football Club.

The Club was facing considerable financial challenges and the Council had been approached on 3rd June 2013 to see if there was any support available from the Council to prevent imminent insolvency and the consequent economic, social and reputational impact for Macclesfield.

Since the evening of the 3rd June, the Council had worked collaboratively across all services to deliver due diligence, risk assessment and appropriate options appraisal to find a possible way forward. The report proposed a way forward which secured the financial viability of the Club and prevented imminent insolvency; allowed for the transfer of current shares in Macclesfield Town Football Club into a Community Interest Company and acquired an asset for the Council secured at good value.

The proposal provided the opportunity to create much needed investment in the south of Macclesfield and would deliver economic, social and community benefits to the area which suffered from relatively high levels of deprivation in Cheshire East terms. It would also anchor and sustain the Club within the local community.

The deal proposed would secure the first Community Interest Company in the UK which had been set up to manage and run a football club without the club first becoming insolvent. This particular route to converting to a community-owned club had far less impact on the local economy and community.

Club Chairman Mike Rance and former Chairman Alan Cash attended the meeting and, at the invitation of the Chairman, spoke about the Club and the various ways in which it contributed to the life of the local community. Both thanked the Council for its support.

The Chairman, Councillor M Jones, as Leader of the Council, summed up by saying that the proposal was about investing in the community, putting people first and showing the Council's commitment to Macclesfield.

Members extended their thanks and appreciation to those Finance and Legal officers who had been involved for their dedication and professionalism and the speed with which they had worked.

RESOLVED

That

(1) Cabinet agrees that the Interim Chief Executive or his identified nominee, in consultation with the Cabinet Member for Resources, and subject to taking advice from the Monitoring Officer and the Chief Financial Officer or their identified nominee(s), be given delegated authority to acquire the freehold interest of Macclesfield Town Football Club, Moss Rose Football Ground, London Road, Macclesfield;

(2) the above be subject to terms and conditions which must not involve any departure from the Council's Budgetary and Policy Framework, or any other Cabinet or Regulatory Committee Policy; and

(3) the acquisition be funded from the Council's agreed Capital Programme, and if necessary the priority of other projects be adjusted to accommodate this expenditure.

The meeting commenced at 12.00 pm and concluded at 12.24 pm

M Jones (Chairman)

Agenda Item 6

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24th June 2013
Report of:	Lorraine Butcher, Executive Director of Strategic Commissioning
Subject/Title:	Review of Services Delivered From Mountview
Portfolio Holder:	Cllr Janet Clowes – Health and Adult Care

1.0 Report Summary

1.1 The recent review of services delivered from Mountview in Congleton has provided a valuable opportunity to listen to the views and experiences of local people. The Council would like to thank all Mountview customers and carers who have taken the time to contribute their views (72% of whom contributed to this consultation), together with staff, former users of the service and the general public.

1.2 A petition of 1608 signatories was also received that requested that Mountview should continue to be retained as a local facility that provides services. In addition to this, an Equality Impact Assessment has also been completed and this is provided for consideration (Appendix 3).

1.3 The review has highlighted that:

1.3.1 Service users highly value the day care provided at Mountview and, in particular, the social interaction that it provides. It is, therefore, important to further consider how this service could be delivered by other providers, whilst also ensuring that these social networks are maintained.

1.3.2 Customers and families value respite care close to home. As such, the Council will maintain respite services at Mountview in the immediate future until we have properly sourced other high quality care in the Congleton area (through the wider care and support market).

1.3.3 Many customers of Mountview already access other care and support provision and value having choice and quality care locally. This review work has confirmed that there is a vibrant care and support economy in and around Congleton and that the Council should explore how this market could best support greater customer choice.

1.3.4 This review has identified that the use of Mountview remains a high cost choice (particularly in terms of respite care) in comparison to other quality care and support services. By working with the local care and support market on better alternatives, the Council will be able to offer greater choice for local people whilst also offering greater value for money for individuals, and ensuring services are of similar high quality.

2.0 Recommendations

It is recommended that:

2.1 with regard to respite services for older people, those with dementia and those with a learning disability, Cabinet approves the adoption of Option 1B below (section 10.1) – that 'Mountview services continue for a defined period, whilst other facilities are secured locally in the Congleton area';

2.2 the defined period covers a transitional arrangement while alternative care and support services (respite) for older adults are explored in the market through a competitively tendered and block purchasing approach with independent sector care homes;

2.3 a further report is considered by Cabinet, when a contract has been secured for the provision of respite care from the private market;

2.4 day care provision continues at Mountview for existing service users, to be reviewed at a future date, as the needs/choices of current users change.

3.0 Reasons for Recommendations

3.1 This report recognises the changing landscape of care and support for adults, characterised by the national programme for Personalisation (Choice and Control), which is enabling people to choose how their care needs can best be met and by whom. This may be achieved:

(a) independently through a personal budget allocation;
(b) through shared arrangements with the Council's assistance; or
(c) through directly commissioned services by the Council on someone's behalf.

3.2 There is recognition that the arrangements for provision of care and support is changing, with more services now being provided through the voluntary, independent and private sector than are directly provided by the Council through its in-house services. The shaping of local services is something that this Council and its key stakeholders will further develop in partnership with local people. This will ensure that Cheshire East will continue to be able to offer a wide, inclusive and sustainable choice of services for local people.

3.3 Individual choice and control is already having an effect in Cheshire East, with take-up of Care4CE services (the Council's in-house care and support services) changing significantly as a result. This is something that the Council understands is likely to continue. Like similar local authorities, we will be considering the options for the future of these services, to enable the skills and experience valued by many who use them to be a continuing part of a vibrant and sustainable social care and health market locally.

4.0 Wards Affected

4.1 Congleton East and Congleton West.

5.0 Local Ward Members

5.1 Cllr Gordon Baxendale, Cllr David Brown, Cllr Roland Domleo, Cllr Peter Mason, Cllr Andrew Thwaite, Cllr David Topping

6.0 Policy Implications

6.1 None

7.0 Financial Implications

7.1 Local Authority finances are undergoing significant changes as part of the Government's overall deficit reduction programme. The overall grant funding is expected to reduce further in 2015-16, and will vary depending on relative levels of economic growth, which are more unpredictable at a local level. There is no doubt that funding for Councils will further reduce significantly over the next five years, and is likely to continue to reduce beyond this timeframe up to 2020, at a time of growing demand for care services.

7.2 The Chancellor's Budget in March 2013, and press articles in advance of the next Comprehensive Spending Review (CSR) (setting out forecast funding levels from 2014/2015), have confirmed that the austerity measures will continue and may have a greater impact than originally envisaged, as funding reduces while statutory responsibility, demand and cost levels increase. The CSR is expected in late June and the Council will be updating its funding predictions as a result.

7.3 At this stage, the Council Budget Report reflects funding shortfalls of £8.3m in 2014/2015 and £14.1m in 2015/2016. Further work is required by the Council to develop proposals to bridge these gaps and the Budget Report sets out a framework for this, which includes continuously reviewing management levels and staffing structures, its own services, and also the value for money achieved in its commissioning of services in the wider market.

7.4 Within the Council Budget Report for 2013-14, the budget for Adult Services included a proposal to review Mountview services. The Council's agreed Budget sets target savings on the basis that the services provided from Mountview would cease during 2013-14, with any alternative provision of those services being sourced from the budgets allocated within the Individual Commissioning purchasing budgets. The Council's approved budget assumes that Care4CE would save £1.0m from its budgets, with £325,000 saved in 2013-14 and a further £675,000 saved in 2014-15.

7.5 It is important to note that other budgets relating to Mountview, such as premises/corporate landlord costs and overheads, are not included within Care4CE budgets and are managed outside Adult Services. These will be considered separately, when a decision about the future use of the physical building (rather than of the services offered inside it) have been made.

7.6 The review of activity and budgets at Mountview has highlighted that the full cost of residential and respite provision for learning disability, older people and dementia care (including overheads and corporate landlord costs) is £1.144m. The levels of usage at Mountview have varied significantly over time, and affect the number of beds (commonly termed as bed weeks) that would need to be provided for differently in future in the independent sector. Put simply, the lower the existing usage at Mountview, the smaller the level of alternative provision required. For example, for the total 35 beds, re-providing beds in the care market would vary from 30 beds at 85% usage levels to 18 beds at 50% usage levels. The table below provides a comparison of the cost of purchasing beds from the independent sector at different usage levels against the current costs associated with Mountview:

Usage Level	**Estimated cost per annum in independent sector £'s**	**Savings against Council cost per annum £'s**
85%	904,000	240,000
60%	638,000	506,000
50%	532,000	612,000

7.7 Whilst day care provision continues to be offered from Mountview, costs of £130,000 a year will continue to be incurred. However, if the day care was provided differently, depending on both usage and needs of customers, the overall savings range in time from £370,000 to £742,000 a year.

7.8 The costs of the alternative provision of residential and respite care, and the shortfall arising from the continued provision of services at Mountview, will be mitigated by actions to reduce spending across the Adult Social Care budgets as a whole.

8.0 Legal Implications

8.1 Consultation has been undertaken in respect of this proposal (see Appendix 2). The general principles that must be followed when consulting are well established:

- The consultation must be at a time when proposals are still at a formative stage;
- The proposer must give sufficient reasons for any proposal to enable intelligent consideration and response. Those consulted should be aware of the criteria that will be applied when considering proposals and which factors will be considered decisive or of substantial importance at the end of the Consultation process;
- Adequate time must be given for consideration and response;
- The product of consultation must be conscientiously taken into account in finalising any statutory proposals.

8.2 Cabinet must satisfy itself that the consultation has been properly conducted in line with the principles above. In addition, Cabinet must ensure that it has clarity with the outcomes of that consultation and therefore, as decision maker, is able to take the results fully into account when making its decision on the proposals contained in this report.

8.3 In making its decision, Cabinet must have due regard to the Public Sector Equality Duty as set out at S149 of the Equality Act 2010, which states:

"(1) A public authority must, in the exercise of its functions, have due regard to the need to—

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it… "

8.4 To assist Cabinet in respect of the Public Sector Equality Duty, an Equality Impact Assessment has been carried out in respect of the proposals within this report. Appendix 3 provides the completed Equality Impact Assessment.

8.5 Section 10.3 of this report proposes that alternative care and support services for older adults be procured through a competitive tendering exercise. It is not possible to ascertain the value of any contract/s that would be put out to tender from the information provided in the report (i.e. the estimated budget for older care provision has not been separated out from the costs and savings information). However, on the basis that a competitive tendering exercise for block purchasing of care and support services for older people is being proposed by the report and, given the overall budget levels discussed in the financial implications, it has be assumed that the contract value/s will be over EU threshold and that, whilst care services are Part B services, the Council will follow EU Procurement Regulations and conduct either an open or restricted tendering process in accordance with the Council's Finance and Contract Procedure Rules (E44 to E53). Under the Public Services (social Value) Act 2012 there is a duty to consider the social value of any services contract which is above OJEU threshold before a procurement exercise is undertaken.

9.0 Risk Management

9.1 The estimated savings in the budget proposals may not be met, or only achieved in part. The Adult Services budget holders will consider, with the Director of Adult Social Care and Independent Living, how such business proposals could be achieved and advise on the risk impact in the subsequent report to Cabinet covering the work with the wider care and support market and options for the future use of Mountview as an asset.

9.2 Decision making on this matter needs to take account of the risk to the reputation of the Council. The proposal to consider ceasing to offer some services at Mountview and to provide other local alternatives has generated substantial opposition from service users, carers and the public within Congleton Town and the surrounding areas. Work with the wider care and support market, that we know to be vibrant, should mitigate this risk, both for the Council and for current and future service users and carers who rely on such services.

10.0 Background and Options

10.1 The Review

10.1.1 A review was conducted of current services provided at the Mountview building. These services are:

- Day Care for Older People – up to 16 places (per day)
- Residential Respite Care for Older People – up to 22 beds
- Residential Respite Care for Dementia – up to 10 beds
- Residential Respite Care for Adults with a Learning Disability – up to 3 beds

10.1.2 The aim of the review was to establish the future of services at Mountview, whilst considering data related to the running of the centre and the views of customers, carers and the general public. Supporting material is included in the Options Appraisal Report (Appendix 1), the Consultation Report (Appendix 2) the Equality Impact Assessment (Appendix 3) and the background data pack (Appendix 4).

10.1.3 Feedback from users was received through an extensive consultation exercise utilising a variety of mechanisms. These included; one to one meetings, a questionnaire, telephone line and correspondence. This feedback is summarised in the Consultation Report in Appendix 2. In addition, a petition was also received containing 1,608 signatures (see 10.4).

10.1.4 As part of the review, options for how these services might be delivered in the future were evaluated. This was conducted against the following criteria:

1A) Mountview Services stay as is

1B) Mountview Services stay as is – but for a defined period
(whilst other facilities are secured locally in the Congleton area.

2A) Day Care only to be provided at Mountview
respite care at Mountview to cease and instead to be provided alternatively locally in the Congleton area.

2B) Day Care only, to be delivered at Mountview but with a plan to phase this out
as the needs/choices of current users change

3) Deliver no services from Mountview
but provide alternatives locally in the Congleton area.

10.1.5 These options were assessed against criteria agreed by the Portfolio Holder and the Executive Director for Strategic Commissioning, in order to produce the final recommendation (see Appendix 1 for the Options Appraisal work). These factors were:

- The wellbeing of current users and carers
- Feedback from customers/carers/general public
- Effectiveness of services in meeting needs
- Personalisation (choice and control)
- Future proofing support for changes in need
- Value for money

10.1.6 A summary of how it is proposed that services are taken forward is given next.

10.2 Proposals for the Provision of Mountview Services

10.2.1 **The Day Care Service**
There is a clear need to continue to provide a daytime support service in the Congleton town area for current users of the service who reside locally. The service is effective and valued by service users, carers and by social care managers. Any disruption to this service would impact on the wellbeing of current users whose needs are complex and who are

also frail. In addition to this, there is no current comparable service in the independent sector.

10.2.2 In the future, there does need to be more choice and flexibility in the ways that users and carers access support, so that it is more personalised. This may result in this type of day care not being the preferred choice of some customers in the future.

10.2.3 **Residential Respite - Older People**
This review has revealed the opportunity for expanding the choice of respite services for older people within the Congleton area. The Council already does this to some extent, however, it has been established that there is further capacity which could be utilised. Moreover, it is clear that many carers and customers would have no objections to this as long as the alternative services were equivalent.

10.2.4 The financial case for this is also plain. The unit cost of a week in respite in the independent sector is approximately £170 per week less than a week in Mountview, based on highest usage (85%). [Mountview unit cost at 85% usage is £596.44 per bed week, the independent sector cost is £425. When usage is lower (e.g. 67%) then this difference increases to c£300 per week (Mountview unit cost is £756.68 per bed week).]

10.2.5 The development of choice for customers meets the personalisation agenda and user expectations. It could also mean that this type of residential respite might not be the preferred option for some customers in the future.

10.2.6 **Residential Respite: Dementia Care**
It is also the case in the area of dementia respite care that there are opportunities to increase choice for older people in line with their aspirations. Again, research has established that there is capacity in the residential care independent sector to meet this need (see Appendix 4) whilst keeping care local (which was an important requirement of customers/carers in the consultation and of Care Managers).

10.2.7 The financial argument is similarly persuasive. The unit cost of a week in a dementia respite bed in the independent sector would be approximately £215 per week, which is less than a week at Mountview based on highest usage (85%) [Mountview unit cost at 85% usage is £741.78, the independent sector cost is £525. If usage is lower (e.g. 67%) then this difference could increase up to £400 per week (Mountview unit cost is £941.07 per bed week).]

10.2.8 Again, it might also be the case, that the availability of other care options will mean residential respite is not the preferred choice of customers in the future.

10.2.9 **Residential Respite for Adults with Learning Disabilities**
The situation for this client group is different from that of older people. The support provided at Mountview is not the type of specialist support that can meet the very complex needs some service users now have. This means work is required to ensure sufficient choice of provision is available. This does not need to be in the Congleton area, as carers understand that, for very highly specialised and skilled support, they may have to travel outside their locality. We already utilise some of this provision at the moment.

10.3 Implementing the proposals

10.3.1 The Care Market

10.3.2 The suggestion leading on from these findings is that alternative care and support services for older adults are explored in the market through a competitive tendered and block purchasing arrangement with independent sector care homes.

10.3.3 This approach will assist the Council to:

- Increase the choice of provider for service users
- Seek better value for money
- Gain experience in using different contracting methods
- Clarify the quality standards that might be expected.

10.3.4 Work with the wider market and a tender process would take between six and nine months, and would be managed centrally by the Council's Strategic Commissioning Unit. Service users and carers would be fully consulted to establish their priorities and preferences, to inform the development of any service specifications and the selection process led by Commissioners.

10.3.5 Mountview as an Asset
Whilst we undertake the work required with the wider care and support market, we will also investigate the potential options for alternative use of Mountview (which is a building that the Council has direct ownership of). This will ensure that, when the Cabinet receives the next report in the autumn, they will have a complete overview of both the services currently delivered from Mountview, those that could be provided by the wider care and support market, and the potential future options for Mountview as a capital asset.

10.4 The Petition

10.4.1 A petition was submitted to the Council about Mountview containing 1608 signatures. The heading for this document was as follows:

10.4.2 "Petition summary and background; Mountview Community Care Centre is threatened with closure. It provides the only centre in Congleton for respite and day care for older persons. Without it they would face time consuming and expensive journeys to alternative facilities in Crewe and Macclesfield.

Action petition for; We, the undersigned, are concerned citizens who urge Cheshire East Council to keep Mountview open."

Note: the full petition is also available for Cabinet to refer to.

11.0 Access to Information

Further detailed background papers relating to this report are available from:

Name: Ann Riley
Designation: Strategic Commissioning Manager
Tel No: 01270 371470
Email: ann.riley@cheshireeast.gov.uk

Appendix 1

Options Appraisal

The Future of Services Currently Provided at Mountview Community Resource Centre Congleton

Council 3 Year Plan Outcome 5 – Living Well

Executive Summary

There was a proposal as part of the budget report of the Council for 2013/14 to seek to achieve potential savings from a review of Mountview services; the potential savings estimate for a full year was £1million. This Options Appraisal provides a full commissioning review of that proposal, including feedback from consultation.

A consultation has been concluded with users, carers and the public to gather feedback on a proposal to replace the services currently provided by Mountview with alternative ways of supporting the current users and carers. The current users and carers of Mountview will continue to have their needs met by the Council as long as their assessed needs meet the Council's Fair Access to Care Services criteria. The users and carers currently meet the Council's Fair Access to Care Services criteria.

There are four types of support currently provided at Mountview:

Type	**Capacity**
Residential Respite Care for Older People	Unit of up to 22 beds
Residential Respite Care for Dementia sufferers	Secure unit of up to 10 beds
Residential Respite Care for adults with Learning Disability	Separate unit of up to 3 beds
Day Care for Older People	Up to 16 places each day.

Each of these services has been examined separately and options considered that could meet these different client groups' needs. The options that are evaluated are:

Options
1A– Mountview Services Stay As Is no plan to cease services from this building. **1B – Mountview Services Stay As Is - but for a defined period** whilst other facilities are secured locally in Congleton area.
2A– Day Care Only provided at Mountview. Respite Care at Mountview to cease but to be provided alternatively locally in Congleton area. **2B – Day Care Only At Mountview but with a plan to manage to an end** as needs/choices of current users change, residential respite care to cease.
3 – Deliver no services from Mountview but provide alternatives locally in Congleton area

The options have been assessed against a set of criteria: Well-being of current users and carers; Feedback from Consultation; Effectiveness in meeting needs; Personalisation (Choice and Control); Future Proofing Support for Changes in Need, and Value for Money.

The Detailed Commissioning Review and Consultation Feedback

The conclusions have been reached by a full and detailed commissioning review in addition to consideration of the consultation feedback and the assessment criteria.

Overall the conclusion is that all 5 options can be effective in meeting current needs.

However when assessed against the criteria there are different benefits and limitations. Each of the 5 Options is assessed against the criteria and the findings and implications for each are shown below.

ASSESSMENT AGAINST THE CRITERIA - The Criteria Explained:

CRITERIA:	
Well-being	How an option might affect the general well-being of current users or carers.
Feedback from Consultation	How an option responds to feedback from users, carers and the public
Effectiveness	Is the option effective in meeting the needs of current users and carers?
Personalisation (Choice and Control)	This policy direction is about ensuring that users and carers have as wide a range of support types as possible. Having flexible choices will mean that individuals can plan their own very personalised support. Our current system offers a limited choice that is inflexible. For example day care operates in the day from Monday to Friday. Carers may need respite support outside those hours. The Council is planning to review all in-house services (Care4ce) to consider how to ensure they can meet the future requirements of personalisation.This is not about Direct Payments, though they could be used, the Council would manage the system so that it is easy to get a flexible package with or without a Direct Payment.
Future Proofing for Demographics and Types and Levels of Needs	The demographics for Congleton show a predicted increase in future physical frailty and dementia. Would the option enable developments that are a better fit for needs of the future? The Council is planning to review all in-house services (Care4ce) to consider how to ensure they can meet the future types and levels of need effectively.
Value for Money	Economic – comparative unit cost. Efficient way to meet a need. Effective in meeting needs.The Council must ensure it secures value for money; this enables more people to be supported within the total budget.

The results of the assessment options against these criteria are provided below:

Appendix 1

	1A Stay As Is (indefinitely)	1B Stay As Is for a Defined Period to develop alternative resource	2A Day Care Only Continues (indefinitely)	2B Day Care Only Continues -for a defined period: current users only	3 No services delivered from Mountview
Well-being of current users and carers.	√ no disruption or anxiety for any current users and carers X learning disability users are not receiving specialist support	√ no immediate disruption for any current users √users and carers can influence change and personalise √Learning disability users specialist alternative within a known time frame	√ no disruption for day care users X disruption for respite care users √ potential for more specialist support to be commissioned for Learning Disability users	√ no disruption for day care users X disruption for respite care users √specialist Learning Disability support √ choice develops to meet future needs in a personalised way	X Disruption and anxiety for all users and carers √ more specialist support to be commissioned for Learning Disability users
Consultation Feedback	√ most users and carers expressed this as their wish √ most users and carers wanted support in Congleton √ public feedback supports this	X most users and carers expressed a preference for Mountview to stay √ Some users and carers using older people respite said they would use a different building with similar support.	√ meets concerns of current day care users and carers X Does not immediately address respite users concerns	√ meets concerns of current day care users and carers X Does not immediately address respite users concerns	X Does not immediately address user and carer concerns.
Effectiveness in Meeting Needs	√ effective in meeting current needs	√ effective for current needs and planned alternatives for future	√ effective as alternatives will be provided for respite care	√ effective as alternatives will be provided for respite care	√ effective as alternatives will be provided for all current users.
Personalisation (Choice and Control) – future proofing	X no choice or flexibility to allow personalisation √ some users and carers say they do not want choice and flexibility	√ choice and flexibility can be planned so that new options are available that can be more personalised and may then be preferred by users and carers.	√ more choice and flexibility can be planned for respite users to allow personalisation.	√ more choice and flexibility can be planned for respite users to personalise √ future needs can be met in personalised ways rather than only day care.	√ more choice and flexibility can be planned for respite users to personalise X some users and carers say they do not want choice and flexibility
Demographics /Needs Analysis – Future Proofing	X Older people will be increasingly frail. Future requires en-suite, ceiling track hoists. X Mountview has limitations: size of the plot means facilities above would be at very high cost per unit.	√ Future facilities in an alternative form could be planned and secured in a timely way.	X retaining of a block purchased day care service indefinitely, based on current types of need, would restrict future planning.	√ Future facilities in an alternative form could be planned and secured in a timely way.	√ alternative models of support could be developed sooner that would be designed to meet future needs.
Value for Money (economy and efficiency)	X respite care for older people and with dementia can be secured in the independent sector at lower unit cost.	X respite care for older people and with dementia can be secured in the independent sector at lower unit cost.	√ Day care in this form not available in current market. √ respite care for older people and with dementia can be secured in the independent sector at lower unit cost.	√ Day care in this form not available in current market. √ respite care for older people and with dementia can be secured in the independent sector at lower unit cost.	√ respite care for older people and with dementia can be secured in the independent sector at lower unit cost.
Potential to meet Savings Proposed	No savings.	No savings. May be savings later dependent upon new resource decisions.	Indicative savings of £170-300 per week of respite care could be achieved.	Indicative savings of £170-300 per week of respite care could be achieved.	Indicative savings of £170-300 per week of respite care could be achieved.

Overall Summary

All 5 options can meet the needs of current users and carers; however each option has different benefits, implications and risks.

Option 1A – Mountview Services Stay As Is - Indefinitely

This option would meet the expressed wishes of users, carers and the public. However it would limit the ability to future proof services to meet higher level dependencies. The indefinite block purchasing of these residential respite beds will limit choice and personalisation in the future. This option also restricts the opportunity for the Council to gain better value for money. Indicative savings of £170-£ 300 per week of residential respite care could be achieved by using the independent sector for this care.

Financial Implications.

No savings would be made. The savings proposed in the budget for 2013/14 of £325k and onwards of £1m (£600k if considered on a net basis after accounting for the additional cost incurred in Individual Commissioning) in a full year would have to be found in other ways. This may mean reducing or withdrawing services, such as preventative services.

Risks

The opportunity to develop personalised, value for money, affordable support for the future is restricted.

.**Option 1B - Mountview Services Stay As Is - but for a defined period**

This option has some key benefits over Option 1A in that it allows for a plan to future proof support and increase choice at a later date. This would also mean the opportunity to gain value for money is delayed but not indefinitely. Another benefit is that it would mean any future changes would not require a new consultation with users and carers as the decision would be made now about a future planned change.

Financial Implications.

No savings would be made. The savings proposed in the budget for 2013/14 of £325k and onwards of £1 million (£600k in a full year would have to be found in other ways. This may mean reducing or withdrawing services, such as preventative services. There may be savings at a later date dependent upon other resource developments.

Risks

The opportunity to develop personalised, value for money, affordable support for the future is restricted until a later date. The risk of having to consult again on the service offered at Mountview would be mitigated.

Option 2A– Day Care Only provided at Mountview.

This option would meet the expressed wishes of users of the day care service and their carers.The need to retain the day care service model as it is for the current users and carers is accepted and all 5 options achieve this. The indefinite block purchasing of this day care service may limit choice; when more choice becomes available people may not wish to choose this type of support.

This Option has benefits over Options 1A and B in that more choices and personalisation could be developed now for those who require residential respite support. This independent sector has the capacity to provide this in a more flexible and value for money way. Indicative savings of £170-£300 per week of residential respite care could be achieved by using the independent sector for this care.

Financial Implications.

Some of the savings proposed in the budget for 2013/14 could be achieved. Option 2A would result in the Council being able to achieve improved value for money for older people and dementia respite care. The scale of that improved value for money and savings can only be estimated at this stage. The usage of respite beds in the last 12 months is approximately 1052 bed weeks of respite. This would indicate a potential saving of approximately £425k per annum on the current unit costs at Mountview attributable to the service for older people and dementia respite.

Risks

The opportunity to develop personalised, value for money, affordable support for the future is restricted for the day care users of the future.

Option 2B - Day Care Only At Mountview but with a plan to manage to an end

This option would meet the expressed wishes of users of the day care service and their carers This option has some key benefits over Option 1A, 1B and 2A in that it allows for a plan to increase choice and personalisation now for residential respite users and at a later date for day care. This would mean improved value for money could be achieved for residential respite. Indicative savings of £170-300 per week of residential respite care could be achieved by using independent sector for this care. Another benefit is that it would mean any future changes would not require a new consultation with users and carers as the decision would be made now about a future planned change. New users would have their needs met in alternative, personalised ways.

Financial Implications.

The savings proposed in the budget for 13/14 could be achieved in part. Option 2B would result in the Council being able to achieve improved value for money for older people and dementia respite care. The scale of that improved value for money and savings can only be estimated at this stage. The usage of respite beds in the last 12 months is approximately 1052 bed weeks of respite. This would indicate a potential saving of approximately £425k per annum on the current unit costs at Mountview attributable to the service for older people and dementia respite.

The unit costs of the day care service are likely to increase as the numbers of users reduce over time.

Risks

No risks identified. New users would have their needs met by alternative means.

Option 3 - Deliver no services from Mountview

This option would require a new venue to be found for the day care service; which must continue for the current users needs. This is unlikely to be achieved quickly. The staff group for this day care would stay the same as it is likely that TUPE would apply in this circumstance. No indications of better value for money being available for a like for like alternative day care service.

This option would mean improved value for money could be achieved for residential respite. Indicative savings of £170-300 per week of residential respite care could be achieved by using independent sector for this care.

This option would mean that the Mountview building would cease to provide any support for older people or their carers. This option was opposed in consultation feedback by users, carers and the public.

Financial Implications.

The savings proposed in the budget for 13/14 could be achieved in part. The Council would be able to achieve improved value for money for older people and dementia respite care. The scale of that improved value for money and savings can only be estimated at this stage. The usage of respite beds in the last 12 months is approximately 1052 bed weeks of respite. This would indicate a potential saving of approximately £425k per annum on the current unit costs at Mountview attributable to the service for older people and dementia respite.

Risks

Finding a suitable alternative venue for the day care service may not be easy and this would cause anxiety and disruption for the users and carers.

The Conclusions and Recommendations

The Day Care Service

There is a clear need to continue to provide a day time support service in the Congleton town area for the current users of that service, who are very local. The current service is effective and valued by these users, carers and by social care managers. Any disruption of this service would be difficult for the current users who in the main are very frail and have complex needs for which stability creates a positive effect on well-being. There is no current alternative service in the independent sector.

For the future there needs to be more choice and flexibility in the range of ways that users and carers can be supported so that support is personalised. This could mean that this type of day care would not be a preferred choice in future. The future choices need to be informed by the needs and wishes of older people who may require support.

Residential Respite - Older People

Respite support for carers of older people could be provided effectively in alternative ways. There is capacity in the residential care independent sector to meet this need. All users, carers and social care managers agreed that services need to be local; this has been estimated from consultation feedback as being within approximately 5/7 miles of the centre of Congleton. Users and carers expressed a desire to retain their services at Mountview, but a number agreed that they would be happy to use an equivalent independent sector service. Because this service is used intermittently there is not as strong an impact on well-being if a different service is used. The unit cost of a week in a respite bed in the independent sector would be likely to be up to £170 per week less than a week in Mountview based on highest occupancy (85%). When occupancy is lower (e.g. 67%) then this difference could be up to £250 per week.

Appendix 1

Table: comparative weekly costs Mountview and external providers:

	Dementia Respite	Older People Residential Respite
Mountview Total Cost per bed/week based on 85% occupancy	**£741.78**	**£596.44**
Mountview Total Cost per bed/week based on 67% occupancy	**£941.07**	**£756.68**
Mountview Total Cost per bed/week based on 50% occupancy	**£1,261.03**	**£1,013.95**
Estimated External provider costs	**£525**	**£425**

For the future however there needs to be more choice and flexibility in the range of ways that users and carers can be supported so that a more personalised support can be designed. This could mean that this type of residential respite would not be a preferred choice in future.

Residential Respite Dementia

Respite support for carers of older people with dementia is provided effectively at Mountview but could also be provided in alternative ways. There is capacity in the residential care independent sector to meet this need. All users, carers and social care managers agreed that services need to be local; this has been estimated from consultation feedback as being within approximately 5/7 miles of the centre of Congleton. Users and carers feedback expressed a desire to retain their services at Mountview because of familiarity. The unit cost of a week in a dementia respite bed in the independent sector would be likely to be up to £215 per week less than a week in Mountview based on highest occupancy (85%). If occupancy is lower at times, for example 67%, then this difference could be up to £400 per week.

For the future however there needs to be more choice and flexibility in the range of ways that users and carers can be supported so that a more personalised support can be designed. This could mean that this type of residential respite would not be a preferred choice in future.

Residential Respite for Adults with Learning Disabilities

The support provided at Mountview is not the type of specialist support that can meet the very complex needs some users now have. The service at Mountview was not designed for these very complex needs. It is desirable to design different support for these adults with learning disabilities with very complex needs. This support does not need to be in the Congleton area, carers understand that for very highly specialised and skilled support they may have to travel outside their home area. These alternatives are already used regularly to meet complex needs.

<u>Recommendations</u>

All 5 Options can be effective in meeting the needs of current users and carers. Assessing the options on other criteria there are different benefits and limitations. These are highlighted in summary only, detail is provided later in this report. These recommendations are based upon officers' professional evaluation of how well the options appraised meet the assessment criteria.

Recommendation 1

It is recommended that day care support for current users and their carers is provided in the same model as now and in the Congleton town area.

In the majority of individual circumstances older people and their carers required support that is local in order to most benefit. The frailty and needs of these particular users and the negative effect of a disruption mean that this model should continue for current users.

Recommendation 2

It is recommended that using the independent sector for residential respite care would have benefits for personalisation, value for money, future proofing and achieving savings.

Recommendation 3

It is recommended that option 2B is the preferred option for the following reasons:

2B - Day Care Only At Mountview but with a plan to manage to an end as the needs/preferences of current users change and alternative options are developed. Respite care to cease.

This option has some key benefits over Option 1A, 1B and 2A in that it allows for a plan to increase choice and personalisation now for residential respite users and at a later date for day care. This would mean improved value for money could be achieved for residential respite. Indicative savings of £170 -300 per week of residential respite care could be achieved by using independent sector for this care. Another benefit is that it would mean any future changes would not require a new consultation with users and carers as the decision would be made now about a future planned change. This Option would mean Mountview continues to provide day care support for current users and carers until their needs/preferences change.

Recommendation 4

It is recommended that the respite for adults with learning disabilities ceases at Mountview. The assessment has concluded that for adults with learning disability with complex needs the current support at Mountview is not effective.

The Implications of these recommendations:

The current users and carers of the day care service would have stability of service

The appropriate building space and facilities at Mountview, or an alternative building, would continue to be needed for this purpose.

The support for adults with learning disability with complex needs would be de-commissioned and support secured alternatively.

Equality Impact Assessment

A full equality impact assessment is provided in the Appendices to this report. All but Option 1A has implications that are addressed in the EIA and extracted in the commentary above as relevant.

Overall Risks

There is a risk of continued anxiety in the user and carer group.To mitigate this risk the future plans would need to be articulated in a timely way to enable change to be well-managed.

The reputation of the Council would be at risk if the future plan timetable and commitments in any of these options are not implemented effectively.

There is a risk that respite beds in the independent market are so variable in their availability that support would be unreliable. The mitigation is to consider securing a small number of independent sector beds through a block contract. Other beds would be purchased on an ad hoc basis and there would be a framework and system for managing that. All services in the independent sector would be required to meet a set quality standard in order to be part of the purchasing arrangements.

Financial Implications of Recommended Option – 2B – Day Care Continues - Respite Care Ceases

Option 2B would result in the Council being able to achieve improved value for money for older people and dementia respite care. The scale of that improved value for money and savings can only be estimated at this stage. The usage of respite beds in the last 12 months is approximately 1070 bed weeks of respite. This would indicate a potential saving of approximately £425k per annum on the current unit costs at Mountview attributable to the service for older people and dementia respite.

If the financial implications are considered over a longer time period than one year Option 2B ensures that savings can start to be accumulated sooner than another Option.

The Learning Disability service will cease and is estimated to cost approximately £233,267 per annum. Ending this service will produce savings of this amount from the Mountview budget but alternative respite will need to be secured on an individual case basis in the independent sector. The unit costs of a more specialist service will be high; this change may not produce any overall savings as respite will continue to need to be secured in the independent sector for very complex needs.

Mountview Consultation Summary - Appendix 2

A consultation on Mountview Community Support Centre in Congleton was held between 7th March- 25th April 2013. Its aim was to understand the views of customers and the public on the proposal to review the delivery of services at Mountview. It was underlined that whatever the outcome, customers would continue to receive a service which would meet their assessed care needs.

Customers were informed about the consultation by letter; this was followed up with a reminder letter and a telephone call. The review was publicised with the general public using local press releases, the radio, a consultation booklet and poster in key locations and by featuring it on the Cheshire East Council website. Feedback could be provided via a questionnaire, face to face meetings (for customers attending Mountview and their carers), letter, telephone and email.

193 responses were received in total during the consultation with 74 of these from customers attending Mountview or their carers. This meant that 72% of customers were represented. The Council also received 58 questionnaires. In addition to this, a petition was presented to the Council stressing the importance of keeping Mountview. This contained 1,608 signatures.

Summary of Feedback

Care:

- The services at Mountview were seen to be of high quality and were highly valued. Staff in particular were singled out for praise by many, with recognition that they were responsible for making it ‘a home from home’.

- Respondents stressed the importance of continuity of care. Firstly, because conditions such as dementia meant that a change of service would be very disruptive to customers’ wellbeing. Secondly, because the social interaction that Mountview offered was highly prized. Many comments were received stating that long standing friendships had been made at the centre.

- Mountview was seen as crucial for providing a break for carers. Without this help, many reported that they might not be able to cope, which in turn would mean the cared for person having to go into long term care.
- The need to provide improved care facilities in Cheshire East such as by the provision of en-suites was seen as secondary to the importance of their continuing to be a facility in Congleton.

Occupancy

- Many respondents felt that Mountview was well used. Respondents evidenced this by citing difficulties they had experienced in getting a respite place. It was also argued that factors such as building work, customer no-shows and the complex needs of customers limiting how many people the centre could take at anyone time, distorted statistics showing usage.
- The likelihood of demand increasing in the future for day and respite services in Congleton was highlighted. Documents such as the Council's Joint Strategic Needs Assessment, a report by Adult Social Care Scrutiny, the Local Plan for Congleton were used to evidence this. As such, closing Mountview was seen as a short term cost cutting measure which would be inefficient in the long term.

Alternative Services

- It was argued that there was insufficient capacity at alternative Council centres to take customers from Mountview. It was also felt that there was a lack of suitable services in the independent sector. Moreover, those that were available were felt to be of a lower standard in terms of care and to be more expensive.
- Some respondents stated that Direct Payments were too much work, and only suitable if choice was available in Congleton. Home Care and the Shared Lives Services were seen as unable to offer the social element that was a key strength of day care.

Transport

- Travel to services outside Congleton (such as in Crewe or Macclesfield) was seen as expensive and time-consuming for both customers and carers. In particular, it was argued that it would significantly reduce the amount of time for a carer to have a break. It was also felt that it would make it more difficult to respond in emergency situations.

The Consultation

- Comments were made about the consultation process itself. This included a feeling that it was a 'done deal', that there was insufficient information in the Consultation Pack for an informed judgement to be made, and that there should have been a public meeting run by the Council.

Example Quotes from respondents

"...it is clean, comfortable, staff friendly and the food is nice. Nice little touches such as a little valentines cake on valentines day....".

"Generally people who attend Mountview do not like change, they build friendships and relationships that would cause them a lot of upset if it changed."

"Closure would be a short-sighted decision because any removal of this local service will lead to the Council having to intervene more often as the carers themselves start to suffer burnout and stress."

"The lack of en-suite facilities cited by Cheshire East Council appears to me to be an excuse to close Mountview down".

"To have only three Community Support Centre's operated by Cheshire East Council is currently inadequate especially given the Government predictions for the increase in those aged 80 and over in next 20 years…"

Note: The full consultation report is available for Members to consider at http://www.cheshireeast.gov.uk/social_care_and_health/adult_social_care/consultation_and_participation/consultations_2011_to_2013/mountview_community_centre.aspx

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APPENDIX 3 - EQUALITY IMPACT ASSESSMENT FORM

Equality impact assessment is a legal requirement for all strategies, plans, functions, policies, procedures and services under the Equalities Act 2010. We are also legally required to publish assessments.

Section 1: Description

<table>
<tr><td>Department</td><td colspan="2">Childrens, Families and Adults</td><td colspan="2">Lead officer responsible for assessment</td><td colspan="2">Ann Riley</td></tr>
<tr><td>Service</td><td colspan="2">Adult Services</td><td colspan="2">Other members of team undertaking assessment</td><td colspan="2">Janet Broster
David Laycock</td></tr>
<tr><td>Date</td><td colspan="2">13/05/13</td><td colspan="2">Version</td><td colspan="2">1</td></tr>
<tr><td>Type of document (mark as appropriate)</td><td>Strategy
x</td><td>Plan</td><td>Function</td><td>Policy</td><td>Procedure</td><td>Service
x</td></tr>
<tr><td>Is this a new/existing/revision of an existing document (mark as appropriate)</td><td colspan="2">New</td><td colspan="2">Existing</td><td colspan="2">Revision</td></tr>
<tr><td>Title and subject of the impact assessment (include a brief description of the aims, outcomes , operational issues as appropriate and how it fits in with the wider aims of the organisation)

Please attach a copy of the strategy/plan/function/policy/procedure/service</td><td colspan="6"><u>Care4CE Developments - Mountview</u>
Corporate priority 2 (Developing affordable models of sustainable local models of care for vulnerable children and adults) has a linked change programme: 2.2 ‘Next phase of development of Care4CE services’

Part of this programme involves exploration of the options for the future of Mountview Community Support Centre in Congleton and the services provided there. These options will be informed by a consultation with service users, carers and other key stakeholders and will result in a decision paper being presented to cabinet

The consultation information pack is attached below, this gives more information and background

Microsoft Word -
Information Pack FIN.</td></tr>
<tr><td>Who are the main stakeholders?
(eg general public, employees, Councillors, partners, specific audiences)</td><td colspan="6">Mountview customers, their carers and families
Mountview staff
Local Community Groups</td></tr>
</table>

	Councillors Independent sector care providers Voluntary sector care providers

Section 2: Initial screening

Who is affected? **(This may or may not include the stakeholders listed above)**	**All stakeholders listed above potentially**
Who is intended to benefit and how?	**Service users and carers could identify more personalised service options that better serve their needs** **The council is seeking to identify alternative service options delivering better value for money whilst continuing to meet its statutory duties and customer outcomes.**
Could there be a different impact or outcome for some groups?	**Yes** **Mountview currently delivers respite and daycare service to the following groups each of which will be affected:** • **Those with dementia** • **Those with Learning Disability** • **Older people** **Carers - These respite services provide key support for carers so that they can continue to support their family member in the community**
Does it include making decisions based on individual characteristics, needs or circumstances?	**All social care services are offered on the basis of assessed eligible need. This work does not change the basis of those individual assessment decisions, these are in care plans. It may result in different support options being offered to individuals**
Are relations between different groups or communities likely to be affected? (e.g. will it favour one particular group or deny opportunities for others?)	**Yes – it will have the greatest impact upon people living in the Congleton area**
Is there any specific targeted action to promote equality? Is there a history of unequal outcomes (do you have enough	**No – although all decision and solutions will be based on a fully personalised approach**

evidence to prove otherwise)?	

Is there an actual or potential negative impact on these specific characteristics? (Please tick)

	Y	N		Y	N		Y	N		Y	N
Age	**Y**		**Marriage & civil partnership**		**N**	**Religion & belief**		**N**	**Carers**	**Y**	
Disability	**Y**		**Pregnancy & maternity**		**N**	**Sex**		**N**	**Socio-economic status**	**Y**	
Gender reassignment		**N**	**Race**		**N**	**Sexual orientation**		**N**			

What evidence do you have to support your findings? (quantitative and qualitative) Please provide additional information that you wish to include as appendices to this document, i.e., graphs, tables, charts		**Consultation/involvement carried out**	
		Yes	**No**
Age	In respect of the day care provided at Mountview the key characteristic of customers is that they are elderly although a small minority also have a Learning Disability As of 7/3/13 there were 5 out of 34 day care customers who also had a Learning Disability A similar picture applies to respite customers – of the 52 people registered for 'One-Call' respite services all are elderly, some with varying degrees of dementia. There are also 8 younger people with a Learning Disability registered to use the separate LD respite unit The remaining provision emergency respite primarily to the elderly, however where Mountview is unable to meet an individuals needs, or is full, then the Councils other Respite centres in Crewe and Macclesfield will be considered. The independent sector is also used as an alternative or where a person has nursing needs	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13	

Disability	The main Mountview provision for the Learning Disabled is respite only. In respect of this respite care the small number of beds (3) have never been fully utilised due to a number of emergency situations. As a result families have used the various alternative provision. Any alternatives to Mountview provision need to offer similar or improved standards. In particular they can often demand different staff skills and higher staffing levels It is the case that the proposals could have a number of potentially negative impacts on people with disabilities. The extent of these impacts will depend on the type and level of their disability. Examples include; transport (inc. potential for reduced time in day care as a result of increased travelling time), facilities that can be accessed locally, disruption to wellbeing caused by change in location. The latter could be particularly detrimental to those with Learning Disabilities or dementia. These will need to be mitigated in alternative options considered.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13
Gender reassignment	No recording of gender reassignment takes place on the Council's social care record system as such data on this is unavailable. However, there is no known element in these proposals which is likely to lead to discrimination of the basis of this protected characteristic. No impacts were recorded on this protected characteristic during the course of the consultation process. There is also no other evidence to suggest an impact is likely. As such, the effect of the proposals is deemed neutral on this protected characteristic.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13
Marriage & civil partnership	There is the potential for a change in day service to impact on married couples, or couples in civil partnership, where one partner uses services as a result of the relocation of services. There are also impacts listed under the carers section. However no impacts were recorded on this protected characteristic during the course of the consultation process.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13

Pregnancy & maternity	No impacts were recorded on this protected characteristic during the course of the consultation process. There is also no other evidence to suggest an impact is likely. As such, the effect of the proposals is deemed neutral on this protected characteristic.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13
Race	The current customers of Mountview are predominantly White British. However, there is no known element in these proposals which is likely to impact on customers as a result of their race. In total 98% are currently White British, 1% Other Asian Background and 1% unknown. These figures broadly correlate with what would be expected given the composition of Cheshire East (see appendix 2). Copies of the consultation information pack were circulated to a range of groups associated with this protected characteristic. No impacts were recorded on this protected characteristic during the course of the consultation process.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13
Religion & belief	The current customers of Mountview are predominantly Christian. However, there is no known element in these proposals which is likely to impact on customers as a result of their religion. In total 83% are Christian, see appendix 1 for details of other religions. These figures broadly correlate with what would be expected given the composition of Cheshire East (see appendix 2), Copies of the consultation information pack were circulated to a range of groups associated with this protected characteristic. No impacts were recorded on this protected characteristic during the course of the consultation process.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13
Sex	A breakdown of customers by gender finds that 37 customers are male and 66 are female. As such, although there is no known element in this project which will directly discriminate on the basis of gender, there could be perceived indirect	Yes A full, formal consultation process with all

	discrimination on this basis. There is a much larger ratio of females to male service users in Cheshire East. This can largely be explained by the differences in life expectancy between the sexes. As such a greater proportion of female service users are likely to receive day and respite services. However, the proposals themselves are not deemed to have disproportionate effects for either gender. No impacts were recorded on this protected characteristic during the course of the consultation process.	stakeholders was held during the period 7/3/13 to 25/4/13
Sexual orientation	There is also no evidence to suggest an impact is likely for this group No impacts were recorded on this protected characteristic during the course of the consultation process. As such, the effect of the proposals is deemed neutral on this protected characteristic.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13
Carers	The Office of National Statistics estimates that 10% of the population are likely to be carers i.e. 36,500 people in Cheshire East. The proposals are likely to have an impact on a defined group of carers; those who care for people using respite or day services within the Congleton area. Particular concerns would be; changes to service location and its resulting transport requirements (this could bring about a reduction in the overall respite that was taken up by carers), increased pressure brought about on the caring role as a result of the disruption caused to customers. These will need to be mitigated in alternative options considered.	Yes A full, formal consultation process with all stakeholders was held during the period 7/3/13 to 25/4/13
Socio-economic status	Both people with a disability and those who support them are often cited to have reduced economic advantage compared to the overall population. For instance, the Cabinet Office Report, “Improving the Life Chances of Disabled People”, states that	Yes A full, formal consultation process with all

	disabled people are more likely to be economically inactive, more likely to experience problems with housing and more likely to experience problems with transport. As such any proposals need to be carefully evaluated to understand the potential economic impact on these groups. Any option to relocate customers may entail increased transport costs on them and as such there is the potential for it to disproportionally impact on this group. Difficulties for carers in maintaining employment patterns could also be experienced if there was reduced local, full-time provision creating a greater transport burden on them. These will need to be mitigated in alternative options considered.	stakeholders was held during the period 7/3/13 to 25/4/13

Proceed to full impact assessment? (Please tick)	**Yes**		**Date: 13/5/13**

If yes, please proceed to Section 3. If no, please publish the initial screening as part of the suite of documents relating to this issue

Section 3: Identifying impacts and evidence

This section identifies if there are impacts on equality, diversity and cohesion, what evidence there is to support the conclusion and what further action is needed

Protected characteristics	Is the policy (function etc….) likely to have an adverse impact on any of the groups? Please include evidence (qualitative & quantitative) and consultations	Are there any positive impacts of the policy (function etc….) on any of the groups? Please include evidence (qualitative & quantitative) and consultations	Please rate the impact taking into account any measures already in place to reduce the impacts identified High: Significant potential impact; history of complaints; no mitigating measures in place; need for consultation Medium: Some	Further action (only an outline needs to be included here. A full action plan can be included at Section 4)

			potential impact; some mitigating measures in place, lack of evidence to show effectiveness of measures **Low: Little/no identified impacts; heavily legislation-led; limited public facing aspect**	
Age	Current local provision (both respite and day-care) can be under pressure at times. Further reductions could involve disruption in service delivery, consistency and availability with potentially increased travel times to alternative services. Greater use of the independent sector (which tends not to have a respite focus) to provide respite risks increasing dependency leading to permanent care. An example of this was specifically quoted during the consultation in respect of a carer's mother. The transfer of customers to alternative services options may involve an emphasis by the Council on care in an individual home via a PA or home care. This may result in less social interaction for the customer which in the longer term might	Current care provision at Mountview does not comply with current CQC standards for new buildings so alternatives could be developed that are more modern and spacious including the provision of en-suite facilities. Re-evaluation of current service provision might well lead to the development of more attractive service options which appeal to customers, their carers and families. There would also be promotion of the use of Direct Payments with customers and carers (although this would remain down to personal choice).	High	Any recommendations for future alternatives need to minimise these impacts as far as practically possible Transport Customers must have a viable transport option in order to get to a day centre. Assessment of viability of alternative options needs to be done carefully including taking income into account..

	affect the customer's mental wellbeing. One comment was: *"It is important for people to have the social contact that they wouldn't get if they had care in their own home. "* It will be essential to consider whether there are sufficient facilities within the Borough (Council and independent sector) to cope with increasing demand for respite and day services caused by the ageing population. Use of independent options might result in respite care being taken in independent sector residential homes. This has the potential to be disruptive to both the longer term residents and short stay customers because of the difficulties of genuine integration and the lack of capability to offer bespoke respite care. Remarks were raised during the consultation about the quality of independent sector provision and whether this would be sufficiently well monitored. However there is lack of clear non-anecdotal evidence to support the argument that this offers a lower standard	However it should be recognised that the offer of choice is not always felt appropriate, as mentioned during the consultation: *" 'Choice' pushes carers over the limit , it puts the responsibility back on families and carers when they are already at breaking point."*		

	of care. Standards of care would need to be maintained. <u>Transport</u> During the consultation transport was cited as a key issue for the elderly, particularly those very frail individuals who would be unable to cope with travelling significant distances The consultation also identified that travel to more distant provision would be both unpopular and impractical, particularly in relation to daycare. The issue was less significant for those receiving respite care. In addition to increased journey times, increased cost and the potential problem of travel not even being possible at all due to the individual's disabilities or medical condition were cited. It was also viewed that carer's visits might be reduced/might completely stop due to the amount of travel required. The need to access a GP/local health services was also stated.			
Disability	<u>Learning Disability</u> Opinion expressed during the consultation and through expert knowledge states that people with complex learning disabilities can find moving to a new building (or the	Current care provision at Mountview does not comply with current CQC standards for new buildings so alternatives could be developed that are more modern	Low - medium	The number of customers with Learning Disabilities is quite small hence a lower level of overall impact Changes in service demand should be monitored and service planning adjusted

	transfer of other customers from or to the building they are in) stressful to their wellbeing. Any proposals put forward may lead this to occur in a number of instances. A number of carers/families have put this issue forward as a potential problem. Continuity of staffing and other attendees has been cited as another issue that is important to individuals from this group <u>Dementia</u> A new environment can be challenging for a person with dementia. Although this point should be tempered by research that has shown that it generally takes a person less than three months to adjust to their new surroundings (depending on the level of their dementia)[1]. Continuity of staffing was particularly stressed during consultation in connection with the latter. Comments received during the consultation illustrate these elements: *“Father does not like going to new places, as such closing Mountview would create damaging disruption to his wellbeing”* *“Generally people who attend Mountview do not like change, they build friendships and relationships that would cause them a*	and spacious including the provision of en-suite facilities. This may particularly benefit customers with physical disabilities as a result of an environment more in keeping with their needs. Re-evaluation of current service provision might well lead to the development of more attractive service options which appeal to customers, their carers and families However comments received during the consultation suggested that independent sector provision was not available in the area – especially for those with high levels of need. However some took a slightly different view: *“I think that providing the option of funding (towards) care in the private sector is available then this will provide a flexible, local solution. If this option is not available, then losing a facility in Congleton will mean greater travelling for carers in our area.”*		where practicable. This would aim to ensure that customer choice was maintained i.e. that there would be sufficient supply of internal places for customers to meet demand.

[1] Michigan Department of Community Health,Moving Persons with Dementia, http://www.dementiacoalition.org/resources/pdfs/Caring6.pdf

	lot of upset if it changed." Physical Disability A limited number of customers of Mountview have physical disabilities. The impact on this group is likely to more substantial due to the need for more specialised transport to alternative service options. Mental Health Disabilities A limited proportion of customers with mental health disabilities use Mountview services. Respondents did state the importance of social interaction for customer's mental wellbeing although there were no specific impacts identified for this group. Transport During the consultation transport was cited as a key issue for all disability groups. In addition to increased journey times, increased cost and the potential problem of travel not even being possible at all due to the individual's disabilities or medical condition were stated. Transport issues can also impact people's ability to continue attending local day care whilst in respite should that respite be			

	some distance away – impacting on other daycare provision or increasing travel time and costs for return travel to Congleton. The need to access a GP/local health services was also stated. <u>Provision</u> It will be essential to consider whether there are sufficient facilities within the Borough (Council and independent sector) to cope with increasing demand for respite and day services for disabled people caused by population increases and improvements in health care. <u>Respite</u> Use of independent options might result in respite care being taken in independent sector residential homes. This has the potential to be disruptive to both the longer term residents and short stay customers because of the difficulties of genuine integration and the lack of capability to offer bespoke respite care.			
Gender reassignment	No impacts were recorded on this protected characteristic during the course of the consultation process. There is also no other evidence to suggest an impact is likely. As such, the effect of the proposals is deemed neutral on this protected characteristic.		None	
Marriage &	No impacts were recorded on this protected characteristic during the course of the		None	

civil partnership	consultation process. There is also no other evidence to suggest an impact is likely. As such, the effect of the proposals is deemed neutral on this protected characteristic.			
Pregnancy and maternity	Pregnancy was referenced to once during the consultation feedback although without a specific detailing of what the impact would be. There is the potential for a pregnant carer to have greater difficulties in providing support e.g. with transport. However, these issues are felt best picked up generally in the carers section.		None	
Race	No impacts were recorded on this protected characteristic during the course of the consultation process. There is also no other evidence to suggest an impact is likely. As such, the effect of the proposals is deemed neutral on this protected characteristic.		None	
Religion & belief	No impacts were recorded on this protected characteristic during the course of the consultation process. There is also no other evidence to suggest an impact is likely. As such, the effect of the proposals is deemed neutral on this protected characteristic.		None	
Sex	Whilst arguably it is the case that, due to the greater proportion of service users who are female, these proposals could have a potential to disproportionally impact on this group, it is currently felt that any issues are covered in the categories of disability and age		Medium	
Sexual orientation		No impacts were recorded on this protected characteristic during the course of the consultation process.	None	

		There is also no other evidence to suggest an impact is likely. As such, the effect of the proposals is deemed neutral on this protected characteristic.		
Carers	<u>Transport</u> During the consultation Carers cited transport as a significant issue for them in any relocation of day service. This was due to pressure carers felt they would be under to provide transport to the new centre which might be located further away. This would mean extra time and cost would be incurred. The lack of adequate public transport was also cited: *"To expect family members/carer friends to travel to other towns to see their loved ones is impractical. Public transport is just not good enough. Taxis would be exorbitant. Not everybody has their own transport and many carers are elderly and frail themselves."* *"I would personally be deterred by the necessity to drive (from journeys each session) particularly in the winter time."* It was also remarked that if a customer was located further away visits to them when they were in respite may need to be reduced/ stopped due to difficulties with	Re-evaluation of current service provision could lead to the development of more attractive service options which appeal to customers, their carers and families However the offer of choice is not always felt appropriate: *" 'Choice' pushes carers over the limit it puts the responsibility back on families and carers when they are already at breaking point."*	High – for day-care users Medium – for respite care users	There is the potential for CEC to 'block-book' independent sector beds in order to ensure consistency and certainty of provision within the same locality

	transport. <u>Respite</u> The importance of a respite break to carers is significant and gives them support in their continuing caring role. Concern was expressed during the consultation that this support might disappear *"Many carers rely on the service provided by Mountview myself included and it is the only time that we can get a break from the trying time of constantly being with someone suffering from dementia"* *"I couldn't cope with her at home every day. If Mountview closed she would have to go into a care home."* *"Closure would be a short-sighted decision because any removal of this local service will lead to the Council having to intervene more often as the carers themselves start to suffer burnout and stress. "* Use of independent sector providers might adversely affect carers' ability to plan ahead by booking breaks at their preferred time rather than when beds are available Another factor mentioned by several during the consultation was the importance of having local provision that they might get			

	to quickly in the event of an emergency Reassurance A number of carers talked about the trust they had in Mountview and the concerns they would have in the cared for transferring to alternative services. As such, any decommissioning of Mountview could result in greater time needing to be taken by carers in the short term, to investigate and gain reassurance that alternative provision would be of sufficient quality and appropriateness.			
Socio-economics	As detailed in the initial assessment there are potential issues with greater costs being incurred because of increased transport cost for some customers and carers. Locating services further away may make it more difficult for carers to balance work and transport responsibilities impacting on their earning capability Customers/carers may feel a greater inclination to take up more expensive independent sector options as an alternative to increased travelling.	None	Low	The cost of transport needs to be one of the issues that are monitored when transport assessment is conducted. This should apply both to costs incurred by customers and potentially by carers who may be in a lower socio-economic bracket.

Is this project due to be carried out wholly or partly by contractors? If yes, please indicate how you have ensured that the partner organisation complies with equality legislation (e.g. tendering, awards process, contract, monitoring and performance measures)

No – all work will be done internally

Section 4: Review and conclusion

Summary: provide a brief overview including impact, changes, improvement, any gaps in evidence and additional data that is needed

<u>If implemented</u> the proposals to offer alternatives to existing services are likely to cause negative impacts on customers and carers although they can be mitigated to an extent by following the prescribed actions listed.

Further engagement with customers and carers would be crucial in any transition process.

Specific actions to be taken to reduce, justify or remove any adverse impacts	**How will this be monitored?**	**Officer responsible**	**Target date**
Work should be conducted to manage any transition process in a person centred way. Sufficient time should be also given for the transition to be take place.	Customer complaints, detailed documentation of transition plans for day-care, monitoring of reviews of customers social care needs	DW/ PK	Dependent on timescales of customer transfers
The Council transport policy should be applied in full so that it is ensured that customers have a viable transport option to get to a day centre. Financial Assessment should take into account the full range of the individuals and carers circumstances. Any extra travel support by carers should be mutually agreed and deemed manageable.	Customer complaints, issues raised during review by customers	JB/AMc	Dependent on timescales of any customer transfers
An up to date assessment of a person’s needs should be in place in order to inform decision making over whether the individual might be suitable for other options. This should be conducted in conjunction with a carer’s assessment.. Advocacy should be available where	Procedure documents, existence of social care review records	Individual Commissioning Senior Managers/ Care4CE Resource Managers	Dependent on timescales of any customer transfers

necessary.			
Changes in service demand should be monitored and service planning adjusted where practicable. This would aim to ensure that customer choice was maintained wherever possible	Monitoring of take up of internal and external services through business activity reports	Individual Commissioning Senior Managers	Ongoing (to be carried out on a minimum of an annual basis)
Please provide details and link to full action plan for actions	To be confirmed following Cabinet decision		
When will this assessment be reviewed?	Review of EIA to take place six months after Cabinet if any proposals are adopted		
Are there any additional assessments that need to be undertaken in relation to this assessment?	No		
Lead officer signoff		**Date**	
Head of service signoff		**Date**	

Please publish this completed EIA form on your website

Cheshire East Council

Appendix 1 – Mountview-Specific Data

Customers by Age

Customers using both Day Care & Respite Care:

Age Range	Total Users
0-59	0
60-69	2
70-79	4
80-89	7
90-120	1
Total	**14**

Day Care Users:

Age Range	Total Users
0-59	0
60-69	3
70-79	6
80-89	7
90-120	8
Total	**24**

Respite Care Users:

Age Range	Total Users
0-59	10
60-69	3
70-79	14
80-89	25
90-120	17
Total	**69**

Customers by Client Type

Customers using both Day Care & Respite Care:

Primary Client Group	Total Users
Frail/Temporary Illness	3
Hearing Impairment	0
Learning Disability	4
Mental Health - Dementia	2
MH Other than Dementia	1
Other Phys/Sens Loss inc Disability	0
Other Vulnerable	0
Visual Impairment	0
Total	**10**

Day Care Users:

Primary Client Group	Total Users
Frail/Temporary Illness	13
Hearing Impairment	0
Learning Disability	1
Mental Health - Dementia	1
MH Other than Dementia	2
Other Phys/Sens Loss inc Disability	6
Other Vulnerable	0
Visual Impairment	1
Total	**24**

Respite Care Users:

Primary Client Group	Total Users
Frail/Temporary Illness	40
Hearing Impairment	1
Learning Disability	8
Mental Health - Dementia	4
MH Other than Dementia	2
Other Phys/Sens Loss inc Disability	11
Other Vulnerable	2
Visual Impairment	1
Total	**69**

Cheshire East Council

Customers by Ethnicity

Customers using both Day Care & Respite Care:

Ethnic Group	Total Users
White – British	10
Total	**10**

Day Care Users:

Ethnic Group	Total Users
White – British	24
Total	**24**

Respite Care Users:

Ethnic Group	Total Users
Unknown	1
Other Asian Background	1
White – British	67
Total	**69**

Customers by Religion

Customers using both Day Care & Respite Care:

Religion	Total Users
Christian	9
Not known	1
Total	**10**

Day Care Users:

Religion	Total Users
Christian	24
Total	**24**

Respite Care Users:

Religion	Total Users
Other Religion	1
Buddhist	1
Christian	52
None	2
Not known	13
Total	**69**

Customers by Gender

Customers using both Day Care & Respite Care:

Gender	Total Users
Female	9
Male	1
Total	**10**

Day Care Users:

Gender	Total Users
Female	14
Male	10
Total	**24**

Respite Care Users:

Gender	Total Users
Female	43
Male	26
Total	**69**

Cheshire East Council

Appendix 2: Cheshire East and UK Statistics

Ethnicity (2001 Census)

	Cheshire East Unitary Authority	North West Region	England Country	Cheshire East % Unitary Authority	North West % Region	England % Country
All Ethnic Groups	360,700	6,864,300	51,092,000	100.0	100.0	100.0
White	347,600	6,324,600	45,082,900	96.4	92.1	88.2
White: British	337,000	6,137,800	42,736,000	93.4	89.4	83.6
White: Irish	2,800	69,800	570,500	0.8	1.0	1.1
White: Other White	7,700	117,000	1,776,300	2.1	1.7	3.5
Mixed	3,300	85,400	870,000	0.9	1.2	1.7
Mixed: White and Black Caribbean	1,100	27,800	282,900	0.3	0.4	0.6
Mixed: White and Black African	400	13,300	114,300	0.1	0.2	0.2
Mixed: White and Asian	1,000	25,200	260,900	0.3	0.4	0.5
Mixed: Other Mixed	800	19,100	212,000	0.2	0.3	0.4
Asian or Asian British	5,000	304,200	2,914,900	1.4	4.4	5.7
Asian or Asian British: Indian	2,300	99,900	1,316,000	0.6	1.5	2.6

Asian or Asian British: Pakistani	1,500	143,900	905,700	0.4	2.1	1.8
Asian or Asian British: Bangladeshi	500	34,800	353,900	0.1	0.5	0.7
Asian or Asian British: Other Asian	700	25,600	339,200	0.2	0.4	0.7
Black or Black British	2,000	75,200	1,447,900	0.6	1.1	2.8
Black or Black British: Caribbean	800	25,500	599,700	0.2	0.4	1.2
Black or Black British: African	1,000	42,600	730,600	0.3	0.6	1.4
Black or Black British: Other Black	200	7,000	117,600	0.1	0.1	0.2
Chinese or Other Ethnic Group	2,700	74,900	776,400	0.7	1.1	1.5
Chinese or Other Ethnic Group: Chinese	1,600	46,200	400,300	0.4	0.7	0.8
Chinese or Other Ethnic Group: Other Ethnic Group	1,200	28,700	376,100	0.3	0.4	0.7

Religious Belief (2001 Census)

	Cheshire East Unitary Authority	North West Region	England Country	Cheshire East Unitary Authority%	North West Region %	England %
All People	351,817	6,729,764	49,138,831	100.0	100.0	100.0
Christian	282,432	5,249,686	35,251,244	80.3	78.0	71.7
Buddhist	551	11,794	139,046	0.2	0.2	0.3
Hindu	617	27,211	546,982	0.2	0.4	1.1
Jewish	562	27,974	257,671	0.2	0.4	0.5
Muslim	1,375	204,261	1,524,887	0.4	3.0	3.1
Sikh	170	6,487	327,343	0.0	0.1	0.7
Any other religion	593	10,625	143,811	0.2	0.2	0.3
No religion	42,757	705,045	7,171,332	12.2	10.5	14.6
Religion not stated	22,760	486,681	3,776,515	6.5	7.2	7.7

Appendix 4

MOUNTVIEW OPTIONS APPRAISAL

SUPPORTING DATA

David Laycock
Tom Hewitt
Nick Darwin

14/06/13

Appendix 4

1.0 MOUNTVIEW SPECIFIC DATA

Content

Appendix 4

Appendix 4

1.1 Current Services and Capacity

Mountview opened as a residential care home (with some respite) for older people 25 yrs ago. It now functions as a Community Support Centre offering the following services:

- Dementia respite (10 beds) – short term overnight stays for those with dementia in order to give their families and carers some respite from their caring responsibilities
- Older People (OP) respite (22 beds) - short term overnight stays for Older People in order to give their families and carers some respite from their caring responsibilities
- OP Day service (16 places) [note: some customers have learning disabilities although they are 60+] – regular day care and activities for Older People
- Learning Disability (LD) respite (3 beds) - short term overnight stays for those with a Learning Disability in order to give their families and carers some respite from their caring responsibilities.

Mountview is a 2 storey red brick building with a pitched tile roof. It has 4 wings, with lifts and stairs to the 2 upstairs wings. The ground floor west wing contains a secure 10 bed Dementia respite unit. The ground floor east wing contains a 3 bed learning disability respite unit and offices. Adjacent to and connected to this unit is the day service, with a separate entrance, situated in the former conference room on the ground floor.

1.2 Mountview Equality Background Information

The information below is based on a snapshot of the clients using or scheduled to use Mountview at a specific point in time (based on EIA criteria).

1.2.1 Service Users by Age

Day Care & Respite Care Users		Day Care Users		Respite Users	
Age Range	**Total Users**	**Age Range**	**Total Users**	**Age Range**	**Total Users**
0-59	0	0-59	0	0-59	10
60-69	2	60-69	3	60-69	3
70-79	4	70-79	6	70-79	14
80-89	7	80-89	7	80-89	25
90-120	1	90-120	8	90-120	17
Total	**14**	**Total**	**24**	**Total**	**69**

Source - Cheshire East social care records system. All Mountview service users registered for care with Mountview on the date of 7th March 2013 (taken during the consultation period).

Appendix 4

Day Care & Respite Care Users		Day Care Users		Respite Users	
Primary Client Group	**Total Users**	**Primary Client Group**	**Total Users**	**Primary Client Group**	**Total Users**
Frail/ Temporary illness	0	Frail/Temporary Illness	13	Frail/Temporary Illness	40
Hearing Impairment	0	Hearing Impairment	0	Hearing Impairment	1
Learning Disability	4	Learning Disability	1	Learning Disability	8
Mental Health - Dementia	2	Mental Health - Dementia	1	Mental Health - Dementia	4
MH Other than Dementia	1	MH Other than Dementia	2	MH Other than Dementia	2
Other Phys/Sens Loss inc Disability	0	Other Phys/Sens Loss inc Disability	6	Other Phys/Sens Loss inc Disability	11
Other Vulnerable	0	Other Vulnerable	0	Other Vulnerable	2
Visual Impairment	0	Visual Impairment	1	Visual Impairment	1
Total	**10**	**Total**	**24**	**Total**	**69**

1.2.2 Service Users by Client Type

Source- Cheshire East social care records system. Alll Mountview service users registered for care with Mountview on the date of 7th March 2013.

1.2.3 Service Users by Ethnicity

Day Care & Respite Care Users		Day Care Users		Respite Users	
Ethnic Group	**Total Users**	**Ethnic Group**	**Total Users**	**Ethnic Group**	**Total Users**
Unknown	0	Unknown	0	Unknown	1
Other Asian Background	0	Other Asian Background	0	Other Asian Background	1
White – British	10	White – British	24	White – British	67
Total	**10**	**Total**	**24**	**Total**	**69**

Source- Cheshire East social care records system. Alll Mountview service users registered for care with Mountview on the date of 7th March 2013.

1.2.4 Service Users by Religion

Day Care & Respite Care Users		Day Care Users		Respite Users	
Religion	**Total Users**	**Religion**	**Total Users**	**Religion**	**Total Users**
Other Religion	0	Other Religion	0	Other Religion	1
Buddhist	0	Buddhist	0	Buddhist	1
Christian	9	Christian	24	Christian	52
None	0	None	0	None	2
Not known	1	Not known	0	Not known	13
Total	**10**	**Total**	**24**	**Total**	**69**

Source- Cheshire East social care records system. Alll Mountview service users registered for care with Mountview on the date of 7th March 2013.

1.2.5 Service Users by Gender

Day Care & Respite Care Users		Day Care Users		Respite Users	
Gender	**Total Users**	**Gender**	**Total Users**	**Gender**	**Total Users**
Female	9	Female	14	Female	43
Male	1	Male	10	Male	26
Total	**10**	**Total**	**24**	**Total**	**69**

Source- Cheshire East social care records system. Alll Mountview service users registered for care with Mountview on the date of 7th March 2013.

1.3 Travel Distance to Mountview

The clients used to calculate average travel distance to Mountview have been taken from the Cheshire East social care records system. All service users registered for regular care at Mountview have been included.

Service Type	Average Travel Distance (miles)	Furthest Travel Distance (miles)	Shortest Travel Distance (miles)	No Clients
Day Care	1.95	6.4	0.1	34
LD Respite	7.72	17.8	1.6	8
General Respite	6.64	20.2	0.2	36
Dementia Respite	3.1	9.1	0.8	9

Client details taken from the Cheshire East social care records system. All clients currently registered for One Call Respite and regular Day Care have been included.

1.4 Mountview Service Usage

This section details service usage at Mountview during the financial year period 2011-2012. This has been broken down to Day Care, LD Respite, Dementia Respite and General Respite.

1.4.1 Day Care Client Usage- Recorded over a Twelve month Period

Month	Monthly Total Usage	Average Daily Usage	
Apr-11	234	13.00	
May-11	242	12.10	
Jun-11	277	12.59	
Jul-11	289	13.76	
Aug-11	286.5	13.02	
Sep-11	306	13.91	
Oct-11	302	14.38	
Nov-11	281	13.38	
Dec-11	265.5	13.28	
Jan-12	289	13.76	
Feb-12	280.5	13.36	
Mar-12	289.5	13.16	
Total care days	**3342**	**Average daily usage over the year**	**13.31**

Daily usage figures include all 'no show' service users. These figures are taken from the Mountview service user records system for financial year 2011-2012.

1.4.2 Respite Client Usage Recorded Over a Twelve Month Period

Financial Return Period	General Respite Days	Dementia Respite Days	Total Respite Days
1	498	280	778
2	518	163	681
3	344	126	470
4	336	157	493
5	436	209	645
6	281	191	472
7	300	202	502
8	267	222	489
9	214	249	463
10	222	262	484
11	445	230	675
12	395	192	587
13	519	242	761
Total Days Respite	**4775**	**2725**	**7500**
Total Weeks Respite	**682.1**	**389.3**	**1071.5**

User numbers taken from Mountview service user records for the financial year 2011-2012. During this period there were a total of 25 general respite beds and 10 dementia respite beds. This is split into 13, 4 weekly service return periods, starting from the 09/04/11, running to 06/04/2012 These figures exclude Learning Disability Respite, which was only active between periods 10-13. Total Learning Disability respite was 10 days, equivalent to 1.4 weeks.

Appendix 4

2.0 DEMOGRAPHIC & DEMAND PROJECTIONS

2.1 Cheshire East Demographics

Age Group	2012(actual)	2016	2020
0-19	83400	83200	84500
20-29	37635	39300	38500
30-39	43661	42500	45000
40-49	58217	53100	47900
50-59	49399	55700	58100
60-69	47517	47900	46200
70-79	30362	35300	41200
80-89	16595	18700	20900
90+	3341	4400	5400
Total	**370127**	**379900**	**387700**

Data set: Census population data updated 28/11/2012. Population projection figures for 2016 and 2020 are taken from ONS projections last updated on 17/10/2012.

2.2 Congleton Demographics

2.2.1 Congleton Town Age Profile

The table below shows the breakdown of the Congleton Town area, by age group.

Age group	Total
0-19	5731
20-29	2513
30-39	3228
40-49	4016
50-59	3519
60-69	3751
70-79	2258
80-89	1199
90+	267
Total Congleton Population	**26482**

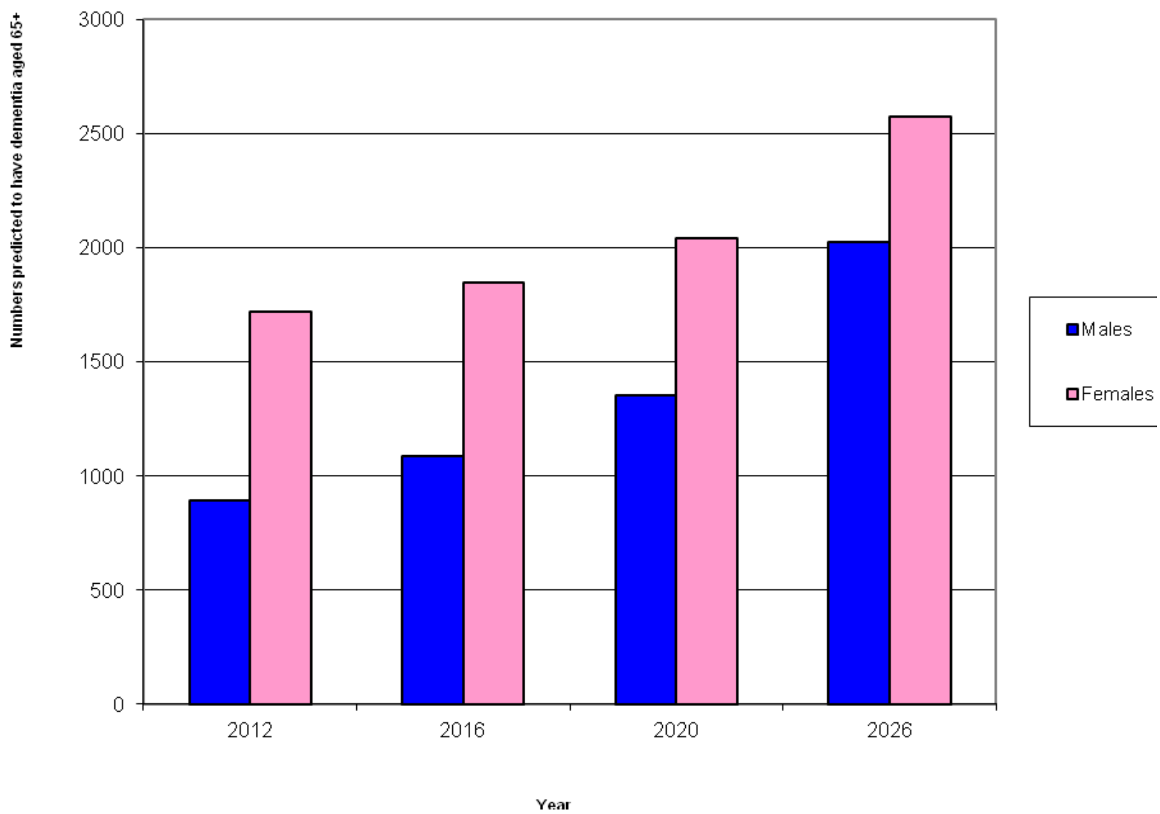
Data set: Census population data, updated 28/11/2012. LSOAs areas: Congleton Central, Congleton East, Congleton South & Congleton West.

2.2.2 Congleton LAP Area- Predicted Numbers of People Aged 85 and Over

Aged 85+	2012	2016	2020	2026
Males	893	1089	1352	2026
Females	1722	1845	2039	2574
Total Persons	2615	2934	3391	4600

Data for years 2016 and 2020 have been calculated using Exeter Mid2012 populations constrained to ONS population projections Cheshire East 2011 to 2021.
Populations for 2026 have been calculated using growth on age and gender populations 2012 to 2020 calculated for the area (this assumes growth is stable and does not consider housing development or other issues that may affect migration).

2.2.3 Congleton LAP Area- Graph Showing the Predicted Numbers of People Aged 85 and Over



Data for years 2016 and 2020 has been calculated using Exeter Mid2012 populations constrained to ONS population projections Cheshire East 2011 to 2021.
Populations for 2026 have been calculated using growth on age and gender populations 2012 to 2020 calculated for the area (this assumes growth is stable and does not consider housing development or other issues that may affect migration).

2.2.4 The Aging Population Trend

The demographic trends (and other intelligence) demonstrate that there will be a need over the longer term for increased provision of services to older people and their carers, in Congleton and in other areas. In particular, it shows how the older age group will grow; a group with a significant prevalence of high dependency. For instance; between 2012 and 2020 there is a projected increase in older people aged 85 + of almost 30% (an additional 776 people).

2.3 Dementia Demographics

2.3.1 Congleton Town Predicted Dementia Comparison- Males

Males		**Early onset**	**late onset**							
		30-64	**65-69**	**70-74**	**75-79**	**80-84**	**85-89**	**90+/90-94**	**95+**	**Total**
00EQ	Cheshire East (Local)	63	177	264	336	480	415	259	54	1985
Cheshire East Towns										
21	Crewe	12	30	47	55	76	66	33	8	315
22	Nantwich	2	7	10	14	24	22	15	2	95
23	Crewe & Nantwich Rural 1	4	10	14	17	21	17	8	3	90
24	Crewe & Nantwich Rural 2	2	6	9	12	16	12	9	2	65
31	ALSAGER	2	7	10	11	18	19	9	2	76
32	Congleton	5	14	20	25	33	30	21	2	145
33	Middleweight	2	5	8	10	13	10	6	1	53
34	Sandbach	3	9	14	16	21	18	16	3	98
35	Congleton Rural	4	14	20	25	35	26	15	4	139
42	KNUTSFORD	2	6	11	14	22	21	10	3	85
43	Macclesfield	10	25	36	45	65	58	37	8	274
44	POYNTON	2	8	11	14	24	18	16	3	95
45	Wilmslow	5	13	18	28	39	37	24	4	162
46	Macclesfield Rural	8	24	34	50	71	62	41	11	293

Data Source: Projecting Older People Population Information System (POPPI) Table produced On 01/03/13 16:06 from www.poppi.org.uk version 8.0. Local figure calculated using Expert Delphi Consensus on the prevalence of dementia in the UK.

2.3.2 Congleton Town Predicted Dementia Comparison- Females

Females		Early onset	late onset							
		30-64	65-69	70-74	75-79	80-84	85-89	90+/90-94	95+	Total
00EQ 00EQ	Cheshire East (poppy) Cheshire East (Local)	43	122	224	498	840	917	674	206	3481
Cheshire East Towns										
21	Crewe	8	20	38	82	138	146	109	20	554
22	Nantwich	2	4	10	26	47	60	42	10	199
23	Crewe & Nantwich Rural 1	3	7	11	23	31	37	20	6	134
24	Crewe & Nantwich Rural 2	1	4	7	15	27	25	17	5	98
31	ALSAGER	1	5	8	19	33	32	21	10	129
32	Congleton	3	10	17	36	64	68	58	22	276
33	Middleweight	2	4	7	15	24	24	20	6	98
34	Sandbach	2	7	12	24	37	46	37	9	172
35	Congleton Rural	3	9	17	32	50	46	35	10	200
42	KNUTSFORD	1	5	9	20	39	40	33	11	157
43	Macclesfield	7	18	31	75	122	137	99	35	518
44	POYNTON	2	5	10	22	38	44	28	12	159
45	Wilmslow	4	9	17	45	74	83	51	14	294
46	Macclesfield Rural	5	17	29	66	115	127	102	36	493

Data Source: Projecting Older People Population Information System (POPPI) Table produced On 01/03/13 16:06 from www.poppi.org.uk version 8.0. Local figure calculated using Expert Delphi Consensus on the prevalence of dementia in the UK.

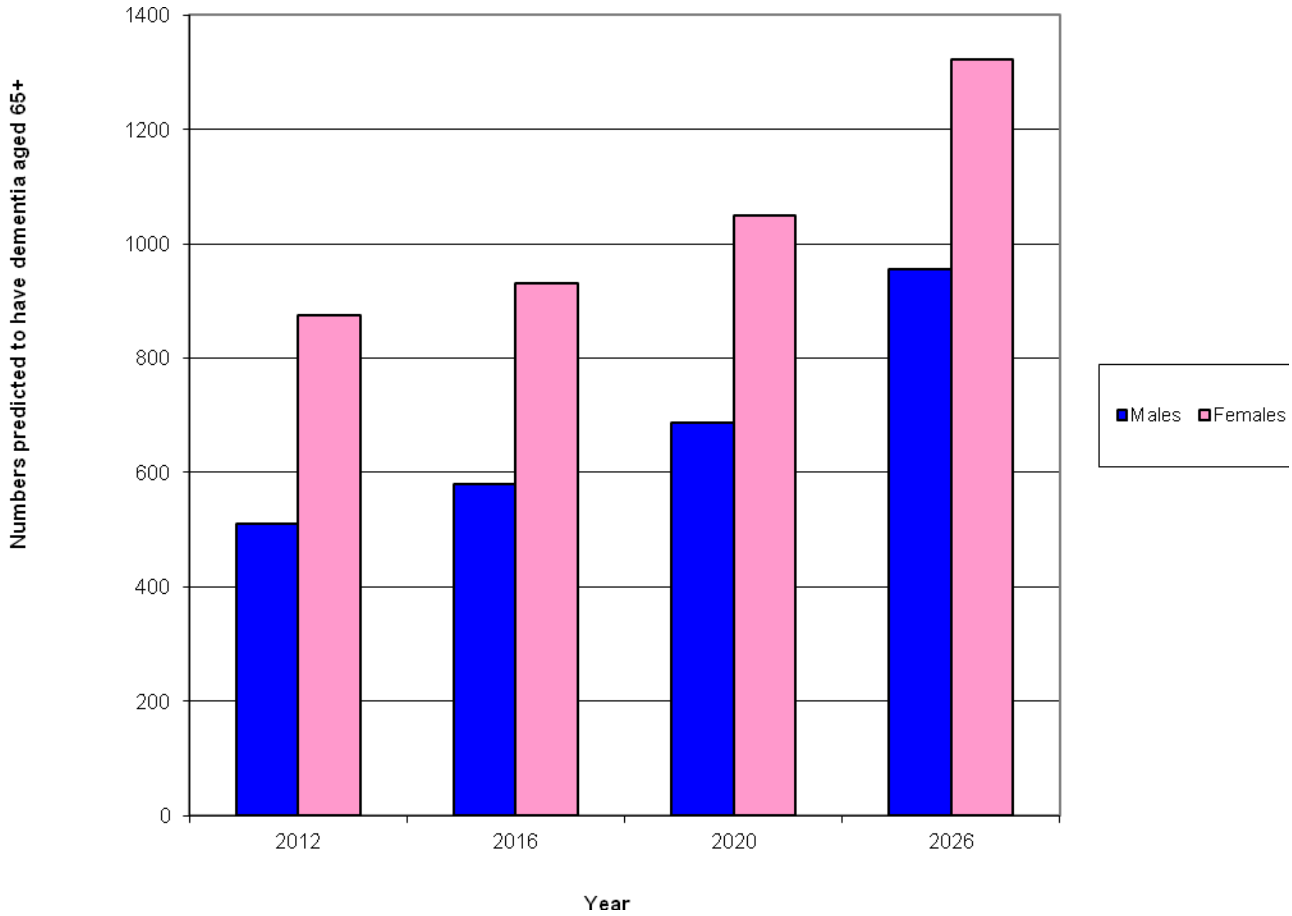
2.3.3 Congleton LAP- People Predicted to Have Dementia

The table below looks at the predicted number of people with Dementia, within the Congleton LAP area.

Persons	2012	2016	2020	2026
65-69	83	90	79	79
70-74	134	157	192	279
75-79	213	231	274	353
80-84	330	335	381	463
85-89	319	358	393	502
90-94	239	256	313	446
95+	68	84	104	156
Total	1386	1511	1736	2278

Figures have been modelled using Expert Delphi Consensus on the prevalence of dementia in the UK, Dementia UK Full report © Alzheimer's Society 2007.
Data for years 2016 and 2020 has been calculated using Exeter Mid2012 populations constrained to ONS population projections Cheshire East 2011 to 2021.
Populations for 2026 have been calculated using growth on age and gender populations 2012 to 2020 calculated for the area (this assumes growth is stable and does not consider housing development or other issues that may affect migration).

2.3.4 Congleton LAP Area- Graph Showing the Predicted Numbers of People with Dementia



Figures have been modelled using Expert Delphi Consensus on the prevalence of dementia in the UK, Dementia UK Full report © Alzheimer's Society 2007.
Data for years 2016 and 2020 has been calculated using Exeter Mid2012 populations constrained to ONS population projections Cheshire East 2011 to 2021.
Populations for 2026 have been calculated using growth on age and gender populations 2012 to 2020 calculated for the area (this assumes growth is stable and does not consider housing development or other issues that may affect migration).

2.3.5 Dementia Population Projections for Congleton Town

Age Group	2012	2016	2020	2026
65-69	23	25	22	22
70-74	37	43	51	73
75-79	61	66	78	99
80-84	98	95	106	123
85-89	98	110	120	153
90-94	79	85	105	151
95+	24	25	30	42
Total	**421**	**449**	**512**	**663**

Figures have been modelled using Expert Delphi Consensus on the prevalence of dementia in the UK, Data for years 2016 and 2020 has been calculated using Exeter Mid2012 populations constrained to ONS population projections Cheshire East 2011 to 2021.
Populations for 2026 have been calculated using growth on age and gender populations 2012 to 2020 calculated for the area (this assumes growth is stable and does not consider housing development or other issues that may affect migration).
Long term projections i.e. 2026 become very unstable when calculated at small geographies-migration and development patterns are likely to alter these figures.

2.3.6 The Dementia Population Trend

The projected trends for an increase in Dementia demonstrate the need to plan carefully for support for those with dementia and their carers. In Congleton LAP the estimates are in the table in section 2.3.3.

Between 2012 and 2020 there is a projected increase in the number of people with dementia of around 25% (356 people), in addition to those with early onset Dementia.

This consultation about the future of Mountview was in part prompted by a need to start planning for those increases in frailty, dependency and dementia. Not all of the Council's current facilities and types of service response will be fit for that future of much higher dependency. The proposal to consider the future of Mountview services is about ensuring effective support for the future in the most efficient and value for money ways and giving people choice and control.

Appendix 4

2.4 Learning Disability Projection for Cheshire East

The information in this section highlights the projected number of LD service users within Congleton town and across Cheshire East. The second table looks specifically at Moderate and Severe LD users, as this is this group that predominantly use the Mountview LD service.

2.4.1 Current Cheshire East Projections for Learning Disabilities by Town and Rural Area

Baseline (Mild, Moderate & Severe)		Aged 18-64						Aged 65+				Aged 18+
		18-24	25-34	35-44	45-54	55-64	Total	65-74	75-84	85+	Total	Total
00EQ	Cheshire East (poppy 2012)	743	974	1238	1330	1093	5378	870	489	191	1550	6928
00EQ	Cheshire East (Local)	785	1042	1326	1346	1139	5638	831	479	184	1494	7131
Town/ Rural Area Figures												
21	Crewe	212	266	269	254	200	1202	143	79	28	250	1452
22	Nantwich	27	41	45	44	43	200	34	25	11	69	269
23	Crewe & Nantwich Rural 1	43	44	84	84	64	318	43	21	6	71	389
24	Crewe & Nantwich Rural 2	18	18	32	40	38	146	27	15	5	47	193
31	ALSAGER	26	30	39	42	38	174	31	18	6	56	231
32	Congleton	54	72	95	92	88	402	64	35	14	112	514
33	Middleweight	29	39	54	53	39	213	25	13	5	43	256
34	Sandbach	36	49	68	67	55	274	45	22	9	76	351
35	Congleton Rural	39	43	74	86	83	325	62	31	10	104	429
42	KNUTSFORD	22	38	50	45	38	193	32	21	9	62	254
43	Macclesfield	127	196	232	221	174	951	118	68	27	213	1163
44	POYNTON	25	31	41	46	48	192	35	22	9	66	258
45	Wilmslow	57	93	119	115	89	473	61	41	16	118	591
46	Macclesfield Rural	71	81	123	156	144	574	111	68	28	208	781

Data Source: Projecting Older People Population Information System (POPPI) Table produced on 01/05/13 10:26

Local figure calculated using prevalence rates in a report by Eric Emerson and Chris Hatton of the Institute for Health Research, Lancaster University entitled Estimating Future Need/Demand for Supports for Adults with Learning Disabilities in England, June 2004 applied to Exeter Mid2011 population download.

Appendix 4

2.4.2 Current Cheshire East Population Projection for Moderate and Severe Learning Disabilities by Town and Rural Area

Moderate & Severe		Aged 18-64						Aged 65+				Aged 18+
		18-24	25-34	35-44	45-54	55-64	Total	65-74	75-84	85+	Total	Total
00EQ	Cheshire East (poppy 2012)	171	193	311	299	236	1210	142	51	18	212	1422
00EQ	Cheshire East (Local)	181	205	333	303	245	1267	135	50	17	203	1470
Town/ Rural Area Figures												
21	Crewe	49	53	68	57	43	269	23	8	3	34	304
22	Nantwich	6	8	11	10	9	45	5	3	1	9	54
23	Crewe & Nantwich Rural 1	10	9	21	19	14	72	7	2	1	10	82
24	Crewe & Nantwich Rural 2	4	4	8	9	8	33	4	2	0	6	39
31	ALSAGER	6	6	10	9	8	39	5	2	1	8	47
32	Congleton	12	14	24	21	19	90	10	4	1	15	105
33	Middleweight	7	8	13	12	8	48	4	1	0	6	54
34	Sandbach	8	10	17	15	12	62	7	2	1	11	72
35	Congleton Rural	9	9	19	19	18	73	10	3	1	14	88
42	KNUTSFORD	5	7	13	10	8	43	5	2	1	8	52
43	Macclesfield	29	39	58	50	38	214	19	7	3	29	242
44	POYNTON	6	6	10	10	10	43	6	2	1	9	52
45	Wilmslow	13	18	30	26	19	106	10	4	2	16	122
46	Macclesfield Rural	16	16	31	35	31	129	18	7	3	28	157

Data Source: Projecting Older People Population Information System (POPPI) Table produced on 01/05/13 10:26

Local figure calculated using prevalence rates in a report by Eric Emerson and Chris Hatton of the Institute for Health Research, Lancaster University entitled Estimating Future Need/Demand for Supports for Adults with Learning Disabilities in England, June 2004 applied to Exeter Mid2011 population download.

Appendix 4

3.0 FINANCIAL FACTORS

3.1 Service Cost Analysis for Mountview

The figures below show the cost of each service operating from Mountview. Staffing costs are provided for an assumed occupancy level of 85%. All non-pay costs are split between Day Care, General Respite, Dementia Respite and LD Respite. Non pay costs are apportioned to each service area based on a corporately agreed ratio.

3.1.1 Total Cost- Respite Care

Description	Total Respite Care	Total Dementia	Total Residential	Total Learning Disability
Total Cost per annum	**£1,144,187.75**	**£328,751.20**	**£581,540.96**	**£233,895.59**

Please note: These costs included extra support worker hours to facilitate 85% occupancy
All non-pay costs have been taken from the Councils 2012-13 budget. All pay costs have been taken from the current Mountview staff list, with the exception of the additional support costs noted above.

3.1.2 Total Cost- Day Care

Description	Annual
Total cost per day per client	**£ 136,401.30**

All non pay costs have been taken from the Councils 2012-13 budget. All pay costs have been taken from the current Mountview staff list, with the exception of the additional support costs noted above

Appendix 4

3.1.3 Mountview Service Unit Cost

The table below shows the unit cost for each care service provided at Mountview

	Dementia Care	Residential	Learning Disability
Total Cost per bed/week based on 85% occupancy	**£741.78**	**£596.44**	**£1,759.18**
Total Cost per bed/week based on 67% occupancy	**£941.07**	**£756.68**	**£2,231.80**
Total Cost per bed/week based on 50% occupancy	**£1,261.03**	**£1,013.95**	**£2,990.61**
Estimated External Costs	**£525.00**	**£425.00**	**-**

<u>Day Care unit cost</u>

Description	**Annual**	**Weekly**	**Daily Cost Per Client**
Total cost per day per client	**£136,401.30**	**£2,616.06**	**£50.49**

Appendix 4

4.0 ALTERNATIVE PROVISION

4.1 Independent Sector Care Providers Within 5 miles of Congleton Library

The following section provides details on all care providers that offer a respite service for general respite and/or dementia respite, within a 5 mile radius of a central point in Congleton (Congleton Library). This information has been taken from the Care Quality Commission (CQC) website. The CQC independently review care standards across 5 key criteria, which are also detailed below.

Chapel Brook House Nursing & Residential Care Home (type of service: Care home with nursing)

Chapel Brook House, Moody Street, Congleton, Cheshire, CW12 4AN | (01260) 277364

We are currently reviewing one or more national standards at this location

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 25 December 2012)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Distance to Congleton Library – 0.1 miles
Number of Registered Beds – 32
Current Vacancies - 1

Specialisms/services
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
Stylepeople Limited

Appendix 4

Park Lane Residential Home (type of service: Care home without nursing)

7-9 Park Lane, Congleton, Cheshire, CW12 3DN

See our latest checks
Tell us your experience

We have not inspected this service yet
(Registered on 29 May 2012)

All standards found to be met following our assessment of declarations and evidence supplied by the service itself during registration ✓

Distance to Congleton Library – 0.3 miles
Number of Registered Beds – 42
Current Vacancies - 4

Specialisms/services
Dementia
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
Althea Healthcare Management Limited

Clayton Manor (type of service: Care home with nursing)

Rood Hill, Congleton, Cheshire, CW12 1YZ | (01260) 299622

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 19 December 2012)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✓

Standards of management ✓

Distance to Congleton Library – 0.4 miles
Number of Registered Beds – 78
Current Vacancies - 4

Specialisms/services
Dementia
Diagnostic and/or screening services
Physical disabilities
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
HC-One Limited

Appendix 4

Bradwell Court (type of service: Care home without nursing)

Bradwell Grove, Congleton, Cheshire, CW12 3SA | (01260) 281428

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 23 January 2013)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Distance from Congleton Library – 0.4 miles
Number of Registered Beds – 27
Current Vacancies – 0

Specialisms/services
Dementia
Physical disabilities
Sensory impairments
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
Sanctuary Care Limited

Applecroft Residential Care Home (type of service: Care home without nursing)

48-50 Brunswick Street, Congleton, Cheshire, CW12 1QF | (01260) 280336

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 8 February 2013)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Specialisms/services
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
B & L Property Investments Limited

Distance from Congleton Library – 0.5 miles
Number of Registered Beds – 22
Current Vacancies – 7

Appendix 4

The Laurels Care Home (type of service: Care home without nursing)

Canal Road, Congleton, Cheshire, CW12 3AP | (01260) 278710

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 18 April 2013)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✓

Standards of management ✓

Specialisms/services
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
Aegis Residential Care Homes Limited

Distance from Congleton Library – 0.5 miles
Number of Registered Beds – 36
Current Vacancies – 1

Astbury Mere Care Home (type of service: Care home with nursing)

Newcastle Road, Astbury, Congleton, Cheshire, CW12 4HP | (01260) 296789

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 10 May 2013)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✓

Standards of management ✓

Specialisms/services
Dementia
Diagnostic and/or screening services
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
Porthaven Care Homes LLP

Distance from Congleton Library – 1 miles
Number of Registered Beds – 62
Current Vacancies – 10

Appendix 4

Westhaven (type of service: Care home without nursing)

38b-c Westhaven, Congleton, Cheshire, CW12 4LJ | (01260) 298157

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 1 March 2013)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Specialisms/services
Mental health conditions

Local Authority Area
Cheshire East

Profile of organisation providing care here
East Cheshire Housing Consortium

Distance from Congleton Library – 1.1 miles
Number of Registered beds – 8
Current Vacancies – 0

Heliosa Nursing Home (type of service: Care home with nursing, Care home without nursing)

54 Boundary Lane, Congleton, Cheshire, CW12 3JA | (01260) 273351

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 28 March 2013)

Standards of treating people with respect and involving them in their care	✓	
Standards of providing care, treatment & support which meets people's needs	✓	
Standards of caring for people safely & protecting them from harm	✗	improvements required
Standards of staffing	✓	
Standards of management	✓	

Specialisms/services

Distance from Congleton Library – 1.2 miles
Number of Registered Beds – 42
Current Vacancies – 2

providing care here
Takepart Limited

Greengables Nursing Centre (type of service: Care home with nursing)

54 Sandbach Road, Congleton, Cheshire, CW12 4LW | (01260) 270030

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 12 February 2013)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✓

Standards of management ✓

Distance from Congleton Library – 1.2 miles
Number of Registered Beds – 31
Current Vacancies – 2

Specialisms/services
Diagnostic and/or screening services
Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
Bupa Care Homes (ANS) Limited

Tall Oaks Care Home (type of service: Care home with nursing, Care home without nursing)

Charles Street, Biddulph, Stoke On Trent, Staffordshire, ST8 6JB | (01782) 518055

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 18 December 2012)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✓

Standards of management ✓

Distance from Congleton Library – 3.7 miles
Number of Registered Beds – 49
Current Vacancies – 1

Specialisms/services
Dementia
Diagnostic and/or screening services
Physical disabilities
Caring for adults over 65 yrs

Local Authority Area
Staffordshire

Profile of organisation providing care here
Speciality Care (REIT Homes) Limited

Appendix 4

Davlyn House (type of service: Care home without nursing)

41 Bull Lane, Brindley Ford, Stoke On Trent, Staffordshire, ST8 6LN | (01782) 512269

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 19 February 2013)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Specialisms/services
Dementia
Caring for adults over 65 yrs

Local Authority Area
Staffordshire

Profile of organisation providing care here
Mr & Mrs D Heath

Distance from Congleton Library – 3.8 miles
Number of Registered Beds – 20
Current Vacancies - 2

Park Lane (type of service: Care home with nursing)

Park Lane, Knypersley, Stoke On Trent, Staffordshire, ST8 7BG | (01782) 522061

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 20 March 2013)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Distance from Congleton Library – 4.1 miles
Number of Registered Beds – 48
Current Vacancies – 2

Specialisms/services
Dementia
Diagnostic and/or screening services
Physical disabilities
Caring for adults under 65 yrs
Caring for adults over 65 yrs

Local Authority Area
Staffordshire

Profile of organisation providing care here
Four Seasons (Evedale) Limited

Appendix 4

[Springbank Nursing Home](#) (type of service: Care home with nursing)

Mill Hayes Road, Knypersley, Stoke On Trent, Staffordshire, ST8 7PS | (01782) 516889

We are currently reviewing one or more national standards at this location

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 26 July 2012)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Distance from Congleton Library – 4.7 miles
Number of Registered beds – 42
Current Vacancies – 1

Specialisms/services
Dementia
Diagnostic and/or screening services
Physical disabilities
Caring for adults over 65 yrs

Local Authority Area
Staffordshire

Profile of organisation providing care here
Care Consortium (Biddulph) Limited

Mill Hayes Residential Home (type of service: Care home without nursing)

72 Mill Hayes Road, Knypersley, Stoke On Trent, Staffordshire, ST8 7PS | (01782) 519047

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 28 November 2012)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Distance from Congleton Library – 4.7 miles
Number of Registered Beds – 16
Current Vacancies – 0

Specialisms/services
Dementia
Caring for adults over 65 yrs

Local Authority Area
Staffordshire

Profile of organisation providing care here
Careview Services Limited

The CQC independently assess care homes against 5 key criteria, (shown above). Vacancies are an up to date reflection of availability as of the week commencing 10th June 2013.

Totals

Total Number Providers	Total Number Beds	Total Number Current Vacancies
15	555	37

4.1.2 Map of External Respite Provision within 5 Miles of Congleton Library

(See attached map at rear of appendix 4, "Care Homes within a 5 mile radius of Congleton Library")

4.3 Learning Disability Respite Providers

The table below is a list of LD respite providers within 15 miles of Mountview. Two of the providers listed (Lincoln House, Warrick Mews) are internal Cheshire East care centres. The providers listed above are those known to provide LD respite from both the CQC website, and by confirming LD respite provision with each centre.

Lincoln House Community Support Centre (type of service: Care home without nursing)

Samuel Street, Crewe, Cheshire, CW1 3WH | (01270) 375341

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 17 April 2013)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✓

Standards of management ✓

Specialisms/services

Dementia

Caring for adults over 65 yrs

Local Authority Area
Cheshire East

Profile of organisation providing care here
Cheshire East Council

Distance from Congleton Library – 13.4 miles
Number of Registered Beds – 5
Current Vacancies – 1

Appendix 4

Warwick Mews Community Support Centre (type of service: Care home without nursing)

9 Warwick Mews, Warwick Road, Macclesfield, Cheshire, SK11 8SW | (01625) 378280

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 21 May 2013)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Specialisms/services

Learning disabilities

Local Authority Area
Cheshire East

Profile of organisation providing care here
Cheshire East Council

Distance from Congleton Library – 7.6 miles
Number of Registered Beds – 4
Current Vacancies – 1

3L Care Limited (type of service: Care home with nursing)

Chapel Road, Winsford, Cheshire, CW7 3AD | (01606) 215395

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 22 August 2012)

Standards of treating people with respect and involving them in their care	✓
Standards of providing care, treatment & support which meets people's needs	✓
Standards of caring for people safely & protecting them from harm	✓
Standards of staffing	✓
Standards of management	✓

Specialisms/services

Physical disabilities

Caring for adults under 65 yrs

Local Authority Area
Cheshire West and Chester

Profile of organisation providing care here

Distance from Congleton Library – 14.8 miles
Number of Registered Beds – 7
Current Vacancies – 2

Appendix 4

The Emmie Dixon Home (type of service: Care home without nursing)

149 Richmond Road, Crewe, Cheshire, CW1 4AX | (01270) 581314

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 10 May 2013)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✗ improvements required

Standards of management ✗ improvements required

Specialisms/services

Learning disabilities

Physical disabilities

Local Authority Area
Cheshire East

Profile of organisation providing care here
Emmie Dixon Home Limited

Distance from Congleton Library – 12.9 miles
Number of Registered Beds – 12
Current Vacancies – 1

Iona (type of service: Care home without nursing)

104 Well Street, Biddulph, Stoke On Trent, Staffordshire, ST8 6EZ

See our latest checks
Tell us your experience

Summary of our latest checks on the standards you have the right to expect
(Latest report published on 20 November 2012)

Standards of treating people with respect and involving them in their care ✓

Standards of providing care, treatment & support which meets people's needs ✓

Standards of caring for people safely & protecting them from harm ✓

Standards of staffing ✓

Standards of management ✓

Specialisms/services
Learning disabilities

Local Authority Area
Staffordshire

Profile of organisation providing care here
Ms J Stockdale-Fisher

Distance from Congleton Library – 3.7 miles
Number of Registered Beds – 6
Current Vacancies - 1

The CQC independently assess care homes against 5 key criteria, (shown above). Vacancies are an

Total Number Providers	Total Number Beds	Total Number Current Vacancies
5	34	6

up to date reflection of availability as of the week commencing 10th June 2013.

Totals

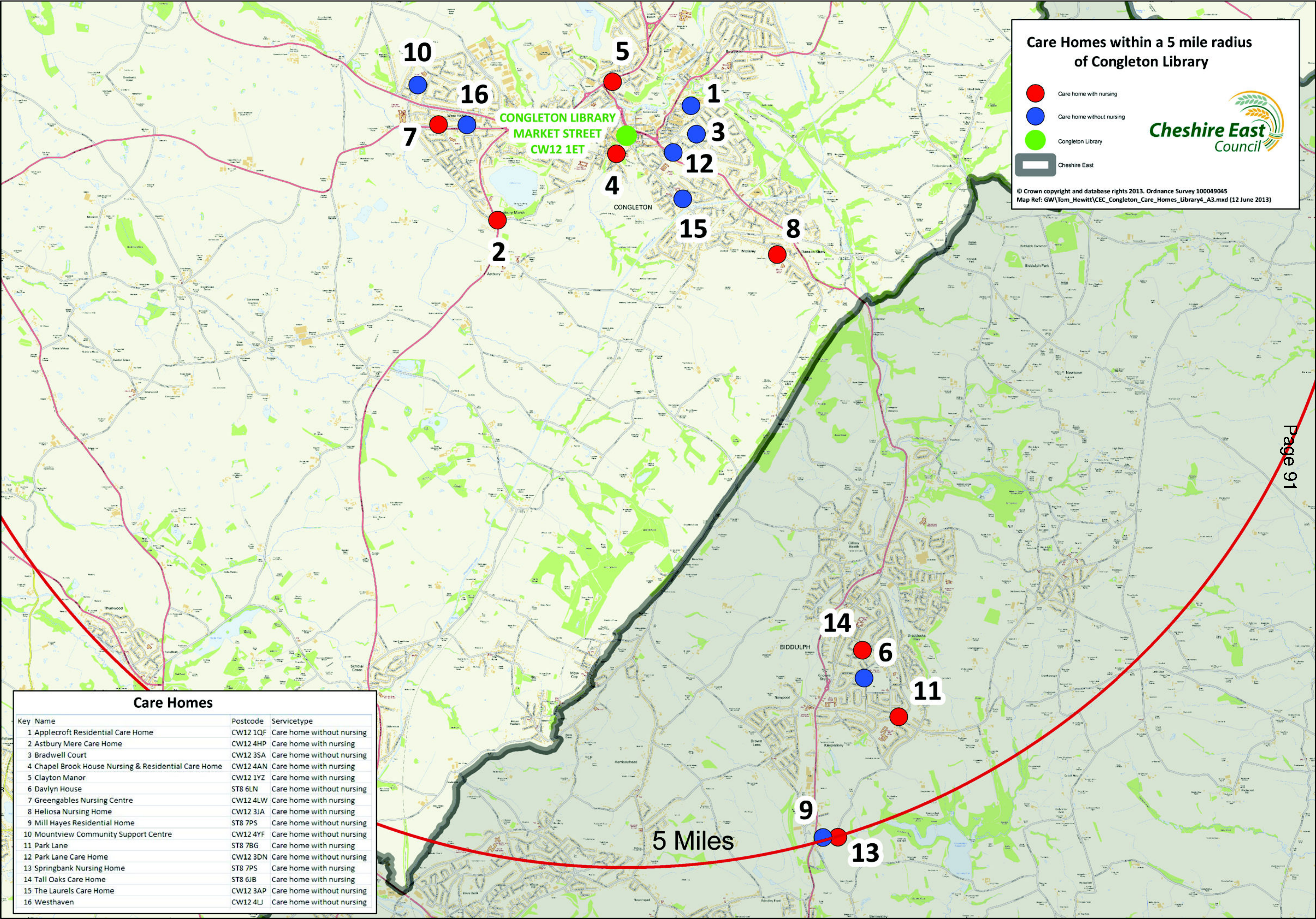
4.4 Congleton Capacity over a Twelve Month Period

The table below gives the number of recorded monthly vacancies with care providers within the Congleton LAP area over the last 12 months. This figure is for dementia and elderly respite combined.

On average there are 67 beds which could provide 3484 bed weeks of respite. Mountview provided 1072 bed weeks in 2012/2013.

Month	No of Bed Vacancies
June '12	55
July '12	57
August '12	54
Sept '12	64
Oct '12	71
Nov '12	71
Dec '12	72
January '13	78
February '13	79
March '13	65
April '13	72
May '13	65
Average Monthly Bed Vacancies	67

These figures are collated from the monthly figures provided by a third party (AgeUK). The number of vacancies listed are for all care providers that can provide dementia and elderly respite care within the Congleton LAP area.
The total number of vacancies is likely to be an underestimate, as for all care providers where the number of vacancies was unclear, 'Not known' has been used.



Care Homes

Key	Name	Postcode	Servicetype
1	Applecroft Residential Care Home	CW12 1QF	Care home without nursing
2	Astbury Mere Care Home	CW12 4HP	Care home with nursing
3	Bradwell Court	CW12 3SA	Care home without nursing
4	Chapel Brook House Nursing & Residential Care Home	CW12 4AN	Care home with nursing
5	Clayton Manor	CW12 1YZ	Care home with nursing
6	Davlyn House	ST8 6LN	Care home without nursing
7	Greengables Nursing Centre	CW12 4LW	Care home with nursing
8	Heliosa Nursing Home	CW12 3JA	Care home with nursing
9	Mill Hayes Residential Home	ST8 7PS	Care home without nursing
10	Mountview Community Support Centre	CW12 4YF	Care home without nursing
11	Park Lane	ST8 7BG	Care home with nursing
12	Park Lane Care Home	CW12 3DN	Care home without nursing
13	Springbank Nursing Home	ST8 7PS	Care home with nursing
14	Tall Oaks Care Home	ST8 6JB	Care home with nursing
15	The Laurels Care Home	CW12 3AP	Care home without nursing
16	Westhaven	CW12 4LJ	Care home without nursing

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 Agenda Item 7

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24th June 2013
Report of:	Head of Environmental Protection and Enhancement and the Strategic Planning and Housing Manager
Subject/Title:	Congleton Link Road – Viability Position Statement
Portfolio Holder:	Councillor David Brown

1.0 Report Summary

1.1 This is a joint report from the Head of Environmental Protection and Enhancement and the Strategic Planning and Housing Manager regarding the proposed Congleton Link Road between the A534 and A536. This is one of the options currently being investigated to address transport and economic growth challenges in Congleton. It presents the current status of the scheme and explores the steps that would be required to evidence its deliverability over the Local Plan period – this will be a key test at the Local Plan Inquiry.

1.2 In light of these issues the report seeks approval to continue to progress the design and development of the scheme, its continued inclusion in the Local Plan Core Strategy / Site Allocations Document and highlights potential funding options for the scheme.

1.3 The report seeks approval to develop a strategy for the phased delivery of the scheme.

2.0 Recommendations

2.1 That Cabinet note the costs for the provision of a single carriageway link road between the A534 Sandbach Road to A536 Macclesfield Road are estimated to be in the region of £62m including land, fees and risk.

2.2 That Cabinet note that land costs for the scheme are sensitive to the allocations proposed in the emerging Local Plan and that to minimise this risk the preferred route for the link road be reflected in the Local Plan Site Allocations document.

2.3 That Cabinet note that contributions from the development proposed in the Draft Local Plan have the potential to raise up to £14m as part of a mixed funding strategy.

2.4 That Cabinet note that substantial use of the Council's own resources is likely, in due course, to be required to both contribute to and 'forward fund' the delivery of the link road (or phases thereof) within the context of the anticipated revenues associated with future developer contributions and the estimated cost of the scheme.

2.5 That Cabinet note that initial work has identified that a positive transport business case can be made for the overall scheme which can be used to support future funding bids.

2.6 That Cabinet note that individual funding bids alone may be unlikely to deliver the full funding required to construct the entire link road and that a ‘phased approach’ to delivery is adopted.

2.7 That Cabinet note that a phased delivery of the link road will require a consequential phasing of associated development in the Local Plan.

2.8 That Cabinet continue to investigate options for a new link road between the A534 and A536 to support the potential adoption of a preferred route in the Local Plan.

2.9 That Cabinet develop a funding strategy to evidence the scheme’s financial affordability to the Council over the plan period and support future decisions on a preferred transport solution for Congleton.

2.10 That Cabinet note that the validity of the funding position and delivery strategy will be tested through the Local Plan inspection process.

3.0 Reasons for Recommendations

3.1 Initial work has confirmed that a new link road between the A534 and A536 would deliver significant traffic benefits within Congleton. The introduction of such a scheme would also result in significant improvements for strategic traffic across the Borough through the improvement of connectivity to the M6. This would also support the economic competiveness of the Borough in attracting investment and generating GVA.

3.2 Continued progression of the scheme through the statutory processes will also ensure that the Council is well placed to take advantage of any future sources of additional Government funding that is allocated to support the delivery of infrastructure to facilitate economic growth. This remains a key policy for the Government.

3.3 Several options to improve the transport infrastructure of Congleton are currently under review. The issues raised in this report and decisions requested will help inform final recommendations. It is essential that the council follows a clear, evidence based process in reaching a decision on a preferred solution in order to minimise the risk of future challenge.

3.4 The scheme is fundamental to the successful delivery of the Local Plan housing and employment allocations within the Congleton area – evidence of the schemes deliverability (including financial) will be crucial in supporting this argument at the Local Plan Examination in Public.

3.5 Should the Planning Inspector not be convinced that the scheme is financially deliverable over the plan period then potentially the Local Plan Strategy for Congleton will require revision - leading to a delay in adoption of the Local Plan.

4.0 Background and Scheme Status

4.1 Following approval of the outcomes of the initial option appraisal process of the Congleton Transport study in April 2013 by the Portfolio Holder for Prosperity and Economic Regeneration, the proposed scheme remains one of several options under consideration to address the objectives of the Congleton transport study. This report will help shape which of these options is recommended as the preferred option.

4.2 A ‘baseline route’ has been established for the proposed scheme and has been used to provide indicative costs for the scheme and inform discussions with the Local Plan team regarding potential site allocations. Approval from Cabinet has been received to progress the scheme up to the identification of a ‘Preferred route’ for inclusion in the Local Plan. The current programme shows this is anticipated in January 2014 following a period of public consultation in Autumn 2013.

4.3 Scheme costs for the provision of a single carriageway scheme between the A534 Sandbach Road to A536 Macclesfield Road (including a new 520m bridge across the River Dane and a combined footway and cycleway on one side of the road) are estimated to be in the region of £62m including land, fees and risk. In line with recommended Government guidance for a major highway schemes in the early stages of the development process, this includes an Optimism Bias uplift of 44%. This uplift is recommended by the Treasury to avoid the underestimation of scheme costs within the early development phases of a major scheme and to ensure that adequate provision is made for unknown costs such as environmental mitigation.

4.4 The scheme costs have also been informed by an initial land and compensation valuation exercise. As the ‘baseline route’ traverses land currently designated as arable, land costs are estimated to be £9.8m. This figure could potentially significantly increase if following the Local Plan site allocations process; the ‘baseline route’ is required to traverse land designated for commercial or housing within the emerging Local Plan.

However, given that the land could not be developed without the provision of the road and that the land will only be allocated with the road as part of a comprehensive package, this risk may diminish. As a consequence close collaboration between the Local Plan and Highways team is an essential part of the scheme delivery and risk management strategies. It will also support the recommendations regarding the northern extent of the scheme and associated impact on housing / employment allocations within the emerging local plan.

4.5 Annex A summarises the range of options available to the council to fund the scheme. These include external funding bids, new homes bonus and capital receipts. The potential also exists for the wider Cheshire East CIL to contribute to the scheme.

Further work on the financial modelling will be required to evidence the delivery position of the link road at the Local Plan Inquiry.

4.6 An immediate funding opportunity is being pursued through the Cheshire and Warrington Local Transport Board (LTB) and devolved major scheme funding over the period 2015-2019. The transport funding available over this period will be settled in the comprehensive spending review. The indicative allocation for the LTB is £21.8m.

4.7 The LTB prioritisation process follows an agreed methodology undertaken by independent consultants – as such there can be no certainty that Congleton Link Road (or phase thereof) will be successful in securing any funding from this source. Indeed, given the limited funding currently available through the LTB there is a bias in the methodology towards more affordable transport schemes.

4.8 Other opportunities for capital funding linked to growth and jobs will arise over the period of the local plan. Local Enterprise Partnerships based on regional geographies will be key in directing this funding.

4.9 Therefore, and in any case, it is considered that a significant amount of funding for the scheme needs to be raised from the private sector. As the Congleton Link Road is required to facilitate the development of a number of key strategic sites to the north of Congleton, the potential contribution from the following sites has been investigated:

- Back Lane and Radnor Park;
- Congleton Business Park Extension;
- Giants Wood Lane to Manchester Road; and
- Manchester Road to Macclesfield Road.

4.10 Potential contributions from the above sites will be need to be secured through the planning process via either a Section 106 policy within the emerging Local Plan or via the Community Infrastructure Levy policy that is currently being developed. In line with the Councils objective to facilitate economic growth, potential contributions for the above sites have been calculated based on contributions from the housing sites only (taking into consideration projected build out rates over the plan period) and have assumed developments are compliant with approved Council Policies. The initial investigations have identified a potential contribution from the above sites in the range of £14m.

4.11 Therefore in order to deliver the full scheme there is currently a predicted funding shortfall of approximately £48m.

4.12 An initial long list of possible funding options to bridge this gap is contained in Annex A - further work will now be undertaken to propose a recommended funding strategy.

4.13 Demonstrating the affordability of the scheme is only part of the challenge – the problem lies in the ‘drip feed’ of finance and the need to deliver the scheme in viable ‘sections’

4.14 Therefore in order to credibly deliver the link road in a reasonable timescale the council will have to be prepared to underwrite or fund (from capital receipts, etc) a significant proportion of the scheme costs up front and then claw back the funding from developers.

4.15 In order to minimise the level of upfront funding it is necessary to consider the phased delivery of the scheme – though all as part of the wider protected route.

4.16 An initial assessment has concluded that the following sections have the strongest potential to attract external funding:

- A54 Radnor Park link – economic benefits – but limited transport benefits. *Target funding would be RGF / growth funding*

- A54 – A34 Link – by far the strongest transport and economic benefits. *Target funding would be RGF/ Growth and Transport funding*

Under this strategy, the scheme ‘outliers’ – (A534-A54 and A34 – A536) would be delivered as later phases – though on the route alignment determined by the preferred route strategy.

4.17 The scheme costs for the A54 – A34 link (inclusive of the Radnor Park link) are estimated at £47.8M. This link has strong transport benefits – and on this factor alone it is considered that a credible case can be made to attract external funding and evidence this scheme through the statutory processes of planning and CPO. It is considered that this is the core link that provides essential mitigation for the planned housing allocations.

4.18 The scheme costs for the Radnor Park link alone are estimated at £12.4m. The reason for the high cost relative to the length of road is the high cost of Part 1 claims anticipated. Given the scheme cost it may be more difficult to make a strong external funding bid or provide the requisite evidence to support a CPO for this section in isolation.

4.19 On the basis of a phased approach and depending on the level and success of external funding sought it is considered that the council would be required to underwrite funding in the range of £15 - £30m in order to deliver the core scheme.

4.20 Formal decisions on the phasing of the scheme will be required to evidence the schemes viability at the Local Plan Inspection and influence the proposed phasing of site allocations.

4.21 Initial assessments of the transport benefits of the scheme show that a positive 'Cost Benefit' case can be made for the scheme on transport grounds alone.

4.22 In order to derive a more comprehensive and robust set of results, a strategic model is under development using SATURN software. This model is based on November 2012 roadside interview surveys, manual classified turning counts and automatic traffic counts. This model will include AM and PM peak hours, with an inter peak hour. Journey time surveys were also undertaken to allow travel times in the model to be validated. The model will provide a robust tool to forecast scheme benefits and also form core evidence for a CPO enquiry if required.

4.23 It is anticipated that this model will provide a better case for the proposed scheme as it will include strategic traffic reassignment (from the Macclesfield area) onto the road as well as local reassignment.

5.0 Wards Affected

5.1 Brereton Rural, Congleton East, Congleton West, Gawsworth, Odd Rode.

6.0 Local Ward Members

6.1 Brereton Rural – Cllr John Wray
Congleton East – Cllr David Brown, Cllr Peter Mason and Cllr Andrew Thwaite
Congleton West – Cllr Gordon Baxendale, Cllr Roland Domleo and Cllr David Topping
Gawsworth – Cllr Lesley Smetham
Odd Rode - Cllr Rhoda Bailey and Cllr Andrew Barratt

7.0 Policy Implications

7.1 Department for Transport best practice on scheme appraisal has been adopted as part of the decision making process. The Design Manual for Roads and Bridges has been adopted as part of the scheme design process.

7.2 As part of the preferred route identification process for the scheme an assessment of the Policy implications of the scheme (and alternatives considered) will be made and considered in the next stage of formal decision making.

8.0 Financial Implications

8.1 The approved capital budget for this scheme is currently £3.3m funded 40% by LTP grant and 60% by Prudential Borrowing. The current budget provision takes the scheme to Milestone 9 – Detailed Design stage of Phase 1.

8.2 The future funding implications of the full scheme as identified in the report are summarised below to provide an indication of the potential funding gap.

	Estimate £m
Scheme Cost for the provision of a single carriageway scheme between A534 Sandbach Road to A536 Macclesfield Rd (including a new 520m bridge across the River Dane and a combined footway and cycleway on one side of the road (including land, fees and risk) - Less existing capital provision	£62
Current CEC budget provision	£3.3m
Potential scale of direct funding bids through LEP / LTB	£7 – 15m
Developer Contributions from CIL / S106 in Congleton	£14m
Potential Funding gap to be met from other govt sources, CIL, NHB, Prudential Borrowing, capital receipts.	£37.7m -£29.7m

8.3 No external funding has yet been secured towards the scheme.

8.4 The developer funded element would accrue over a number of years as the sites are built out. Effectively, if early delivery of the road were required the council may be required to 'Forward fund' this (and other) elements

8.5 The potential funding strategy currently takes no account of other funding opportunities that may arise over the coming years.

8.6 Whilst the Community Infrastructure Levy can be used to repay expenditure on advanced delivery of infrastructure this is only where the expenditure was from Council funds, i.e., capital receipts. It can only be used to repay borrowed funds in certain circumstances and would require a specific direction from the Secretary of State.

8.7 The Council is able to access preferential borrowing rates from the Public Works Loan Board, for a 30 year fixed loan current rates are in the region of 3.8%. The repayments per £1m of prudential borrowing at this level of interest would be £53,000 per annum for 30 years.

8.8 By way of example, a comparative assessment has been made of the financial implications of the A54-A34 'core' scheme:

	Estimate £m
A54-A34 link	£47.8m
Current CEC budget provision	£3.3m
Potential scale of funding bids through LEP / LTB	£7 – 15m
Developer Contributions from CIL / S106 in Congleton	£14m
Potential Funding gap to be met from other govt sources, CIL, NHB, Prudential Borrowing, capital receipts.	£23.5m -£15.5m

9.0 Legal Implications

9.1 It is too early to predict the legal issues and considerations which will apply to this project and legal implications will be the subject of future Cabinet reports. However the following matters will / may be relevant.

9.2 Because the works contract in respect of the road will be of a value of more than the current threshold (£4,348,350) the mandatory OJEU rules set out in the Public Contracts Regulations 2006 will apply for the construction of any scheme.

9.3 A Compulsory Purchase Order will be necessary to deliver any major scheme and the Council has powers under the Highways Act 1980 and the Town and Country Planning Act 1990 (as amended) to acquire compulsorily any land in its area. In due course the Council, as acquiring authority, may be required to consider whether it is minded to make a CPO or CPOs having regard to public interest, wellbeing and other factors. The Council would need to engage external professionals, including lawyers and land referencers to assist with CPO strategy, process and implementation. The costs of pursuing a CPO of this kind will be material especially if there is a public enquiry.

9.4 There cannot currently be any certainty that developer (s106) contributions or Community Infrastructure Levy (CIL) will be available to part fund any scheme. Regular reviews of this risk will be needed to inform a decision by the Council about spending speculatively on activities intended to deliver the road and potentially advancing its own monies or potentially borrowing money to fund the road

9.5 Legal advice will be required to ensure that anticipated s106 contributions can be justified robustly under regulation 122 of the CIL Regulations 2010 and the Council must be mindful that (a) any committed s106 contribution will only be received if and when the relevant developer decides to implement its planning consent and any specified payment conditions triggered and (b) after the earlier of April 2014 and the adoption of the CIL schedule the number of s106 contributions there can be to the project will be limited to five.

9.6 On the current timescales, the Council`s CIL inquiry will not take place before Spring 2014 and assuming a `best case` the Council could be collecting CIL in early 2015.

9.7 The Council will need a formal legal opinion specific to this scheme on the extent to and circumstances in which the CIL Regulations will allow CIL to be used to reimburse expenditure already incurred on infrastructure. At present the prospect of CIL repaying Council spend should not be relied upon.

9.8 A full environmental statement will be required to support any planning application.

9.9 The local planning authority (through the strategic planning board) will have to make an independent decision on the planning application. Strong objection to a scheme can increase the risk of a 'call in' and determination of the planning application by The Secretary of State following a public enquiry.

9.10 Protected species as defined in the Conservation of Habitats and Species Regulations 2010/490 are likely to be impacted by the proposed scheme, full mitigation will have to be provided. This is likely to include a license application to Natural England who has to be fully satisfied before removing this constraint to development. It should be noted however that under these regulations the Council when exercising any of its functions must have regard to the requirements of the Habitats Directive (92/43/EEC) including the duty to consider whether there is a satisfactory alternative.

9.11 Other legal issues will include the drafting of legal agreements from potential developers and land owners to make financial contributions to a future scheme.

9.12 Protection of a route for the link road in the Local Plan would introduce the potential for 'Blight' notices to be served on the authority.

10.0 Risk Management Implications

10.1 The development of a financial delivery strategy and confirmation of the phasing of the scheme will reduce the risk of not securing funding through external funding bids or the risk of being found unsound at public examination on the Local Plan Core Strategy. The scale of development in North Congleton renders the Link Road essential to the Local Plan Strategy as currently conceived. If the road were to fail for any reason, the Local Plan would need to be substantially re-written.

10.2 Confirmation of an agreed funding strategy will also support the Highways and Local Plan teams in working together to ensure that opportunities for leveraging private sector funding for the scheme are maximised and supported by emerging policy documents.

10.3 The following strategic risks associated with the funding strategy for the scheme should continue to be monitored by the Project Board throughout the scheme development process:

- Land Costs and their relationship with the allocation of sites within the Local Plan;
- Anticipated private sector contributions through Section 106 or the Community Infrastructure Levy are not as significant as currently predicted;
- Scheme costs increase through the scheme development process; and
- Changes in available Government funding for major infrastructure projects.

10.4 The Project Board will also continue to assess the viability of the agreed funding strategy and determine if the Council should continue to invest in the development costs associated with the progression of the scheme through the necessary statutory processes. This will limit the risk of abortive work and associated costs and support the management of expectations from the public.

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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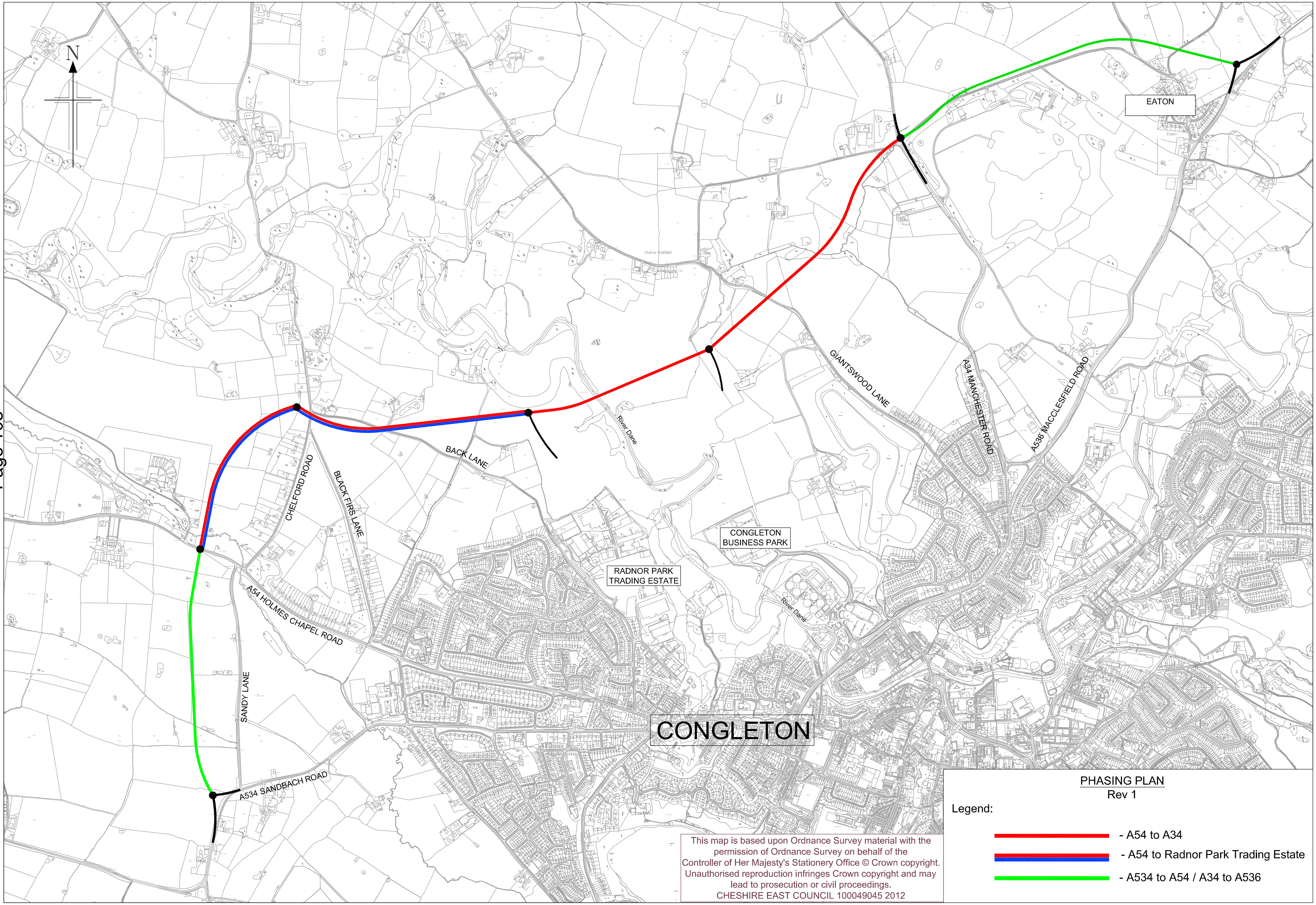
Cheshire East Council

Congleton Link Road: Potential Funding Streams

Source	Stream	Target Amount	Status	Comments
Developers	Section 106 (Congleton Sites alone)	£10 – 15m		Figure based on early work by Jacobs. Developers cannot be asked to contribute through section 106 and CIL – one or the other.
	CIL (Congleton Sites alone)			
	CIL (Cheshire East development sites)	TBC		Whilst development in wider Cheshire East may provide a limited contribution to the CLR, local areas are likely to have their own infrastructure priorities to fund. Engagement with Council CIL team needed to model a realistic level of contribution.
Government	New Homes Bonus (wider Cheshire East)	£5m		Government payment to Councils over 6 year period based on number of new homes. No constraint on how it is spent, but CLG suggests/expects consultation with local communities on that. The sites along the CLR are expected to deliver around 2100 homes over a 20 year period.. Detailed Financial modelling needed to produce potential values for the local and wider Cheshire East area **No certainty that scheme will be extended beyond 2018/19**
Cheshire East Council	Local Transport Plan Funding	£3m		Over say 5 year period
	RGF, Growing Places funding, potential European Funding,	£10-£15m		Cheshire East Council will apply for available Central Government funding in the period to construction beginning in 2017.
Cheshire East Council	Council Tax – potential increase across district to fund infrastructure			Any increase above 2% requires a local referendum. Further investigation needed to establish (a) potential value to CLR and (b) political appetite for increase and subsequent ring-fencing for CLR
	Land sales - capital receipts	Estimate to be produced over plan period.		Cheshire East Council may consider strategic disposals with the receipts being applied to fund the CLR. Council to consider disposal programme for relevant period.
	Local Transport Board	£7-15m		Likely to be post 2019 due to limited scale of funding provision and bias in

				prioritisation methodology to smaller schemes.
	Business rates – from new development on Congleton sites			Financial modelling required to establish likely revenue per annum.
	Prudential Borrowing			Subject to usual rules. Requires further analysis once extent of reliance on individual funding streams is clearer. CIL funding cannot be used to 'payback' borrowing unless the Council has received a specific direction from the Secretary of State and it is collected for at least one full year before repayment.
	Local Asset Backed Vehicle, Tax Increment Financing			Complexity of these vehicles makes them unlikely to be desirable options for the CLR.
	Local Congleton Precept			Precept is collected as part of Council Tax. It can only be collected and spent on particular purposes. Contribution is likely to be limited by statute to landscaping of verges, and potentially some signage and/or lighting. Investigation needed as to (a) relevant parishes (b) potential available contribution (c) appetite for increase in precept, bearing in mind wider council tax increase is considered as an option above.


N
EATON
GIANTSWOOD LANE
A34 MANCHESTER ROAD
A536 MACCLESFIELD ROAD
River Dane
BACK LANE
CHELFORD ROAD
BLACK FIRS LANE
CONGLETON BUSINESS PARK
RADNOR PARK TRADING ESTATE
A54 HOLMES CHAPEL ROAD
SANDY LANE
A534 SANDBACH ROAD
CONGLETON
PHASING PLAN
Rev 1
Legend:
- A54 to A34
- A54 to Radnor Park Trading Estate
- A534 to A54 / A34 to A536

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24th June 2013
Report of:	Head of Health Improvement
Subject/Title:	Alcohol Harm Reduction and Minimum Unit Pricing
Portfolio Holder:	Cllr Janet Clowes

1.0 Report Summary

1.1 The purpose of this paper is to provide an overview of the current position regarding minimum unit pricing for alcohol across Cheshire and Warrington and the wider region.

1.2 The paper makes the recommendation that progress towards reducing alcohol related harm would be accelerated by formally supporting (and working with others to advocate) the introduction of a minimum price per unit of alcohol.

1.3 It is recognised that this is only one aspect of any comprehensive plan to reduce alcohol harm in our communities and that there are many other tools that should be considered as well to help address the problem, for example restrictions on advertising, brief interventions, education and licensing.

2.0 Recommendations

It is recommended that Cabinet endorse

2.1 the principle of the introduction of a minimum unit price for alcohol across Cheshire and Warrington and the wider North West region; and

2.2 the pursuit of a byelaw supported by as many local authorities as possible, as well as active support and pursuit of the enactment of national legislation to implement a minimum unit price for alcohol, as part of a wider strategy to tackle alcohol harm.

3.0 Reasons for Recommendations

3.1 To reduce the negative impacts of alcohol harm, including the cost to people's health, the financial cost to the health system, businesses and the public sector and the alcohol related anti social behaviour and criminal activity that impacts upon our communities. Reducing alcohol related harm is a priority within the Cheshire East Joint Health and Wellbeing Strategy.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications

6.1 Alcohol is one of the leading causes of ill health amongst our local population. Around one third of our population are drinking at levels above the recommended limits. The health impacts of alcohol misuse include an increased use of general practice consultations, increased attendance at A&E, ambulance call outs, out patient and hospital admissions. The chronic effects of alcohol use include cirrhosis, coronary heart disease cancer and stroke. Leading clinicians across Cheshire and Merseyside including the Chairmen of Cheshire East's two Clinical commissioning Groups and the Director of Public Health, support a minimum unit price.

7.0 Financial Implications

7.1 There are no direct financial consequences in relation to this report. However, there are significant indirect costs related to the misuse of alcohol.

7.2 'The Cost of Alcohol to the North West Economy' a report published in May 2012 by North West Employers and Drink Wise North West identified the costs to the public sector and businesses in Cheshire East at £119 million per annum. This included costs to the Health Service of £28.9 million, £34 million in the criminal justice system, a £46 million cost to the economy and business and £9 million to Social Services.

7.3 The former Central and Eastern Cheshire PCT estimated its costs of dealing with alcohol misuse at £31,500,000 per annum, increasing by at least £500,000 a year.

7.4 Leighton Hospital in May 2012 publicised its alcohol related hospital admissions cost as £8.5 million a year.

7.5 The Police, Fire Service and Local Authority face costs associated with dealing with alcohol related incidents, for example accidents, fires, domestic violence and anti-social behaviour.

7.6 Cheshire Constabulary have recently estimated the Cheshire East costs of alcohol related anti social behaviour as £365,000 a year; domestic violence incidents that result in an arrest cost £1.3 million with additional costs of court proceedings being £342,000.

7.7 Local businesses can be affected by days lost due to alcohol related sickness, as well as by alcohol fuelled criminal damage.

8.0 Legal Implications

8.1 Legislation enabling councils to introduce local byelaws is contained in Section 235 of the Local Government Act 1972. This provision requires byelaws to be made “for the good rule and government of the whole or any part of the borough and for the prevention and suppression of nuisances therein”, and they cannot be made for any purpose as respects any area if provision is made by, or may be made under, any other enactment. Byelaws, once made by a local authority, must be confirmed, before they are effective, and the confirming authority in this context is the Secretary of State.

8.2 When consideration was initially given in 2011 to a possible byelaw, Section 2 of the Local Government Act 2000, often known as the “wellbeing” provision, which enabled local authorities to do things which were considered likely to achieve the promotion or improvement of the economic, social or environmental well-being of their area, was in force. This has subsequently been repealed and replaced by Section 1 of the Localism Act 2011; the “general power of competence”. This allows local authorities to do anything that individuals generally may do, and applies to even things which are unlike anything the authority may do apart from Section 1, and that are unlike anything that other public bodies may do. It is intended to be a wider power than the wellbeing provision in the 2000 Act; it is subject to the restrictions contained in Section 2, and its use may be coupled with the byelaw power in the 1972 Act.

8.3 Whilst there is considerable support for the introduction of minimum alcohol pricing, it is important to ensure that the most effective legislating power is used, in order to minimise the likelihood of successful challenge, and maximise the ability to enforce it. Nationally applicable legislation is the best approach, as it would ensure consistency. Key issues to be taken into consideration if a byelaw is considered as an alternative are ensuring that any potential challenges of incompatibility with EU law based on anti-competition are fully addressed, that sufficient research supports the actual price level, and that the vital issue of enforceability is addressed, since a byelaw in only some areas of the country leads to obvious cross border trading concerns in this regard. Given that the function of confirming a byelaw lies with Central Government, through the Secretary of State, these issues would have to be addressed both at the stage of making by the relevant local authorities, and confirmation by the Secretary of State.

8.4 As the problem which a byelaw would seek to remedy is not confined to the region, but is country-wide, it is recommended that whilst the option of a byelaw, and the extent of support for it continues to be explored, the enactment of nationally applicable legislation by Central Government should continue to be an important focus of the Council’s support and pressure.

8.5 The Scottish Government are currently introducing a minimum unit price. The Scotch Whisky Association has been defeated in the first stage of its legal challenge to the Scottish parliament, and it has been reported that this judgment is supported by the European Commission.

However the judgment was only handed down on 3 May, and appeal is possible, so this may not be the end of the challenge, the outcome of which would have an impact on England also.

9.0 Risk Management

9.1 The introduction of a minimum unit price is contentious and can lead to negative press and public reaction. However, there is a growing lobby that is supportive of the proposed measures and across the North West local authorities are joining together to work towards a minimum unit price and a byelaw.

9.2 There is a risk of legal challenge from the drinks industry (as has occurred in Scotland), but this cannot take place until after the Secretary of State has approved the byelaw and it is implemented. This could incur costs for the Authority. If a number of authorities are working collaboratively these could be reduced in each case.

10.0 Background and Options

10.1 *"Cheap alcohol is killing people and it's undermining our way of life…. price and access are two crucial factors affecting alcohol consumption. I recommend action taken on both but particularly on price. "*
[Sir Liam Donaldson, Chief Medical Officer 1998-2010]

10.2 Support has been building for a minimum unit price for alcohol based on the evidence that demonstrates the severe impact alcohol harm has on communities and public services. Alcohol consumption in England has almost tripled over the last 60 years. In 2010-2011there were 1.2 million people admitted to hospital in the UK with alcohol related problems (over 9000 in the former Central and Eastern Cheshire PCT). Some 7,000 deaths per year in England are directly related to alcohol. In addition 45% of all violent crime is alcohol related. In 2009 there were over 2700 alcohol related incidents in Cheshire East recorded by the Police, and nearly 25% of anti social behaviour incidents involved alcohol.

10.3 There is a clear relationship between price and consumption of alcohol. As price increases, it generally reduces heavy drinkers' consumption by a greater proportion than moderate drinkers, as heavy drinkers tend to choose cheaper drinks. It also impacts significantly on harm to young people by reducing access to 'pocket money' priced drinks. It should be noted that Cheshire East is in the worst quartile nationally in relation to the numbers of under 18s admitted to hospital because of an alcohol specific cause.

10.4 A minimum unit price for alcohol is supported by the Government Health Select Committee, Professor Dame Sally Davies (Chief Medical Officer), Cheshire, Greater Manchester and Merseyside Directors of

Public Health, the National Institute for Clinical Excellence and the Faculty of Public Health.

10.5 In March 2012 the Government's National Alcohol Strategy was published proposing a Minimum Unit Price of 45p. Although the consultation closed in October there has not yet been any response from the Government with regard to its plans.

REGIONAL PROGRESS

10.6 The Cheshire and Warrington Health and Wellbeing Commission agreed to support a minimum unit price for alcohol and the use of a byelaw to enforce this. It established a working group in 2011 to examine the implications of pursuing a byelaw approach and worked with partners across the Northwest region to explore options. A draft model byelaw has been prepared as part of this work.

10.7 The Cheshire and Warrington Leadership Board has previously given its support to minimum unit pricing.

10.8 The Liverpool City Region Cabinet has recently (24th May) reaffirmed its commitment to the principle of a minimum unit price, pursuing political support for a byelaw through the individual authorities and working with other sub-regions to co-ordinate support and implementation of a byelaw.

A Byelaw approach

10.9 In the North West there is potential to act collaboratively to implement a byelaw which would introduce a minimum price. This would be most effective if a significant number of local authorities across a coherent geographic area agree their support for a byelaw. It is vital therefore that there is strong democratic support for such an approach.

10.10 The introduction of minimum unit pricing through a byelaw will make a significant difference to levels of alcohol harm, but will need to be supported through the continuation of existing measures (such as brief interventions) and consideration of other additional actions. Examples might include restricting the advertising of alcohol, improving education and information programmes and reviewing how changes to licensing legislation could be used.

CHALLENGES TO MINIMUM PRICING

10.11 The legality of a local minimum unit price is untested, although the industry or any opponent of such a scheme could not pursue a legal challenge until a byelaw has been approved and implemented. If a local byelaw was successfully challenged it would be likely to strengthen the case for national legislation on pricing, although clearly the most effective approach should be chosen from the outset.

10.12 Public messaging needs to be developed to raise awareness of the benefits of a minimum unit price and the low impact on moderate drinkers. The process that was undertaken in this respect with tobacco legislation demonstrates that public opinion can be mobilised over time.

11.0 Access to Information

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

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 Agenda Item 9

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24^{th} June 2013
Report of:	Head of Public Protection and Enforcement
Subject/Title:	Preferred Delivery Model for Leisure, Sport, Play and Development Services
Portfolio Holder:	Councillor Janet Clowes

1.0 Report Summary

1.1 This report and its appendices set out the benefits, implications and proposed approach to the creation of a new delivery vehicle for the council's leisure facilities, sport, play and development services. It summarises the work of specialist leisure consultants FMG, who were appointed to look at the various different company models and then evaluate and report back on a preferred model that would safeguard the scope and quality of the existing service, whilst achieving the required efficiency savings as set out in the Council's three year plan.

1.2 The report seeks Members' agreement to set up a charitable trust (limited by way of guarantee), whereby the Council retains the freehold of the current physical assets.

2.0 Recommendations

It is recommended that

2.1 Cabinet note the findings of the options appraisal and consultation exercise that have concluded that the most appropriate delivery model is that of a new charitable trust. (The full options appraisal report is attached at appendix A for completeness);

2.2 Cabinet approve the formation of the Trust and the transfer of leisure services into it with an effective operational target date of 1^{st} April 2014, with the trust being established by the end of the year (December 2013) at the latest. (The implementation date of the 1^{st} April 2014 assumes that there will be no significant delays in relation to critical external dependencies (i.e.- Charity Commission registration));

2.3 Cabinet give delegated authority be to the Head of Public Protection and Enforcement (SRO for the project), the Borough Solicitor and the Section 151 Officer (or the officers that are devolved those powers) to commence the detailed implementation of the Trust, in consultation with the Portfolio Holder and Leader of the Council, (this will involve (but is not limited to) an update on progress which will be presented to Cabinet in October 2013), using the following actions and timetable:

- Start formal consultation with staff and Trade unions- **July 2013- onwards**
- Development of a robust, detailed Business Plan, which includes an asset investment plan (for the Trust), performance specification and details of contract management**- Oct 2013**
- Complete formation and registration with the Charities Commission- **Nov 2013**
- Advertise intention to award contract – **Nov 2013**
- Recruitment and appointment of a board of trustees (see 2.4 below) - **Sept -2013**
- Recruitment and appointment of the Trust's Senior Management Board- **Nov 2013**
- Complete condition surveys for all the buildings at cost of approximately £20k- **Nov 2013**
- Commission the Pension Actuary to confirm cost of any bond - Approximately £5K - **Aug 2013**
- Finalisation of staff transfer arrangements and related HR, insurance considerations; and operating procedures**.- Dec 2013**
- Shadow Trust becomes operational- **Dec- 2013**
- Enter into lease(s) for all facilities with the Trust on terms and conditions to be agreed by the delegated officers- **Feb- March 2014**
- Novation of current joint use agreements and other service contracts **March 2014**
- Entering into pension admissions agreement and staff transfer agreement plus formal transfer of staff and services - **April 2014**

2.4 Cabinet nominate two elected members to serve as the Council's representatives on the Trust Board, subject to approval by full Council in July 2013.

3.0 Reasons for Recommendations

3.1 There is a need to achieve best value for the services that the Council directly commissions and provides, and to reduce net operating cost wherever possible, whilst at the same time maintaining the best possible service for its residents in line with the Council's agreed three year plan.

3.2 The establishment of a charitable trust means that the Council's leisure facilities and related services will not be outsourced to the private sector. A trust will also help to achieve the key objectives set out in 3.1 (above), whilst also maximising opportunity for local partner engagement (eg Town and Parish Councils) and promoting high quality service delivery, (eg through enhanced or newly built Leisure facilities).

3.3 The detailed options appraisal (appendix A) has concluded that the most viable option for future service delivery is a charitable trust and this should be in the form of one newly created by the Council for this purpose. The charitable trust will seek the advancement of health and sport and recreation across the borough as their primary objective.

3.4 The principal benefits of this option over all the others considered is that it allows the Council to focus its delivery of leisure services through an independent company. This will enable significant VAT and NNDR savings to be made and allow the company's management and staff to have a single focus free from the distractions of the Councils day-to-day operational requirements, which should in turn lead to an improved and enhanced service. At the same time, the Trust will have access to financial and other resources to enhance service delivery which are not available to the Council.

3.5 A four week consultation exercise has been undertaken with current service users and the evaluation of the responses received shows that 62% were supportive of the Charitable Trust option. A number of responses were also received from Schools and Parish Councils. (The full consultation analysis is attached at appendix B)

3.6 The project has been through the Council's Project Gateway process for review and was given endorsement on 14th May to proceed, subject to Cabinet approval. The project is a major change project and therefore will be included as part of the Council's Highlight Report framework.

4.0 Wards Affected

4.1 All Wards are affected

5.0 Local Ward Members

5.1 All Local Ward Members

6.0 Policy Implications

6.1 The project is in line with the Council's three year plan and is instrumental in the achievement of:

- The Council's agreed three year plan outcome 5 –People live well and for longer- in particular that "local people have healthy lifestyles and access to good cultural, leisure and recreational facilities".

- The Council's Business Plan identifies efficiency savings linked to Leisure services (Priority 6. Redefining the Council's role in core place-based services- 6.1: Develop new delivery model for leisure operations).

7.0 Financial Implications

7.1 The financial savings associated with the establishment of the Trust do not currently include any potential savings arising from a revision of staff terms and conditions, following the transfer of Council staff in this service to the Trust. This will be explored in more detail and any potential savings will be in addition to those that are mentioned later in this report.

7.2 The external consultant's report commissioned to review the various delivery vehicle options calculated that the trust model delivers the highest amount of annual savings for the Council, with an existing trust providing a greater level of savings than a new trust. This is mainly because an established trust has lower management costs, easier access to capital funds that can be invested to generate additional income, greater economies of scale and new expertise that a new trust could not offer in the short term. This was confirmed in the net present cost modelling of each option over a 25 year period (see table below). However as identified in section 10.2 of this report in non-financial terms, the service and community benefits associated with a trust model provide a clear driver for setting up a new trust that can become a strong delivery vehicle across leisure and other, related services in the future.

7.3 No consideration has yet been made as to the length of the service delivery agreement with the trust or the lengths of leases to the trust. This will form part of the detailed Business Plan development process

7.4 There is further work required to review the figures provided in the consultant's report and to investigate further costs of implementation. In particular, the additional staff pension costs, the impact on the Council's support services costs, and the nature and level of further savings that could be delivered.

7.5 However, it is clear at this stage that the NNDR and VAT savings alone present a strong business case for the move to trust status. The report indicates that a saving of 20% of net direct service costs could be saved through NNDR and VAT benefits:

	In-House £ (Base)	Private Sector £	Existing Trust £	New Trust £	New CIC £
Total 25 year cost	£94,940,205	£91,424,170	£77,234,553	£84,664,134	£105,451,700
Net Present Cost (including set-up costs)	£60,473,754	£58,516,256	£49,477,942	£54,180,446	£67,421,434
25 Year Benefit compared to base NPC	**£0**	**£1,957,498**	**£10,995,812**	**£6,293,307**	**-£6,947,681**

Figures provided by FMG

The recommendation is to establish a new charitable trust, as this will provide a good level of saving and will deliver the greatest non-financial benefits to the Council, particularly in relation to meeting the Council's strategic priorities and the integration of related services. All current sites within the Council's Leisure facilities will be included in the scope of the new Trust.

7.6 The total cost of implementation of the preferred model is in the region of £200k and funding is already in place for this. However, members should be aware that examples from other authorities have indicated that this could be as high £400k. The costs of implementation will be monitored closely by the project manager.

Within the £200k, allowance has been made for external legal advice, a dedicated Project Manager and extra capacity to support the assets service. Delivering the project within this budget will depend on whether any unexpected implementation costs are incurred and the capacity of the other corporate enablers (HR, Finance, Procurement) to deliver. So, if a shorter time frame is required than that recommended at 2.2 (above), then the cost will be considerably more, and further work will be required to establish a clear budget for the establishment of the charitable trust before work on this could start.

8.0 Legal Implications

Procurement

8.1 Unless the Council is outsourcing the service delivery to a company that is wholly controlled by Cheshire East Council it will be necessary to undertake a procurement exercise.

Contracts for the provision of leisure services are “Part B” Services for the purposes of the EU procurement rules. Part B Services contracts should ordinarily be competed under EC Treaty principles where there is a realistic prospect of cross-border interest for the award. If this arises then a proportionate level of European wide advertisement and competition should be carried out in order to open up the opportunity to fair and transparent competition in the European provider market. The form of advertisement need not be by Contract Notice in the OJEU (although this is often used as an effective way of discharging this obligation).

8.2 As the value of the service contract exceeds £173,934, the contract is also further subject to limited application of the Public Contracts Regulations 2006 (as amended) and, in particular, in relation to non-discriminatory technical specifications; requirements to treat bidders equally and in a non-discriminatory way; and also to act transparently. The level of representation on the trust board cannot exceed 20% otherwise the trust cannot be seen to be independent for charitable purposes. In order to achieve the full tax benefits, a charitable trust cannot be wholly controlled by the Council. This is pertinent because the only exemption from the procurement requirements is in a situation where the services are being transferred to a company that is a wholly owned and controlled company (this is called the *Teckal* exemption). External legal advice has confirmed that transferring the service to a wholly owned company (the *Teckal* company) and then, subsequently, transferring the company into the ownership of the leisure trust would not provide a more viable route since, in disposing of the *Teckal* company, the new ownership arrangements introducing private interests would invalidate the *Teckal* status of that company and therefore it would not be able to retain the arrangement to provide services back to the Council. Indeed, the establishment of a *Teckal* body for the purposes of an imminent onward sale could, in itself, be considered a single linked transaction in breach of the procurement rules.

8.3 In the event that the Council, following due diligence, concludes that there is not sufficient cross-border interest in the leisure service, it can make a direct contract award to a trust. However, this is open to challenge. If successfully challenged, the contract could be set aside as ineffective and the staff and service will revert back to the Council. If a procurement challenge is brought under the Public Contracts Regulations 2006 for the award (or prospective award), then the complainant would normally only have 30 days to bring proceedings from when they first knew, or ought to have known, the grounds of starting proceedings arising. The courts have discretion to extend this to 3 months in exceptional circumstances. Therefore, market notification (in terms of a press release or award notice in the OJEU) may be sufficient to commence time running for this purpose. This may not be attractive as it would mean drawing attention to the issue, but would serve as a means of revealing possible industry objection. A challenge on the basis of a judicial review of the Council's decision, on the basis of non-compliance with the EC Treaty principles, would have to commence within 3 months from when the grounds for challenge first arose.

A complainant could raise a complaint with the European Commission which would then investigate the issue with the UK government. If it is unsatisfied with the justification in response, it could ultimately refer the issue to the European Courts. Such actions would lie against the UK government (rather than directly against the Council), which could ultimately result in the member state being fined (though this is rare). There is no time-limit for such a complaint being brought to the Commission. Expert legal advice will be required in the event that the award is challenged and this will be in addition to the external legal resource already figured into the project cost.

8.4 The Council will also need to consider the risk of any funding to the Trust being deemed unlawful state aid. State Aid may arise where the Council provides aid to select undertakings (any entity which puts goods or services on the given market), which has the potential to distort competition and affect trade between member states of the European Union. The outsourcing of Glasgow's leisure and cultural services to a leisure trust was, for example, formally challenged on state aid grounds; the challenge was however turned down by the European Commission. It will be important therefore to ensure that state aid is properly considered as part of the decision making over the structure of the detailed arrangements in this case.

The council has a duty to obtain best consideration under section 123 of the Local Government Act 1972, if it grants any lease for more than 7 years.

Governance and joint use arrangements

8.5 Where leisure facilities have shared use with schools, the Council has inherited contracts in place currently with those schools, that set out the terms of joint use of the facility and the responsibility for payments. The majority of these contracts will run until 2015 at the earliest and any transfer must be subject to the trust honouring those contracts. If legally permissible, the contracts will be novated to the Trust. Other contracts, for example catering and vending contracts, will also require novation, and due diligence is required at each site to identify these service contracts. Once the joint use contracts have come to an end, the trust will be free to re- negotiate them with the individual schools. This could provide additional benefit to the trust as, at this point, the new contracts ought to more closely reflect the true cost of the service provided.

8.6 If service delivery is transferred to a Trust, the Council will not maintain controlling influence over decision making and it will not be able to depend on transferring further services to the Trust, should it decide to do so in the future, as this will need agreement by the Trust.

8.7 The Trust will have its own governance arrangements and approval process for appointing people as Trustees. The only representation on the Board the Council is permitted is an allocation for appointing people as Trustees. of less than 20 percent of the Trustees. A balanced trust board (including elected members and senior officers) would allow the Council to retain a degree of strategic influence, to seek to, ensure service delivery is aligned with the priorities of the Council.

8.8 A detailed outcome specification and performance management system from the Council will ensure services and standards are focused on the priorities of the Council and the needs of local residents, with any management fee linked to the delivery of agreed outcomes.

8.9 **Company Limited by Guarantee (CLG)**

A charitable company limited by guarantee is a legal entity incorporated under the Companies Act 1985. Unlike the most common company structures, it does not issue shares but instead the members of the company undertake to guarantee to contribute a sum of money (normally a nominal value) in the event that the company is wound up,

The members of the company have limited liability to the level of their guarantee. These companies are regulated by the Charity Commission and are also subject to the requirements set out in the Companies Acts. It is considered that this approach offers flexibility compared to other NPDO models and they are able to change their rules to meet the needs of the business.

The Directors of the Company are called the Trustees and it is they that are responsible for compliance with the Companies Act and Charities Act and this requires a higher level of skill and knowledge in the company's administration.

This structure has the benefit of receiving NNDR relief and VAT benefits as registered charities.

TUPE and Staff Considerations

8.10 Transferring the service delivery to an arm’s length company such as a Trust will trigger a TUPE transfer of current Council staff who are working in or for the leisure service immediately before the transfer.

8.11 The Council will have to undertake the necessary due diligence to identify which employees have the right to transfer to the Trust and to be able to provide the necessary employee liability information in accordance with the TUPE regulations. The Council and the Trust will also have to comply with the Regulations' consultation requirement, which stipulates that consultation on any planned changes to terms and conditions of employment (measures) needs to be conducted in good time before the transfer. In "good time" is not defined in the regulations, but a comparison is usually drawn with the timescale for redundancy consultation which is 45 days.

8.12 It is possible that, as part of this project, a review of employment terms and conditions will be undertaken to ensure the future success of the new model in its particular market. (This will form part of the early discussion between the Council regarding the new model and also part of the consultation with the Trade Unions). Where this reveals a need for different terms and conditions, these may apply to new employees from day one.

Under the TUPE regulations the terms and conditions of existing employees may not be changed in preparation for, or for reasons purely connected to the transfer, nor can redundancies be made in contemplation of the transfer without significant risk of challenge and claims against both the council and the trust which would inherit those risks from the point of transfer. In additions any changes made prior to the transfer could be deemed invalid in any event.

Under the TUPE regulations post transfer, terms and conditions may be changed and employees can be made redundant if there is an economic, technical or organisational reason and if this entails changes to the workforce.

NB: The Government is currently consulting on possible changes to the TUPE regulations. These changes may be enacted by October 2013. Legal services will advise on any impact which these changes may have on this project as soon as there is clarity on the changes.

8.13 It is possible that the Trust will want to adopt a form of performance related pay. This will require research into the differing models of PRP in relation to the industry within which the model operates. Potential costs of this will need to be factored in to any business case proposals to ensure adequate funding post-transfer.

Ultimately, the decision on and implementation of performance related pay will be a matter for the Trust - which may seek expert advice in relation to the same.

8.14 Specialist pension/actuary advice will be required on transferred staff pension issues and confirmation of the potential bond costs will need to be established, which could be considerable in relation to the transferring staff. If the Trust chooses not to offer access to the LGPS pension for any new starters it will also have to seek expert pension advice in relation to what pension fund to offer new starters and the required implementation and associated costs.

8.15 As part of the implementation plan, the Board of Trustees will be appointed and this board will become responsible, as part of its early activities, for forming and recruiting to the management structure of the Trust.

9.0 Risk Management

There are number of risks associated with the project. These are captured in detail along with mitigating actions as a part of the Project governance. Those set out below represent the pertinent risks that it is felt necessary to bring to the attention of members at this stage of decision making.

9.1 Early and continued engagement with trade unions and the existing workforce even at this early stage will be key to successfully delivering the outcomes of the review and also in transitioning to a new delivery model successfully and with no discontinuity of service provision.

9.2 Early and continued engagement will also be required with the Cheshire Pension fund in relation to the actuary reports required in relation to the transferring employees, bond requirements and pension changes, and the completion of a Pension Admission Agreement. The Cheshire Pension Fund are already aware of the request and, once a decision is made by Cabinet to proceed, they will be formally instructed to commence the work.

9.3 The creation of the Trust well in advance of the anticipated transfer of service date will ensure that the Trust is able to undertake all the necessity preparatory steps prior to the transfer and to engage in the necessary consultation both with the employees and the Council.

9.4 Considerable input from Legal and Assets Services will be needed to ensure the Council’s ownership of the related physical assets is protected, in order to secure the future use of the assets for leisure and recreational purposes. Members of staff from the legal service form part of the project team and allowance has been made within the implementation costs for the required assets work to be carried out.

9.5 There will be a number of Procurement issues that will need to be considered further as part of the in-depth review of the preferred delivery model. These will include current regulations that address asset and service transfer. Guidance suggests that there are different routes depending upon whether the asset is to be transferred or a service is to be transferred.

9.6 The ongoing issues with maintenance and development of the Council's physical asset stock mean that major investment will be required in the near future to deliver the planned new local Lifestyle Hubs. This level of major asset work can be incorporated into any future delivery model, but it is more complex if a private outsourcing model is selected, due to the contractual nature of the relationship with a third party provider, and this is compounded if the likely outcome of the asset strategy is unknown when the contract is entered into. This will be further explored as part of the review.

9.7 In order to achieve the fiscal benefits of a trust model, it is also likely that the existing and any future leisure facilities will be leased to the company, with appropriate safeguards around facility maintenance and service delivery, so as to protect the Council's interests.

9.8 Whilst a different delivery model could realise revenue budget savings in relation to changes in VAT status, care will need to be taken in respect of arrangements for future capital investment (i.e. to avoid incidence of significant irrecoverable VAT on developments).

9.9 Currently the Shared Services Single Legal Entity is being established. As part of this implementation process consideration will need to be made as to whether it will be possible to oblige the Trust to continue using the shared services arrangements on an interim basis. Dependant upon this clarification savings from this element may take longer to realise. It needs to be noted however that the final decision on the provider of these services will be made by the Trust.

9.10 Similarly, the impact on the Council's other support services associated with this project will need to be managed effectively, as part of the project. This will ensure the Trust retains the necessary expenditure and staff resources to deliver the core business, whilst reducing the likelihood of any residual overhead remaining with the Council.

10.0 Background and Options

10.1 The establishment of a trust to deliver leisure operations was considered in the early life of CEC and was deemed by elected Members to be the preferred delivery model at that time. This report has concluded that this is still the most appropriate option.

10.2 Initial advice has indicated, in financial terms, that a transfer of leisure facilities, either to a new trust or existing trust model, is likely to provide the greatest potential for savings. In non-financial terms, the service and community benefits associated with a trust model provide a clear driver for setting up a new trust that can become a strong delivery vehicle across leisure and other, related services in the future.

Action Plan for implementation

10.3 In order to implement a delivery model, there is a large amount of documentation to be prepared and legal requirements to be met. This will require a specialist dedicated Project Manager with in-depth knowledge of the area and a dedicated internal project team will be needed. With this in place, the preferred model should be achieved in time for the next financial year.

11.0 Consideration of Options

11.1 The purpose of the options report was to deliver an appraisal for leisure services and to determine the future delivery models which also include leisure, sports and play development services. The analysis covered both the financial and non-financial implications of different management vehicles and has covered a wide range of potential options, including:

- Continued in-house management;
- Outsourced management – either through a private company or an existing charitable company (Trust); and
- Establishing a new company – either charitable or non-charitable, covering the following options:
  - Unincorporated Charitable NPDO;
  - Industrial and Provident Society (IPS);
  - Company Limited by Guarantee (CLG);
  - Charitable Incorporated Organisation (CIO);
  - Limited liability partnership (LLP);

11.2 The report assessed the financial implications of the outsourcing options being considered based on the following key income and expenditure areas:

- the current net direct costs of the services;
- the impact of VAT and NNDR on the different models;
- the impact arising from central support costs;
- profit, contingency and overheads;
- the impact on pension costs to the Council and operator;
- set-up costs and timescales;
- operational changes to increase revenue or reduce costs; and
- implications of including other services within the commissioning opportunity.
- The potential to work more closely with partner organisations, including Town and Parish Councils, in alternative delivery models.

11.3 The external consultant's report commissioned to review the various delivery vehicle options calculated that the trust model delivers the highest amount of annual savings for the Council, with an existing trust providing a greater level of savings than a new trust. This is mainly because an established trust has lower management costs, easier access to capital funds that can be invested to generate additional income, greater economies of scale and new expertise than a new trust could not offer in the short term. This was confirmed in the net present cost modelling of each option over a 25 year period.

11.4 However, the recommendation is to establish a new trust charitable trust, as this will provide a good level of saving and will deliver the greatest non-financial benefits to the Council, particularly in relation to meeting the Council's strategic priorities and integration of services. All current sites within Leisure facilities will be included. Joining an established trust would not give this option.

12.0 Financing the Vehicle

12.1 Whilst the Council will not be able to direct and control the Trust, it will continue to invest significantly (to be determined as part of the Business planning process) by way of payment for the management and the delivery of the services. There will need to be a detailed service specification that clearly outlines the required service levels and outcomes for local people from this significant spending. It must be noted that this specification will be flexible and renegotiated over time as will the payment to the Trust, both of which will reflect the changing outcomes required of the Trust by the Council

It is imperative that the Council maintains sufficient expert internal resource to manage the contract, ensuring the client/contactor role is maintained to ensure that:

- the Trust is meeting the required outputs within the service specification; and
- future negotiations around adding or removing services (including possible transfer to town and parish councils, schools or other local service providers) are properly facilitated

12.2 The Trust will be responsible for all operational aspects of the services and it will be up to its Board members to set fees and charges. The Trust must be financially viable and will be a commercial enterprise competing for business in what is a highly competitive market. Therefore, it is unlikely that the prices will increase much above inflation year on year, (but that cannot be guaranteed by the Council). But this, in turn, would enable the Trust to potentially have a flexible pricing policy that targets increased public participation in key areas.

12.3 As part of the detailed implementation of the Trust, further work is needed on exactly how the funding schedule will be managed, including performance penalties. The level of funding will need to be determined on an annual basis, prior to the anniversary of the formation the Trust, but this must take into account, in the early years of the Trust, the issue of ongoing sustainably, until it has become fully established. It is expected that, over a number of years, the subsidy required will become less. It is essential that the Council does not provide grant aid to the Trust, as this could constitute state aid. Payment to the Trust must be commensurate with reasonable market payment to a third party to deliver management services.

12.4 There will need to be a considerable amount of work, prior to an agreed financial position being discussed with trustees, to ensure that the payment made to the Trust is in line with true actual spend on a site by site basis.

12.5 Further consideration needs to be given to the ongoing routine maintenance and capital repairs of the Leisure facilities, there may be significant financial savings for both the Trust and the council by CEC retaining the responsibility for these works- Further work is currently been under taken to confirm this and will be reported back to Cabinet in October.

12.6 There will need to be a clearly defined scoping exercise around the transition to new financial and monitoring systems for the Trust. This will be a key issue in terms of the work currently undertaken by the Council's corporate core, which will be subject to the new Finance and HR single legal entity arrangements.

13.0 Access to Information

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FMG
CONSULTING

APPENDIX A

MANAGEMENT OPTIONS APPRAISAL

CHESHIRE EAST COUNCIL

Cheshire East
Council

A

REPORT

BY

FMG CONSULTING LTD

APRIL 2013

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1. Introduction

Background

1.1 In February 2013 Cheshire East Council ('the Council') appointed FMG Consulting Ltd ('FMG') to undertake a management options appraisal for the future delivery of its leisure services, covering both leisure facilities and development services. The brief was subsequently expanded to include certain cultural and green space facilities / services.

1.2 Cheshire East is a unitary authority area with borough status which was established in April 2009 as part of the Local Government Reorganisation (LGR) process following the abolition of Cheshire County Council and the Borough Councils of Congleton, Crewe & Nantwich and Macclesfield.

1.3 The Council has recently taken the decision to become a "Strategic Commissioning Authority" to reflect the changed local government landscape of reduced expenditure and a greater focus on localism. This change has resulted in a need to review the future leisure, cultural and green space management options across a wide geographical area and ensure that the chosen management vehicle is fit for purpose to manage the variety of facilities currently in existence.

1.4 Following on from previous work examining the most appropriate leisure management options for the Council in 2009, FMG has been commissioned to provide an updated assessment of the delivery / management options for leisure and how this may link with the cultural and green spaces services taking into account the need to provide the services in the most cost effective manner whilst maintaining quality and reflecting Cheshire East's unique circumstances. Where relevant, this study therefore draws on information from the 2009 report to supplement the additional work undertaken as part of this study.

Scope of the Study

1.5 This options review considers the most appropriate options for the commissioning of the leisure service. The following leisure facilities are included within the review:

- Crewe Swimming Pool;
- Nantwich Swimming Pool;
- Barony Sports Complex, Nantwich;
- Shavington Leisure Centre;
- Sir William Stanier Leisure Centre;
- Victoria Community Centre, Crewe;
- Middlewich Leisure Centre;
- Holmes Chapel Leisure Centre;
- Sandbach Leisure Centre;
- Congleton Leisure Centre;
- Alsager Leisure Centre;
- Macclesfield Leisure Centre;
- Wilmslow Leisure Centre;
- Knutsford Leisure Centre;
- Poynton Leisure Centre.

1.6 There are currently proposals in place to create new Lifestyle Centres which combine a range of leisure, library and adult day care services on single sites throughout the Borough. The proposed phasing and revenue implications of these developments are factored into the scope of this study and analysed within the financial implications section of the report.

1.7 All of the leisure facilities are currently operated directly by the Council which also funds the annual operational deficits. In addition to examining the most appropriate future delivery option for the leisure service, the study considers the viability of packaging the cultural and green space services (also currently operated in-house) within any potential commissioning process.

1.8 Following discussions with the Council, the full range of potential services that could be included within the commissioning opportunity for the leisure facilities are set out in table 1.1 below.

Table 1.1 - Potential Additional Commissioned Services

Service	Service Elements	Potentially In-Scope?
Leisure Facilities	Lifestyle Centres	Yes
	Dual-Use Centres	Yes
	Business Support Team	Yes
Sports & Play Development		Yes
Health Improvement Unit		No - retained within CEC, due to links with emerging Public Health remit
Community Halls	5 community halls	Yes
Green Space	Parks and Open Spaces	Yes
	Countryside	Yes
	PROW	Yes
Arts & Cultural Services	Archives & Local Studies	No - managed on contract by Cheshire West & Chester Council
	Youth Theatres	Yes
	Lyceum Theatre	No - managed on contract by HQ Theatres
	Knutsford Cinema	No - long lease to Curzon Cinemas
	Museums	Yes

1.9 As noted in paragraph 1.1, the study focusses on the leisure facilities as the main income generator and core focus of the commissioning project. However, the financial analysis and evaluation of options assesses the viability of packaging the leisure facilities management together with these other services and facilities.

Methodology

1.10 Our approach to the study comprised the following key tasks:

- A review of the relevant national and local strategic documentation;
- Review of the current financial and non-financial performance of the service, including site visit and a benchmarking exercise to analyse facility performance against industry benchmarks;
- An informative options presentation to members to make them aware of the possible options available and elicit initial feedback;
- A detailed options appraisal and production of an implementation plan.

Report structure

1.11 The draft report is structured as follows:

- Section 1 - Introduction;
- Section 2 – Local and Strategic Context;
- Section 3 - Leisure Facilities Performance Overview;
- Section 4 - Options Review;
- Section 5 - Legal Implications;
- Section 6 – Risk Analysis;
- Section 7 – Financial Implications;
- Section 8 – Evaluation of Delivery Options;
- Section 9 – Summary and Recommendations; and
- Section 10 - Implementation Plan.

Basis of information

1.12 It is not possible to guarantee the fulfilment of any estimates or forecasts contained within this report, although they have been conscientiously prepared on the basis of our research and information made available to us at the time of the study. Neither FMG as a company nor the authors will be held liable to any party for any direct or indirect losses, financial or otherwise, associated with any contents of this report. We have relied in a number of areas on information provided by the client, and have not undertaken additional independent verification of this data.

2. Local and Strategic Context

Introduction

2.1 This section of the report provides background and context to the study by reviewing:

- local demographic information and future population growth estimates to understand the current population profile and how this may change in the future; and
- the national and local strategic context information of relevance to local service delivery.

2.2 The intention is to identify key factors impacting on the current facilities and services and understand the future priorities, targets and changes that will impact on the management of the services / facilities in the future.

Demographic profile

2.3 Cheshire East has a total population of 370,127 over an area of 1,158km^2. The breakdown of the ages within Cheshire East in the 2011 Census indicates that the population is ageing, with the age groups from 45+ years all represented at levels above the national average.

2.4 Cheshire East has a lower than average proportion of both male and females in all age groups from 15 to 34. The relatively low proportion of people of working age and relatively high proportion of older people has implications for the housing needs of the population and for the future economic prosperity of the Borough.

2.5 The Local Plan includes statistics that project an increase in population to 384,000 by 2029. The forecasts also predict that the population aged 65 and over will increase sharply (by 59 per cent) during the period 2009 to 2029. Additional housing will be required to cater for this demand with the largest increases in the population number being in the major towns of Crewe and Macclesfield.

2.6 The Annual Population Survey 2011 calculates that the unemployment rate in Cheshire East is significantly below the regional and national average. In Cheshire East, 10,600 were classed as unemployed, this equates to 5.8% which is low compared to an average of 7.8% in the North West and 7.5% across England.

2.7 Life expectancy in Cheshire East is higher when compared with the national average. Males have a life expectancy of 79.1 years compared to 78.3 years nationally, while females live to an average of 82.7 years compared to 82.3 years nationally.

2.8 According to the Census, 82.3% of Cheshire East are classed as being in 'very good health' (49.1%) or 'good health' (33.2%), with 12.8% classed as being in 'fair health'. This is positive compared to the national statistics for England where 81.4% are classed as being in 'very good health' or 'good health'. The statistics also show that 3.8% of the local population are classed as in 'bad health' with 1.1% in 'very bad health'. These figures are both below the national average figures for England of 4.2% and 1.2% for 'bad health' and 'very bad health' respectively.

2.9 In terms of obesity, data suggests that the number of adults in the Borough that are classified as obese is circa 63,100 or 21.7% of the adult population. This is below the national average where it is estimated that 24.2% of the population are deemed to be obese. In relation to children, the level of obesity is 18.5% in Cheshire East which is also marginally below the national position of 18.7%.

Sport England Key Performance Indicators

2.10 Sport England, the Governments agency for sport measure 5 key areas in relation to sport activity in the Active People Survey. The table below sets out the performance of the Borough compared to the North West and England, taken from Active People 6. (Please note however that Active People involves telephone sampling a maximum of 500 people in the Cheshire East area out of a total population of in excess of 370,000, so is an approximate measure only).

Table 2.1 - Comparison with Sport England KPIs

	Cheshire East	North West	England
KPI1 – 3x30 Physical Activity per week	16.7%*	17.1%*	16.3%*
KPI2 - Volunteering at least one hour a week	8.3%	7.3%	7.6%
KPI3 - Club Membership in the last 4 weeks	22.2%	21.7%	22.8%
KPI4 – Received tuition / coaching in last 12 months	18.4%	15.0%	16.8%
KPI5 - Took part in organised competition in last 12 months	15.3%	13.2%	14.4%

*This information is from APS5, relevant information from APS6 is not available.

2.11 It can be seen that participation (measured at 3 x 30 minutes per week) at 16.7% is above the national average (16.3%). However, the figure is below the North West regional average (17.1%). This trend is reversed for club membership levels. Volunteering, receiving tuition / coaching and organised competition are all above both the regional and national averages. When analysed in more detail, receiving tuition / coaching is most significantly above the averages at 18.4%, compared to 15% in the North West and 16.8% in England.

2.12 Table 2.2 shows the trends between 2010 and 2012 for each of the five key performance indicators. The colours represent the change from the previous year, with green indicating a positive increase and red a decrease in performance. The information is only available from 2010 due to the creation of the Unitary Authority Cheshire East in 2009.

Table 2.2 - Trends for Cheshire East in Sport England KPIs

Indicator	2010/11	2011/12
KPI1 - 3x30 Physical Activity per week observed	19.8%*	16.7%*
KPI2 - Volunteering at least one hour a week	6.3%	8.3%
KPI3 – Club Membership in the last 4 weeks	26.5%	22.2%
KPI4 – Received tuition / coaching in last 12 months	17.9%	18.4%
KPI5 - Took part in organised competition in last 12 months	14.5%	15.3%

*APS5 data therefore 2009/10 and 2010/11 data.

2.13 It can be seen that in the Active People Survey 5 data for 3 x 30 minute physical activity participation has reduced from 19.8% in 2009/10 to 16.7% in 2010/11.

2.14 For the remaining KPIs that use the Active People 6 survey (the last published measured year being 2011/12), volunteering, tuition / coaching and organised competition have all increased from the 2010/11 results, with volunteering significantly increasing from 6.3% to 8.3% in a space of a year.

2.15 Club membership is the only performance indicator in APS6 that has shown a decrease in the 2011/12 results. The figures have significantly dropped from 26.5% in 2010/11 to 22.2% in 2011/12.

What does this mean for Cheshire East?

- The local population will increase over the next 15+ years which will result in additional potential users for the facilities but also highlights the need to ensure facilities and services are fit for purpose and can cope with the increased demand.
- The local population appears to be healthy and relatively active, although there are still improvements that could be made in participation levels. This emphasises the need for a modern and efficient management service which continues to offer a varied programme of activities, in modern and value for money facilities, to contribute towards increasing the healthy living of residents in Cheshire East further still.
- The elderly age profile of the Borough (which is projected to become more pronounced over the next 15+ years) may impact on income from some activities and presents specific challenges that need to be addressed in terms of ensuring programming and facilities cater for all age groups within the Borough. This will be particularly crucial as the challenge for local authorities to increase participation and improve public health will be more important (and perhaps more difficult) than ever in an ageing population.

Cost of inactivity

2.16 Sport England commissioned the British Heart Foundation Health Promotion Research Group at Oxford University to prepare estimates of the primary and secondary care costs attributable to physical inactivity for PCTs across England. This built upon work previously undertaken on behalf of the Department of Health in 2009.

2.17 The cost of inactivity per 100,000 people in Cheshire East has been identified as £1.79m pa. Extrapolating this to the total population of 370,000 identifies a cost per annum of £6.62m for primary and secondary care. There is therefore clearly a significant opportunity to reduce this annual cost through increasing participation amongst Cheshire East residents.

Strategic Documentation Review

2.18 A headline review of key national and local market context information of relevance to local service delivery has been undertaken to identify key factors impacting on the suitability of the different management options locally.

2.19 We have set out below a summary of the key implications for this study from the strategic documentation review. The detailed analysis of each document and the implications for this study are contained in Appendix A.

Strategic Documentation Review - What does this mean for Cheshire East?

- There is a priority, both nationally and locally, to deliver improved services more efficiently. The government is pushing for decentralisation of service delivery through commissioning and increased involvement of local community groups. This study needs to fully consider how best the management vehicles could help enable this.

- Major financial savings are required across the Council with leisure and culture budgets and associated management and staff numbers targeted for significant savings over the next three years. This study will need to identify the management model that is best placed to deliver these savings whilst still ensuring that the Council's non-financial strategic goals can be achieved and the service quality for the community is not negatively impacted.

- Leisure has a major role to play in Cheshire East in reducing anti-social behaviour and improving health, particularly in light of the ageing population profile. Whatever future management arrangements are proposed need to ensure that this focus is not lost at the expense of a profit-driven service. The evaluation section of this study should reflect this priority when assessing the available management options.

- The population is projected to increase in the Borough up to 2030 so the quality and range of services and facilities on offer will need to be sufficient to cater for the increased demand, particularly bearing in mind the need to also improve the financial cost of the service whilst the population profile becomes older (and potentially less likely to participate).

- The Council sees its leisure facilities as a priority and is considering investing in them through the provision of Lifestyle Centres. Any developments will need to take account of the town centre first focussed development strategy and the need for investment in Crewe in particular, as evidenced by the identification of capital funds for the new Lifestyle Centre within the three year capital budget.

3. Leisure Facilities Performance Overview

Introduction

3.1 In order to understand how the leisure facilities are performing, a high level analysis of income, expenditure and performance information has been undertaken. This enables the identification of any significant trends and comparison of headline figures against FMG's in-house performance database, so that we can establish what scope there may be for performance improvement. This will inform which delivery vehicle may be best placed to deliver service improvement in the future.

3.2 The section provides an overview of the key findings, whilst the detailed analysis of net direct cost of operating the facilities and then benchmarks for key income and expenditure areas against FMG's in-house database of national key performance indicators (KPIs) are contained in Appendix C.

3.3 It should be noted that, whilst KPI analysis provides a useful comparison between facilities and against national benchmarks, it is not appropriate to make decisions based solely on the KPI outcomes, as the key issue is whether services are being maximised locally, not simply how they compare nationally. Considering the numbers in isolation does not take into account site specific issues such as local competition, the operational philosophy, the age, quality and design of facilities, any wider community programming restrictions due to "joint use" agreements involving schools, levels of integration of sports development and the demographics of an area. Also, direct comparison between the Council's leisure facilities should be treated with some caution as they are located over a wide geographical area with a diverse range of demographic and economic characteristics within their respective catchment areas.

Net Direct Cost of Facilities

3.4 This part of the report is intended to focus on the net direct operational cost of the leisure facilities. This does not cover the whole cost of the service which is dealt with in the Financial Implications Section of the report (Section 7).

3.5 The figures used to assess the net direct cost of the facilities and to analyse performance against benchmarks are 2011/12 actuals as these were the most recent figures from a complete financial year.

3.6 Table 3.1 sets out the net direct cost of the Council's leisure facilities for the 2011/12 financial year.

Table 3.1 - Net Direct Cost of Leisure Facilities

	2010/11	2011/12
Total Income	(£5,412,510)	(£5,615,186)
Total Expenditure	£8,586,617	£8,927,514
Net Direct Cost	**£3,174,107**	**£3,312,328**

3.7 It can be seen that the net direct cost of the facilities in 2011/12 was circa £3.31m.

Summary of Leisure Facility Performance

3.8 We have reviewed the financial performance of the leisure facilities based on the figures provided by the Oracle finance system with cross-reference to the income figures contained within the onsite system where appropriate. Performance has been compared against national benchmarks produced from FMG's database of leisure centre operational performance data. The key findings from this review are as follows:

- It appears that the net direct cost of operating the facilities in 2011/12 increased by £139k from 2010/11 to £3.31m. Income increased by £203k during this period however expenditure also increased by £342k. These figures should be treated with some caution as there are a number of discrepancies that the finance team are investigating regarding the recording of income for 2011/12 with circa £200k unaccounted for between the onsite till system and the Oracle finance system. In addition, the Council also introduced additional staffing costs (est at £325,000 for 5 months) in the financial year 2011/12 associated with re-introducing paying time and half for hours worked at weekends;

- The leisure facilities in Congleton, Macclesfield and Wilmslow were the three most expensive facilities in terms of net direct operating cost in 2010/11 and 2011/12. This is perhaps not surprising as all three facilities include swimming pools which often result in increased operational costs and these facilities include higher levels of staffing (lifeguards etc) for which the costs have also been affected by the costs of implementing Council single status through paying time and half at weekends. This point is supported by the fact that the lowest operating cost facilities are Barony Park Sports Centre, Shavington Leisure Centre and Holmes Chapel Leisure Centre which are all dryside only facilities.

- Some facilities, and in particular those that share leisure programme time allocations with an onsite high school and associated primary schools such as Middlewich, Sandbach Sir William Stanier & Holmes Chapel Leisure Centres and also Barony Sports Complex perform below benchmark levels for income generation. With the exception of Barony, all of these facilities have limited access for community use during the day (Monday to Friday) throughout the normal school year. None of these facilities have a swimming pool which always generates higher levels of public use and therefore higher levels of income. Middlewich was also adversely affected in terms of income in 2011/12 by the lack of any access to the floodlit astro-turf pitch which had been withdrawn from use by the High School pending the construction of a new replacement facility. The lower levels of community use possible at such smaller joint use sites supports the Council's considerations in relation to transferring these facilities where possible and appropriate back to the respective schools following expiry of the existing joint use agreements.

- The best performing facilities in terms of income generation are those at Crewe Swimming Pool, Nantwich Swimming Pool, Macclesfield Leisure Centre and Wilmslow Leisure Centre. None of these facilities have the same restrictions on programming and income that occur where the facility is jointly provided with a high school.

- Income per visit is below benchmark across the whole portfolio which is in line with the Council's corporate strategic aims to give priority to young people, the elderly and those with disabilities. We understand that headline prices have been benchmarked against nearest neighbours and are already at the higher end of comparisons, however, over a third of all attendances are young people16 years and under and with a further 150,000 total attendances amongst those 60 years or over. Both high priority target user groups for the Council and those that receive significant subsidies through discounted fees and charges for using the facilities.

- Health and fitness income is generally below expectations however the dual-use nature of the facilities as indicated above, the small size of the some of the fitness suites and value for money pricing will be contributing factors to this. The average number of members per station across the portfolio is only 17 compared to an industry average of circa 25 which indicates that the majority of gyms have additional capacity (a latent demand report would need to be procured to confirm this). The exceptions to this are Crewe and Nantwich Swimming Pools which have 27 and 36 members per station respectively. These are the two best performing facilities in terms of income per station and are closer to the £5k - £6k income per station level which we would expect to see from an in-house operation. However, **it is important to note that the Council has recognised this and we understand that the significant recent developments over the past 12 months at Wilmslow, Macclesfield, Shavington, Crewe, Knutsford and Sandbach (alongside minor improvements to equipment at Holmes Chapel, Alsager and Middlewich) has had a significant positive impact on income generation and membership levels, such that the 2012/13 financial performance will be in line with or exceed industry benchmarks in most cases – this clearly supports the benefits of investing in a 'quality' offer and supports the plans for upgrades at nantwich Pool (nearly complete), Congleton, Poynton and a further more significant upgrade, at Alsager and Sandbach**.

- Swimming and sports hall income compared to benchmark is reasonable in a number of the facilities. The leisure centres at Macclesfield and Wilmslow in particular are performing close to / above benchmark for both of these KPIs. If the additional VAT benefits that a trust operation can access were factored in, many of the facilities would be performing close to the benchmark level in these areas. There are however, a number of facilities (smaller joint use centres in particular, due to the inherent restricted daytime community access required by the shared arrangements with a high school) that perform significantly below benchmark for sports hall income which leads to questions about the need to continue operating all of the dual-use facilities which mainly offer large, 6 court sports halls. This analysis supports the Council's long-term thinking around the asset planning for rationalisation and the provision of new Lifestyle Centres.

- Performance against expenditure benchmarks is below expectation, particularly in relation to staffing costs which are often over 100% of income at many of the facilities – however, this is clearly impacted by the decision regarding enhancements, which we understand added £325,000 for 5 months of 2011/12 and has added c.£750,000 in the current year. This is also reflected in the fact that the overall cost recovery percentage is below benchmark across all facilities with the exception of Shavington Leisure Centre and Macclesfield Leisure Centre.

- Utilities costs are reasonable at many of the facilities considering the age of the asset stock however there are some facilities where the utilities costs should be interrogated to understand the reasons for the high costs compared to the benchmark level. Knutsford, Poynton and Sandbach Leisure Centres are all dual-use facilities which have very high utilities costs although this could be partially attributable to the lack of ability to accurately split utilities consumption / costs between the school and the leisure centre elements which may lead to some degree of subsidy of the schools premises being incurred by the Council via the leisure service. The utilities costs for the dual use Middlewich Leisure Centre in particular are above the benchmark level which is a concern because this dual-use facility does not have a swimming pool (although the same issue may apply as at the other dual-use facilities). Finally, Nantwich Swimming Pool has high utilities costs at £61 per square metre. These high utilities costs may be partially related to the provision of the heated outdoor pool.

- Maintenance expenditure is below benchmark across the portfolio which could be looked at as a positive in terms of controlling expenditure however is a concern if the upkeep of the assets is not being invested in for financial reasons as it will lead to long-term increases in major maintenance issues and reductions in income due to increased service disruptions and user dissatisfaction / attrition rates. It is noted that maintenance expenditure appears to have decreased significantly between 2010/11 and 2011/12. The responsibility for the maintenance budget now resides centrally with the asset management team. It is crucial that maintenance expenditure does not decrease further still (unless there is a clear plan for long-term disposal of an asset) as the resulting savings in expenditure are likely to be negated by reductions in income and increased long-term maintenance problems.

- Although there is some marketing spend in the individual cost centres for some of the leisure facilities the amounts are negligible and so have not been recorded in table 3.18. Marketing spend is not allocated per leisure centre as there is a central marketing team which works across all of the leisure facilities. The marketing team spent £39,353 in 2011/12 on marketing activities (this does not include the cost of the staff time i.e. their salaries and wages or associated expenses). Adding on the £1,502 spent on-site results in a total marketing spend of £40,855. This is the equivalent to 0.7% of income and is low when compared to the benchmark of 2.1%. This may be one of the contributory factors as to why performance against the income KPIs was predominantly below the benchmark levels across all of the facilities.

- It is acknowledged that the financial performance at some of the leisure facilities is understated because the true level of income and costs relating to school dual-use status and long-term hire of rooms by the Adult Services team are not accurately reflected in the levels of income / recharges allocated to each facility. This would impact positively on a number of KPIs and overall financial performance if accurate recharges were included.

4. Options Review

Introduction

4.1 Having outlined in sections 2 and 3 the current 'offer' and financial performance, the remainder of the report focuses on future provision, starting with an overview of the different options available generally for management of leisure & culture.

4.2 There are a number of different management options available for the Council to consider, each with their own advantages and disadvantages. It may be that one model covers all the facilities and services or that specific models will suit some of the facilities / services and not others.

4.3 We have grouped the management options under consideration as follows:

- Continued in-house management;
- Outsourced management – either through a private company or an existing charitable company (Trust); and
- Establishing a new company – either charitable or non-charitable trust

4.4 The text in this section provides a description of each option, their key characteristics and relative advantages and disadvantages.

In-House Management

4.5 This option involves the retention of the Council's existing management model, potentially with some operational efficiencies and improvements made in order to generate financial savings and improve performance. Although this model will be very familiar to the Council, we have set out the key features and advantages and disadvantages to allow proper comparison with the alternative options.

4.6 The key characteristics of continued in-house management by the Council are as follows:

- the Council takes direct responsibility for the management and operation of the facilities and services;
- any staff employed in the operation of the facilities are employed by the Council;
- the Council gathers all income generated by the facilities;
- the Council is responsible for all expenditure incurred in the delivery of the services;
- the services continue to use the central support services of the Council;
- the operating risks of the services remain with the Council;
- the maintenance of the assets remains with the Council;

- there are no set up costs associated with this option and no timescale issues.

4.7 The table below sets out the advantages and disadvantages of in-house management.

Table 4.1 - In-house management - advantages and disadvantages

ADVANTAGES	DISADVANTAGES
The Council retains complete strategic and day to day control of services	The Council misses out on potential revenue savings from NNDR relief and VAT
The Council retains professional and operational expertise of services' management and staff	The Council retains liability for the operational performance of the services
Workforce remain within the local government framework and pension scheme (as appropriate)	The Council retains liability for the capital maintenance costs associated with the facilities and any capital funding requirements
Shares central support costs with other departments	Misses opportunity to improve management of the services by accelerating decision-making processes and providing greater autonomy to staff
Cross-relationships with other local authority services	Can have limited access to entrepreneurial spirit and flair (risk and reward)
No set-up costs or lead-in time required	Limited access to the benefits of developing new opportunities and from economies of scale

Summary of In-House Management

4.8 Under this option, there is no change, unless the Local authority can consider other self-financing investment options, the rationalisation of facilities or an operational review to improve the financial position. This solution will not address the risk transfer issues, provide a single focus for the service or protect the service from likely service cuts that will face local government over the coming years.

Outsourced Management

4.9 If the Council was to outsource the management of the service(s) through a procurement process, there would be likely to be two types of bidders:

- private sector organisations (often using 'hybrid' trusts); and
- existing charitable organisations (trusts).

4.10 These two types of organisations have different structures, characteristics and advantages and disadvantages, however would be likely to be directly competing for the right to deliver the service(s) should the Council choose to outsource to an external organisation through a procurement process.

4.11 The third option to outsource the leisure facilities presented in this section is via a trade sale of the assets to an existing private sector commercial operator such as Virgin Active. This would usually be achieved through a property transaction rather than a procurement process.

Private Sector Management

4.12 Following the introduction of Compulsory Competitive Tendering (CCT) to sport and recreational services in 1989, a number of companies were set up to respond to the opportunities of CCT in operating and managing public leisure facilities.

4.13 Since then, there are a number of private companies that have emerged to operate in the public sector sport and recreation market managing facilities and services on behalf of local authorities under contract. These include, by way of example, DC Leisure, Parkwood Leisure, Leisure Connection, SLM and Serco Leisure plus others.

4.14 The key characteristics of private contractor management are as follows:

- the Council would be the "client" and would manage operations under a contract agreed by both parties which would include a specification and performance measurement system;
- the management opportunity would typically be defined by a number of key heads of terms, including:
  - a fixed contract term (typically ten to fifteen years);
  - a management fee payable by the local authority to the contractor (potentially incorporating surplus share arrangements); and
  - a service specification setting out the Council 's requirements in respect of the delivery of the management services (typically including aspects such as pricing, programming, customer care, cleaning, opening hours, maintenance and quality management).
- the contractor undertakes management of the facilities, gathering all income generated by the facilities and being responsible for the majority of costs incurred by the facilities;

- typically, the Council would retain some responsibilities (usually in respect of structural repairs and maintenance) and incur costs in respect of these responsibilities;

- staff are employed by the private contractor via a transfer under the TUPE regulations;

- the operating risks of the services are transferred to the contractor. The contractor would incorporate its own profit (risk) margin within the management fee agreed with the Council and achieves this profit margin by delivering the projected financial performance;

- the Council would monitor the operational performance and service standards delivered by the contractor, such that any failures to perform may be subject to financial deductions;

- the private contractor will use their own central support costs and will not need to use those of the Council, which potentially has an impact on the central resources of the Council.

Hybrid NPDO Management

4.15 In recent years, most of the established private management contractors have started to offer a "Hybrid NPDO" management model (and some also offer charitable models). This model is a legal vehicle with charitable objectives, which can access discretionary NNDR benefits, but is not a charitable company or provident society and not recognised by the Charity Commission, thus removing the opportunity for any significant VAT benefits.

4.16 As with private sector contract management, the Council could enter into a management arrangement where some of the management of the facilities and/or services are subcontracted to the NPDO. Under such circumstances, the Council could benefit from revenue savings provided by this model through discretionary NNDR relief (75% saving on NNDR costs).

4.17 However, discretionary rate relief, as accessed by the Hybrid Trust option, provides a lower level of NNDR savings than the Charitable NPDO option (as outlined later in this section). Further to this, it should be noted that, due to the government's Business rates Retention Scheme which is being introduced in April 2013, the fiscal benefit from NNDR savings is likely to be less of an advantage to local authorities over the next 7 years until 2020. This issue is discussed in more detail in the financial implications section of this report.

4.18 The hybrid organisation may also benefit from additional grant and sponsorship opportunities as external organisations are probably more likely to grant-aid and/or sponsor a NPDO than the local authority itself.

4.19 Currently, the hybrid structure would not benefit from the potential savings generated by the different treatment of VAT within a charitable management structure due to the fact that the Hybrid NPDO is not viewed as a registered charity.

4.20 The advantages and disadvantages of the Hybrid NPDO option are broadly the same as the private contractor management option, as set out in the table overleaf. The only discernible difference is that the hybrid option offers additional NNDR savings as detailed above.

Table 4.2 - Advantages and disadvantages of private contractor management

ADVANTAGES	DISADVANTAGES
Contractor likely to maximise opportunities for income generation and economies of scale	The Council no longer manages day to day operation of the facilities and services (reduced control)
The Council is likely to be able to transfer considerable operational risk over to the private contractor	Contractor may prioritise commercial rather than social objectives e.g. profit (unless stipulated in the contract)
Broader expertise and experience of the private contractor	Potential loss of community focus (unless stipulated in the contract)
Access to capital finance to provide investment into facilities and services	Staff are transferred to the private contractor under TUPE, although pension benefits may be comparable only
The Council can enter into a long-term contract with performance guarantees	Capital finance can be more expensive than that provided by the public sector
The Council has greater certainty of cost in relation to the on-going revenue subsidy	

Use of an Existing NPDO

4.21 Where the Council decides not to set up a new NPDO but wishes to obtain some of the fiscal advantages associated with a NPDO structure an alternative option is to use an existing NPDO that has already been set up by another party.

4.22 There are many existing leisure trusts that have been set up by other local authorities and, once established, have started bidding for new contracts in other local authority areas. Examples include Greenwich Leisure Limited, North County Leisure, Fusion Lifestyle Ltd and Freedom Leisure. Many of these organisations also operate cultural facilities such as community halls and theatres and some, such as Wigan Leisure and Culture Trust or Rochdale Link for Life, were specifically set-up to offer a full range of leisure, cultural and green space services.

4.23 This option provides a similar fiscal solution to the new NPDO option (which is outlined later in this section) without the set up costs, but also provides the benefit of sharing risks across other leisure contracts that the NPDO holds and their associated economies of scale (similar to the private management option but normally on a smaller scale).

4.24 The key characteristics of management by an existing NPDO are as follows:

- responsibility for the management of the leisure facilities is transferred using a contract and specification;

- the NPDO would typically be a registered charity with a board of voluntary trustees and is independent of the Council;
- the Council would lease the facilities to the NPDO and would typically provide an annual management fee to the NPDO, reflecting the likely operational subsidy of the facilities;
- any staff employed to manage and supervise the facilities would be employed directly by the NPDO and transferred under the TUPE regulations;
- the NPDO undertakes management of the facilities, gathering all income generated by the facilities and being responsible for the majority of costs incurred by the facilities;
- typically, the Council retains some responsibilities (usually in respect of structural repairs and maintenance) and incurs costs in respect of these responsibilities;
- the operating risks of the services would transfer to the NPDO.

4.25 NPDOs have become very popular for the public sector seeking to achieve VAT and NNDR savings. A Charitable NPDO would be able to access mandatory NNDR relief which can be topped up with discretionary rate relief which the Council have the option to grant.

4.26 However, the ability for NPDOs to generate significant capital funding, without a track record, is not yet established and therefore capital funding from local authorities is likely (and normally cheaper to finance) if major capital investment is required.

4.27 The ability to access external funding grants is cited as an advantage of the NPDO model. However, it should be noted that grant funding streams in general are limited for leisure facilities at the present time.

Table 4.3 - Advantages and disadvantages of an existing NPDO

Advantages	Disadvantages
Savings on NNDR costs (although limited by the new Business Rates Retention Scheme - see Section 7)	The Council loses direct control of services and manages through a lease and contract
Savings from the different treatment of VAT	Difficulty in attracting significant capital investment
Greater financial and managerial autonomy	Capital finance can be more expensive than that provided by the public sector
Potential benefits from additional external funding opportunities	The Council retains ultimate liability for the operational performance and capital liabilities of the services
Opportunity for considerable community and staff involvement in the management of services	Staff are transferred to the NPDO under TUPE, although pension benefits may be comparable only

Advantages	Disadvantages
Benefits of having a single issue focus for the leisure team	Potential loss of local community focus (unless stipulated in the management contract) due to its lack of local representation
Operational risks potentially transferred to the NPDO from the Council	
May have access to capital finance, but this will be subject to levels of security and trading history	

Trade Sale

4.28 We have assumed that a Trade Sale in this context is the disposal of the leisure assets and thereby local authority leisure provision to a third party to operate as they see fit. This could include operators in the commercial leisure market, such as Fitness First, Virgin Active etc. who may be looking for leisure premises in this area. In this instance some form of leisure services are likely to be continued and staff may be transferred under TUPE arrangements.

4.29 However, this option is unlikely to be applicable to the Council's cultural and green space services as these services do not particularly involve the operation of income-generating assets to the extent that leisure does (particularly since the outsourcing of the management of the Lyceum Theatre to HQ Theatres and the outsourcing of the Knutsford Cinema to Curzon Cinemas).

4.30 It is also possible that other private equity companies or businesses would take an interest in the acquisition of these sites to provide either alternative or complementary services (e.g. sports retailer etc.). It could also cover the acquisition of the land for other commercial uses.

4.31 The key characteristics of trade sales are as follows:

- the local authority would receive a capital receipt from the disposal of the assets;
- the sale could be a freehold sale or a long leasehold (for example 125 years);
- staff may transfer under TUPE to the new owner, subject of course to the continuity of sport and recreational services;
- all operating and asset risks would be transferred away from the Council to the third party;
- the value of the purchase would take into account the potential income stream to be generated from the operation of the facilities, any covenants on the land and for the future land value that may be achieved in current or alternative uses;
- the purchaser will need to finance the cost of the acquisition as well as the operating deficit, unless revenues can be improved from a change in the business model or priorities i.e. a more commercial focus offering facilities at a premium price.

4.32 It should be noted that it is very unlikely that a commercial operator would be interested in acquiring more than one or two of the Council's leisure facilities at most. This is because the major commercial health and fitness operators require a significant catchment area population that only large towns and cities can provide.

4.33 Further to this, it is highly unlikely that any form of concessionary pricing scheme will continue, given the need to generate a return on investment. This will likely result in exclusion of a number of target groups due to their inability to pay commercial rates.

Table 4.4 - Advantages and disadvantages of a trade sale

ADVANTAGES	DISADVANTAGES
Local authority receives a capital receipt	Local authority has no leisure facilities under its control from which to provide public sport and leisure services.
Local authority transfers all the risks of operating the facilities to the new owner	New owners may seek to remove any leisure facilities and services in the future and replace with more commercial focus
Allows the new owners to manage the business on a commercial basis that may increase investment and employment	May be politically difficult to achieve
Access to future capital investment for the facilities and provide leisure services on a commercial footing	Likely to be unpopular with users on lower incomes as new facilities may incur a premium price
Staff will transfer to the new owner under TUPE for as long as the leisure facilities are provided	Focus on the provision of a commercial facility offering around health and fitness at a premium rate at the expense of a subsidised community leisure offering
	Staff are transferred to the NPDO under TUPE, although pension benefits may be comparable only

Establishing a New Company

4.34 The third overarching option for the Council is to establish a new organisation to run the leisure facilities (and potentially also take on some or all of the cultural and green spaces service areas). There are many forms which the organisation could take including:

- Unincorporated Charitable NPDO;
- Industrial and Provident Society (IPS);
- Company Limited by Guarantee (CLG);

- Charitable Incorporated Organisation (CIO);
- Limited liability partnership (LLP);
- Community Interest Company (CIC).

4.35 The text below explains the key features, advantages and disadvantages of these options in more detail. It is worth noting that these different types of company structure are often classified under the umbrella of Social Enterprises. A social enterprise is a company which:

- has a clear social and/or environmental mission set out in their governing documents;
- generates the majority of their income through trade;
- reinvests the majority of their profits;
- is autonomous of state;
- is majority controlled in the interests of the social mission; and
- is accountable and transparent.

4.36 All of the different structures discussed in this section can therefore be termed social enterprises – indeed, Greenwich Leisure Limited (which manages leisure services in the south east of England) is often used as a case study of a successful social enterprise.

4.37 The majority of the vehicles noted above are considered to be NPDO's – non-profit distributing organisations, for which there are a number of common characteristics.

Non Profit Distributing Organisations

4.38 A Non Profit Distributing Organisation (NPDO) is an organisation that is not able to distribute profits or surpluses to a third party, for example shareholders, but must use these profits or surpluses to reinvest in the organisations objectives to improve services.

4.39 The key characteristics of the operation of services by a new NPDO are as follows:

- the Council will enter into a contract and specification for the management and operation of the service / facilities;
- the assets, as per other options, will be transferred under a lease to the new NPDO;
- in return for the services and management of the existing facilities, it will receive an agreed fee from the local authority, probably in the form of an annual grant or perhaps a management fee;
- the operating risks of the services would theoretically transfer to the new NPDO. However, in reality, the new NPDO may not have the financial resources to absorb unforeseen operational losses and may request additional funding from the Council;
- the new NPDO may be a charity to take advantage of the fiscal benefits including VAT and NNDR relief;

- the NPDO will often have limited opportunity to raise capital finance, as it may have limited security and no trading history;

- a new NPDO will be likely to include many of the existing management team but may attract other senior officers to the team (finance, HR or legal for example).

Table 4.5 - Advantages and disadvantages of a new NPDO

ADVANTAGES	DISADVANTAGES
Management team are likely to understand the business, demographics and market together with the opportunities that this provides	The Council loses direct control of the services and facilities and it uses the contract and lease as a control mechanism
Opportunity for considerable community and staff involvement in the management of services	Staff are transferred to the NPDO under TUPE, although pension benefits may be comparable only
Operational risks potentially transferred to the NPDO from the Council	Capital finance can be more expensive than that provided by the public sector
May have access to capital finance, but this will be subject to levels of security and trading history	If the NPDO gets into difficultly, it is likely that the Council may have to support the NPDO
Benefits of having a single issue focus for the management team	Asset risk is likely to remain with the Council
May access VAT and NNDR benefits if structured correctly	Lengthy and complex NPDO set-up and transfer process
Greater financial and managerial autonomy of the NPDO	New NPDO may not be able to demonstrate track record of expertise to potential customers and investors
Potential benefits from additional external funding opportunities	Difficulty in recruiting trustees of suitable expertise and calibre

4.40 Over recent years the market has seen substantial growth in the use of these organisations to operate sport and recreational services for local authorities. There are a number of NPDO structures available to operate and manage sport and recreation facilities and services as set out in paragraph 4.34.

Unincorporated NPDO

4.41 The NPDO is a made by a declaration of trust and a trust deed that sets out the terms, objectives and functions of the NPDO together with the names of the trustees. It is registered with the Charities Commission who regulates the NPDO. The objectives are created so that they cannot be amended without the approval of the Charities Commission. The NPDO has tax benefits associated with VAT treatment of sales and purchases and NNDR relief (although the benefits from NNDR relief are not as significant for the Council following the introduction of the Business Rates Retention Scheme - see Section 7).

4.42 It should be noted that under the Unincorporated NPDO, the Trustees have personal liability and they are jointly and severally liable for any liability that accrues to the NPDO. Although it is possible to obtain insurances for these liabilities, this particular option is not seen as being appropriate for the management and operation of sport and recreation services due to the potential liabilities that may occur. For this reason we have not examined this trust structure in any further detail.

Industrial and Provident Societies (IPS)

4.43 These societies are corporate bodies which have limited liability and are registered under the Industrial and Provident Societies Act 1965. To be registered, the business must fall within the conditions of the Act in that the IPS is set up to carry on an industry, business or trade and is a bona fide co-operative society or the society is for the benefit of the community.

4.44 They were previously regulated by the Financial Services Authority although this changed on 1st April 2013 to the newly formed Financial Conduct Authority following the implementation of the Financial Services Act 2012.

4.45 Where an IPS is formed for charitable purposes, it will be deemed to be an exempt charity and enjoy the benefits available to other charitable bodies. The IPS does not need to register with the Charity Commission.

4.46 Under the IPS, each member has only one vote which can impact on the decision making process and where a local authority wishes to have a level of control through "shareholding" this option dilutes the voting rights of the local authority as more individuals become members.

4.47 This structure obtains the benefits of NNDR relief and VAT treatment where it is formed for charitable purposes.

Company Limited by Guarantee (CLG)

4.48 A charitable company limited by guarantee is a legal entity incorporated under the Companies Act 1985. Unlike the most common company structures, it does not issue shares but instead the members of the company undertake to guarantee to contribute a sum of money (normally a nominal value) in the event that the company is wound up,

4.49 The members of the company have limited liability to the level of their guarantee. These companies are regulated by the Charity Commission and are also subject to the requirements set out in the Companies Acts. It is considered that this approach offers flexibility compared to other NPDO models and they are able to change their rules to meet the needs of the business.

4.50 The Directors of the Company are called the Trustees and it is they that are responsible for compliance with the Companies Act and Charities Act and this requires a higher level of skill and knowledge in the company's administration.

4.51 This structure has the benefit of receiving NNDR relief and VAT benefits as registered charities.

Charitable Incorporated Organisation (CIO)

4.52 The CIO is a new legal form for a charity. It was first introduced in Chapter 8 of the Charities Act 2006, but applications to register new organisations as CIOs were not accepted until December 2012 due to the complexities of the new legislation and the resources to implement these changes. The legal framework for the CIO is set out in the Charities Act 2011 and in two sets of regulations and an Order from 2012.

4.53 The CIO is a new corporate structure designed specifically for charities. Most charities have been choosing to adopt a corporate structure (company limited by guarantee) because this can offer several benefits over unincorporated structures. These benefits include:

- the members and trustees are usually personally safeguarded from the financial liabilities the charity incurs, which is not normally the case for unincorporated charities; and

- the charity has a legal personality of its own, enabling it to conduct business in its own name, rather than the name of its trustees.

4.54 Most charities that currently opt for a corporate structure set up as a company limited by guarantee under company law. This means that they are subject to dual regulation by the Charity Commission and Companies House. In light of this, many in the charitable sector have long expressed a desire for a corporate structure designed to meet the needs of charities.

4.55 The CIO was created in response to requests from charities for a new structure which could provide some of the benefits of being a company, but without some of the burdens. Under this structure the charity only has to register with the Charity Commission and not Companies House. It can also enter into contracts in its own right and its trustees will normally have limited or no liability for the debts of the CIO. The same fiscal benefits relating to NNDR and VAT are attributable to the CIOs.

4.56 The Charities Commission has produced two model constitutions for a CIO:

- the foundation model for charities whose only voting members will be the charity trustees; and

- the association model for charities that will have a wider membership, including voting members other than the trustees.

4.57 In practice a CIO using the foundation model will be run by a small group of people (the charity trustees) who will make all key decisions. There may be no time limit on how long charity trustees may serve and they will probably appoint new charity trustees.

4.58 A CIO using the ‘association’ model will have a wider voting membership who must make certain decisions (such as amending the constitution), will usually appoint some or all of the charity trustees (who will serve for fixed terms), and may be involved in the work of the CIO.

4.59 Like companies, which must have both members and company directors, all CIOs must have members and charity trustees. Depending on the CIO’s needs, the same individuals can be both members and charity trustees, or there can be a wider membership made up of people who are not the charity trustees.

4.60 Disadvantages of becoming a CIO include registration time (within 40 days compared to same day service for companies) and that CIOs may struggle to access lending services from banks. CIOs will not have to keep a public record of liabilities, as companies do. Because of this, lenders will have no way of determining if they have outstanding debts, which could make them less inclined to take on the risk of lending. If a CIO wishes to borrow money, the individual trustees may be called upon to give personal guarantees, which defeats one advantage of incorporation. If an organisation is likely to want to borrow money, CIO status may not be appropriate.

4.61 The 'newness' of the model also makes this an un-tested route for service delivery in the leisure and culture field.

Limited Liability Partnership

4.62 A Limited Liability Partnership (LLP) is a business entity which was introduced to the UK in 2000 and is governed by the Limited Liability Partnership Act 2000. An LLP is a corporate body and is legally independent of its members in comparison to a normal Partnership, where legal existence is dependent upon its members.

4.63 LLP members have limited liability i.e. one partner is not responsible or liable for another partner's misconduct or negligence. Therefore, LLP members cannot lose more than they invest, unless fraudulent trading or personal neglect is suspected.

4.64 LLPs do not pay corporation tax but their members do in relation to their share of profits generated in a tax year. Another advantage is that LLP members do not need to hold general meetings and keep records of meetings unlike normal limited companies. LLPs are commonly used by solicitors and accountants.

4.65 The Council would not set-up a LLP itself; however LLPs can be used by local authorities as joint ventures in partnership with external enterprises - although these should be approached with caution and would require detailed legal advice. Further to this a LLP would not achieve the optimum fiscal position in terms of tax and NNDR benefits, for which it is ineligible.

4.66 Another disadvantage is that LLPs find it difficult to ensure that their assets are dedicated to public benefit. There is no clear way of 'locking' the assets of a LLP to a public benefit purpose, other than by applying for charitable status. The Community Interest Company is intended to meet this need.

4.67 It is unlikely therefore that a LLP would prove a suitable vehicle for future delivery of leisure facilities and services.

Community Interest Company

4.68 A Community Interest Company (CIC) is a type of company introduced by the Government in 2005 under the Companies (Audit, Investigations and Community Enterprise) Act 2004, designed for social enterprises that want to use their profits and assets for the public good.

4.69 CICs are intended to be easy to set up, with all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community, including a community interest test and limitations on dividends and how assets are dealt with (the asset lock).

4.70 Brio Leisure in Cheshire West and Chester is the first leisure-based Community Interest Company in the UK. It manages 17 of Cheshire West and Chester Council's sports and recreational sites, including 11 leisure centres, three golf courses and three entertainment venues.

Community Interest Test

4.71 This is assessed by the Regulator and defined as "A company satisfies the community interest test if a reasonable person might consider that its activities are being carried on for the benefit of the community".

Asset Lock

4.72 CICs are intended to use their assets, income and profits for the benefit of the community they are formed to serve and therefore must embrace some special additional features to achieve this. They are subject to an 'asset lock' which ensures that assets are retained within the company to support its activities or otherwise used to benefit the community.

4.73 The main elements of the asset lock are as follows:

- CICs may not transfer assets at less than full market value unless they are transferred to another asset locked body (such as to another CIC or a charity);

- if its constitution allows a CIC to pay dividends (other than to another asset locked body - essentially another CIC or a charity) these will be subject to a cap that limits the amount of dividend payable. A similar cap applies to interest payments on loans where the rate of interest is linked to the CIC’s performance;

- on dissolution of a CIC any surplus assets must be transferred to another asset locked company (a local authority is not an asset locked company).

4.74 The key characteristics of the CIC are as follows:

- the same body cannot be both a CIC and a charity, a CIC may well be a useful way of operating a charity’s trading activity. It could be established in such a way that it could pass some, or all, of its profits to the charity to finance its charitable activities;

- the concept of community is important to understand as it can have a wide range of meanings from the population as a whole to the residents of a particular area or a group of people suffering from a particular disadvantage;

- a CIC cannot be used solely for the financial advantage of a limited group of people, for political purposes or for the benefit of the employees, directors or members of a single organisation;

- the basic legal structure for CICs is a limited liability company. They can either be incorporated as a new company, or converted from an existing company;

- the CIC will operate in the same way as any other company and will have a separate legal identity; the ability to enter into contracts and own assets in its own name; and flexibility in borrowing and fund raising. The separate legal identity means that a CIC will continue to exist despite changes in ownership or management;

- the directors can be paid and will have the same rights and duties as any other directors;

- the members (shareholders) of a CIC will have the same governance and decision-making role as in any other company, but they (and the directors) will be under a stronger obligation to have regard to the wider community which the company serves and involve stakeholders in its activities than might otherwise be the case;

- people dealing with a CIC (such as banks and suppliers) are familiar with dealing with companies and therefore have confidence in dealing with the CIC structure;

- CICs will produce accounts and annual returns just like any other company, which will be available on the public record. Further transparency will be achieved by the annual CIC report;

- the asset lock and other features will give confidence to those funding CICs (particularly those not looking for any financial return) that the assets will be used for the benefit of the community and not unduly benefit the CIC's members or employees;

- CICs do not receive tax breaks from the Inland Revenue by virtue of their legal status and are liable for corporation tax;

- there is no general exemption from VAT for social enterprises that undertake trading activities.

4.75 In some circumstances local government may provide discretionary rate relief to social enterprises if they are for charitable purposes but this is up to the individual local authority discretionary rate relief policy.

Table 4.6 - Advantages and disadvantages of a CIC

ADVANTAGES	DISADVANTAGES
Management team are likely to understand the business, demographics and market, together with the opportunities that this provides	The Council loses direct control of the services and facilities and instead it uses the contract and lease as a control mechanism
A focussed and driven team that will seek to drive the business and profitability for the benefit of the community	Staff are transferred to the NPDO under TUPE, although pension benefits may be comparable only
Operational risks potentially transferred to the CIC from the Council	Capital finance can be more expensive than that provided by the public sector
Access to capital finance, but this will be subject to levels of security	If the CIC gets into difficultly, assets cannot be transferred back to the Council as the Council is not an asset locked body
Strong community focus as annual report on community benefits must be provided to Regulator	No VAT benefit on sports and recreational services
May access NNDR benefits (discretionary)	Could have limited track record and may not be able to demonstrate expertise to potential customers and investors

ADVANTAGES	DISADVANTAGES
Asset lock prevents distribution of physical assets to other parties at less than market value and places restrictions on dividend payments	

Sport & Play Development

4.76 Having set out the key characteristics, advantages and disadvantages of all types of management options, included in table 4.7 is a summary of the advantages and disadvantages of including the sport and play development service under the selected management options being considered, based upon consultation and research of the service.

Table 4.7 - Inclusion of Sport & Play Development

Option	Advantages	Disadvantages
In house	• Existing service has strong links/established relationships with schools, clubs, NGBs, Universities, PCT and other partners • Continued access to central support services (HR, legal and IT support) from the Council • Service covered by Council policies on equality of opportunity and other legislation • Maintain current branding, reputation and core values	• Financial pressure on Council which may impact on this discretionary service • As a public body, the service may be restricted in terms of the types of grant aid that is available • Although perceived as more secure by staff, local authority sports development services are under threat throughout the country and there is no guarantee of job security
Private Sector	• Council can purchase outputs in line with their policies - using an outcome based approach, the private partner has to mould their services to meet agreed outcomes • Strong culture of performance and accountability in delivering targets • Potential for reinvestment in service • No direct political influence, albeit the outcomes will be set in line with Council priorities	• Not many private contractors have experience of running a sports development service • The service will probably be perceived as being primarily for profit / to support facility programming, rather than sports development - this may detract certain community partners and funders from being involved • Working to a contract / specification is necessarily less flexible, making it more difficult to mould services to changing Council/ Partner priorities

Option	Advantages	Disadvantages
Existing NPDO	• As private sector although performance and accountability could be reduced if a clear outcome-based contract is not in place • eligible to apply for funding from government and other funding agencies due to 'not for profit' status • potentially eligible for VAT exemptions on any charges made for services • a tried and tested model which has been around successfully for many years - many early NPDOs set up to manage facilities have now included sports development in their offer, given the obvious links between the services	• may not have the influence that the In House operation has currently with partners and funders - the current operation appears to be very well respected and linked, which would need to be protected • focus of the NPDO may be on facilities rather than the sports development service, meaning that some of the wider health & wellbeing targets may become less important compared to generating activity in the facilities • Working to a contract / specification is necessarily less flexible, making it more difficult to mould services to changing Council/ Partner priorities
New NPDO	• As existing NPDO above, however the localised nature of the new NPDO in terms of trustees / directors means that some of the key development partners could well be trustees in the new vehicle • Current team have detailed knowledge of the service and would transfer with the facilities staff	• As existing NPDO above

4.77 The externalisation of the Sport and Play Development Service may provide the flexibility and a dynamism that can be difficult to achieve within the constraints of the in-house structure and could enable improved decision making and a more flexible staffing structure. There may also be greater opportunities for staff to diversify into other areas of the private sector/NPDO businesses, together with fiscal benefits that cannot be achieved in-house.

Procurement regulations

4.78 One of the key issues around a local authority setting up its own NPDO is whether this approach contravenes the public procurement regulations and the value for money principles used by public bodies. In all cases, we would strongly recommend that specific legal advice is obtained on this, prior to confirming a way forward. We therefore set out below simply an overview of key considerations, rather than any opinion.

4.79 Public contracts in the UK are presently governed by the Public Contracts Regulations 2006 ('the Regulations') which implements the provisions of the EU Directive (2004/18/EC). These Regulations set out the procurement requirements for different types of public sector contracts, and while these Regulations may exclude certain types of contracts from their regime, there remain overriding considerations that need to be taken into account to ensure that the EU principles of transparency, equal treatment, non-discrimination and proportionality are at all times maintained (it should be noted that the proposals to revise the existing public procurement rules are being negotiated through the EU Competitiveness Council. The revised directives could be adopted in 2013, but this is dependent on various factors including discussions with the European Parliament. Transposition of the revised directives will then follow; the current proposal would require member states to implement the new rules within 18 months of the new directive being published in the Official Journal of the EU).

4.80 The Regulations currently require certain contracts to advertise in the Official Journal of the European Union (OJEU) and follow the procurement rules set out in the Regulations where the procuring entity is a 'contracting authority'; the contract is a public works, services or supplies contract; and the estimated value of the contract is above the specified financial thresholds.

Part B service contracts

4.81 The Regulations however only apply a lesser regime to Part B service contracts, which are residual contracts i.e. contracts that are considered to only be of interest to bidders within the country where the contract is to be carried out, and which includes recreational, cultural and sporting services e.g. leisure contracts.

4.82 Although Part B contracts, (including leisure contracts), do not need to comply with the full rigours of the Regulations, the procuring entity must never the less ensure that the EU principles of non-discrimination, transparency, equal treatment, and proportionality are maintained in order to avoid any possible challenge.

4.83 Therefore when procuring a Part B contract, procuring authorities should be mindful of the EU principles at all times, as increasingly these principles are seen overriding specific national laws and as such these contracts should be advertised in a proportionate manner.

4.84 The above all assumes that this is a services contract (procuring a contract with the private sector, existing NPDO etc.) that may require procurement, however there is the alternative of a grant arrangement.

Grant and lease arrangements

4.85 Setting up a NPDO and paying a grant to the NPDO would not be deemed to be a services contract and as such would be outside the provisions of the Regulations. In such a scenario the local authority will be divesting itself of the facilities on a lease arrangement and will not be providing any services and therefore the provisions of the Regulations will not apply. This is a grey area but has been used alongside local authorities "well-being" powers to set up NPDOs to provide leisure and cultural services.

4.86 There are however drawbacks to this grant approach in respect of the VAT situation, as the one off grant payment from the Council would not include VAT. This could potentially mean that there is additional irrecoverable VAT for the NPDO, negatively impacting on its financial position.

4.87 It should be noted however that it has been known in the past where Councils have entered into these grant arrangements that HMRC is convinced by the leisure NPDO that the transaction should be treated as a payment for services and that VAT can be attracted and is therefore recoverable, irrespective of the fact that for procurement purposes this same contract has been structured as a grant and not a services contract.

Teckal exemption

4.88 Within the context of complying with EU procurement regulations, the Teckal exemption has been referred to by a number of authorities looking to provide services without opening them up to formal procurement. Teckal is a reference to a case against an Italian local authority, which contracted directly with a consortium set up by several local authorities (including the awarding authority) without an EU-compliant public procurement process.

4.89 The court held (ECJ judgement reference C-107/98) that procurement rules do not need to be complied with where the winning provider is:

- controlled by the awarding authority/authorities in a manner “similar to that which it exercises over its own departments” – structural control; and at the same time
- it carries out the essential part of its activities “with the controlling authority or authorities” – economic dependency.

4.90 These two aspects are now commonly referred to as the Teckal Test, which sets out that the procurement rules are applicable only if the contracting entities are both distinct in law (i.e. separate legal entities / companies) and are not structurally controlled or economically dependent.

4.91 Therefore, for certain types of new delivery vehicle, this exemption could apply, however, in the case of charitable vehicles where independence is necessary, then it is unlikely that the exemption will apply.

Freehold vs leasehold

4.92 In all the options it is generally assumed that the Council will grant a lease / licence to the operator, such that they are in rateable occupation of the premises for NNDR purposes. The normal practice is that this lease / licence is coterminous with the contract and is forfeited if the contract is terminated. Thus the assets revert back to the Council on any termination of the contract.

4.93 This approach protects the Council in relation to getting back the land and buildings in the event of contract termination or business failure by the operator – for example, if the operator becomes insolvent, the contract is usually terminated and the assets revert to the Council.

4.94 Given the length of contracts is very rarely longer than 25 years, there does not appear to be any reason for considering disposing of the freehold of the sites to the operator in any of the scenarios presented.

What if things go wrong?

4.95 For each option there are different implications associated with wanting to end the arrangement / change the terms. These are summarised below, but it is recommended that legal advice is sought in all cases before considering ending or amending a contract / lease.

- ***Contractor / Trust liquidation***
  in the event that the contractor or trust goes into liquidation, then the facilities would revert back to the Council as the contract and lease would be terminated. The Council would then need to either re-tender the operation or provide the services directly;

- ***Poor performance by the contractor / trust***
  The contract / grant agreement should include specific performance requirements and KPIs, which are monitored on a quarterly basis. Poor performance can then be addressed via performance improvement plans or financial deductions from the management fee / grant. For this system to operate, a robust service specification and performance monitoring system is required;

- ***Concerns over members of staff***
  This would normally be reported to the contractor / trust for them to take action appropriately. However, it is unusual for the Council to be able to control this directly, as the staff will be employed by the contractor / trust;

- ***Asset failure***
  if there is a major asset failure (e.g. roof collapse), then this would normally be the responsibility of the Council, such that the Council has an obligation to repair the problem or if it does not, then to pay loss of income to the operator. The Council therefore needs to ensure its responsibilities are managed appropriately to avoid unforeseen financial costs. However, if a full repairing and insuring (FRI) lease has been granted, which is sometimes the case for trusts, then the asset failure is the responsibility of the operator;

- ***Council wishes to terminate the contract or change the scope***
  If the Council wishes to voluntarily terminate the contract then it would normally be liable to pay loss of profits to the contractor, plus all associated breakage and redundancy costs. The same scenario would apply if the Council wished to remove one or more facilities from the contract, unless this was foreseen at the outset and a partial termination opportunity written specifically into the contract. In terms of a local trust with no other contracts, the situation may be slightly different in that it is less likely to be charging loss of profit as without the contract the trust would not survive so it would be liquidated. Also, there is more scope for a ‘negotiated’ solution with the trust in terms of changes in asset stock.

Summary of Options

4.96 There are a number of options highlighted in this section for the future management of the Council's leisure facilities, many of which could incorporate the other Council functions identified in Section 1. The options to be taken forward for further assessment are set out in Table 4.8.

Table 4.8 - Options for Detailed Analysis

Management option	Detailed Analysis?	Justification
In-house	Yes	Current management model so forms the base option to compare all other options to.
Private Management (Hybrid)	Yes	Analyse together as both options are potential outcomes of a procurement process to externalise the management of the facilities to an existing management vehicle.
Existing NPDO	Yes	
Trade Sale	No	Unlikely to be market demand for existing Council facilities. Very limited examples of trade sales occurring in other places. Would not deliver any of the Council's non-financial strategic aims and likely to result in exclusion of key user groups due to pricing and access controls.
LLP	No	Unlikely to be financially viable and no ability for asset lock. If Council is considering setting up a new company, recommended models would be CIC, CLG or CIO, all of which offer greater fiscal and community benefits.
CIC	Yes	Offers benefits of external company with ability to asset lock.
CLG / CIO	Yes	Could take either form as outlined in this report section although CIO is very new and untested structure. Analyse as one option as fiscal benefits are similar across both options.

4.97 At a headline level the key decision for the Council to consider is whether it wishes to contract with an external organisation (in which case it will carry out a procurement process open to private contractors and existing trusts) or does it wish to set up a new management vehicle (in which case it must consider the merits of the different structures set out in this report and confirm the legal powers on which it can do so).

4.98 It is possible that the additional Council services which could be added into the commissioning opportunity could be added into any of the above management options however, in reality, it is rare to have an externalisation of all of these services in a single contract. We have summarised in the table below our emerging thoughts on the most realistic options for the combination of facilities and services based on the strategic fit and our knowledge of the marketplace.

4.99 For the purposes of the table we have grouped the options together into procuring an existing organisation or setting up a new organisation. The table assumes that the leisure facilities are the core base to the commissioning opportunity as there could clearly be a large number of different opportunities if each of the services was examined in isolation (e.g. a green spaces only trust for example) although the establishment of multiple new management vehicles by the Council would not be advisable from a fiscal, service integration or management perspective.

Table 4.9 - Potential Packages of Facilities and Services

Management Option	Leisure Facilities	Sports & Play Development	Community Halls	Arts & Culture	Green Spaces
Existing Organisation	✓	×	×	×	×
Existing Organisation	✓	✓	×	×	×
Existing Organisation	✓	✓	✓	×	×
New Organisation	✓	×	×	×	×
New Organisation	✓	✓	×	×	×
New Organisation	✓	✓	✓	×	×
New Organisation	✓	✓	✓	✓	×
New Organisation	✓	✓	✓	✓	✓

4.100 The financial and non-financial merits of these options are discussed later in this report in Sections 7 and 8. With a new organisation in particular, there are clear opportunities for phasing the transfer of facilities and services, based on the ‘readiness’ of the service to transfer and the ability of the organisation to deliver the required services.

5. Legal Implications

Introduction

5.1 This section deals with the following matters:

- property and leases;
- transfer of employees; and
- pensions.

Property and leases

5.2 Under an outsourcing arrangement, it is normal for all the assets to be transferred to the new operator under a lease arrangement, which provides exclusive use of the facility to undertake the provision of leisure services. This is important to ensure that the new operator can access VAT and NNDR benefits (if applicable).

5.3 It is common practice for the lease to be co-terminus with the contract so that where a contract is terminated, the leases also fall (are determined) at the same time. Normally the leases are "bare" leases, with all the controls around maintenance, advertising and use etc. to be included in the service specification.

Dual-Use Sites

5.4 There are a number of dual-use facilities within the leisure portfolio. All the schools have joint use agreements in place, of which the terms and obligations will be addressed in any future contract and service specification. It is normally very common for these dual use sites to have a lease to the Council from the County Council or Schools, which can be sub-leased to a new operator.

Transfer of employees

5.5 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) (referred to below as TUPE 2006) is the main piece of legislation governing the transfer of an undertaking, or part of one, to another.

5.6 The regulations are designed to protect the rights of employees in a transfer situation enabling them to enjoy the same terms and conditions, with continuity of employment, as formerly. TUPE 2006 entirely replaces the Transfer of Undertakings (Protection of Employment) Regulations 1981 (SI 1981/1794). TUPE 2006 applies to all relevant transfers including service provision changes where services are outsourced, 'insourced' or assigned to a new contractor.

5.7 TUPE regulations were introduced to comply with relevant EC Directives concerning transfers of undertakings. Further statutes and regulations have an effect on TUPE and include:

- The Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 1995 (SI 1995/2587);

- The Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 1999 (SI 1999/1925);

- Pensions Act 2004, especially sections 257 and 258; and

- The Transfer of Employment (Pensions Protection) Regulations 2005 (SI 2005/649).

5.8 In 2005, the Government issued a code of practice on workforce matters in public service contracts. This Code set out an approach to workforce matters in relation to public sector service contracts which involve the transfer of staff from a local authority to a Contractor or in which staff originally transferred out from the local authority as a result of an outsourcing or a retender of a contract.

5.9 The intention of the Code is to ensure that the Council selects only those Contractors who offer staff a package of terms and conditions which will secure high quality service delivery throughout the life of the contract.

5.10 These must be sufficient to recruit and motivate high quality staff to work on the contract and designed to prevent the emergence of a 'two-tier workforce', dividing transferees and new joiners working beside each other on the same contracts. It should be noted that the current Government abolished this Code in March 2011, although some local authorities are still including the key principles in their contract documentation.

Pensions

5.11 In relation to pensions, the Staff Transfer in the Public Sector and the Transfer of Employment (pension protection) Regulations 2005 do not oblige the new employer to provide the same pension scheme, but states that a "broadly comparable" scheme should be provided. The Regulations have the effect that employees employed by the previous employer when the undertaking changes hands automatically become employees of the new employer on the same terms and conditions.

5.12 Therefore the employees' continuity of employment is preserved, as are their terms and conditions of employment under their contracts of employment (except for certain occupational pension rights). Occupational pension rights earned up to the time of the transfer are protected by social security legislation and pension trust arrangements.

Pension arrangements for new joiners to an outsourced workforce

5.13 Normal market practice is that the operator will offer new recruits taken on to work on the contract beside transferees one of the following pension provision arrangements:

- membership of a good quality employer pension scheme, either being a contracted out, final-salary based defined benefit scheme, or a defined contribution scheme. For defined contribution schemes the employer must match employee contributions up to 6%, although either could pay more if they wished;

- a stakeholder pension scheme, under which the employer will match employee contributions up to 6%, although either could pay more if they wished.

5.14 However, we note that the Council has not signed up to the Principles of Good Employment Practice for Government, Contractors and Suppliers.

5.15 On a retender of a contract, it is usual for a new service provider to offer one of these pensions options to any staff who transfer to it and who had prior to the transfer a right to one of these pension options, in line with the regulations noted above.

Admitted Body Status

5.16 The admitted body status guidance explains the regulatory position provided for in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). It covers how external providers, such as companies or third sector organisations, can be admitted to the LGPS and sets out the pensions considerations that have to be taken into account when employees transfer from a local authority to an external operator.

5.17 Under this arrangement, a new operator may apply for Admitted Body Status to the Local Government Pension Scheme. This means that employees transferred will continue to enjoy the benefits associated with their current local government pension scheme.

5.18 It should be noted that there can be an additional cost relating to the employers pension contributions associated with the transfer of staff from the local authority to another organisation.

Pension adjustment

5.19 The transfer of the staff under TUPE using an Admitted Body Status may impact on the level of the Employers Contribution that the Council is required to make. It will require a revised valuation, taking into account the number of remaining staff, their age, salaries etc. to determine the amount that is required to be recovered by the Council and likewise the Employers Contribution rate will need to be determined for the staff transferring to the new admitted body scheme.

Auto-Enrolment

5.20 The government has introduced a new law to make it easier for people to save for their retirement. It requires all employers to enrol their workers into a qualifying workplace scheme if they are not already in one. At present, many workers fail to take up valuable pension benefits because they do not make an application to join their employer's scheme. Automatic enrolment is meant to overcome this.

5.21 This is a key risk area to be aware of as it could significantly increase employee costs for whatever organisation is managing the services / facilities at the time. The automatic enrolment scheme started in October 2012 with each organisation being allocated a staging date depending on the size of the organisation.

5.22 On this date any employee who meets the following criteria will automatically be opted-in to the pension scheme:

- is not already in a qualifying workplace pension scheme;
- is at least 22 years old;
- is below state pension age;
- earns more than £8,105 a year; and
- works or ordinarily work in the UK (under their contract).

5.23 Part-time workers who earn less than the amount identified above can ask to take part if they want to and, if they earn more than £5,564, their employer will be obliged to make a contribution too. Those aged under 22, or over state pension age and still working, can also opt-in in the same way.

5.24 According to Council information, the next staging date for the Council is 1st October 2017. There are currently 366 full time equivalent (FTE) staff working within the leisure centres (and another 766 casual employees – FTE figures not available). Of the 366 FTEs, 204 currently pay into the pension scheme at the following rates:

- employer contribution rate of 21.8%;
- employee contribution rate of 5.9%.

5.25 Clearly there is a large risk of staffing costs increasing in 2017 when the additional 162 staff members are automatically enrolled, although it should be noted that a proportion of these people either may be too young (i.e. below 22 years of age) or may opt-out of the scheme as their employee contribution is too much for them to afford at this stage. Under the legislation, staff are entitled to opt-out of the scheme. Those who opt-out will be automatically enrolled again every three years by an employer, or after three months at a new job, at which point they will need to complete the opt-out process again.

6. Risk Analysis

Introduction

6.1 This section provides an overview of the risks that impact on the different management options in the context of the Council. These risks include:

- operating risk;
- third party income risk;
- equipment obsolescence risk; and
- building and plant risk.

Balancing Risk with Value for Money

6.2 In general terms, from the Council's perspective, each management option may have a different level of risk and consequently will have a potential cost to the Council and the operator. The principles of risk management are generally that risks should be allocated to the party best able to manage the risk.

6.3 This approach provides improved value for money, as the operator does not need to include any contingency or additional provisions within the annual management fee for risks that they cannot fully manage and it ensures that the Council is not paying the operator for a risk that it is best able to manage itself (e.g. the building structure).

6.4 We have already provided details of the characteristics associated with each of the management options, which include elements of risk, however this section seeks to provide further detail of the headline risks and who is best able to manage these.

Balancing Risk with Service Quality

6.5 Service quality is a measure of how well a delivered service matches a customer's expectation. The main reason to focus on quality is to meet customer needs while remaining economically competitive, which means that satisfying customer needs is very important for a business to survive, which is especially important where a business is reliant upon income from users.

6.6 On that basis, the operator needs to find a balance between meeting customer expectations within the financial constraints imposed upon it from the cost of providing the service and managing the risk.

6.7 The private sector and to a certain extent the existing NPDO management options have always faced the issue of balancing service quality with cost. Without this fine balance, most of these businesses would not survive, albeit that with public sector provision, some of the financial risk is met by local government through a grant or management fee.

6.8 New NPDOs normally have the comfort that any variation in income or costs may be met from a change in the level of annual grant funding, but more recently, some of these NPDOs have found that the annual grant is fixed and they do not have the resources (human and cash) or commercial acumen to bring about quality services within their limited resources, which results in a downward spiral of reduced income, reduced services to compensate for the reduced income until ultimately the NPDO fails or is amalgamated with other existing NPDO operators. (There are a number of examples of failed leisure trusts across the country).

6.9 Service quality and risk are however directly linked. By managing the risk through maintaining buildings, replacing equipment at the end of its economic life, focussing on the operating costs that are important to delivering income and providing services that meet the needs of customers, a quality service is more likely to ensue.

6.10 In summary, all management options need to address this balance of service quality and financial competitiveness and it will be the option that can deliver the experience and can manage these risks the most efficiently (through direct management or from cash reserves across its business) that will provide the best value for money solution.

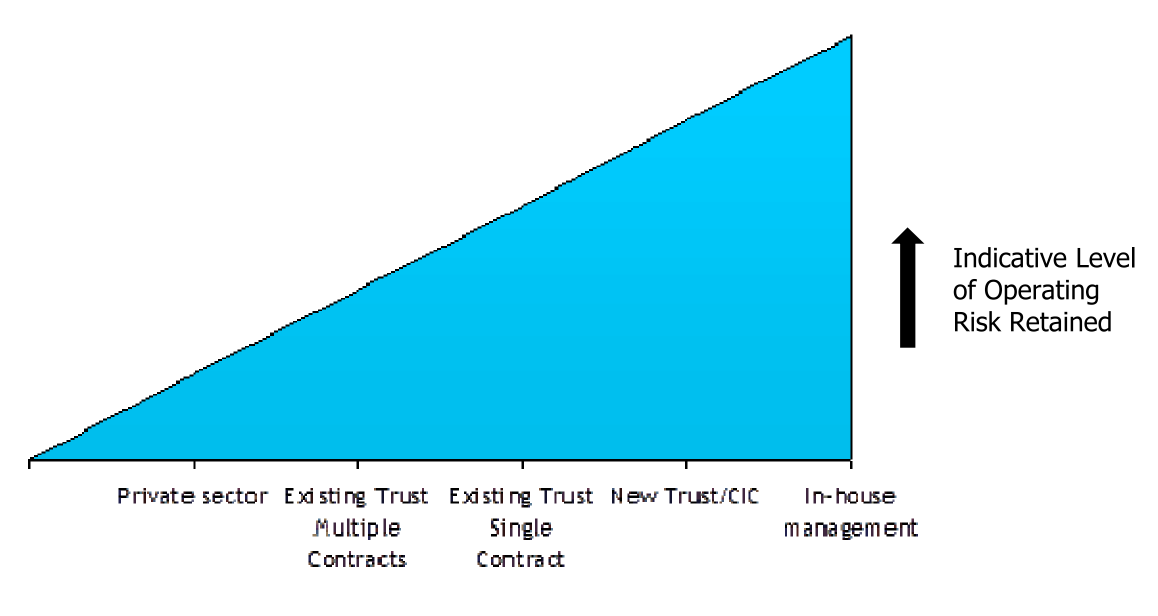
Operating expenditure risk

6.11 The level of risk associated with the operation of sport and recreational facilities is down to the experience of the management and the likely liquidity of the business. The failure to use resources efficiently, managing price sensitivity and programming requirements for users, marketing and branding and also price changes for services (e.g. utilities) are likely to lead to additional costs on the business.

6.12 The Audit Commission Report in June 2006 made it clear that the private sector option was likely to require fewer subsidies than other management options and one of the key reasons for this would be the experience of the management team and the size of their businesses to absorb fluctuations in income and costs.

6.13 Figure 6.1 provides an overview of the risk across the different management options.

Figure 6.1 Indicative assessment of operational risk to the Council under each option



6.14 Under the terms of the contracting arrangements, a new trust, private operator or an existing trust are more likely to have to take responsibility for the operating costs and income and manage these themselves within an agreed contract framework, although it should be noted that with a new trust or CIC set up by the local authority, this risk may fall back to the Council through an increase to the annual grant or management fee to provide the service.

6.15 In general, the private sector operator is more likely to have the resources to manage and sustain any short term losses arising from operating risks occurring. This benefit needs to be considered against the more commercial focus of a private sector operator compared to the management options that retain more risk for the Council i.e. in-house or setting up a new company such as a company limited by guarantee or a community interest company.

Third party income risk

6.16 One of the key drivers to determining the level of annual management fee is the assumptions relating to income. Income from users is used to offset the operating costs of the leisure facilities but income is more sensitive to market changes than operating costs. The gearing effect of a reduction in income can be high when translated to a change (%) to the management fee.

6.17 The key drivers in the management of income levels are:

- marketing and branding;
- reaction to changes in the market;
- opportunities to recognise new ideas (market knowledge and innovation); and
- ability to implement changes to the business model.

6.18 Again, similar to the levels of risk associated with operating expenditure, income follows the same pattern where a management contract is in place, with the private sector leading the level of risk transfer with the in-house option being the lowest in terms of transfer of this risk.

6.19 The new trust may not perform as well as the existing trust as it is likely that the new trust may have less commercial experience than the existing trust. In addition, an existing trust may have other contracts to spread their risks across. The CIC may have the commercial expertise to manage income risk if the right management team is put in place, but if it is set up internally by the Council, the CIC risk profile is similar to the new trust option.

Equipment obsolescence

6.20 This risk is associated with the replacement (or refreshment) of equipment at a time that is earlier than planned. It is similar for the refreshment of the interior of the building (e.g. painting of walls, doors etc.). This risk results in either a one off cash flow cost (the bringing forward of the works) or an additional cost (the works not identified at the commencement of the contract).

6.21 Good asset management strategies and systems are important to ensure that equipment is maintained correctly and replaced at proper time intervals and also that these costs are identified in the maintenance plans when the annual management fee for the contract is set.

6.22 The failure to maintain equipment etc. can lead to unavailability of equipment leading to deductions for poor performance or at worst the closure of the facility and loss of income. The onus is on the experienced technical team to understand not only the importance of the maintenance regime but the implications maintenance has on income generation and also the control of maintenance costs.

6.23 Experience is again key with the management of this risk. The private sector and some larger trusts employ suitably qualified and experienced personnel to assess and optimise the economic life of the equipment and ensure that maintenance is carried out efficiently to minimise cost. New trusts or CIC's set up by local authorities may not have this level of experience and may be exposed to additional risk when compared to the private sector and existing trust options unless there is a transfer of experienced technical staff at the Council who will be on the TUPE list by the nature of the amount of time they spend on the leisure service.

Buildings and plant

6.24 Under management contracts it is likely that the maintenance and responsibility for the structure and foundations of the asset remains with the Council (for example roof / walls / foundations / underground services). It is unlikely that an operator (under any of the options) would wish to take the risk on the assets without a full structural survey and a condition survey, and even then it is unlikely that they will take all of the risk.

6.25 Although the probability of the risk occurring is low, were the risk to occur, this may result in a substantial liability which the operator would not be able to sustain. On that basis, and in common with most management-only contracts, this risk will remain with the local authority (as per the current in-house management arrangements).

6.26 Experience suggests that although operators will not take the structure of the building as a risk, agreements on the plant and building fabric may be taken, with caps on liabilities etc. with the operator. This allows the operator to include in their price an amount to cover the capped liability of the risk, if it were to occur and allows some level of coordination or repairs and maintenance by the on-site team.

6.27 In contrast, the trade sale will transfer responsibility for the assets away from the Council together with the risks associated with them.

Risk mitigation

6.28 Providing that the risks are allocated to those best able to manage these, there are mechanisms that are used to provide improved value for money to the Council in certain areas. These areas of risk mitigation are covered through the management contracts or finance and management agreements between the Council and the operator. These include:

- benchmarking and income share arrangements;
- performance bonds;
- liability caps on certain expenditure areas; and
- contingency sums.

Benchmarking of income and costs

6.29 It is difficult for an operator under any option to provide certainty over their costs and income over a period of more than 5-10 years, without having to increase their risk provision in the event that income does not materialise, or, for example, key activities become outdated.

6.30 In order to provide a value for money solution, some management contracts will have a 5 year review, where the operator can compare their costs with other similar facilities and agree that where the costs of providing elements of the service (e.g. utility costs) are greater than originally planned the additional cost will be shared between the Council and the operator.

6.31 This has also been used on income projections where as a result of a change to the demographics or additional competition (supported by the local authority) income is adversely affected resulting in an additional cost to the operator. This cost can be shared with the Council and the operator and therefore the operator reduces their risk contingency accordingly (and management fee), which may result in a much-improved VFM solution.

Performance Bond

6.32 It is common with any type of outsourcing arrangement to ask the operator to provide a performance bond to the Council where there is a default arising by the operator in terms of their failure to meet the contractual obligations between the Council and themselves. This bond should be sufficient to cover as a minimum any costs arising from a re-tender, any breakage costs incurred by the Council and in some cases, the cost between the original contractors price and the new operators price (although this latter element is now rare).

Income Share Arrangements

6.33 The management fee will include a level of profit that the operator requires to cover the risk of operating the facilities. Experience of other management contracts suggests that the local authority can seek a sharing arrangement of any "super profits" that are generated by the operator. These super profits are shared in different ratios depending on the level of super profit and reflect the risk associated with the operation of the facilities, however a 50:50 share is not unusual.

Liability Caps

6.34 The use of liability caps on maintenance and uninsured losses are seen as providing value for money to the Council as the operator does not need to increase its risk contingency (and management fee) to cover these low probability but high cost risks. The Council shares in the risk, but receive a lower management fee at the commencement of the contract and accepts that, if the risk was to occur, the operator will meet the first part of the liability and only then will the local authority have to step in.

Contingency Sums

6.35 As part of the management fee, the operator will include a contingency within their profit for risks that may occur. This provision is normally an aggregate of the risks that may arise following an assessment of the probability of the risk occurring and the value of that risk. The higher the contingency the higher the management fee, although the overall bid price for contracts is undertaken in a competitive environment.

7. Financial Implications

Introduction

7.1 This section covers the financial implications of the outsourcing options being considered and includes:

- the current net direct costs of the services;
- the impact of VAT and NNDR on the different models;
- the impact arising from central support costs;
- profit, contingency and overheads;
- the impact on pension costs to the Council and operator;
- set-up costs and timescales;
- operational changes to increase revenue or reduce costs; and
- implications of including other services within the commissioning opportunity.

7.2 A copy of the financial model database which includes the base budget, service adjustments and the VAT analysis is shown in Appendix B to this report.

Current net direct costs

7.3 The table below sets out the current net direct costs of the leisure facilities service which are based upon the 2011/12 actuals. It excludes all financing, support service and below the line items. The additional Council services that could be added into the commissioning are addressed later in this section.

Table 7.1 - Summary of Net Direct Cost of Leisure facilities Service

Cost Centre	Description	Net Direct Cost	Likely Transfer?
Leisure Facilities	Management of leisure facilities	£3,312,328	Yes
Senior Management	Senior Management budget	£112,010	No
Leisure Services Manager	Leisure Services Manager budget	£87,714	No

Cost Centre	Description	Net Direct Cost	Likely Transfer?
Leisure Facilities Management	Leisure Facilities Management team	£261,306	Yes
Business Support	Business support team	£170,607	Yes
Marketing	Marketing team	£60,489	Yes
Options Card	Centre membership scheme	(£7,124)	Yes
Malkins Bank and Crewe Golf Clubs	Golf courses	(£31,871)	No
Miscellaneous	Small cost centres – Grounds Maintenance, Luncheon Clubs, Ludford Centre, JU Sandbach and France Hayhurst Centre	£3,076	'JU Sandbach' cost centre only - £2.50
Net Cost		**£3,968,534**	**£3,797,608**

7.4 The net direct cost of the facilities service in 2011/12 was therefore £3,968,534. Of the service elements likely to transfer under TUPE, the net direct cost of service was £3,797,608. We have assumed that the Senior Management and Leisure Services Manager budgets would remain within the Council on the client side, providing the future client monitoring function which is discussed in more detail later in this report.

National Non Domestic Rates

7.5 Non-Domestic Rates is a tax on properties not in domestic use, e.g. hotels, offices, public houses, schools and shops. The amount payable is calculated by multiplying the Rateable Value of the property by the National Rate Poundage set by the Government.

7.6 Under the Local Government Act 1988, different legal entities are entitled to mandatory or discretionary relief from the payment of National Non-Domestic Rates. Discretionary relief is down to the policies approved by each local authority. Table 7.2 sets out a summary of the historic position in terms of what relief has been available.

Table 7.2 - Potential NNDR Relief

Property Eligible for Relief	Type of Relief	Amount of Relief	Financial Implications

Property Eligible for Relief	Type of Relief	Amount of Relief	Financial Implications
Property wholly or mainly used for charitable purposes, which is occupied by a registered charity or charity shop	Mandatory Discretionary	80% Up to a further 20%	Funded by NNDR pool (Government) 25% funded by NNDR pool and 75% funded by Local authority **NET SAVING TO LOCAL AUTHORITY 85%**
Property, all or part of which is occupied for the purposes of a non-profit making club, society or other organisation and is used for the purpose of recreation	Discretionary	Up to 100%	75% funded by NNDR pool and 25% funded by Local authority **NET SAVING TO LOCAL AUTHORITY 75%**

7.7 The requirements for obtaining NNDR relief require the property to be eligible for relief but other tests include the Contractor holding a lease / licence (being in rateable occupation) for the premises and that it has control over the staff managing the services from the property.

7.8 The level of discretionary rate relief awarded would be considered by the Council on a case by case basis. We have set out in the table below the level of discretionary rate relief likely to be awarded under each management option, based on our interpretation of the Council's Discretionary Rate Relief Policy.

Table 7.3 - NNDR Relief Available Under Each Management Option

Management option	Mandatory (80%)	Discretionary	Total Potential Annual Saving
In-house	×	×	0%
Private Management (Hybrid trust)	×	✓ (25%)	25%
Existing NPDO (trust)	✓	×	80%
New CIC	×	✓ (25%)	25%
New NPDO	✓	✓	100%

7.9 However, as from April 2013, the Department for Communities and Local Government's (DCLG) new Business Rates Retention Scheme implemented following the Local Government Resource Review will have a significant impact on the actual savings that awarding NNDR relief will deliver for the Council. Under the new proposals, which begin in April 2013, the mandatory and charitable reliefs that Trusts currently receive will be retained, however any changes in NNDR costs between baseline re-sets (the first re-set period will be for 7 years from April 2013 to 2020) will be shared 50:50 between central and local government.

7.10 This means that the Council's baseline (the amount it receives from NNDR receipts) will be set from April 2013 until April 2020 and if the Council subsequently awards further rate relief to other organisations during this period it will have to meet 50% of this cost. Therefore, whilst setting up a new NPDO may result in the NPDO receiving 100% rate relief, the saving to the Council will actually only be 50% in this circumstance.

7.11 As a result of this new legislation, we have included the following NNDR saving levels within our financial model (N.B. the full saving could be realised from 2020 onwards after the first baseline re-set). They are based on the 2011/12 total NNDR bill for the facilities of £625,614.

Table 7.4 - Assumed NNDR Savings to the Council

Management option	Total Potential Annual Saving %	Total Potential Annual Saving £	Total Potential Annual Saving to Council
In-house	0%	£0	£0
Private Management (Hybrid)	25%	£156,404	£78,202
Existing NPDO	80%	£500,492	£250,246
New CIC*	25%	£156,404	£78,202
New NPDO	100%	£625,615	£312,807

* Assuming the CIC is awarded discretionary rate relief.

7.12 It should be noted that this is still extremely new legislation and there are different interpretations of its implementation / impact with some authorities entering into pooling arrangements with other authorities. We have interpreted the new legislation as set out above however will review these figures in light of any formal policies adopted by the Council once available.

Value Added Tax

7.13 As a general principle, the status of the purchaser of a service will determine the amount of VAT that can be recovered by that purchaser on its costs of providing the service.

7.14 A common principle is that the purchaser can claim VAT on the costs of providing its services in the same percentage of the VAT it charges on its services. For example, where a purchaser provides services, 90% of which are subject to VAT, then the VAT that it pays on purchases to provide the service can be recovered at 90%; thus the purchaser will have a 10% non-recoverable VAT cost.

7.15 The different management options provide, as a very broad principle, the following VAT recovery rates (subject to the level of the management fee in comparison with other income):

- local authority - 100%;

- private sector - 90%; and
- NPDO - 10%-20% (depending upon the level of the management fee).

7.16 On this basis, where any of the above management options incur capital expenditure, it can have serious implications on the overall cost of a capital project, as the non-recoverable element will also need to be added to the capital payments for the project, although there are a number of ways in which this risk is mitigated. Local authorities have special rules regarding the recovery of what would be non-recoverable VAT, but even then there is a limit sometimes to the amount that they may recover.

Transferring Service Operations to a third party

7.17 When a NPDO or private sector contractor consortia takes over the management and operation of the facilities for the Council, they will normally become the principal in providing the supply of services to the public. Where this arises, there will be two main aspects for the Council to consider:

- the effect that capital costs will have on each of the parties to the arrangements; and
- the VAT liability of supplies of services made by the Contractor to the public and how this affects its own VAT recovery position.

7.18 In terms of capital expenditure, if the principal to the supply cannot recover all the VAT payable on these works, this could adversely impact on the Council's finances as they could lose all their exempt VAT benefit. Furthermore where the contractor or NPDO cannot reclaim all the VAT (their irrecoverable VAT) they will add this back to the contract price which the Council will need to finance.

7.19 In terms of VAT on supplies, each of the providers has a different VAT status in that the services provided have different VAT rates depending upon the service provider, which again can impact on the level of the management fee charged for providing the service, for example swimming lessons are VAT exempt when provided by an NPDO but not when provided by the private contractor.

7.20 The indicative fiscal benefits associated with each of the options are set out in Table 7.5 based on our interpretation of the income contained within the Oracle finance system. As part of the implementation plan for the preferred option the VAT status and sums of income in the Oracle finance system should be clarified and the potential VAT savings confirmed.

Table 7.5 - VAT Savings under each option

Facility	In-House	Private Sector	Existing NPDO	New NPDO	New CIC
Base income net of VAT	£5,622,615	£5,622,615	£5,622,615	£5,622,615	£5,622,615
Additional VAT payable/(benefit) on Income compared to Council	£0	£240,183	(£760,717)	(£760,717)	£240,183

Facility	In-House	Private Sector	Existing NPDO	New NPDO	New CIC
Irrecoverable VAT on Purchases	£0	£23,377	£359,646	£351,224	£22,289
Net VAT adjustment/(saving) from Council Base	**£0**	**£263,560**	**(£401,071)**	**(£409,493)**	**£262,472**

7.21 It can be seen that the private sector option is required to pay more VAT on its income than the Council does by £240,183 which means that if the private sector operated the facilities the income they could retain would be lower than that of the Council (for example swimming lessons are subject to VAT for the private sector, but not the Council).

7.22 Likewise the NPDO does not have to account for VAT on sport and leisure income, whereas the Council has to pay VAT on certain services, and therefore charging the same prices would mean the NPDO would keep more of the income than the Council is able to do so by c£761k per annum.

7.23 The general principle of recovering the VAT paid for supplies and services is that it can only be reclaimed in the same proportion as the income that is subject to VAT for services provided to users. In calculating the "VAT recovery rate" it is necessary to establish the income that is subject to VAT plus also taking into account the income from the management fee, which is also subject to VAT.

7.24 The financial model calculates that the VAT recovery rate for the Council is 100%, private sector is 96% and the NPDO options are circa 40%, which means that the VAT on expenditure which is incurred will be partly recovered in these proportions. The recovery of VAT by the NPDO is normally circa 10% but with the management fee (operating subsidy) this improves the recovery rate significantly.

7.25 The table above sets out the amount recoverable compared to the base Council position. It can be seen that the private sector cannot recover circa £23k but the NPDO options cannot recover over £350k which will need to be added to the cost of providing the leisure service under their management approach.

Central Support Costs

7.26 The leisure centre management element of the service which is likely to transfer to any outsource management vehicle (as defined in table 7.1) incurs approximately £3.4m of additional support service costs, plus £2.325m of notional financing costs.

7.27 It is assumed that the financing costs represent depreciation of buildings and equipment and do not represent cash budgets that would be available for transfer to a new management vehicle or could be saved following a transfer of the service to an alternative provider.

7.28 On that basis, this section deals with the accounts described as ‘support service’ costs which are the recovery of the cost of providing central support functions of the Council which totalled £3.4m in 2011/12.

7.29 Table 7.6 sets out a summary of the central support charges allocated to the leisure centre management element of the service.

Table 7.6 - Central Support Recharges

Central Support Service Department	2011/12 Recharge
Assets	£2,416,706
Audit	£15,835
Chief Executive	£29,811
Communications	£33,177
Corporate Improvement	£10,071
Customer Services	£105,314
Democratic	£85,169
Directorate Management	£74,595
Facilities	£45,700
Finance	£84,351
Financial Services	£54,805
Head of Borough Treasurer & Head of Assets	£10,261
Head of Policy & Performance	£5,778
Human Resources & Organisational Development	£145,789
ICT	£179,227
Insurance & Risk	£34,627
Legal	£35,760
Plan & Perform	£3,106
Procurement	£30,922
Total	**£3,401,005**

7.30 From experience, it is difficult to establish the exact level of savings from central support services that can be achieved from the outsourcing of a service, as current recharges are not usually allocated on an actual service usage basis, but more commonly are distributed over the local authority on a per head, per computer, per m2 basis. Likewise, where an outsourcing occurs, managers of these central support functions will need to consider the redistribution of workloads and subsequent impact on staffing levels before calculating any savings to be made.

7.31 At the time of preparing the report we had not been provided with the details of the overall Council-wide central support services costs and number of employees (broken down by central support service department), which would allow us to provide an indicative estimate of the potential savings that the Council may achieve as a result of the outsourcing. However, having discussed the methodology of calculation / allocation of central support costs with the Council it appears that in previous years different approaches were utilised by different departments. Given that the Council is currently reviewing its methodology of calculation / allocation of central support costs with the aim of improving the accuracy and consistency of the methodology used across the Council, we would recommend to the Council that it considers the residual impact on all central support costs following a decision on the future management arrangements of the leisure and culture service, in light of the updated central support cost calculations for the services.

7.32 What is clear is that an existing trust or private contractor would not require the services of any of the Council's central support functions, given that they will have their own 'head office' support teams. Therefore, savings could potentially be made as a result of an outsourcing. The Council should bear in mind that this is not a simple pro-rata calculation as, for example, a theoretical saving of 0.25 of an FTE would not necessarily equate to an actual saving of 0.25 of a central support post.

7.33 Based on our experience of other similar studies we have included an indicative saving of 15% of the central support costs for the service from outsourcing. We have seen very few examples where Councils have been able to save higher levels than this due to the reasons discussed above.

Profit, contingency and overheads

7.34 Under the different management options, the operator will seek to make a charge for their profit and contingency. There is no strict guide to the level of these, which is dependent upon how busy the leisure contracting market is, the level of risk transferred to the Operator from the Council and the Operators' own pricing mechanism.

7.35 There are some trends in the market, bearing in mind that the private sector normally have shareholders which need to see a profit to see a return on their investment, existing NPDOs normally need to set aside operating surpluses as contingency against changes in income and costs or to pay a "service" fee to their parent company and new NPDOs need to generate cash reserves to meet unexpected changes in income or service costs.

7.36 Similarly, the Operator will seek to recover its central support costs / overheads through its contracts, and the amounts are normally a percentage of income to finance these. Again, different models use different percentages, on the basis that the "Head Office" costs are distributed over a number of contracts, which in turn spreads the cost.

7.37 Table 7.7 sets out the percentage applied to income to cover profit and contingency and overheads under the different management options, calculated from the current base income and adjusted for the impact on VAT.

Table 7.7 - Calculation of profit / contingency and overheads under each option

Services	In House	Private Sector	Existing NPDO	New NPDO	New CIC
Income (incl. VAT benefit)	£5,622,615	£5,382,433	£6,383,332	£6,383,332	£5,382,433
Rate % - Central Overheads	0%	5%	5%	5%	5%
Rate % - Profit and Contingency	0%	5%	5%	2.5%	2.5%
Total Amount (£)	**0**	**£538,243**	**£638,333**	**£478,750**	**£403,682**

7.38 The private sector normally are able to spread their legal, finance, personnel and IT costs over a vast number of contracts. The existing NPDO could be similar but this could vary depending upon the size of the NPDO and the number of contracts it holds. The private sector has shareholders to satisfy so a higher level of 'profit' has been allocated when compared to a new Trust / CIC.

7.39 A new trust or CIC would have additional costs which it will have to pass directly to this contract (including for example IT services, accountancy, accommodation costs, support staff etc.), rather than spread across a number of contracts (e.g. an accounting system). We have also assumed a £250k per annum provision for senior management staff such as a Finance Director and Chief Executive. This results in an overall allocation of circa 8% of income for overheads and senior management costs for a new trust or CIC.

Pensions

7.40 The impact of a large number of staff leaving the Council's pension scheme may have implications on the employers' contribution rate, as the value of the fund, the current and future liabilities to meet pension payments and the age of those remaining within the scheme and who continue to contribute will change.

7.41 It is essential that the value of the change in the employers' rate is determined to ensure that the financial projections take into account the current actuary projection of the pension fund assets and liabilities.

7.42 The Council will need to take actuarial advice to understand the long-term implications for pensions. It will need to:

- decide whether the new operator must seek Admitted Body Status;
- calculate the required employer contribution rate from the operator;
- understand the level of pension deficit - this is likely to remain with the Council and not be transferred; and

- decide if a bond is required from the new operator (and to what value) to cover potential shortfalls in the pension fund at the expiry of the contract or whether the Council will act as guarantor.

7.43 As this area requires specialist advice, we have not included any sums for an increased pension cost at this stage. Similarly, we have not included any additional sums for additional costs in relation to automatic enrolment of staff within the pension scheme in 2017 as this will be the same across all options and so does not provide a differentiator in terms of level of savings / additional costs.

7.44 We have included a £25,000 cost per annum as provision for a pension bond. A pension bond protects the local authority from loss in the event that the external company defaults in payment of contributions to the pension fund or there is a deficit on expiry of the contract.

Set Up Costs and Timetable

7.45 Each management option will have a different lead in time to set up. Outsourcing a contract to a private sector provider or an existing NPDO will require a contract, leases and a specification but the new NPDO will also require the appointment of trustees, delivery of company documents, registration with the Charity Commission etc. and potentially the recruitment of senior key staff (Chief Executive/Finance Director etc.).

7.46 The advisor fees are estimates and will be dependent upon whether the Council uses its own legal services to procure the contract and leases for the new arrangements or it uses external advisors. Where the Council uses its own legal team, the estimates on advisor fees is likely to reduce by circa £40,000 to £50,000.

7.47 Furthermore, under these outsourcing options, the Council would need to consider the impact and cost of monitoring any future contract. We have assumed that this role could be fulfilled within the budgets retained in the Council for Senior Management and Leisure Services Manager.

7.48 The table below sets out the estimated costs and timeframe for delivery of the transfer of services. These costs have been incorporated within the net present value calculations (see Appendix B).

Table 7.8 - Summary of set up costs and timetable

Services	In House	Private Sector	Existing NPDO	New NPDO / CIC
Timeframe	0 months	12 months	12 months	12 – 18 months
Advisor Fees – legal, financial and procurement	£0	£50,000 - £80,000 +	£50,000 - £80,000 +	£150,000 - £250,000

Opportunities to Increase Revenue and Reduce Costs

7.49 So far this section has covered the financial impact that will result mainly from structural characteristics of the various potential management options. However, there are a number of areas where, in a competitive tendering process, we believe that external contractors would seek to increase income and reduce expenditure and pass the benefit of these savings back to the Council through the management fee.

7.50 We have identified potential areas which may be targeted in table 7.9. Latent demand assessments and a more detailed operational review would need to be carried out to confirm the exact level of increases / savings that could be achieved however we have made estimates based on the results of the benchmarking process, site visits to each of the facilities and our experience of evaluating bids from leisure contractors.

7.51 It is worth reiterating that this analysis is based on the 2011/12 data and we understand that a number of these opportunities are already being delivered through recent investment in the sites and resultant improvements in income generation. It should be noted that potential for additional income at joint use facilities is often restricted by the terms of existing legal agreements.

Table 7.9 - Potential Operational Efficiencies

Service Area	Description	Potential Financial Impact
Fitness income at Macclesfield Leisure Centre	Fitness income was significantly below benchmark for this quality of facility and location. Increased by c35% (£1.5k extra per station) for existing operators and £750 per station for new companies.	Existing Operators - £76,500 pa New Trust / CIC - £36,250 pa
Fitness income at Wilmslow	Fitness income was significantly below benchmark for this quality of facility and location although noted that competition is strong in the area. Increased by c20% (£1k extra per station) and £500 per station for new companies.	Existing Operators - £41,000 pa New Trust / CIC - £20,500 pa
Fitness income at Congleton	Fitness income is significantly below benchmark for this location considering the limited local competition. Increased by c50% to achieve c£5k+ per station by existing operators on basis that they would invest capital immediately into the facility.	Existing Operators - £41,000 pa
Investment into fitness facilities at Congleton	To achieve the above income increase it would be necessary to invest capital into improving the fitness suite. Assumed £250k investment depreciated over 5 years	Existing Operators - £50,000 cost pa for first 5 years
Swimming income at Congleton	Swimming income is very low for a facility in this location considering the relative lack of	Existing Operators - £88,000 pa

Service Area	Description	Potential Financial Impact
	local competition. 50% increase in swimming income to c£700 per sqm of water by existing operators. 25% increase for new companies.	New Trust / CIC - £44,000 pa
Utilities costs	Utility costs assumed to decrease by 5% due to economies of scale provided by large private contractors as evidenced in recent bids.	Private contractor - £69,000 pa
Income at dual-use sites	Income is low at these facilities (often for good reason) however this is an area that existing contractors will always target. Assumed 10% increase by private contractor, 5% increase by existing trust and 2.5% increase by new organisation.	Private contractor - £200,000 pa Existing Trust - £100,000 pa New Trust / CIC - £50,000 pa

7.52 The above operational income and expenditure changes have been incorporated within the financial projections. It should be noted that, whilst these changes might seem significant, we are confident that they are prudent as they still result in performance below benchmark levels (albeit considerably closer to benchmarks) and below levels we have witnessed on similar bids for other leisure management contracts.

7.53 In summary, the projected level of operational changes are as follows:

- Private management contractor – £509,500 net saving per annum;(however this will be constrained by the current joint use agreements that are in place)
- Existing trust – £340,500 net saving per annum;
- New trust – £152,750 net saving per annum;
- New CIC - £152,750 net saving per annum.

7.54 Staffing costs are also high when compared to benchmark level which is something that would be investigated by an external operator however further work would be required to establish whether this is related to the number of staff and staffing structure or the rates of pay so we have not made any assumptions in relation to reduced staffing costs. We understand that the costs associated with recent changes in terms and conditions amount to c.£750,000 pa in the staffing budget and it is unclear whether any of these changes could be revisited to reduce the overall cost.

Summary of Management Fee and Total Cost to the Council

7.55 A summary of the management fee and all the adjustments included within this section for each of the options is shown in table 7.10.

Table 7.10 - Summary of Adjustments and Management Fee

	Private Sector £	Existing NPDO £	New NPDO £	New CIC £
Current Net Direct Cost budget (In-House)	£3,797,608	£3,797,608	£3,797,608	£3,797,608
NNDR Savings	-£78,202	-£250,246	-£312,807	-£78,202
Pension Bond	£25,000	£25,000	£25,000	£25,000
Operational Changes	-£509,500	-£340,500	-£152,750	-£152,750
Central Overheads, Profit and Contingency	£538,243	£638,333	£478,750	£403,682
Management Team	£0	£0	£250,000	£250,000
VAT Impact	£263,560	-£401,071	-£409,493	£262,472
Revised Management Fee	**£4,036,650**	**£3,471,915**	**£3,676,308**	**£4,239,284**
Central Support Cost Savings (Year 3 figures)	-£510,151	-£510,151	-£510,151	-£510,151
Retained Landlord Maintenance Responsibilities*	£150,000	£150,000	£200,000	£200,000
Total Cost to Council	**£3,676,558**	**£3,108,973**	**£3,366,157**	**£4,197,659**
Saving compared to In House	**£121,049**	**£688,634**	**£431,451**	**-£521,101**

* Contingency sum for retained landlord maintenance responsibilities in addition to current maintenance spend. Higher sums allocated for new trust/CIC as they will have less reserves so Council may need to retain more asset risk.

7.56 The table above identifies the financial impact on the changes that are likely to be achieved under each of the management options being considered. The main issue for the private sector option is that it has a worse VAT position than the Council and it cannot deliver a significant rate relief on its business rates compared to the NPDO (Trust) options. In addition to the net direct cost of the service, the private sector needs to add the recovery of its overheads and profit.

7.57 In terms of the two trust options, the main additional costs are similar to that of the private sector option with the addition of significant irrecoverable VAT. The main benefits are the savings in VAT on income and NNDR which lower the overall cost compared to the in-house option. The new trust produces lower savings than an existing trust because it has increased management costs and less access to the capital funds, economies of scale and new expertise that an existing trust could offer.

7.58 A new CIC is not as financially viable as the other options because it does not produce the same level of VAT / NNDR savings or provide access to the capital funds, economies of scale and new expertise that an existing trust or private contractor could offer.

7.59 It should be noted that there will be some variances to these costs from year to year as a result of set-up costs, a phased approach to central support cost savings and the depreciation of capital invested by existing operators. The full impact of this is set out within the net present value calculations below.

7.60 In addition to the changes in management vehicle, the Council has been considering a programme of asset changes in terms of investment and rationalisation as highlighted previously in this report. The full financial impact of these changes on the preferred option is set out in section 10.

Net Present Cost / Value of Options

7.61 The table below provides a comparison of the cashflows over 25 years from 2014/15 (including set-up costs in 2013/14) and converts these into a current value using a discount rate of 3.5% (excluding inflation) in accordance with HM Treasury Green Book. The cashflows are negative (i.e. payments to the management vehicle / costs incurred) so we have labelled this as a comparison of net present costs. The full calculations are contained within Appendix B.

Table 7.11 - Comparison of Net Present Values / Costs

	In-House £ (Base)	Private Sector £	Existing NPDO £	New NPDO £	New CIC £
Total 25 year cost	£94,940,205	£91,424,170	£77,234,553	£84,664,134	£105,451,700
Net Present Cost (including set-up costs)	£60,473,754	£58,516,256	£49,477,942	£54,180,446	£67,421,434
Benefit compared to base NPC	**£0**	**£1,957,498**	**£10,995,812**	**£6,293,307**	**-£6,947,681**

7.62 Table 7.11 demonstrates that the net value over a 25 year period would be in the region of £2m if contracting with a private contractor, £11m if with an existing trust, £6.3m if setting up a new trust and a cost of £6.9m if setting up a new CIC. This financial benefit can then be compared to the non-financial implications discussed in section 8 of this report.

Scale and Scope of Commissioning Opportunity

7.63 The Council is also considering adding other in-house services to the new management vehicle as set out previously within this report. The 2011/12 net direct costs (excluding all central support costs, capital financing and below the line costs) of each of these services are set out in table 7.12.

Table 7.12 - Net Direct Cost of Additional Services

Cost Centre	Income	Expenditure	Net Direct Cost	Notes
port & Play Development	£529,127	£872,861	**£343,734**	Excludes £288,285 of support services & capital financing costs etc.
ommunity Halls	£41,184	£97,919	**£56,735**	Excludes £61,983 of support services & capital financing costs etc.
rts & Cultural Services	£31,863	£855,310	**£823,447**	Excludes £298,796 of support services & capital financing costs etc.
reen Spaces*	£458,199	£1,976,022	**£1,517,823**	No below the line / notional costs stated as figures are budget, not outturn.
et Cost	**-1,060,373**	**3,802,112**	**2,741,739**	

* Figures for green spaces are 13/14 budget figures and not 11/12 actuals

7.64 The net direct cost for the additional services being considered for inclusion in the new management vehicle are circa £2.74m however the following should be noted:

- **Community Halls** – the cost includes for the five community halls named in Section 1 only, community halls management costs are included in the overall arts and culture cost centre and there are no maintenance costs included in these figures, which would require a transfer of budget from the Council's asset management team;

- **Arts and Cultural Services** – this includes all cost centres with the exception of Archives, Knutsford Cinema, the Lyceum Theatre and the remainder of the community / civic hall costs which have been excluded. Management cost centres for cultural facilities and the community halls are included within these costs. There are no clear maintenance costs for the museums although there are grants to the museums which might include provision for some of these costs;

- **Green Spaces** – includes costs for the three service elements named in Section 1 only. Figures are 2013/14 budget figures rather than 2011/12 actual outturn figures.

7.65 A detailed line by line financial analysis should be carried out once the Council decides which services it may incorporate within the new management vehicle and when they are likely to be incorporated. The more detailed investigation into the line by line nature of the income and expenditure needs to be carried out to properly assess the impact on the VAT position of the new management vehicle and other potential fiscal savings, however the following headline key points can be identified from our initial review:

- Only £14,996 of NNDR expenditure is identifiable from the numbers provided which limits the potential savings that could be provided in this area;

- Accurate maintenance costs need to be identified within the figures to ensure that all relevant costs are factored into the affordability assessment;

- Only £300,223 of the income identified is from ‘fees and charges’. The remaining circa £700k is either from recharges or, in the majority of cases, grants. We would need to understand the exact nature of these income lines however, considering the type of services we are assessing, it is quite likely that a large proportion of the income will be grant-based and thus not vatable income. This therefore limits the savings that a charitable trust can produce in this area;

- Circa £60,000 of VAT benefit would be generated on vatable income of circa £300,000 by a charitable trust. However, applying the circa 40% VAT recovery rate of the trust (as identified previously in this section) to the net expenditure of £1.60m (net expenditure when staffing expenditure is excluded from the above stated costs) would result in circa £189,000 of additional irrecoverable VAT. Whilst this is a very high level calculation, it identifies immediately the potential issues with adding services into a trust that have significant expenditure with low associated income. In this scenario, over £100k of additional savings would need to be found purely to maintain the services at their existing cost due to the negative impact on VAT.

7.66 The VAT issue is clearly a significant concern in relation to the future sustainability of the other services, particularly the green spaces. This would need detailed further analysis before transferring these services to a third party provider or trust.

8. Evaluation of Delivery Options

8.1 In assessing the range of options for future delivery and management of the leisure, culture and green space facilities and services, a robust evaluation mechanism is required which is based on bespoke local needs and balances financial and non-financial implications appropriately.

8.2 This section sets out the evaluation framework, following the service review and consultation undertaken to date. It is intended that the following options will be evaluated using this framework:

- Retention of In-house Management;
- Outsourcing procurement process leading to contract with a private sector operator using a 'hybrid' trust or an existing NPDO;
- Establishment of a new social enterprise (which could include a charitable trust or CIC – further discussion on this is provided in section 9).

Evaluation criteria and process

8.3 This evaluation process will help inform recommendations about the most efficient and effective management option.

8.4 Following the strategic review and consultation with Council officers and elected members, the main drivers identified by the Council for this study are as follows:

- Degree of strategic control by Council;
- Impact on service delivery;
- Impact on staff;
- Provision of a service in line with Corporate objectives;
- Impact on residual costs;
- Ability to transfer risk;
- Opportunity for partner / community involvement;
- Flexibility for future asset plans / changes; and
- Flexibility for future inclusion of additional services / facilities.

8.5 A brief definition of these criteria is set out overleaf.

Degree of strategic control by the council

8.6 It is likely that the Council will want to retain as much influence and control of the service as possible to enable the service to reflect the strategic objectives of the Council and any changes to these.

Degree of operational control by the council

8.7 The Council currently has day to day operational control at each of the facilities and this could potentially reduce depending on which management vehicle is selected.

Impact on service delivery

8.8 This focuses on which of the management options can bring about further improvement in service efficiency and effectiveness, comparing market understanding of the strengths and weaknesses of the options plus local understanding of the current situation.

Impact on staff

8.9 In house management would have little or no impact on staff as this would be a continuation of the existing arrangements. Other management options would involve TUPE staff transfers and other change processes, which would have a greater impact on staff.

Provision of a service in line with Corporate objectives

8.10 Delivery of the Council's objectives is crucial. Therefore, this is a high priority for the management options review.

Impact on residual costs

8.11 The service currently utilises a range of central services (HR / payroll / accounting / asset management etc.). In other delivery options these central services may not be required which could impact on residual costs for the Council – for example, the Council will retain these central support costs, but with a smaller portfolio of services over which to distribute the costs.

Ability to transfer risks

8.12 Transferring to a new form of management model may enable some of the risks associated with running this service to be transferred away from the Council. The level and type of risk transfer will depend on the selected option. Some of the key risks were outlined in section 6 of this report.

Opportunity for partner / community involvement

8.13 The Council wishes to 'future proof' existing partnership arrangements that contribute to innovative and effective services to the local community. The level of community and partner engagement possible will be different across the various options.

Flexibility for future asset plans

8.14 We have already noted some of the Council's plans for asset transfers and delivery of new Lifestyle Centres, which will impact on future management arrangements. Any future vehicle therefore needs to include sufficient flexibility for inclusion of these changes over the next 5-10 years. Also, there may need to be flexibility to account for transfers under the Localism agenda or changes to the joint use agreements.

Flexibility for future inclusion of additional services / facilities

8.15 As noted in this report, there are clear opportunities for packaging of a number of facilities and services in future delivery arrangements, which means that the chosen approach needs to be sufficiently flexible to allow inclusion of additional services / facilities in the future.

Weightings

8.16 On the basis of advise received following discussion with the council, the following weightings have been set.

Table 8.1 - Weighting of non-financial criteria

Non-financial criteria	Weighting
Level of Council strategic influence	10%
Impact on service delivery	15%
Impact on staff	10%
Correlation with Corporate objectives	15%
Impact on residual costs	5%
Ability to transfer risk	5%
Partner/community involvement	10%
Flexibility for future asset plans	15%
Flexibility for future inclusion of additional services / facilities	15%

8.17 Table 8.2 overleaf contains an analysis of each option against the stated criteria. Each option is given a raw score out of 10 for each category, which is then weighted according to the priorities noted in table 8.1.

Table 8.2 - Analysis and scoring of each option

Criteria	Weighting	In-house	Outsourcing (private contractor / existing trust)	New Social Enterprise
Level of Council strategic influence	10	10 Retaining the service in house would give the Council maximum control at both a strategic and operational level.	6 Some protection through management contract and management fee, but likely to be less than in trust scenarios, with less flexibility to adapt to changing priorities. Changes would be via the formal change mechanism in the contract, although minor changes would likely be agreed on an informal basis.	8 A balanced trust board including elected members would allow the Council to retain a good degree of strategic control, albeit there cannot be more than 20% influence.
Impact on service delivery	15	6 Steady improvement in services over recent years and continued ability to deliver community initiatives. However, limited opportunity for access to national best practice models or support networks such as SPORTA. Increase cost outside of services control in particular Pay Harmonisation.	9 Step change derived from private sector expertise and commercial drivers. Council's access initiatives will need to be protected in any management agreement, but this can be done via the service specification.	8 Possible improvement in short to medium term derived from single clear focus and ability to create new organisational culture. Local focus should ensure community initiatives retained.

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Criteria	Weighting	In-house	Outsourcing (private contractor / existing trust)	New Social Enterprise
Impact on staff	10	7 The decision to stay in house would have minimal impact on staff. Pay and conditions would be protected, as would pensions. However, the opportunity for career progression and the ability to innovate is perhaps more limited than in some of the other vehicles and the financial climate is such that protection of non-statutory services is no longer guaranteed.	5 Staff likely to be more nervous about the private sector route and would be a more significant change than a trust option. TUPE and Admitted Body Status should offer some protection for existing employees. Positively, there may be greater opportunity for career progression and more structured training programmes.	7 Staff will be TUPE transferred and essentially be working for a different organisation. Although seen as a 'softer' option than the private sector it still involves a big change, albeit the local focus and understanding should provide some comfort. Admitted Body Status should offer some protection for pensions of existing employees.
Correlation with Corporate objectives	15	8 Correlation can be retained and controlled in-house. However, competing corporate priorities may make it difficult to focus on essential issues that benefit the customer.	6 Limited influence - commercial realities would be more important than delivering Council objectives, unless the contract was carefully drafted.	7 Representation by Councillors on the trust board could enhance the correlation and the trust will have a more focused approach given it's 'single-issue focus'.

Criteria	Weighting	In-house	Outsourcing (private contractor / existing trust)	New Social Enterprise
Impact on residual costs	5	6 Limited impact on residual costs (central support charges etc.) as service will remain in-house. This is positive in relation to maintenance of the status quo but offers no opportunity for future savings or efficiencies from different models / sharing of costs.	6 Private provider will have own head office services, so can potentially offer a lower cost service than Council, due to spreading costs over a number of contracts. However, Council will need to reallocate the support posts or make posts redundant to ensure savings are 'real'.	7 Limited initial impact as trust likely to purchase central support services from the Council in first few years of operation. Longer-term, trust may wish to test value for money of services, to ensure a good service / financial deal. Council would need to redistribute the costs to other retained departments or realign staffing, albeit over a longer period of time than the private sector option.

Criteria	Weighting	In-house	Outsourcing (private contractor / existing trust)	New Social Enterprise
Ability to transfer risk	5	2 The risk associated with the services and facilities is retained by the Council, with no opportunity to transfer any of the risks to third parties, unless some form of asset transfer is undertaken on a small number of facilities.	8 Considerable operating risk can be transferred, but as outlined in section 6 there are a number of strategic risks which are likely to remain with the Council for value for money reasons. In particular, long-term asset risk is likely to remain with the Council.	6 Considerable operating risk can be transferred, but as outlined in section 6 there are a number of strategic risks which are likely to remain with the Council for value for money reasons. In particular, long-term asset risk is likely to remain with the Council. Further to this, a new vehicle will not have the trading history or reserves to support fluctuations in trading, meaning that the Council may need to step in or provide additional funding.
Partner/community involvement	10	7 The service will be able to continue with its community involvement initiatives if the service remains in house. However, there is no opportunity for increased integration / joint working, which may be the case in other vehicles.	5 Commercial driver likely to override commitment to local involvement, unless specifically highlighted as a requirement in the contract documentation. This can be written into the service specification, but requires careful consideration up-front.	9 Service level agreement can embed local involvement. Local involvement assured via community involvement plan and Board of Trustees make-up. Research suggests the positive role trusts can play in enhancing partnership working and encouraging community involvement.

Criteria	Weighting	In-house	Outsourcing (private contractor / existing trust)	New Social Enterprise
Flexibility for future asset plans	15	8 This option would retain maximum flexibility to incorporate any (likely) future changes in facility stock.	6 Reduced flexibility going forward, unless changes can be planned prior to transfer and included in the contract documentation or instigated via the formal change procedure in the contract.	7 Less flexibility than in-house, as the trust is a separate entity, which will look to re-negotiate the financial implications. However, likely to be more flexible than a non-local delivery vehicle.
Flexibility for future inclusion of additional services / facilities	15	6 All of the services / facilities are currently in-house, apart from the Lyceum Theatre and Knutsford Cinema. There should therefore be existing synergies be the services, but this could be constrained by the silo mentality of local government and is susceptible to future cuts, particularly to development services.	6 Reduced flexibility going forward, unless changes can be planned prior to transfer and included in the contract documentation. Also, the expertise of the contractors to deliver development services or green spaces is less proven, meaning that it may not be the most appropriate route.	7 Less flexibility than in-house, as the trust is a separate entity, which will look to re-negotiate the financial implications. However, likely to be more flexible than a non-local delivery vehicle and there are clear synergies in creating a locally focused, comprehensive vehicle that delivers a number of customer-facing services and facilities.
Total non-weighted score		**60**	**57**	**66**
Weighted percentage		**70%**	**64%**	**74%**

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Summary of non-financial evaluation

8.18 The evaluation demonstrates that a new social enterprise vehicle has the potential to provide the highest level of non-financial benefits to the Council. However, there is little statistical difference in the evaluation between the current model of service delivery and a new trust vehicle. This conclusion is also logically valid when it is considered that a new local social enterprise would essentially be the same personnel as the current service, albeit under a different delivery model. The current partnerships, service focus and quality of delivery should therefore remain in both models.

8.19 In summary the benefits of the trust management vehicle are as follows:

- Savings on NNDR costs and VAT;
- Involvement of external expertise in the trust Board;
- Involvement of key partners to shape future priorities and activities;
- Greater financial and managerial autonomy;
- Opportunity for community and staff involvement in the management of services; and
- Benefits of having a single issue focus; and
- Ability to expand in future to take on additional services / facilities.

8.20 In relation to financial issues there is a forecast benefit in transferring the leisure services to a charitable trust vehicle in particular, as detailed earlier in section 7. Section 9 summarises the conclusions of our work and highlights the key factors to be considered in selecting a preferred way forward.

9. Summary and Recommendations

Introduction

9.1 The purpose of this report was to deliver a management options appraisal for leisure services, possibly also including development services, elements of arts and culture and green spaces. The analysis has covered both the financial and non-financial implications of different management vehicles and has covered a wide range of potential options, including:

- Continued in-house management;
- Outsourced management – either through a private company or an existing charitable company (Trust); and
- Establishing a new company – either charitable or non-charitable, covering the following options:
  - Unincorporated Charitable NPDO;
  - Industrial and Provident Society (IPS);
  - Company Limited by Guarantee (GLG);
  - Charitable Incorporated Organisation (CIO);
  - Limited liability partnership (LLP);

9.2 It is worth noting that these different types of company structure are often classified under the umbrella of Social Enterprises - indeed, Greenwich Leisure Limited (which manages leisure services in the south east of England) is often used as a case study of a successful social enterprise. A social enterprise is a company which:

- has a clear social and/or environmental mission set out in their governing documents;
- generates the majority of their income through trade;
- reinvests the majority of their profits;
- is autonomous of state;
- is majority controlled in the interests of the social mission; and
- is accountable and transparent.

Strategic Context

9.3 A strategic review of the context in which the services / facilities will operate was provided in section 2 of the report, which clearly identified the need for any future management to be aligned with key corporate priorities for the Council and identified the major role that the service has to play in Cheshire East in reducing anti-social behaviour and improving health, particularly in light of the ageing population profile.

9.4 The demographic profile of the borough is a key issue in relation to future demand for services and will impact on the types of facilities and programmes offered. The local population will increase over the next 15+ years which will result in additional potential users for the facilities but also highlights the need to ensure facilities and services are fit for purpose and can cope with the increased demand.

9.5 The local population appears to be healthy and relatively active, although there are still improvements that could be made in participation levels. This emphasises the need for a modern and efficient management service which continues to offer a varied programme of activities, in modern and value for money facilities, to contribute towards increasing the healthy living of residents in Cheshire East further still.

9.6 The elderly age profile of the Borough (which is projected to become more pronounced over the next 15+ years) may impact on income from some activities and presents specific challenges that need to be addressed in terms of ensuring programming and facilities cater for all age groups within the Borough. This will be particularly crucial as the challenge for local authorities to increase participation and improve public health will be more important (and perhaps more difficult) than ever in an ageing population.

9.7 The cost of inactivity per 100,000 people in Cheshire East has been identified as £1.79m pa. Extrapolating this to the total population of 370,000 identifies a cost per annum of £6.62m for primary and secondary care. There is therefore clearly a significant opportunity to reduce this annual cost through increasing participation amongst Cheshire East residents.

Current performance

9.8 Alongside assessing the different management options, the report has sought to review existing performance and identify areas of strength and weakness. This has then been used to inform the financial modelling of the options, but provides useful information in its own right, in terms of potential short-term areas to focus on in ensuring high quality services / facilities. Performance has been compared against national benchmarks produced from FMG's database of leisure centre operational performance data. The key findings from this review are as follows: Many facilities, and in particularly those facilities that share leisure programme time allocations with an onsite High school and associated primary schools such as Middlewich Leisure Centre, Sir William Stanier Leisure Centre, Holmes Chapel Leisure Centre and Barony Sports Complex perform below benchmark levels for income generation.

- It appears that the net direct cost of operating the facilities in 2011/12 increased by £139k from 2010/11 to £3.31m. Income increased by £203k during this period however expenditure also increased by £342k. These figures should be treated with some caution as there are a number of discrepancies that the finance team are investigating regarding the recording of income for 2011/12 with circa £200k unaccounted for between the onsite till system and the Oracle finance system. In addition, the Council also introduced additional staffing costs (est at £325,000 for 5 months) in the financial year 2011/12 associated with re-introducing paying time and half for hours worked at weekends;

- The leisure facilities in Congleton, Macclesfield and Wilmslow were the three most expensive facilities in terms of net direct operating cost in 2010/11 and 2011/12. This is perhaps not surprising as all three facilities include swimming pools which often result in increased operational costs and these facilities include higher levels of staffing (lifeguards etc) for which the costs have also been affected by the costs of implementing Council single status through paying time and half at weekends. This point is supported by the fact that the lowest operating cost facilities are Barony Park Sports Centre, Shavington Leisure Centre and Holmes Chapel Leisure Centre which are all dryside only facilities.

- Almost all of the leisure facilities perform below benchmark levels for income generation. Middlewich Leisure Centre, Sir William Stanier Leisure Centre, Holmes Chapel Leisure Centre and Barony Sports Complex generate the lowest levels of income. However, with the exception of Barony, all of these facilities are jointly provided at a high school site and have limited access to facilities for community use during the day (Monday to Friday) throughout the normal school year. None of these facilities have a swimming pool which always generates higher levels of public use and therefore higher levels of income. Middlewich was also adversely affected in terms of income in 2011/12 by the lack of any access to the floodlit astro-turf pitch which had been withdrawn from use by the High School pending the construction of a new replacement facility. The lower levels of community use possible at such smaller joint use sites supports the Council's considerations in relation to transferring these facilities back to the respective schools following expiry of the existing joint use agreements.

- The best performing facilities in terms of income generation are those at Crewe Swimming Pool, Nantwich Swimming Pool, Macclesfield Leisure Centre and Wilmslow Leisure Centre.

- Income per visit is below benchmark across the whole portfolio which is in line with the Council's Corporate strategic aims to give priority to young people, the elderly and those with disabilities. We understand that headline prices have been benchmarked against nearest neighbours and are already at the higher end of comparisons, however, over a third of all attendances are young people16 years and under and with a further 150,000 total attendances amongst those 60 years or over. Both high priority target user groups for the Council and those that receive significant subsidies through discounted fees and charges for using the facilities.

- Health and fitness income is generally below expectations however the dual-use nature of the facilities, small size of the some of the fitness suites and value for money pricing will be contributing factors to this. The average number of members per station across the portfolio is only 17 compared to an industry average of circa 25 which indicates that the majority of gyms have additional capacity (a latent demand report would need to be procured to confirm this). The exceptions to this are Crewe and Nantwich Swimming Pools which have 27 and 36 members per station respectively. These are the two best performing facilities in terms of income per station and are closer to the £5k - £6k income per station level which we would expect to see from an in-house operation. **However, it is important to note that the Council has recognised this and we understand that the significant recent developments over the past 12 months at Wilmslow, Macclesfield, Shavington, Crewe, Knutsford and Sandbach (alongside minor improvements to equipment at Holmes Chapel, Alsager and Middlewich) has had a significant positive impact on income generation and membership levels, such that the 2012/13 financial performance will be in line with or exceed industry benchmarks in most cases** – this clearly supports the benefits of investing in a 'quality' offer and supports the plans for upgrades at nantwich Pool (nearly complete), Congleton, Poynton and a further more significant upgrade, at Alsager and Sandbach.

- Swimming and sports hall income compared to benchmark is reasonable in a number of the facilities. The leisure centres at Macclesfield and Wilmslow in particular are performing close to / above benchmark for both of these KPIs. If the additional VAT benefits that a trust operation can access were factored in, many of the facilities would be performing close to the benchmark level in these areas. There are however, a number of facilities (smaller joint use centres in particular, due to the inherent restricted daytime community access required by the shared arrangements with a high school) that perform significantly below benchmark for sports hall income which leads to questions about the need to continue operating all of the dual-use facilities which mainly offer large, 6 court sports halls. This analysis supports the Council's long-term thinking around the asset planning for rationalisation and the provision of new Lifestyle Centres.

- Performance against expenditure benchmarks is below expectation, particularly in relation to staffing costs which are often over 100% of income at many of the facilities – however, this is clearly impacted by the decision regarding enhancements, which we understand added £325,000 for 5 months of 2011/12 and has added c.£750,000 in the current year. This is also reflected in the fact that the overall cost recovery percentage is below benchmark across all facilities with the exception of Shavington Leisure Centre and Macclesfield Leisure Centre.

- Utilities costs are reasonable at many of the facilities considering the age of the asset stock however there are some facilities where the utilities costs should be interrogated to understand the reasons for the high costs compared to the benchmark level. Knutsford, Poynton and Sandbach Leisure Centres are all dual-use facilities which have very high utilities costs although this could be partially attributable to the lack of ability to accurately split utilities consumption / costs between the school and the leisure centre elements which may lead to some degree of subsidy of the schools premises being incurred by the Council via the leisure service. The utilities costs for the dual use Middlewich Leisure Centre in particular are above the benchmark level which is a concern because this dual-use facility does not have a swimming pool (although the same issue may apply as at the other dual-use facilities). Finally, Nantwich Swimming Pool has high utilities costs at £61 per square metre. These high utilities costs may be partially related to the provision of the heated outdoor pool.

- Maintenance expenditure is below benchmark across the portfolio which could be looked at as a positive in terms of controlling expenditure however is a concern if the upkeep of the assets is not being invested in for financial reasons as it will lead to long-term increases in major maintenance issues and reductions in income due to increased service disruptions and user dissatisfaction / attrition rates. It is noted that maintenance expenditure appears to have decreased significantly between 2010/11 and 2011/12. The responsibility for the maintenance budget now resides centrally with the asset management team. It is crucial that maintenance expenditure does not decrease further still (unless there is a clear plan for long-term disposal of an asset) as the resulting savings in expenditure are likely to be negated by reductions in income and increased long-term maintenance problems.

- Although there is some marketing spend in the individual cost centres for some of the leisure facilities the amounts are negligible and so have not been recorded in table 3.18. Marketing spend is not allocated per leisure centre as there is a central marketing team which works across all of the leisure facilities. The marketing team spent £39,353 in 2011/12 on marketing activities (this does not include the cost of the staff time i.e. their salaries and wages or associated expenses). Adding on the £1,502 spent on-site results in a total marketing spend of £40,855. This is the equivalent to 0.7% of income and is low when compared to the benchmark of 2.1%. This may be one of the contributory factors as to why performance against the income KPIs was predominantly below the benchmark levels across all of the facilities.

9.9 It is acknowledged that the financial performance at some of the leisure facilities is understated because the true level of income and costs relating to school dual-use status and long-term hire of rooms by the Adult Services team are not accurately reflected in the levels of income / recharges allocated to each facility. This would impact positively on a number of KPIs and overall financial performance if accurate recharges were included.

Asset stock changes

9.10 Alongside consideration of future management vehicles, the Council has been separately reviewing future asset plans, including opportunities for provision of a number of new Lifestyle Centres to replace ageing assets and potential transfer of other facilities to schools / community groups.

9.11 A number of scenarios have been identified by officers and in previous reports commissioned on the Lifestyle Centres, some of which we have sought to reflect in the modelling in this report – however, this modelling is simply for scenario analysis and is not a recommendation on future asset portfolios, as that is not part of this study. There is clearly further work to do on this prior to confirming what changes will be made and the timescales for these.

9.12 **It is unclear whether the respective schools / community groups / parishes would have the capacity or interest to take on leisure facilities, but there are numerous precedents in other parts of the country. The capacity to deliver would be a particular issue that the Council needs to satisfy itself of prior to any transfers**.

9.13 Further to this, we would note that the Council will need to undertake an Equality Impact Assessment and further consultation on these transfer / rationalisation proposals before a preferred route can be signed off. Without this level of rigour there is a clear risk of challenge from a legal perspective.

Financial implications

9.14 The report assessed the financial implications of the outsourcing options being considered based on the following key income and expenditure areas:

- the current net direct costs of the services;
- the impact of VAT and NNDR on the different models;
- the impact arising from central support costs;
- profit, contingency and overheads;
- the impact on pension costs to the Council and operator;
- set-up costs and timescales;
- operational changes to increase revenue or reduce costs; and
- implications of including other services within the commissioning opportunity.

9.15 This identified savings compared to the current in-house option are set out overleaf.

Table 9.1 - Comparison of Financial Implications of Management Options

	Private Sector £	Existing NPDO £	New NPDO £	New CIC £
Current Net Direct Cost budget (In-House)	£3,797,608	£3,797,608	£3,797,608	£3,797,608
Total Cost to Council	£3,676,558	£3,108,973	£3,366,157	£4,197,659
Average Annual Saving compared to In House	**£121,049**	**£688,634**	**£431,451**	**-£521,101**

9.16 A trust model delivers the highest amount of annual savings for the Council with an existing trust providing higher levels of savings than a new trust, mainly because it has lower management costs, easier access to capital funds that can be invested to generate additional income, economies of scale and new expertise that a new trust could not offer in the short term. This was confirmed when we modelled the net present costs of each option over a 25 year period (see table below).

Table 9.2 - Comparison of Net Present Cost of management Options

	In-House £ (Base)	Private Sector £	Existing NPDO £	New NPDO £	New CIC £
Total 25 year cost	£94,940,205	£91,424,170	£77,234,553	£84,664,134	£105,451,700
Net Present Cost (including set-up costs)	£60,473,754	£58,516,256	£49,477,942	£54,180,446	£67,421,434
25 Year Benefit compared to base NPC	**N/A**	**£1,957,498**	**£10,995,812**	**£6,293,307**	**-£6,947,681**

9.17 There is the potential to include community halls, arts and cultural services and green spaces into the new management vehicle also. However, more detailed investigation into the line by line nature of the income and expenditure associated with these services needs to be carried out to properly assess the impact on the VAT position of the new management vehicle and other potential fiscal savings (as they could in fact lead to additional costs rather than savings).

9.18 The VAT issue is a significant concern in relation to the future sustainability of the other services, particularly the green spaces. This would need detailed further analysis before transferring these services to a third party provider or trust.

9.19 **A further financial issue is the critical mass required to achieve a sustainable footing for the trust in particular. We would suggest that as a minimum all of the main centres that provide community swimming pools need to be included in the trust model and the Council should avoid a situation where there is a mixed model of provision for the main facilities as this will impact negatively on critical mass, service coordination and partner**

engagement. Should fewer facilities / services be included, then there are likely to be significant negative implications in terms of trust sustainability and value for money, when comparing the set up costs and running costs to the services delivered.

9.20 In addition, the non-financial implications of each option must be considered alongside the financial implications.

Non-financial implications

9.21 The non-financial implications of each option have been assessed against a set of agreed weighted criteria, covering the areas set out in the table below.

Table 9.3 - Summary of Non-Financial Implications and Weightings

Non-financial criteria	Weighting
Level of Council strategic influence	10%
Impact on service delivery	15%
Impact on staff	10%
Correlation with Corporate objectives	15%
Impact on residual costs	5%
Ability to transfer risk	5%
Partner/community involvement	10%
Flexibility for future asset plans	15%
Flexibility for future inclusion of additional services / facilities	15%

9.22 Assessing each option against these criteria identified the following weighted scores:

- In-house management – 70%
- Outsourced management (existing trust / private operator) – 64%
- New Social Enterprise – 73%

9.23 In summary the benefits of the new local social enterprise are as follows:

- Involvement of external expertise in the trust Board;
- Involvement of key partners to shape future priorities and activities;
- Greater financial and managerial autonomy;

- Opportunity for community and staff involvement in the management of services; and
- Benefits of having a single issue focus and locally based Board; and
- Ability to expand in future to take on additional services / facilities.

Issues to consider

9.24 Before identifying a recommended way forward in the management options process, there are a couple of key issues which have emerged which contextualise the conclusions. These are summarised below.

- **Requirement for future flexibility** to meet changing asset demands and allow other services/facilities to be incorporated – this non-financial criterion has been included in the assessment and has therefore been considered in some detail. However, it is clearly critical that the Council confirms a preferred way forward on the asset stock and potential rationalisation / replacement / asset transfers, as this will clearly impact on the base position for any future delivery vehicle;
- **How do we best facilitate joined-up thinking?** There is a need to avoid delivering facilities in isolation from other services and facilities, including green spaces. There is also an opportunity to contribute towards significant local priorities associated with health & wellbeing and economic development and examine leisure facilities' role in co-locating with other Council services.

9.25 In addition to these strategic considerations, there is a significant practical concern surrounding the accuracy of information available on which to deliver and monitor the services. There is on-going uncertainty around the accuracy of the financial information in particular, and therefore any future management change should include a budget for installation of updated and integrated financial management systems, such that performance can be monitored more accurately and KPIs reported more specifically. Should the Council decide to set up a charitable trust or outsource to a third party operator, it will be critical to future monitoring and business management that this issue is resolved.

9.26 Further to this, the current split in relation to repairs and maintenance responsibilities will need to be revisited to ensure any operator has adequate budgets transferred to allow them to undertake day-to-day and planned preventative maintenance. The Council will most likely retain responsibility for major lifecycle elements, but the operator will still require a substantial budget to be reallocated from the Council's central property team, which will have an impact on that department also.

Conclusions

9.27 In the context of the issues noted above, and based on the financial and non-financial evaluations undertaken, there are two primary options available in our view:

1) Outsourcing of the management of leisure facilities only, via a competitively procured management contract open to private sector and trust bidders (this is likely to result in the lowest cost solution for leisure facilities management only);

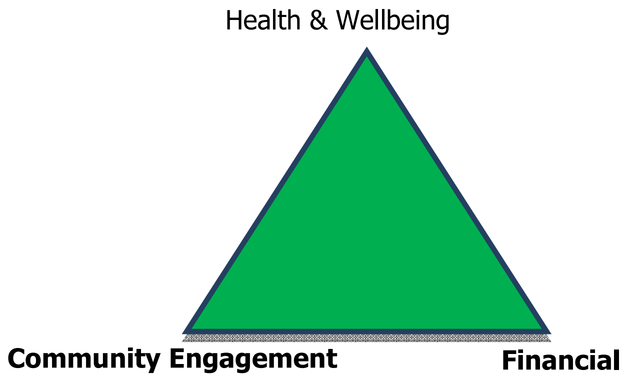
2) Setting up of a new social enterprise vehicle, ideally a charitable trust (company limited by guarantee), with an initial transfer of leisure facilities and sport and play development, followed by potential transfer of other services such as arts and culture and green spaces in the future (this option provides a good level of savings and the greatest

non-financial benefits to the Council, particularly in relation to strategic priorities and integration of services);

9.28 Should the Council wish to maximise financial benefits and risk transfer, then option 1 (outsourcing) is likely to provide the optimum solution against these two issues. However, to facilitate such a route would require firm decisions to be made on future asset stock prior to commencing any procurement process – bids could then be sought on the basis of an agreed future asset portfolio and timing for any disposals / new builds. Without a firm basis for contracting, then it is potentially costly and complex to make unforeseen changes at a future date and would almost certainly result in the Council having to fund loss of profit claims from an operator.

9.29 However, we understand from the consultation and feedback from both Councillors and officers that the objectives of this exercise are not simply financial and that a 'multiple bottom-line approach' is preferred, which balances financial issues with wider objectives, as identified in figure 9.1.

Figure 9.1 – Council Objectives



9.30 In this case, option 2 is considered to offer a more comprehensive solution, given the strengths of a local social enterprise vehicle noted earlier.

9.31 In relation to the preferred type of social enterprise, it is clear from the financial analysis presented in section 7 that a charitable vehicle is essential in order to obtain the fiscal benefits associated with NNDR and VAT, which means that a Community Interest Company is unlikely to be appropriate. In this context, of the vehicles identified in section 4, the Company Limited by Guarantee with charitable status is considered to offer the best solution, particularly in light of the uncertainties associated with the alternative Charitable Incorporated Organisation.

9.32 Taking into account the financial and non-financial implications, the benefits of a charitable trust are considered to include:

- Financial savings from NNDR relief (albeit tempered by the recent changes in legislation) and VAT;
- Access to external grant funding associated with charitable status;
- Involvement of partners in the trust Board, thus promoting partnership working and coordinated service delivery (for example in relation to health and wellbeing);

- Involvement of external expertise in the trust Board, promoting sustainability and providing access to required commercial acumen;
- Greater financial and managerial autonomy, which should result in improved quality of services and pricing in line with market levels;
- Opportunity for community and staff involvement in the management of services;
- Benefits of having a single issue focus;
- The trust can evolve over time to incorporate other assets and services;
- Transfer to a trust will maintain the link between sports development and facilities management, assuming both are transferred together; and
- A sufficient level of flexibility can be retained to accommodate future asset changes - given that the asset plans are unlikely to be confirmed in the short term and require significant further consultation and assessment before a preferred route is approved.

9.33 Further to this, a balanced trust board including elected members and senior officers would allow the Council to retain a good degree of strategic control, ensuring service delivery is aligned with the priorities of the Council (although the level of representation cannot be greater than 20%, otherwise the trust cannot be seen to be independent for charitable purposes).

9.34 A detailed outcome specification and performance management system will ensure services are focused on the priorities of the Council and local residents, with any grant aid linked to delivery of agreed outcomes.

9.35 However, as noted earlier, we would suggest that as a minimum all of the main centres that provide community swimming pools need to be included in the trust model in order to provide the trust with a critical mass of trading activities, and the Council should avoid a situation where there is a mixed model of provision for the main facilities as this will impact negatively on critical mass, service coordination and partner engagement.

9.36 On this basis, section 10 identifies the implementation plan for a local charitable trust.

10. Implementation Plan

10.1 The preferred option identified in section 9 of this report is the establishment of a new charitable trust, focused on delivering services in Cheshire East.

10.2 The trust route offers flexibility for future delivery of the planned Lifestyle Hubs, as it will be considerably more straight-forward to amend the arrangements with the trust to take into account the new centres, compared to the complex change mechanisms associated with a contract with a private provider. It also offers a clear opportunity for phasing of service transfer, with a suggested phasing set out below. The intention of the phased approach is to balance service quality and integration with the need to create a sustainable business model for the trust.

- Phase One
  - Leisure Facilities (including the Business Support team)
  - Sport and Play Development
- Future Phases (depending on 'readiness' to transfer and trust sustainability)
  - Arts and Cultural Services
  - Greenspaces
  - Community Halls.

10.3 The rationale for a phase one containing leisure facilities and development services is to maintain the cross-working and integration that is essential to supporting the work of the development services, both in the facilities and their outreach work, and to protect the non-statutory development service from further cuts. However, care should be taken not to jeopardise service coordination by partial / ad hoc transfers – in particular, the main facilities should be retained as a single 'group' to ensure a coordinated service across the Borough.

10.4 The Arts and Cultural services include a number of elements that are already contracted out, including Archives & Local Studies (to CWAC), Lyceum Theatre (to HQ Theatres) and Knutsford Cinema (to Curzon Cinemas), given this commissioning role within that element of the service we would suggest that this remains with the Council, to be managed as part of the overall commissioning of both leisure (via the trust) and cultural services – this should maximise use of performance management resources within the Council.

10.5 Green spaces currently includes parks and open spaces, countryside and public rights of way. A number of these elements are statutory services and therefore may be best retained within the Council in the short-term. However, there are clear links between health and physical activity and use of outdoor spaces, which provides a strategic synergy for future integration into the trust. However, given the complexities of managing the asset changes in leisure initially, we would be concerned about the ability of the trust to also manage the diverse activities of the green spaces services in the short-term as well.

10.6 Community Halls could benefit in the medium-term from the asset management skills to be developed within the trust, however, further consideration will need to be given to whether more local asset transfers are better suited to these small community facilities, compared to inclusion in an overarching trust vehicle.

10.7 The estimated total cost of the implementation of the trust, covering technical, financial, legal and leisure consultants, based on recent examples from other trusts, is believed to be in the region of £200-250k over the next 12-18 months. This will cover:

- Drawing up of legal agreements between the Council and the trust;
- In-depth financial and business planning;
- Consultancy costs relating to the project management of the trust set-up;
- Costs associated with the recruitment of trustees and senior management;
- Initial senior management and staff costs;
- Contracts and leases;
- Procurement;
- Establishing a trust as a legal entity in its own right; and
- Communications.

10.8 The remainder of this section sets out firstly an overview of the financial implications and then a more detailed implementation plan for the trust set up, with the aim of achieving a ‘go live’ date of 1st April 2014.

Financial implications

10.9 In order to understand the financial implications of the trust set up compared to current budgets, we have modelled the following scenario:

- Leisure Facilities transfer from 1st April 2014;
- Sport & Play Development transfers from 1st April 2014;
- Business Support team transfers from 1st April 2014;
- Set up costs of £200,000 incurred in 2013/14 to facilitate transfer;
- Asset stock changes are as follows:
    - Congleton LC – transferred to the trust
    - Wilmslow LC – transferred to the trust
    - Macclesfield LC – transferred to the trust

– Knutsford LC – transferred to the trust

– Middlewich LC – transfer to the trust

– Holmes Chapel LC – transfer to the trust

– Poynton LC – transfer to the trust

– Crewe Pool – transferred to the trust, but replaced by new Lifestyle Centre in 2016

– Shavington LC – transferred to the trust

– Sir William Stanier School LC – management transferred to the trust, but replaced by new Lifestyle Centre in 2016

– Victoria Centre / Cumberland Arena – transferred to the trust, but replaced by new Lifestyle Centre in 2016

– Nantwich Pool – transferred to the trust

– Barony Park Sports Complex – transferred to the trust

– Alsager LC – transferred to the trust

– Sandbach LC – transferred to the trust

- Trust senior management overhead of £250,000 from year 1, covering Chief Executive and Finance Director. Assume that Operations director post is a transfer from CEC existing management costs; and would also include Leisure facilites management as recommened earlier in the report.

- Support services continue to be purchased from CEC in years 1-3, whilst CEC is realigning internal departments to account for the changes. Following this, a budget of 5% of income is set aside to fund purchase of support services externally.

10.10 We understand that this is currently the preferred asset realignment option, subject to further consultation and assessment and negotiation with the schools / community groups around asset transfers. It also provides the trust with a critical mass of facilities and services on which to develop a sustainable long-term business model.

10.11 Further to this, the Council will need to ensure backlog maintenance and condition survey works are undertaken prior to transfer, in order to provide the trust with a good stock of facilities on which to develop a sustainable business model. Transferring assets in need of investment will immediately jeopardise the financial sustainability of the trust.

10.12 In relation to repairs and maintenance, we assume that the Council will want to grant an FRI lease to the trust for each property (excluding dual use sites), such that the trust needs to set aside a sinking fund for building maintenance and lifecycle costs as well as day to day maintenance and planned preventative maintenance. In order to facilitate this, condition surveys of all buildings will be required to allow the trust to assess its liabilities. In relation to the dual use sites, we have assumed the school / Council will retain existing major lifecycle responsibilities given the integrated nature of the buildings on most sites.

10.13 Table 10.1 identifies the summary financial implications compared to existing budgets. This is derived from the baselines presented in section 7 of this report and updated for the asset changes noted above. We understand from consultation that there is potential for changes to the terms and conditions of staff (effectively reversing the enhancements offered in the last two years) which could have a £750,000 pa impact, but this is uncertain and therefore not included in the modelling.

Table 10.1 - Financial Implications of New Trust

Current Annual Net Direct Cost (In-House – Leisure + Sport & Play Development)	£4,141,342
Average Annual Net Direct Cost over 25 Years as a result of planned facility changes listed above (New Trust - Leisure + Sport & Play Development)	£2,694,279
Average annual benefit to the Council	**£1,447,063**
Current 25 Year Net Present Cost (In-House – Leisure + Sport & Play Development)	£65,947,432
25 Year Net Present Cost as a result of planned facility changes listed above (New Trust - Leisure + Sport & Play Development)	£41,696,889
25 Year Net Present Cost reduction as a result of planned facility changes listed above (New Trust - Leisure + Sport & Play Development)	**£24,250,543**

10.14 It can be seen from the table that there is a significant benefit, both annually and over a 25 year period, in setting up a new trust and carrying out the proposed asset changes. It could generate a benefit on the net present cost in the region of £24m over 25 years. The financial analysis does not include any further service transfers (arts and culture / green space etc.) as this will require more specific modelling of the implications for each service area, particularly in light of the potential negative impact that the additional services could have on the financial savings able to be generated through VAT efficiencies. In any event, we would note that the new trust should be given a period of at least 3-5 years to ensure the base leisure services are 'bedded in' and the trust has the opportunity to develop a sustainable financial position.

10.15 We have assumed that the Council will retain the costs currently associated with the Leisure and Cultural Service Manager as this post will be critical to monitoring the services delivered by the trust and ensuring the Council is receiving value for money.

Implementation process

10.16 Figure 10.1 overleaf provides a summary programme of tasks and timescales. It should be noted that, to achieve the deadline of April 2014, a number of tasks will need to be twin tracked and an urgent start is required following approval of the way forward.

10.17 In addition, the Council should be mindful of the following issues:

- The need for a programme of on-going capital investment, or a robust sinking fund, to ensure quality of facility provision is maintained in the short and medium term. This will need to be allied to the asset improvement and rationalisation programme required to deliver the Lifestyle Centre plans;

- The cashflow implications of any transfer or procurement process – the Council will need to fund the upfront costs of transfer, which could be in excess of £200k. Also, the internal resource implications of managing the process will impact on day-to-day activities and may mean resources need to be diverted from other Council activities to manage the process or external resources will need to be brought in;

- A number of shorter-term leases / contracts exist, particularly in relation to health & fitness equipment. These contracts / leases will need to be determined early or transferred to the new trust and should form part of the initial legal assessment to understand the implications.

Figure 10.1 - Implementation Plan

TASKS	May	June	July	August	Sept	Oct	Nov	Dec	Jan-14	Feb	Mar	Apr-14
PROJECT MANAGEMENT & ADMIN												
Confirm scope of trust												
Establish Project Directory												
Mobilisation of Council sub-project teams												
Appointment of external advisors												
Development of risk register												
FINANCE												
Review initial calculations and produce draft 5 year operational business plan for each facility & service area												
review & incorporate central cost implications												
review and incorporate NNDR implications												
review and incorporate operational implications												
review and incorporate VAT implications												
Finalise draft 5 year operational business plans for each facility & service area									X			
Prepare Council Transitional Plan												
VAT position												
Review Council's VAT position												
Confirmation of VAT savings calculation												
Finalise VAT implications-document review-VAT efficiency												
Prepare for VAT registration												
Customs and Excise agreement to documents												
PERSONNEL												

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Prepare list of potential transferees												
Identify potential impact of central support services												
Confirm pension implications and progress with application for Admitted Body Status												
Employment law analysis - terms and conditions of employment												
Analyse impact on current staffing - individual re-deployment requirements												
Communication												
Consultation with Trade Unions and Staff in accordance with Consultation strategy												
Update with staff on Cabinet decision, progress and timescales												
Initial staff briefings in relation to TUPE and pensions												
Consultation on TUPE, supporting the TUPE transfer & facilitating admission to pension fund												
Consultation with existing partners and agencies												
Consultation with stakeholders												
Trust Board												
Draft job descriptions/person specifications												
Place advertisement												
Evaluation of applications												
Confirm appointment of Board Members												
Establish potential consultative board												
Train board members												
Chief Executive												
Draft job description/ person specification												
Agree job descriptions/ person specifications												
Place advertisement												
Confirm appointment of Chief Executive							X					

Establish Senior Management Structure												
Draft job descriptions/person specifications												
Agree job descriptions / person specifications												
Place advertisement												
Evaluation of applications												
Confirm appointment of Senior Management Team												
Senior Management Team take up their posts									X			
OPERATIONS & SERVICES												
Operational Specification - Draft Version												
Development of trust strategic & operational business plan												
Develop draft handover plan to incorporate												
internal and external accounting system												
risk assessments												
h&s policies												
normal and emergency operating procedures												
staff welfare policies												
Discussion with contractors/suppliers/third parties to be assigned												
LEGAL & PROPERTY												
Property Issues												
Identify and agree schedule of properties and leases/ licenses												
Identify who is in occupation at each facility & details												
Prepare and agree site plans												
Draft & agree detailed description of each property use												
Prepare particulars for each property												
Disposal of Property - Place Advertisement												

Consider Objections												
Identify whether any land is public open space												
Provide schedule of landlord/ tenant responsibilities												
Agree section 123 valuation												
Confirm requirements of scope of condition surveys												
Condition survey of all facilities-detail depending on share of risk												
Assets												
Investigate title on all sites												
Draft & agree leases for all relevant properties												
Execute leases for all relevant properties												
Compilation of list of equipment to be transferred												
Compilation of list of contracts to be assigned/retained												
Trust Structure												
Confirm Trust Board structure												
Obtain approval for trust structure & board membership												
Legal Issues												
Consider likely terms of transfer												
Confirm terms of transfer for Project Board												
Prepare Schedule of Documentation Requirements												
Appoint external legal advisors to the trust												
Prepare transfer documentation												
Partnership Agreement-Draft Version												
Property Documents - Leases-Draft Version												
Confirm admitted body status procedure												
Provide list of transferees and contribution levels												
Instruct actuaries to report on assessment of fund & whether requirement for Bond												

Incorporate trust												
Draft Memorandum & Articles of Association												
Company Forms completed												
Submit application for registration												
Gain charitable status											XXX	
Service Commencement												XXXX

10.18 As identified in figure 10.1, there are a considerable amount of tasks to be undertaken in a short period of time, meaning that a dedicated project management resource, at least 2-3 days per week, is likely to be required to manage the various work streams and coordinate activities amongst the sub-groups.

10.19 Within the 'property' work stream, the legal work on leases will need to include consideration of future dual use arrangements, as a number of the existing agreements expire in the next 5 years so will need to be renegotiated.

10.20 It is worth noting that the timetable does not allow any contingency and requires tasks to be twin-tracked given the limited time available. Should any of the key deadlines be missed, then the transfer may need to be delayed by 6-12 months.

Further information

10.21 Further information on the contents of this report can be obtained from Andy Farr, FMG Consulting, on 07971 837 531 or andyfarr@fmgconsulting.co.uk or Damien Adams, FMG Consulting, on 07917 615 425 or damienadams@fmgconsulting.co.uk.

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APPENDIX B

Leisure Options Consultation Analysis

Overview

- 636 Completed Surveys
- 342 Invalid Responses
- 8 Letters
- 26 Emails

Communications

- Multiple Social media posts made via Twitter (1800 followers, over 3000 reach from direct RTs) and every individual site Facebook (Over 4000 users)
- Documents shared to staff in Leisure Development and Leisure Facilities through local Sharepoint sites
- Standard notices created for display in centres with link and QR code to survey
- Staff encouraged to approach customers/user groups direct either with handouts or email
- Newsletter South & Leisure Development Clubs– Sent to 8790 subscribers
- Newsletter North – Sent to 2880 subscribers
- Press release to full distribution list
- Internally promoted through CEntranet (staff intranet), Yammer and Team Talk
- Website: Front Page "In Focus" section, linked from Leisure & Culture pages, listed as active consultation
- Links added to Town & Parish Council SharePoint
- Letters to heads of joint-use sites
- Link created through weekly schools bulletin
- Article in weekly, electronic Cheshire East News (distribution: 2192)

Survey Comments By Option

- Trust 365
- SLE 301
- Local Provider 318
- Private 368
- General Comments 367

User Type

- Casual User 44.8%
- Everybody Member 46.2%
- Non-User 2.5%
- Other 6.5%

Representation

- Member of the Public 86.2%
- CEC Staff 10.3%
- Community Sports Club 8.3%
- Local Organisation 3.7%
- Local School 2.7%
- Town/Parish Council 0.8%

- Supplier 0.2%
- CEC Councillor 0.2%
- Other 4.6%

Service Used

- Alsager Leisure Centre 7.4%
- Barony Park Sports Complex 1.5%
- Congleton Leisure Centre 10.3%
- Crewe Swimming Pool 5.9%
- Holmes Chapel Leisure Centre 3.6%
- Knutsford Leisure Centre 6.7%
- Macclesfield Leisure Centre 16.2%
- Middlewich Leisure Centre 1.3%
- Nantwich Swimming Pool 8.0%
- Poynton Leisure Centre 5.1%
- Sandbach Leisure Centre 13.4%
- Shavington Leisure Centre 9.3%
- Sir William Stanier Leisure Centre 1.2%
- Victoria Community Centre 0.3%
- Wilmslow Leisure Centre 7.9%
- Leisure Development 1.8%

Overall Response By Category

	For	Inconclusive*	Against
Separate Legal Entity	17.61%	25.58%	56.81%
Charitable Trust	62.47%	11.23%	26.30%
Local Transfer	16.35%	18.87%	64.78%
Private Sector	7.61%	13.04%	79.35%

* Responses where the user suggested that they did not mind which option was adopted, or their response was not clear but did not have a definite for or against tone.

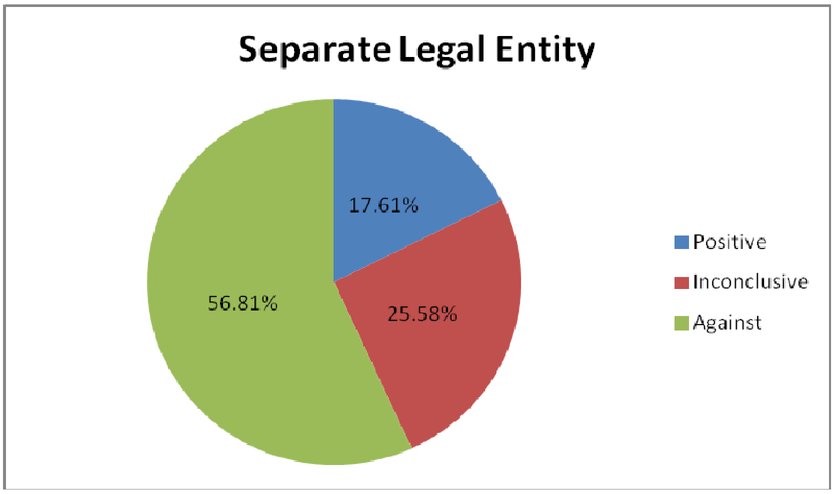
Method Used
All comments were made in a free text box. In the first pass, a number of categories were created to fit the main opinion reflected, all comments were then added to one of these categories for further analysis, the categories were:

Detailed Category	Code
Preferred option	1
Need more detail to make decision	2
No change needed/no benefit in this option	3
Definitely against	4
Concerned about the ability of trustees or management	5
Did not see a financial incentive to the Council	6
Could lead to substandard facilities/service	7
Concerned about price rises	8
Concerns about redundancies/staffing	9
Concerned about democratic accountability	10
Needs investment in facilities first	11
Unclear response	12

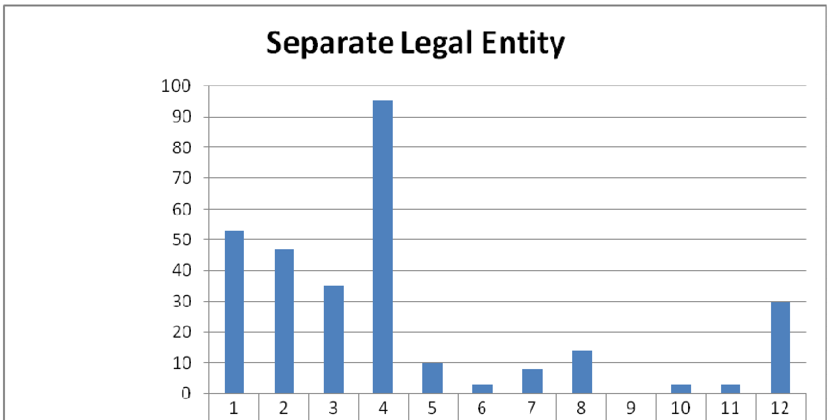
To form the overview for each option, comments were then grouped as:

Category	Options
For	1
Inconclusive	2, 12
Against	3, 4, 5, 6, 7, 8, 9, 10, 11

Separate Legal Entity



Response By Category

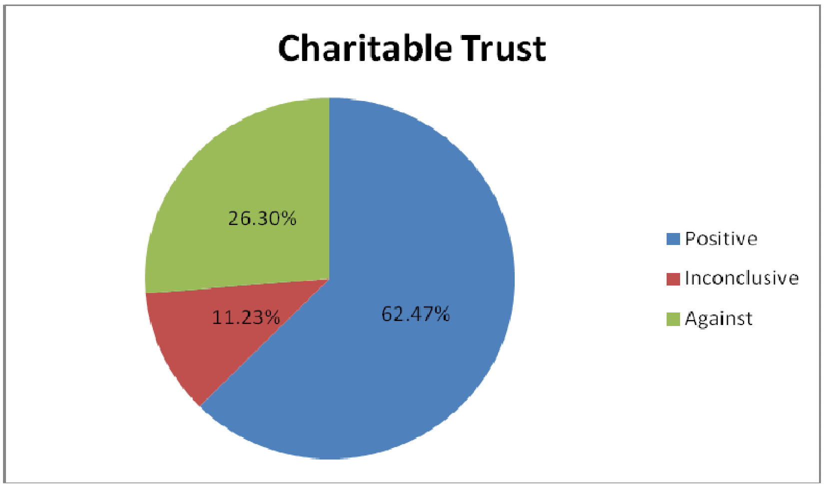


	1	2	3	4	5	6	7	8	9	10	11	12
Separate Legal Entity	53	47	35	95	10	3	8	14	0	3	3	30

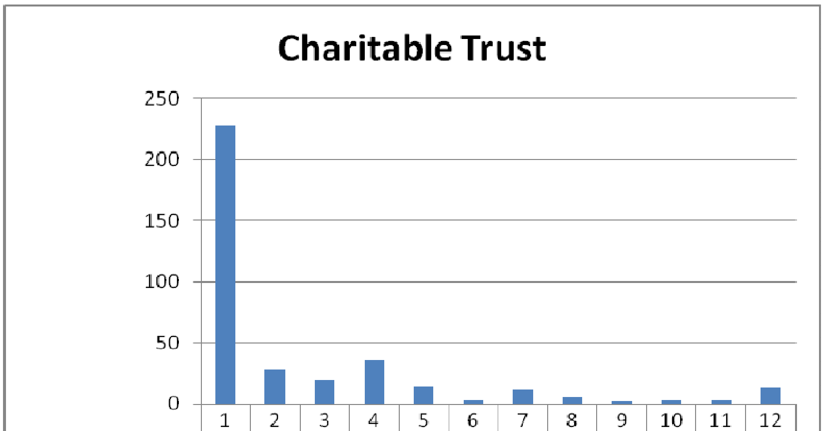
General comments on this option:

- Unclear on the definition of an SLE
- Comments from those who supported the option understood that the Council would have more control
- Questions over how management fee would work and how it would deliver better value for money for the Council
- What guarantees could be made around pricing, existing terms & conditions, bookings etc.
- Seen as a beurocratic arrangement putting in extra layers of management and administration
- Who would people complain to if they had an issue with the service?
- Would need to be allowed to look forward to the future and not be constrained to doing what has always been done in the pass
- Would the Council actually remain at arms length?
- What committments would be made to joint-use agreeements?

Charitable Trust



Response by Category

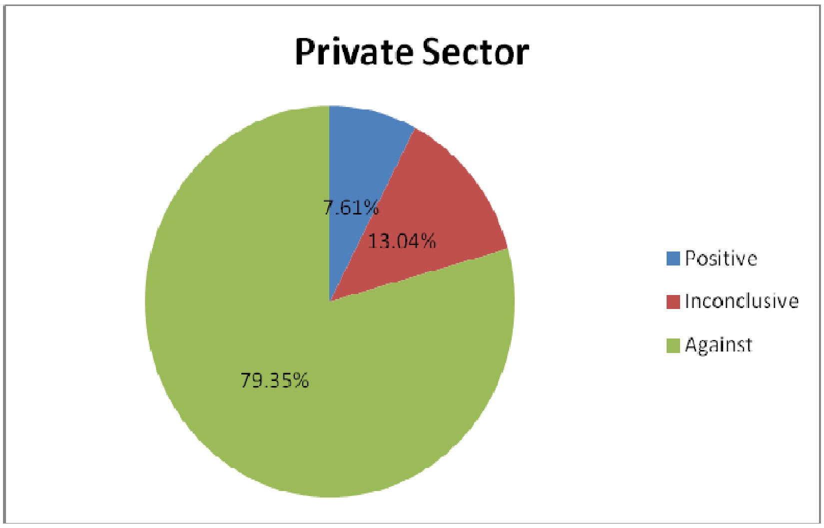


	1	2	3	4	5	6	7	8	9	10	11	12
Charitable Trust	228	28	19	36	14	3	11	5	2	3	3	13

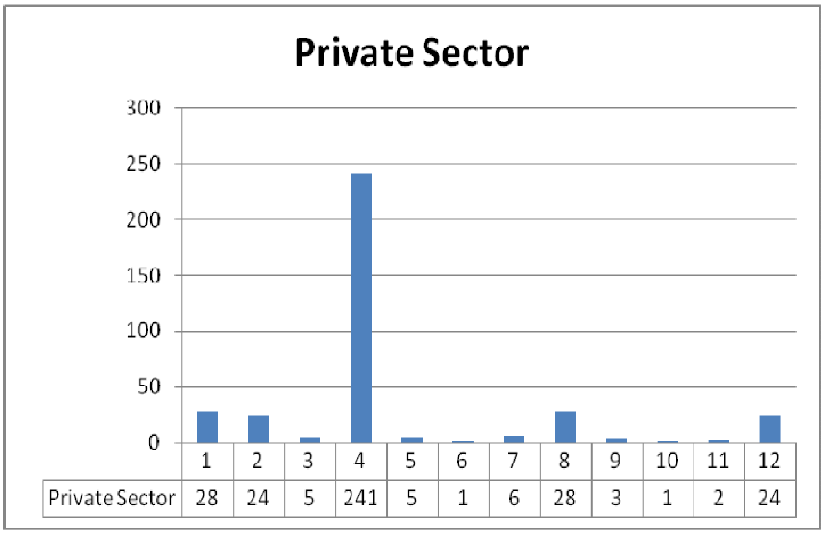
General comments on this option:

- Significant number of comments supporting reinvestment of funds back into facilities/service
- Questions over how management fee would work and how it would deliver better value for money for the Council
- How would this option work alongside joint-use arrangements
- Contract with the trust would need to be robust
- Support not having shareholders taking a percentage of income
- How would staff be affected, would there be a reliance on volunteers?
- What guarantees could be made around pricing, existing terms & conditions, bookings etc.
- Recognition of benefits of VAT/NNDR savings with charitable status
- As long as Council retains ownership of the facilities
- Service users should be on the board of trustees
- Queries over capital funding and investment into facilities both before established and ongoing
- Would this be a new trust or an existing trust?
- Would this add additional layers of management and increase the costs?
- What committments would be made to joint-use agreeements?

Private Sector Transfer



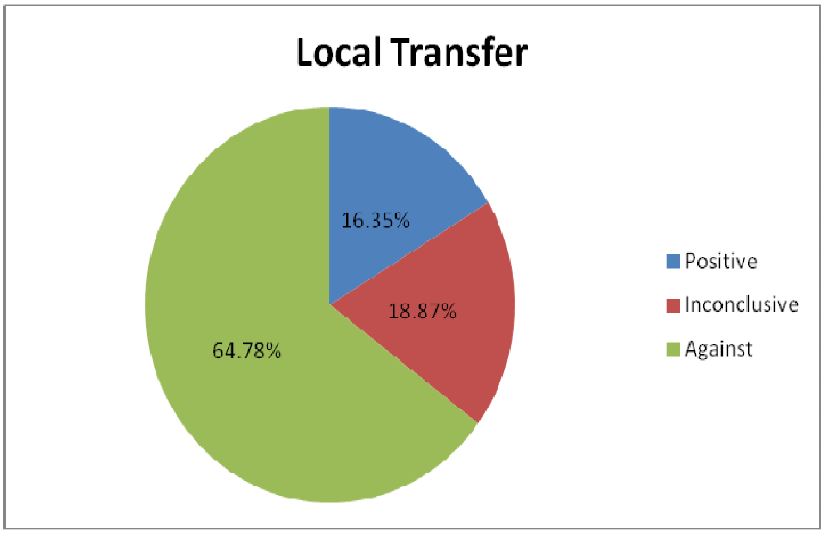
Response by Category



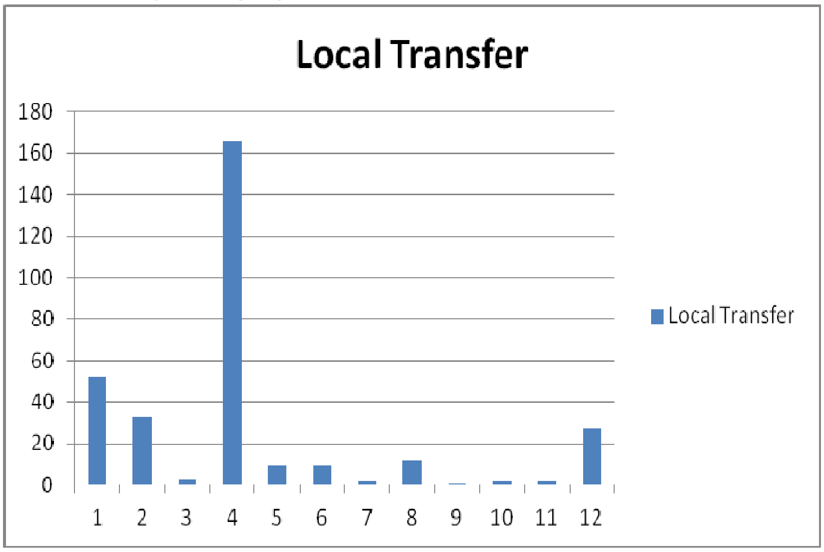
General comments on this option:

- Very strong opinions against, e.g. “Definitely not!!!!!”
- Could offer more efficiency by forcing a more business-like approach
- Converns of price increases or reduction in service quality e.g. opening hours
- Would local communities have any say in the management?
- What would happen if the company went into administration?
- Would not wish to see profits going to shareholders/management
- Council would not have any control over private operator
- Quality would need to be raised to compete in the private sector
- There is already enough private leisure provision in the area
- Lacks community focus
- Concerns over impact on staff, redundances/pay cuts/casualise hours
- Management contract would need to be robust
- Joint-use arrangement would need to be protected

Other Local Provider



Response by Category



General comments about this option:

- Local providers would know the local users better
- Would lose benefits of scale (less cost effective with suppliers etc)
- Lack of expertise/infrastructure
- Would costs be added to town/parish precepts, double taxation
- Would have democratic accountability
- Would lose ability to use multiple facilities on membership
- Facilities require investment prior to transfer
- What guarantees could be made around pricing, existing terms & conditions, bookings etc.
- What incentive is there for the local provider?
- Too expensive for smaller providers to run effectively
- Depends on the provider
- Concerns raised specifically around Sandbach Joint-Use Agreement
- May lead to inconsistent quality and service in the wider area “post-code lottery” referred to
- Bad experience with other local provider transfers

- What happens to staff that work across multiple sites already?

Additional Responses

A number of bodies and individuals responded outside of the survey, their comments remain anonymous for the purpose of the report:

Organisation Type	Communication Method	Comments
Private Operator	Email	Would be interested in tendering for services in Wilmslow
Individual	Email	Requires further information around scope of review (parks, libraries etc.) as well as details of possible management organisations.
Individual	Email	Concerns raised over existing limited provision in Middlewich
Individual	Email	Detailed professional experience, feedback on all options
Individual	Email	Favour trust as long as service level maintained. Issues raised around current parking arrangements
Individual	Email	Favour trust
Individual	Email	Require more information
Individual	Email	Prefer Council to retain control
Individual	Letter	Supporting trust
Individual	Letter	Supporting trust
Individual	Email	Protect current facilities
Individual	Email	Protect current service, positive comments around current offer
Individual	Email	Against private sector options, prefer trust
Individual	Letter	Against transfer out of Council control
Individual	Letter	Against transfer to private sector, requires more information on other options, request public meeting
Individual	Letter	Against transfer out of Council control
Town Council	Email/Letter	Concerns over quality of consultation and time to thoroughly assess options
Parish Council	Email	Concerns over existing facility, further information required
Town Council	Email	Support trust or SLE in principle, expect further consultation once general option is selected
Local sport association	Email	Protect existing pool availability, engage with clubs for remainder of the process

Borough Councillor	Email	Concerns of timings of consultation
Borough Councillor	Email	Leisure discretionary service, costs should be prioritised, leisure to transfer away from Council with no subsidy.
School	Letter	Concern over consultation process and lack of school transfer option, interest shown in managing facility
School	Email	Limited information available, expect to be involved in further consultation once general option is selected
School	Email	Interested in managing facilities
Regular Hirer	Email/Letter	Areas of concern raised to consider for any future operator
Regular Hirer	Email	Areas of concern raised to consider for any future operator
Swimming Club	Email	Concern over consultation process, seeking reassurance on arrangements for club use (pricing/access etc.)

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24th June 2013
Report of:	Head of Public Protection & Enforcement
Subject/Title:	Commissioning Crewe Cumberland Lifestyle Centre
Portfolio Holders:	Cllr Bailey, Cllr Clowes

1.0 Report Summary

1.1 In December 2012, Cabinet took the decision to procure and commission a contractor to work in partnership with the Council to deliver a new Lifestyle Centre in Crewe. The centre will be based at the existing Cumberland Arena.

1.2 The value of the scheme has been budgeted at £12.7M, with approximately £8.8M reserved for the build costs and the remainder for associated highway works, design costs and contingency. The budget is included in the Council's Capital Programme.

1.3 Based on the December decision, a procurement exercise has been completed through the Northwest Construction Hub Framework and after a mini-competition, Kier Construction are the council's preferred Design and Build Contractor.

1.4 This paper seeks to gain approval to appoint the preferred contractor and commence the next stages of the project which are to work with internal and external stakeholders to scope out in detail the asset, enter detailed design, apply for planning permission and finally start construction on site in winter 2013. The centre would be opened approximately 18 months later in the Spring of 2015.

1.5 The outline delivery timetable proposed is as follows:

Jun 13 – Jul 13 – Consultation and agree detailed scope
Aug 13 – Dec 13 – Complete detailed design, planning permission
Jan 14 – Jan 15 – Construction and commission

1.6 A full Equality Impact Assessment and a Transport Assessment were completed during the procurement phase towards mitigation of the key risks outlined in December.

2.0 Recommendations

It is recommended that

2.1 Kier Construction be appointed as Design and Build Contractor to work in partnership with Cheshire East Council, and officers be authorised to take all necessary action to work with the Contractor to deliver the new asset quickly; and

2.2 in order to expedite design ‘sign-off’, Cabinet delegate design authority to a task group consisting of the Project Board and the Portfolio Holder for Health and Adult Care.

3.0 Reasons for Recommendations

3.1 The lifestyle concept and the business case for its implementation in Cheshire was investigated and documented by PwC in April 2012. It concluded that the concept was viable and worthwhile in a number of towns within the borough including Crewe, Macclesfield and Congleton.

3.2 A detailed business case for Crewe was presented in the December cabinet paper which identified that a new Lifestyle Centre in Crewe supports a number of the Council’s corporate plan objectives, meets many of the sustainable community strategies and five of the corporate budget priorities.

3.3 The new lifestyle centre is part of a regeneration plan for Crewe, bringing modern adult social care and leisure facilities to Crewe that are fit for purpose, while reducing the council’s asset base and maintenance liability.

3.4 The lifestyle centre complements the Council’s new leisure strategy providing a vehicle for achieving its wider benefits.

3.5 A full list of benefits to be realised by the Lifestyle Centre are described in the detailed business case, which is available on request.

3.6 A mini-tender procurement through the Northwest Construction Hub has scrutinised bidders on a qualitively (70%) and on a cost basis (30%), to ensure the most suitable partner is chosen.

3.7 Smooth running of the project relies on the ability of the Council to quickly agree on the detailed scope of the new asset in a detailed brief. A well defined scope reduces the Council’s risks due to client changes at a later date.

3.8 There is only 6-8 weeks available to reach consensus on the brief and the council must ensure the contractor has a quick decision making process. Delegating the ‘sign-off’ of the detailed brief to a task group will ensure quick decision and ensure that the project is not delayed.

4.0 Wards Affected

4.1 Primarily it affects residents using existing facilities in Crewe, though users could be resident in any area of the Borough.

The local ward is Crewe East.

5.0 Local Ward Members

Cllr Margaret Martin
Cllr David Newton
Cllr Chris Thorley

6.0 Policy Implications

6.1 As an early part of the ‘All Change for Crewe’ programme, this newly designed and built centre will provide a much needed, visible and aspirational investment in Crewe. This will contribute directly to the regeneration of the town and will also free up other sites and locations for further regeneration projects. This development would deliver the preferred option for Crewe as identified in the Lifestyle Centres feasibility study report by PwC.

6.2 The Cumberland Arena is already established within Crewe as an important community facility, with a specific focus on the provision of athletics facilities for the local and wider population. The existing facility has the potential for expansion including combining current uses with the expansion of provision to provide a leisure and community hub designed to a high standard, with improved access to the local community enabling it to meet strategic need across Crewe. There is a strong desire to ensure that new leisure facilities are ‘inclusive’ and provide state of the art fittings allowing use by all citizens

6.3 This development gives the opportunity to secure improved physical connectivity between the Cumberland site, the surrounding residential communities and, critically, the town centre, including the public transport interchange at the station.

6.4 The relocation of services from the Crewe pool, Oakley Centre, Macon Way Ethel Elks/Hilary Centre will make these sites available. These are also seen as critical sites in the regeneration of Crewe and provide real opportunities for further commercial or council led developments.

6.5 The business case is predicated on the basis that services, and their operating budgets, will migrate to the new centre to achieve the saving required to cover the capital cost. The business must ensure that other business service delivery decisions made by the council protect the business case of the Lifestyle Centre.

6.6 This project will have dependencies on the following strategies underway in the council:

a) Older adults physically frail from long term care – A service review is taking place to ensure the council is able to provide the service level required by the regulators (CQC).

b) Learning Disability Services – A service re-design is underway to allow service users to have more access to community based activities with greater social inclusion.

c) Mental Health Services – a new service delivery model is currently being developed following the transfer of responsibilities for healthcare provision from the PCT.

d) Development of a working age team – Adult social care services are being re-designed to effectively support all citizens across the citizen journey, breaking down silos in service delivery.

e) Older adults care assessment teams – New ways of working involving systems thinking, mobile working and a person centred re-ablement model of assessment.

f) Leisure Strategy – A new delivery model for delivering leisure in the borough.

The new lifestyle centre would provide a 'clean sheet' for the provision of a dedicated asset designed to meet the needs of the above strategies.

7.0 Financial Implications

7.1 A full Net Present Value (NPV) analysis has been undertaken, including a sensitivity analysis on both the scope of assets included and the extent to which the Council could support the borrowing outlay through capital receipts or external funding. This is available in the detailed business case.

7.2 The project involves the council relocating services in the Oakley Centre and associated buildings, Macon House, Crewe Pool, Ethel Elks, Hilary Centre, and withdrawing support from leisure services at William Stanier School. These have a total net current operating cost to the Council of £2.1m, when considering both expenditure and income. These assets can then be sold, releasing capital receipts valued at £3.3m.

7.3 The new asset is expected to have a net operating cost of £1.57m on the assumption that the net operating cost is like for like with existing services but including a 10% saving in employee costs, a 30% reduction in transport costs and a 7% saving in supplies and services.

7.4 The reduced operating cost results in a net revenue saving of £529k, which will be re-invested to cover the borrowing costs for the new asset, estimated to cost £12.8m. The NPV is sustainable over 25 year borrowing period, assuming inflation at 3% and a income increase of 2%.

7.5 A future decision to invest capital receipts or external funding could reduce the borrowing period or be used to 'kick start' other lifestyle centres in other towns within the Borough.

7.6 The capital has already been approved in the agreed Capital Programme, assuming a delivery date of June 2016. The new delivery date of the end of 2014 will require a re-profiling of expenditure, as funding is brought forward to pay for the asset.

8.0 Legal Implications

8.1 A fully compliant procurement process has been carried out to select the preferred contractor – Kier Construction, using a mini tender through the North West Construction Hub Medium Value Framework

9.0 Risk Management

9.1 A fully operational project team is established which meets on a monthly basis to discuss risks and issues impacting on the project. A full risk log is available from work undertaken to reach procurement from the Project team. A project manager has been designated to manage the interface with the contractor and will report to senior management or the executive management board as required.

9.2 The scope of the D&B contractor will include finalising the detailed scope of the new asset through stakeholder meetings and cross-cutting workshops and to collect and mitigate risks (within the power of the contractor) to the delivery of the project during the design and construction phases.

9.3 There are two existing risks identified in the December cabinet paper that need to be resolved.

9.4 Access to the site will involve negotiation with 3rd parties. There is currently a request from the privately owned Kingdom Hall to purchase a section of land for car parking currently owned by the Youth Centre, land that Crewe & Nantwich Borough Council sold previously. This will require the lifting of covenants. Our Assets service is negotiating and will protect the Council against future costs and access rights. However, the deal may include the relocating of both the youth centre (potentially into the new building) and the rebuilding of the Hall (which currently blocks access) elsewhere on the site. There are no disposal benefits here and likely costs have been included in the proposal.

9.5 Sir William Stanier school with leisure facilities was built to replace the old school on the Victoria site, of which Oakley centre was part. The business case for the Lifestyle Centre assumes that, due to its close proximity to the new centre (500m), the Council's support of leisure facilities here would cease. The Council currently runs the leisure provision and receives the profits, while the school has free use of the facility. The joint agreement expires in 2018. It would be favourable to negotiate with the school and ensure facilities become owned/transferred to the school or otherwise before this date. Either way, it is expected that revenue contribution from the Council will be withdrawn and the savings resulting from this contribute to this business case.

9.6 There are two new risks identified at the start of design as set out below.

9.7 Access to the site can be improved by the relocation of existing allotments which are adjacent to the site. Relocating these allotments will be undertaken by our Assets service, and though this remains separate from the scope of this project it will involve legal investigation. Should the allotments become available within the design and planning time frame of the project, this land will be included in the scheme to improve access.

9.8 There are aspirations emerging for footway access over the West Coast Mainline. Should this become part of the scope, legal arrangements will need to be made with Network Rail on the provision and subsequent installation of the foot bridge.

10.0 Background and Options

10.1 Full background information on the concept of Lifestyles Centres in relation to Cheshire East and a detailed business case with options assessed are available from the Senior Responsible Owner.

11.0 Access to Information

Name: Peter Hartwell
Designation: Head of Public Protection & Enforcement
Tel No: 01270 686639
Email: Peter.hartwell@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24th June 2013
Report of:	Interim Chief Operating Officer
Subject/Title:	2012/2013 Final Outturn 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 final quarter of the 2012/2013 Financial Year. The report also requests approval for supplementary estimates.

1.2 Section 1 of the report provides details of Service financial performance for the year. It demonstrates the level of controlled expenditure compared to budget. It also focuses on significant changes from the positions reported at the Three Quarter Year Review (TQR), in relation to the key financial pressures which the Council's Services have faced, the areas of high financial risk to the Council, and the strong remedial measures undertaken 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. It demonstrates how spending in 2012/2013 has been adequately funded, 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 showing how over 60% of the Council's performance indicators are within tolerance targets for 2012/2013.

2.0 Recommendations

2.1 Cabinet is requested to note and comment as appropriate on the following issues:

- the Service revenue and capital final outturn positions **(Section 1)**;
- the overall financial stability of the Council, and the impact on the Council's general reserves position **(Section 2)**;

- the movements on earmarked reserves and the service manager carry forward proposals contained in the report (**Section 2, paragraphs 135 to 137);**

- the Council's invoiced debt position **(Appendix 2)**;

- the delivery of the overall Capital Programme **(Section 2, paragraphs 103 to 115 and Appendix 3)**;

- Reductions in the approved capital programme (**Appendix 4)**

- Supplementary Capital Estimates and Virements up to £250,000 In accordance with Finance Procedure Rules (**Appendices 5a)**

- the service performance successes achieved during 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:

- Supplementary Capital Estimates and Virements over £250,000 but under £1m in accordance with Finance Procedure Rules (**Appendix 5b)**

2.3 Cabinet is requested to recommend that Council approve:

- Supplementary Capital Estimates and Virements over £1m in accordance with Finance Procedure Rules (**Appendix 5c)**

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

6.1 Performance management supports delivery of all key Council policies including carbon reduction and health. The final outturn position, ongoing impacts in future years, and the impact on general reserves will be fed into the assumptions underpinning the 2014/2017 Medium Term Financial Strategy.

7.0 Financial Implications

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

8.1 Although the Council is no longer 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 2012/2013 Budget and the level of general reserves were factored into the 2013/2014 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 Council had an ambitious savings target of £21.7m for 2012/2013, with an extremely challenging delivery plan. The delivery of this ambitious plan, alongside emerging in-year pressures, has been managed well and strong mitigation plans were identified and delivered.

10.2 The strength of remedial action in the final quarter of the financial year, together with better than expected service funding streams, has led to an improvement of £5.8m in the overall outturn position since the TQR. This has resulted in an increase in the Council's general reserves level to £19.0m, which compares very favourably with the opening balance forecast in the 2013/2014 budget of £13.2m. The Council's Reserves Strategy will be reviewed as part of the 2013/2014 First Quarter Review.

10.3 61% of the basket of performance measures for external reporting achieved, exceeded or were within agreed tolerance of annual targets. Notable successes for 2012/2013 included:

- year-on-year improvement in the processing of major, minor and other planning applications
- year-on-year improvement in the timeliness of social care assessment and packages
- sustained 100% performance in reviewing child protection cases within timescales
- significant improvement in percentage of adults with learning disabilities in both settled accommodation and employment
- reduction in the amount of residual waste collected per household, waste sent to landfill, and an increase in the percentage of waste recycled and composted

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:

Name: Chris Mann / Vivienne Quayle
Designation: Finance Manager / Head of Commercial Strategy, Business Innovation and Performance
Tel No: 01270 686229 / 01270 685859
Email: chris.mann@cheshireeast.gov.uk / Vivienne.quayle@cheshireeast.gov.uk

ANNEX 1

Final Outturn
Review of Performance
2012 / 2013

June 2013

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. This report reflects a developing framework to embed performance management culture throughout the organisation.

The report provides details of the Council's financial and non-financial performance at the final outturn stage of 2012/2013, and also seeks Member approval for Supplementary Capital Estimates and Virements. The report highlights significant changes from the forecasts reported at Three Quarter Review (TQR). An overview and summary financial table are provided at the beginning of the report.

Section 1 of the report provides details of Service financial performance for the 2012/2013 financial year. It focuses on the key financial pressures which the Council's services have faced, areas of high financial risk to the Council, and the strong remedial actions taken 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 approved Supplementary Estimates and Virements, including those requested in the report.

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.

The Council has undertaken work to ensure Value for Money is provided throughout the Council. The impacts of these improvements were noted in the Audit letter issued last autumn and are visible in the improved control of finances seen in this final outturn report and the previous two quarterly reports. The audit letter notes improvements in Highways Maintenance, HR, Finance and IT. In particular the capital programme has been subject to more rigorous review from both Officers and Cabinet members through a new project management system and a Gateway Approval system.

The Council continues to provide detailed and transparent financial information about its use of public money both in this report and its budget processes.

Appendices are provided as follows:-

- **Appendix 1** explains changes to the Revenue Budget since the Three Quarter Review in February 2013 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.
- **Appendices 5a to 5c** list 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

2012/2013 Final Outturn
Financial Position

2012/2013 Final Outturn	Revised Net Budget £m	Budget Pressures Identified £m	Remedial Actions Achieved £m	Net Over / (Underspend) £m	Change from TQR £m	For further information please see the following section
DIRECTORATES						
Children & Families	59.1	6.9	-7.0	-0.1	-1.1	Section 1, Paragraphs 4 - 12
Adults	99.0	11.0	-8.9	2.1	-2.0	Section 1, Paragraphs 28 - 36
Places & Organisational Capacity	76.7	5.2	-3.9	1.3	-0.4	Section 1, Paragraphs 41 - 60
Corporate Services	26.7	1.1	-2.6	-1.5	-1.5	Section 1, Paragraphs 73 - 81
TOTAL: Directorates	261.5	24.2	-22.4	1.8	-5.0	
CENTRAL BUDGETS						
Specific Grants	-41.3	-0.2		-0.2	0.0	Section 2, Paragraphs 85 - 91
Capital Financing	14.8	-0.9		-0.9	0.0	Section 2, Paragraphs 116 - 119
Contingencies	4.3	-0.5		-0.5	-0.5	Section 2, Paragraphs 123 - 124
Invest to Save Reserve	-0.3			0.0	0.0	
Corporate Income (net)	0.0	-0.5		-0.5	-0.3	Section 2, Paragraphs 125 - 127
TOTAL: Central Budgets	-22.5	-2.1	0.0	-2.1	-0.8	
TOTAL OUTTURN	**239.0**	**22.1**	**-22.4**	**-0.3**	**-5.8**	

	Planned Contribution 2012/2013 Revised Budget £m	Variance @ Quarter 4 £m	Impact on reserves Final Outturn £m
Impact on Reserves	7.3 *	0.3	7.6

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

General Reserves Balance	2012/2013 Budget £m		Final Outturn £m	
	Estimated			
Opening Balance April 2012	13.2	Actual	11.4	Section 2, Paragraphs 130 - 134
2012/13 Impact on Reserves (see above)	7.6	Actual	7.6	
Closing Balance March 2013	20.8	Actual	19.0	

Overview

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

Revenue

- Net outturn is £0.3m less than the Revised Net Budget of £239m.
- The Final Outturn report shows a reduction of £5.0m in Directorate spend and a £0.8m reduction in Central Budgets against the Three Quarter Year (TQR) forecast position.
- Total Directorate revenue budget has overspent by 0.7% (£1.8m).
- Services faced budget pressures totalling £24.2m, and successfully implemented remedial actions of £22.4m to mitigate these issues.
- Significant improvements to service outturn positions since TQR include:
  - **Children and Families -** Care costs (-£1.0m); Health contributions for complex care packages (-£0.5m); Transport savings (-£0.3m); Vacancy management / reduced supplies and services (-£0.6m); partly offset by VR costs / Pensions (£1.4m).
  - **Adults –** Health contributions for services delivered by the Council - Complex Care (-£0.5m); Winter Pressures (-£0.5m) and additional re-ablement funding (-£0.5m); Care4CE further savings from vacancy management and reduction in non essential spend (-£0.4m).
  - **Places and Organisational Capacity -** Waste and Recycling vehicles / tonnages (-£0.3m); Streetscape transport / vacancies (-£0.2m); Libraries (£-0.1m); Staffing and Other cost savings (-£0.4m), partly offset by increased Community costs (£0.6m).
  - **Corporate Services -** Benefits subsidy (-£0.5m); ICT Shared Services (-£0.5); HR Shared Services(-£0.4m)

Central Budgets – a £2.1m underspend has been achieved largely from a reduction in interest charges and debt repayment costs (£0.9m), increased grants (£0.2m), and return of surplus reserves and provisions (£1.0m).

Reserves

- General Reserves have increased this financial year by £7.6m to £19.0m. This is £0.3m more than the revised net budget as the impact of the underspend increases the contribution to reserves.

Capital

- In-year capital spending was £51.4m, representing a £23.3m underspend compared to the revised capital programme which was approved by Council on 13 December 2012.

Debt

- Total outstanding Debt (excluding local taxation) is £5.2m, of which £2.7m is over 6 months old. A bad debt provision of £2.9m is available to meet potential write-offs.

Financial Stability

- The Council has retained its position among the top third of Unitary Councils in terms of council tax collection. Over 99% of Council Tax and Business Rates for 2011/2012 have been collected within two years.
- Investment income is £0.3m higher than budgeted, following improved returns during the year. Average interest rate earned on investments (0.7%) is higher than the London Inter Bank 7 day rate.

Performance

- At the year end, 41.5% of service performance indicators have achieved or exceeded their target.

1. Directorate Financial Summary

Introduction

1. This section provides details of the key revenue and capital issues at the final outturn stage. It highlights the main budget pressures faced by the Council, and remedial actions delivered to mitigate these pressures. The section focuses on the changes from the forecasts reported at the Three Quarter Review (TQR) stage.

Children and Families

2. The service has a net budget of £59.1m, excluding Dedicated Schools Grant (DSG) which is shown separately (paragraphs 21 – 24). **Table 1** highlights that remedial action of £7.0m has been achieved during 2012/2013 resulting in a net underspend of £0.1m. The net reported position has reduced by £1.1m from the reported overspend position of £1.0m at Three Quarter Review (TQR). This is mainly due to improved remedial action and the service negotiating a settlement of £0.5m for health contributions towards complex care packages.

Table 1 – Children and Families Revenue (excluding DSG)

	Revised Net Budget £000	Budget Pressures Identified £000	Remedial Actions Achieved £000	Final Over / (Underspend) £000	Change from TQR £000	Para No(s)
Children & Families						
Directorate	573	1,378	0	1,378	1,378	4
Safeguarding & Specialist Support	26,840	4,367	-2,029	2,338	-1,555	5-8
Early Intervention & Prevention	12,863	0	-2,783	-2,783	-555	9-10
Strategy, Planning & Performance	18,807	1,141	-2,206	-1,065	-370	11-12
	59,083	**6,886**	**-7,018**	**-132**	**-1,102**	

3. **Table 2** shows that the service had a 2012/2013 revised capital budget of £17.7m. Expenditure is £13.7m, resulting in an underspend of £4.0m, which will be spent in future years.

Table 2 – Children and Families Capital

	TQR Budget £m	Revised Outturn Budget £m	Actual Expenditure £m	Final (Over/ Underspend)	Para No(s)
Children & Families					
Safeguarding & Specialist Support	0.3	0.3	0.1	-0.2	
Early Intervention & Prevention	0.7	0.7	0.7	0.0	
Strategy, Planning & Performance	16.9	16.8	12.9	-3.8	
	17.9	**17.7**	**13.7**	**-4.0**	13-20

Key Revenue Issues

Directorate

4. The directorate element of the budget is now reporting a year end overspend of £1.4m reflecting costs being held here on behalf of the wider service. These costs include Voluntary Redundancy costs for the Service incurred in March 2013 which in turn will generate full year savings in 2013/2014 and also arrears of pension gratuities that will be due to Cheshire West and Chester over coming years. This overspend is not related to any ongoing budget pressures and will not continue into 2013/2014.

Safeguarding and Specialist Support (SSS)

5. The service has delivered significant remedial action in relation to care costs following TQR (£1.5m); this has been delivered through a more robust front line, care plan reviews and improved care contracting commissioning. The service also negotiated a contribution of £0.5m from health towards complex care packages.

6. Whilst the number of Cared for Children for 2012/2013 has reduced to 377 in March 2013 compared with 432 at the start of April 2012, over 126 children were admitted to care during this period. The service continues to experience pressure from more complex care needs.

7. The service faces continuing pressures of £0.75m due to difficulty in attracting and recruiting key personnel into front line social worker posts and this resulted in a reliance on more costly agency staff during 2012/2013. A new recruitment process is in place for 2013/2014 and this will reduce, but not totally eradicate, the reliance of the service on agency staff in 2013/2014. Ongoing progress with front line social worker recruitment will be reported as part of the key financial reports during 2013/2014.

8. Overall, since the appointment of the new Head of Service, significant positive progress against the service's strategy to reduce care cost pressures over the next 3 years has been delivered, the final overspend position for the service is £1.5m lower than reported at TQR. During 2013/2014, it is anticipated that the service will continue to make significant savings but this needs to be balanced against the risks of delivering a statutory, safe service.

Early Intervention and Prevention

9. The service have contained their overall budget pressures and contributed significantly to the wider Directorate position by diverting resources which should have been invested in preventative services. The service delivered an underspend of £2.8m, representing a further improvement of £0.6m from the reported TQR position of an underspend of £2.2m. This reflects the tight budget management across the service in holding vacancies and reducing expenditure on supplies.

10. In 2013/2014, Early Intervention and Prevention services will be invested in and delivered within budget.

Strategy, Planning and Performance

11. The final outturn for this service was further improved through the delivery of all areas of the remedial action plan including savings in workforce development and catering. In addition the budgeted transport savings of £1.1m were delivered in full, which had not been fully guaranteed at TQR.

12. The service has set a challenging budget for 2013/2014, realising savings of over £1.0m. There continues to be a pressure of £0.7m in relation to transport savings due to be delivered in 2013/2014.

Capital Programme - Key Issues

13. There has been very little change with the Children and Families in-year budget since the Third Quarter Review position with one notable budget reduction for Tytherington High School (£0.3m).

14. A number of supplementary capital estimates and virements are also listed in **Appendix 5a** and **5b** funded by additional schools contributions and capital grants which result together in an overall reduction of £0.2m.

15. The service will slip a further £1.0m of forecast expenditure in to future financial years and this is mainly in the Strategy, Planning and Performance service where the schools capital programme sits.

16. Cabinet are asked **to note** the Supplementary Capital Estimate for the St Marys Primary School, Crewe scheme of £0.2m, to be fully funded by capital grant. This project will be an expansion of the school to increase the number of school places available by 70, to a total of 630. (**Appendix 5a**)

17. Cabinet are asked **to approve** the Supplementary Capital Estimate for Dean Oaks Primary School of £0.9m, to be fully funded by capital grant. This will be a two classroom extension increasing the overall capacity of the school by 105 places. (**Appendix 5b**)

18. Cabinet are asked **to recommend** to full Council the virement of £1.2m from the Basic Need Block allocation 2013/2014 Capital programme to the Lacey Green Academy scheme, a four classroom extension increasing the overall capacity of the school by 105 places. (**Appendix 5c**)

19. A number of schemes have been successfully completed in 2012/2013 namely the Early Years classroom extension and play area at Bexton primary School, the Sixth Form development at Poynton High School and the replacement of mobile classrooms at Tytherington High School.

20. Cabinet are requested **to note** the budget reductions as listed in **Appendix 4**.

Dedicated Schools Grant (DSG)

21. **Table 3** highlights pressures of £4.4m, which were offset by remedial actions totalling £2.3m, resulting in an overspend at outturn of £2.1m.

Table 3 – Dedicated Schools Grant

	Revised Net Budget £000	Budget Pressures Identified £000	Remedial Actions Achieved £000	Final Over / (Underspend) £000	Change from TQR £000	Para No(s)
Schools Grant Funded including DSG						
Strategy, Planning & Performance - DSG	0	2,814	-470	2,344	-470	
Schools (Individual School Budgets)	0	0	0	0	0	
Other Schools Provision	0	1,621	-1,745	-124	-1,745	
Pupil Premium	0	0	-57	-57	-57	
	0	**4,435**	**-2,272**	**2,163**	**-2,272**	21-24

22. The centrally retained Special Educational Needs (SEN) budget had been experiencing significant increases in pressure resulting in a projected overspend of £2.8m at TQR. However rigorous management of this has resulted in a reduction in spend. In addition the overspend on both SEN and 3 and 4 year old places from 2011/2012 which had been carried forward has been absorbed through robust management of the centrally retained contingency funds giving a total DSG overspend of £2.1m. This is ring fenced to DSG and will be managed against the overall DSG position.

23. The overspend has been discussed with the Schools Forum, which has requested a deficit reduction plan be drawn up and presented to the Forum in June, with progress reports presented at each subsequent Forum meeting. The plan will aim to recoup as much of the deficit as possible within 2013/2014, with any remaining overspend being carried forward as a first call on the 2014/2015 DSG budgets. Any deficit remaining when the national funding formula is introduced in the next Spending Review period (likely to be effective from April 2016) will need to be absorbed by the Local Authority.

24. The only contingency remaining in 2013/2014 is the High Needs contingency fund which will be under considerable pressure as the new funding formula has changed the way in which SEN is funded in schools. The challenge for schools is to meet these additional costs within their school budgets, rather than asking for support from the cash limited contingency, which will also have to meet the additional pressure around post 16 High Needs and the extension of early years provision to 2 year olds.

Adults

25. The Adults Service has a net budget of £99m, (including £6.2m that has been transferred to the Council by the Department of Health linked to the second and final part of the Learning Disability, Valuing People Now Transfer). The service have delivered a net £2.1m overspend position with underlying budget pressures of £11.0m and remedial action of £8.9m.

26. The service have delivered expected remedial action and a further £2.0m of additional remedial action since the TQR, mainly related to health related funding, such as complex care, winter pressures and re-ablement and delivery of additional savings in Care4CE.

Table 4 – Adults Revenue

	Revised Net Budget £000	Budget Pressures Identified £000	Remedial Actions Achieved £000	Final Over / (Underspend) £000	Change from TQR £000	Para No(s)
Adults						
Individual Commissioning	59,109	7,643	-6,417	1,226	-1,720	28-32
Care4CE	0	286	-1,048	-762	-373	33
Business Management and Challenge	3,457	154	-521	-367	199	33
Strategic Commissioning	36,419	2,924	-865	2,059	-94	34-36
	98,985	**11,007**	**-8,851**	**2,156**	**-1,988**	

27. **Table 5** shows that the service had a 2012/2013 capital budget of £1.5m. Expenditure is at £1.0m, resulting in an underspend of £0.5m, which will be spent in future years.

Table 5 - Adults Capital

	TQR Budget £m	Revised Outturn Budget £m	Actual Expenditure £m	Final (Over/ Underspend)	Para No(s)
Adults					
Care4CE	0.4	0.4	0.4	0.0	
Business Management and Challenge	1.1	1.1	0.5	-0.5	
	1.5	**1.5**	**1.0**	**-0.5**	37-38

Key Revenue Issues

Individual Commissioning

28. The service have delivered an improved final outturn position of £1.2m overspend, a reduction of £1.7m from the reported TQR outturn position of £2.9m overspend. The service have delivered considerable remedial action above the TQR projection mainly through negotiations with Health Service for funding for complex care packages (£0.5m); additional re-ablement funding (£0.5m) and winter pressures (£0.5m). The service have been able to reflect this additional funding within the overall position as the costs of these services had already been included in previous projections. Some funding levels were uncertain at TQR so were not included.

29. In 2013/2014, the service cannot rely on Health Service funding for winter pressures and additional re-ablement services as this will depend upon Central Government funding (which is normally announced December onwards). Consequently, this does mean that the council may still continue to experience cost pressures for delivering key services at pivotal times. The uncertainty in relation

to funding makes it difficult to develop and review these services on a strategic basis.

30. A policy proposal is included in the 2013/2014 budget in relation to the service either improving funding for complex care cases from the Health Service or by re-directing care clients to Continuing Healthcare services. Following the changes to the NHS structure whereby the PCT's have been abolished and new Clinical Commissioning Groups (CCG's) have been created, initial negotiations have taken place but there does remain a risk that Health Service funding is not secured for complex care cases that the council believe have health related complexities.

31. There continues to be significant underlying gross care costs pressures which whilst managed in 2012/2013 are still a cause for concern in 2013/2014 as the majority of the remedial action is of a temporary nature.

32. The introduction of the care funding calculator, care reviews, a robust front line and strategic commissioning negotiations with providers should deliver permanent savings in 2013/2014. Work is underway to refresh the detailed financial projections prepared a couple of years ago to reflect current demographics including a focus on complex Learning Disability service users coming through transition from Children's services. The outcomes of these important pieces of work will form the backdrop of the quarterly financial reports in 2013/2014 and future years' budget setting.

Care4CE and Business Management and Challenge

33. These services continued to deliver more remedial action in the latter part of the financial year through vacancy management, managing uncommitted budgets and utilising existing resources. This has resulted in further improvement to the outturn of £0.2m, producing a combined outturn of £1.1m underspend.

Strategic Commissioning

34. The main pressure within the strategic commissioning budget continues to be the gross overspend of £2.0m on the Learning Disability pooled budget health networks. This has been corrected as part of resetting the base budget for 2013/2014.

35. These contracts expired in March 2013 and whilst it was not possible to complete a re-tender exercise by this point, positive progress on the renegotiation of costs with the relevant providers will produce savings in 2013/2014, added to the ongoing work of reviewing the packages of individual service users which will improve the financial position further.

36. Ongoing work with all providers continues to produce cashable savings for the Council. These savings apply to individual care packages and as such the financial impact washes out into savings within Individual Commissioning.

Capital Programme – Key Issues

37. There have been no changes to the Adults in-year budget since the third quarter review position.

38. The service will now only slip £0.5m forecast expenditure into 2013/2014 instead of the £0.7m reported at the third quarter review as both the Combined ICT Project and CareWorks system incurred more actual expenditure in 2012/2013 than was expected.

Places and Organisational Capacity

39. Places and Organisational Capacity Directorate has a net budget of £76.7m. **Table 6** highlights budget pressures identified of £5.2m. Remedial action of £3.9m has been achieved which has reduced the final overspend to £1.3m.

Table 6 – Places and Organisational Capacity Revenue

	Revised Net Budget £000	Budget Pressures Identified £000	Remedial Actions Achieved £000	Final Over / (Underspend) £000	Change from TQR £000	Para No(s)
Places & Organisational Capacity						
Waste, Recycling & Streetscape	26,785	37	0	37	-519	41-44
Highways & Transport	17,487	-58	-206	-264	-75	45-48
Community Services	206	3,067	-667	2,400	611	49-53
Development	21,965	1,908	-1,815	93	77	54-57
Performance, Customer Services & Capacity	10,302	235	-1,215	-980	-540	58-60
	76,745	**5,189**	**-3,903**	**1,286**	**-446**	

40. **Table 7** shows that the service had a revised 2012/2013 capital budget of £48.0m. Expenditure is £32.5m, resulting in an underspend of £15.6m, which will be spent in future years.

Table 7 – Places and Organisational Capacity Capital

	TQR Budget £m	Revised Outturn Budget £m	Actual Expenditure £m	Final (Over/ Underspend)	Para No(s)
Places & Organisational Capacity					
Waste, Recycling & Streetscape	0.8	1.2	1.0	-0.3	61-62
Highways & Transport	27.5	26.9	19.4	-7.5	63-65
Community Services	2.6	2.5	1.4	-1.1	66-67
Development	16.6	16.5	10.0	-6.6	68-69
Performance, Customer Services & Capacity	0.9	0.8	0.7	-0.1	70
	48.5	**48.0**	**32.5**	**-15.6**	

Key Revenue Issues

Waste, Recycling and Streetscape

41. At outturn, the service is reporting a small overspend of £37,000 set against a £26.7m net budget. This reflects a £0.5m improvement against the position reported at TQR with £0.3m attributable to Waste and Recycling and £0.2m to Streetscape.

42. Within Waste and Recycling, the £0.3m improvement since TQR relates to a reduction in the costs of additional hired vehicles, achieved through more rigorous management of costs and review of operational need throughout the year, plus slightly lower than forecast tonnages in Waste Disposal, reducing final contract charges for 2012/2013, and other cost reductions across the Service.

43. In Streetscape, increased costs since TQR have been due to later than anticipated local service delivery asset transfers (£0.1m) and an increase in Bereavement Services non pay expenditure and the Markets debt provision (£0.1m). However, these additional costs have been more than offset by reduced fuel usage and internal transport costs (£0.3m) and further vacancy management savings (£0.1m).

44. The in-year pressures in Streetscape of £0.4m, previously reported, are not anticipated to continue in 2013/2014 as the service is looking at alternative service delivery options and externalisation of the mechanical cleansing service.

Highways and Transport

45. Highways and Transport have underspent by £0.3m against a £17.5m net budget. At TQR the Service estimated that it would underspend by £0.2m. The net improvement of £0.1m which occurred in the final quarter of the financial year principally resulted from a £0.3m reduction in costs across Transport and Public Rights of Way/Countryside offset by £0.2m pressures in Highways.

46. The main variances are as follows:

- reduced costs from Public Transport support due to further commercial bus registrations and improved tender prices for renewed contracts £70,000;
- lower levels of concessionary fare reimbursement to bus operators £34,000;
- increased income from flexible transport concessionary fares £34,000;
- reduced costs and increased income across PROW/Countryside £96,000;
- offset by £0.2m increased costs in Highways relating to winter maintenance/salting costs (as a consequence of the prolonged cold weather) and higher than forecast bad debt and rechargeable works write offs.

47. Looking ahead to 2013/2014, although it is too early to be able to provide a comprehensive forecast against the core Transport Service budget, it is anticipated that following supported bus service reductions in 2012/2013 and the benefit of commercial registrations, contract renewals continuing to experience downward price pressure and provision for contract inflationary increases in 2013/2014, that expenditure in line with budget will be achieved.

48. Within Highways, further pressure on the service in 2013/2014 remains with winter maintenance/salt costs continuing to present a budgetary risk along with potential exposure to Highways contract claims through the contract performance regime.

Community Services

49. Community Services are reporting a £2.4m overspend at outturn against a £0.2m net budget. The position has worsened by £0.6m since the TQR forecast. Overall, net pressures have increased by £1.0m, whilst remedial measures have improved by £0.4m.

50. Additional expenditure pressures since TQR of £1.0m comprises:

- leisure facilities supplies and services (£0.1m);
- car parking winter gritting and contract costs (£0.1m);
- further non pay pressures in regulatory services and Leisure facilities (£0.1m);
- unachieved remedial measures due to deliverability issues (£0.3m);
- redundancy costs due to early release in 2012/2013 (£63,000) that has been provided for in 2013/2014.

51. Since TQR further income shortfalls have been reported in Leisure facilities and cultural services, the latter due to the transfer of the Lyceum Theatre (£0.2m), and car parking enforcement income (£0.1m). The majority of this pressure will not carry forward into 2013/2014.

52. Remedial measures applied in year and included in the above figures are;

- reduction in service operational costs due to 'Think Twice' measures (£0.3m);
- vacancy savings across community services (£0.2m);
- income recovery in regulatory services (£0.1m);
- Places Directorate Training cost savings of (£0.07m) were also made as part of the planned remedial actions.

53. Overall, continuing pressures of £0.7m, the majority identified in Car Parking and Leisure Services, are forecast to continue into 2013/2014. Proposals are included in the Budget for 2013/2014 that will help regularise the underlying base budget shortfalls and alternative service delivery arrangements are being implemented. Despite this, the Service is anticipating staffing and leisure income pressures to continue, and potentially budgetary pressures in the car parking service subject to another severe winter. The Leisure Trust implementation saving of £0.3m is anticipated to slip in 2014/2015 where the full £0.7m savings will be realised.

Development

54. The Development Service net budget for 2012/2013 was £22.0m. The final outturn variance from budget is a £0.1m overspend. This is after mitigating £1.8m of budget pressures and allowing for the transfer to the Service Manager earmarked reserve to commit spend of £143,000 in 2013/2014 on Housing Repossessions Grant and Local Plan costs.

55. The outturn position has worsened by £77,000 compared to estimates made at TQR. The main movements within the Service related to the following:

56. Assets are reporting an overspend of £0.8m; an improvement of £55,000 on the TQR position. As reported in year, the Service faced gross pressures of £2.6m which were forecast to be offset by some £1.4m of mitigations and £0.4m remedial actions, reducing the overall Assets Service pressures to £0.8m, reflecting the underlying base budget shortfall, as previously noted in monitoring reports throughout 2012/2013 and during the previous year. At the year end the small favourable movement is attributable to a slightly higher level of remedial actions being achieved, predominantly via outstanding premises budget movements. Furthermore the outturn position confirms the base budget adjustments agreed in the 2013/2014 budget, necessary to provide the service with a balanced position for the new financial year.

57. The remainder of the Development Service delivered a £0.7m underspend which is a reduction of £0.1m since TQR. The movement from TQR has in the main been attributable to overachieving on income targets from Planning Application fees and charges, however this has been more than offset by a provision for probable costs to be borne by Development Management in 2013/2014 (which was not included in the 2013/2014 budget). Development Service income budgets have been increased in 2013/2014 by £0.3m, therefore 2012/2013 levels of overachievement will not be repeated.

Performance, Customer Services and Capacity (PCSC)

58. Performance, Customer Services and Capacity (PCSC) is reporting an underspend of £1.0m against a £10.3m budget. The underspend reflects an improvement of £0.5m against the position reported at TQR.

59. The Library Shared Service has reported pressures all year resulting from planned budget savings which were unachievable, a fall in income from the Education Library Service, increased property costs and relocation expenses following the move to the new premises. To mitigate these known pressures, Cheshire East Libraries reduced expenditure on the book fund and delayed filling vacancies in anticipation of the sustainable libraries major change project. The overspend on the Library Shared Service at outturn was not as high as previously forecast. The total underspend for Customer Services and Libraries was £152,000, compared to £50,000 forecast at TQR.

60. Elsewhere within the PCSC service the main improvements since TQR result from further staffing savings and related transport costs through holding vacancies and delaying recruitment, capitalisation of staff salaries and the reduction in project spend and supplies and services as fewer staff were available to deliver them. There was also some slippage in expected training costs from 2012/2013 to the following year. These have led to an underspend across Performance and Partnerships, Communications and Directorate Budgets of £0.8m, an improvement of £437,000 over TQR.

Capital Programme – Key Issues

Waste, Recycling and StreetScape

61. There has been an increase in the Waste, Recycling and Streetscape in-year budget due to an additional £0.5m on the Queens Park Restoration project. As reported at the mid-year

position there was a high probability that an additional virement would be required to meet the final contractor claim. The virement has been made from existing budgets within the capital programme which are detailed in **Appendix 5b** and now require Cabinet approval.

62. The Cremators at Crewe at a cost of £0.7m has been approved by Portfolio holder decision for commencement in 2013/2014 and is to be noted by Cabinet.

Highways and Transport

63. A number of increases have been made to the Highways and Transport in-year budget, notably £0.2m for the Crewe Rail Exchange funded by additional grant funding from DEFRA and an under forecast of £0.9m reported on the third quarter review also for the Crewe Rail exchange project that has been corrected at Outturn.

64. There are also a number of virements requested by the Highways and Transport service which Cabinet are asked to note on **Appendices 5a** to **5c**.

65. The service will slip a further £2.1m of forecast expenditure into future years on top of the £5.4m reported at the third quarter position. The most notable changes are Bridge Maintenance (£0.4m), Highways Non LTP (£0.9m) and Principal Roads (£0.5m).

Community Services

66. There has been a slight change to the Community Services in-year budget of £0.1m mainly due to virements to other services within the Places and Organisational Capacity.

67. The service will slip an additional £0.2m in to future financial years on top of the £0.9m reported at the third quarter position.

Development

68. The service will slip £6.6.m of forecast expenditure in to future years which is an increase of £2.0m on the figure reported at third quarter review.

69. The most notable changes in forecast relate to Disabled Facilities Grant (£0.5m) AMS Block (£0.4m) and Poynton Revitalisation (£0.3m).

Performance, Customer Services and Capacity

70. The service will slip £0.1.m of forecast expenditure in to future years which is £0.1m lower than forecasted at the third quarter review.

Corporate Services

71. Corporate Services have a net budget of £26.7m. **Table 8** highlights pressures of £1.1m, which were offset by remedial actions totalling £2.6m, resulting in an underspend at outturn of £1.5m (an improvement of £1.5m since TQR).

Table 8 – Corporate Services Revenue

	Revised Net Budget £000	Budget Pressures Identified £000	Remedial Actions Achieved £000	Final Over / (Underspend) £000	Change from TQR £000	Para No(s)
Corporate Services						
Finance & Business Services	17,798	602	-1,834	-1,232	-1,078	73-78
HR & OD	3,266	0	-435	-435	-435	79-80
Borough Solicitor	5,590	479	-336	143	-7	81
	26,654	**1,081**	**-2,605**	**-1,524**	**-1,520**	

72. **Table 9** shows that Corporate Services has a revised 2012/2013 capital budget of £7.5m. Expenditure is £4.3m, resulting in an underspend of £3.2m, which will be spent in future years.

Table 9 – Corporate Services Capital

Corporate Services	TQR Budget £m	Revised Outturn Budget £m	Actual Expenditure £m	Final (Over/ Underspend)	Para No(s)
Finance & Business Services	7.5	7.5	4.3	-3.2	82-83
	7.5	**7.5**	**4.3**	**-3.2**	

Finance and Business Services

73. The Service is reporting a net underspend of £1.2m, an improvement of £1.1m since TQR.

74. The net pressure in Finance Shared Services reduced to £133,000, an improvement of £31,000 since TQR. Previously identified pressures within Finance, including pension gratuities and severance costs were offset by underspends elsewhere in the service, including vacancy management savings, resulting in a net underspend of £286,000. The anticipated underspend in Benefits due to improved subsidy levels increased significantly to £1.1m (from £0.6m at TQR) and underspends were also achieved in Revenues (£128,000), Internal Audit (£26,000) and Procurement (£37,000) due to tight cost control and vacancy management.

75. The final outturn also includes provision for a contribution of £0.5m to the earmarked Insurance Fund, in recognition of potential clawback liabilities triggered by the winding up of Municipal Mutual Insurance (MMI).

76. The outturn for ICT Strategy is a small overspend of £31,000 (net-nil position reported at TQR). Non staffing budget pressures of £345,000 mainly relate to a duplicated savings target which has been corrected in 2013/2014, plus relocation travel and unforeseen retained BT costs at year end (£50,000). This has mostly been mitigated in-year by vacancy management savings plus additional recharge of costs to capital projects. An additional budget pressure of £105,000 with regard to growth on ICT kit procured for services was recharged out.

77. ICT Shared Services is reporting an underspend of £126,000 for Cheshire East, an improvement of £459,000 since the forecast made at TQR. ICTSS has been going through a period of significant change, developing a new Target Operating Model (TOM). As part of implementation of the TOM they have taken a strong approach to holding vacancies, overtime management and capital project delivery, as well as reviewing budget allocations and spending generally**.** For information, a review is underway to realign the 2013/2014 budgets to reflect the new TOM and income charging policies

78. An underspend of £155,000 is reported against the ICT Cost of Investment budget, an improvement of £8,000 since TQR. The underspend includes £105,000 in relation to ICT voluntary redundancy costs and £50,000 which was not required for Core Systems.

HR and OD

79. The Service is reporting an underspend of £435,000 compared to the net-nil position reported at TQR. At TQR, projected underspends in the service were assumed to be offset by a projected pressure within the HR Shared Service (HRSS), however, HRSS is reporting an underspent outturn position of £77,000.

80. Changes in management structure have resulted in various projects being put on hold which has reduced expenditure within Organisation and Workforce Development by £106,000, and a combination of staff savings and additional income generation

within HR Delivery and Strategy and Policy have contributed to the improvement in the outturn position of £252,000.

Borough Solicitor

81. The service is reporting an overspend against budget of £143,000, which is an improvement of £7,000 since TQR. At TQR, the outturn projection included an additional cost of £100,000 related to the independent investigation of the Lyme Green project. The final costs were significantly higher at £241,000. These additional costs have been offset by additional income generation within Legal Services, and a reduction in supplies and services expenditure, and additional income generation within Registration Services.

Capital Programme – Key Issues

Finance and Business Services

82. There have been no changes to the Corporate Services in-year budget as reported at the third quarter review position.

83. The slippage for the service has reduced by £0.5m since the third quarter position due to the fact that the service spent more on the Core System Stability Programme in 2012/2013 than originally forecast.

Debt

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

2. Financial Stability

Government Grant Funding of Local Expenditure

85. Cheshire East receives two main types of Government grants, formula grant and specific grants.

86. The overall total of Government grant budgeted for in 2012/2013 was £402.2m. Cheshire East Council's formula grant was £67.7m. Specific grants were originally budgeted to be £334.5m, but further announcements have revised this figure to £352.9m. Specific grants are split between non-ringfenced (£41.5m) and ringfenced (£311.4m). Spending in relation to ringfenced grants must be in line with the purpose for which it is provided.

87. **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

	Original Budget £m	Revised Budget TQR £m	Final Outturn £m	Change from TQR £m
Formula Grant				
Revenue Support Grant	1.3	1.3	1.3	0.0
Business Rates	66.4	66.4	66.4	0.0
	67.7	**67.7**	**67.7**	**0.0**
Specific				
Ringfenced Grants	205.4	206.8	205.8	-1.0
Non Ringfenced Grants - held within service	95.5	95.5	105.6	10.1
Non Ringfenced Grants - held corporately	33.6	41.7	41.5	-0.2
	334.5	**344.0**	**352.9**	**8.9**
Total Government Grant Funding	**402.2**	**411.7**	**420.6**	**8.9**

88. Ringfenced grants have decreased by £1.0m since the Three Quarter Review due to a reduction in Dedicated Schools Grant.

89. Non Ringfenced grants held within the services have increased by £10.1m. Housing Benefit subsidy claims have increased by £9.5m due to an increase in claimants. This has been offset by the increase in expenditure within the service. An additional £0.6m of Council Tax Benefit has also been claimed.

90. Non Ringfenced grants held corporately have reduced by £0.2m largely due to a reduction in the Local Sustainable Transport Grant. This funding will be claimed in 2013/2014.

91. Overall, after taking account of previously approved Supplementary Revenue Estimates funded from specific grants, an additional £0.2m grant over budget has been received in 2012/2013 and credited to balances.

Collecting Local Taxes for Local Expenditure

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

Council Tax

93. 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.

94. 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.

95. In addition to this, Cheshire East Council collects Council Tax on behalf of the Cheshire Police Authority, the Cheshire Fire Authority and Town 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
	214.9

Source: Cheshire East Finance,

96. This figure may vary slightly during the year if more discounts and exemptions are granted or more properties are built.

97. 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 £216.4m.

98. The Council expects that 99% collection will be achieved within three years. **Table 12** shows collection rates for the last three years, and demonstrates that 99% collection for 2011/2012 has in fact been achieved within two years.

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

	% Collected to date
2010/2011	99.2%
2011/2012	99.1%
2012/2013	98.4%

Source: Cheshire East Finance, March 2013

National Non Domestic Rates (NNDR)

99. 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.

100. 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.

101. 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.

102. The Council expects that 99% collection will be achieved within three years. **Table 13** demonstrates how collection continues to improve even after year end, and shows how over 99% of non-domestic rates for 2011/2012 have actually been collected within two years.

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

	% Collected to date
2010/2011	99.6%
2011/2012	99.1%
2012/2013	98.0%

Source: Cheshire East Finance, March 2013

Capital Programme 2012/2016

103. **Table 14** highlights that at the Outturn stage the Council has incurred actual expenditure of £51.4m in 2012/2013 against an approved in-year budget of £74.7m. The underspend of £23.3m is an increase of £4.8m on the TQR position and has been reprofiled to spend in future years.

104. **Table 14** also illustrates the in-year changes to the capital programme which shows an overall decrease of £0.7m. This reflects the net impact in 2012/2013 of Supplementary Capital Estimates and Virements, and reductions in budgets listed in **Appendix 4** and **Appendices 5a** to **5c**.

Table 14 – In Year Changes to the Capital Programme

	TQR Budget £m	Revised Outturn Budget £m	Actual Expenditure £m	Final (Over/ Underspend)
Children & Families	17.9	17.7	13.7	-4.0
Adults	1.5	1.5	1.0	-0.5
Places & Organisational Capacity	48.5	48.0	32.5	-15.6
Corporate Services	7.5	7.5	4.3	-3.2
	75.4	**74.7**	**51.4**	**-23.3**

105. Officers have undertaken a fundamental review of the capital programme to ensure that it only includes schemes that fulfil the Council's priorities for service delivery to be carried forward and any unspent balances have been deleted from the programme enabling resources to be freed up for future allocations.

106. **Table 15** shows that the capital programme has increased at outturn by £5.3m to £203.5m from the third quarter review figure of £198.2m.

107. There have been a number of Supplementary Capital Estimates since the third quarter forecast was reported , totalling £1.0m, that have been approved in accordance with the Financial Regulations and Delegated Decision process. These include £0.7m for the Crewe Cremators project.

108. There have also been a number of budget adjustments required to the overall budget to include a number of new starts for 2013/2014 programme that require approval at this outturn stage as contained in **Appendices 5b** and **5c**. This includes a £0.4m proposed virement to the Crewe Rail Exchange scheme from the approved LTP grant allocation 2013/2014 and the proposed virement of £1.2m from the Children and Families Basic Need Block 2013/2014 to Lacey Green Academy. Both block provisions were approved as part of the budget setting process in February 2013.

109. There have been budget reductions of £1.6m, the most notable being a reduction of £0.3m on the Residential Programme and £0.3m on Tytherington High School both within the Children and Families Capital programme and £0.5m on a Highways Section 278 agreement for the A51/J500 East.

110. There are also a number of Supplementary Capital Estimates, totalling £2.4m that are to be approved or noted at the outturn position. These include £0.9m for Dean Oaks Primary School, a scheme that will be fully funded by capital grants and will create a two classroom extension increasing the capacity of the school by 105 places.

111. **Appendix 5a to 5b** lists requests for Supplementary Capital Estimates and Virements up to and including £1.0m 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 and government grants.

112. **Appendix 5c** details a request for a Supplementary Capital Estimate of over £1.0m to be approved by Full Council. The Supplementary Capital Estimate is fully funded by government grants.

Table 15 – Summary Capital Programme

	TQR Total Forecast Budget 2012/16 £m	Amendments to TQR Forecast Budget 2012/16 £m	Amended TQR Forecast Budget 2012/16 £m	Budget Reductions £m	SCE's £m	Revised Total Budget 2012/16 £m
Children & Families	24.0	1.4	25.4	-0.8	1.8	26.4
Adults	1.8	0.0	1.8	0.0	0.0	1.8
Places & Organisational Capacity	106.1	2.9	109.1	-0.8	0.6	108.9
Corporate Services	66.3	0.1	66.4		0.0	66.4
	198.2	4.4	202.6	-1.6	2.4	203.5

113. Currently not included in the forecasts for 2013/2014 onwards are the new capital starts that were approved at the Council meeting on 28th February 2013. The capital budgets total £79.5m over the next four years and progress against these budgets will be reported in the First Quarter Review for 2013/2014.

114. 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 16.**

Table 16 – Changes in Capital Funding Sources

	TQR Total Forecast Budget £m	OUTTURN Total Budget £m	Variance £m
Grants	72.1	76.6	4.4
External Contributions	44.0	44.9	0.9
Non-Supported Borrowing	61.6	54.1	-7.5
Revenue Contributions	0.5	0.9	0.3
Capital Reserve	20.0	27.1	7.1
	198.2	203.5	5.3

115. Since the third quarter position the Council has taken advantage of the capital receipts that are available to fund the capital programme instead of having to take on borrowing. This has resulted in additional £7.1m to be utilised from Capital Receipts.

Central Adjustments

Capital Financing Costs

116. 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.

117. The budget is underspent by £0.9m for the year 2012/2013, which is the same position as reported at Third Quarter Review. The underspend is due to levels of capital expenditure in recent years being lower than forecast, which has reduced the amount the Council has to set aside for the repayment of debt and loan interest payable.

118. In accordance with the Treasury Management Strategy the Council sought to finance its capital expenditure through the use of its own existing cash balances rather than through the raising of long term loans. The benefits of this are twofold; firstly by reducing the amount of cash balances held by the Council it reduces the credit risk and secondly, the interest foregone on the cash balances used to finance capital expenditure payments was less than the amount of interest payable on any new loans that would have been raised.

119. In the Third Quarter Review of Performance the Council reported the intention to use existing capital reserves to finance capital expenditure which has taken place in previous years and has been met from borrowing. The application of £16m of capital reserve has been used to repay borrowing for assets purchased after 2008 and this will reduce the level of revenue provision required for the repayment of debt in 2013/2014 and future years. Capital receipts received in year of £11.0m have been fully utilised to fund the capital programme.

Treasury Management

120. **Table 17** shows that the net investment income received in 2012/2013 after allowing for fees and interest due to the Growing Places fund was £567,000. This is favourable compared to the budget of £300,000.

Table 17 – Investment Returns

Sources of Income	**£**
In House Managed Investments	465,000
Fund Manager Gains in Value	208,000
Heritable Bank in Administration	34,000
Other Interest Income	19,000
TOTAL INCOME	**726,000**
Less – Fund Manager Fees	-53,000
Less – Growing Places Fund	-106,000
NET INCOME	**567,000**

- The average lend position (the 'cash balance') including fund manager in the year was £83.8m.

- The average interest rate received on in house investments in the year was 0.73%

- The average interest rate (after fees) received on the externally managed pooled funds in the year was 0.77%.

121. The Council's total average interest rate received in the year was 0.74%. This is favourable when compared to the London Inter-bank Bid Rate for 7 days at 0.49%. The base rate remained at 0.50% for the full year.

Table 18 – Interest Rate Comparison

Comparator	**Average Rate**
Cheshire East	0.74%
LIBID 7 Day Rate	0.49%
LIBID 3 Month Rate	0.63%
Base Rate	0.50%

122. 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 and amended 13th December 2012. Further details of counterparty limits and current investments are given in **Appendix 7**.

Central Contingencies

Pensions

123. 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

124. 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. Spending in year was in line with the provision. Overall though, relocation costs are lower than originally forecast, and consequently provision of £0.5m was made in the 2012/2013 budget to return surplus funding transferred to the Council on reorganisation, to Cheshire West and Chester Council, in accordance with the joint agreement between the two councils. It is anticipated that this payment will now be made during 2013/2014. The provision will therefore be carried forward within general balances.

Other Corporate Items

125. Following an audit of the Accounts Payable system, a number of duplicate payments dating back to 1 April 2009 were identified. These have been recovered, and result in a £0.3m income credit, which has been returned to Council reserves.

126. At outturn, £0.3m of earmarked reserves and balance sheet provision has been identified as surplus to requirements and therefore has been returned to balances.

127. Other miscellaneous expenditure and income items, including a deficit on the Council Tax Collection Fund, have resulted in a net reduction in balances of £0.1m.

Outturn Impact

128. The impact of the projected service outturn position is to reduce balances by £1.8m as reported in **Section 1**.

129. Taken into account with the central budget related items detailed above in **Section 2**, the impact of these outturn issues is to increase balances by £0.3m, summarised as follows:

Table 19 – Outturn Impact

	£m
Service Outturn	-1.8
Specific Grants	0.2
Capital Financing	0.9
Contingencies	0.5
Other Income	0.5
TOTAL	**0.3**

Management of Council Reserves

130. The opening balance at 1 April 2012 on the Council's General Reserves was budgeted at £13.2m, but due to the final outturn position for 2011/2012, the actual balance was £11.4m.

131. The Council's Reserves Strategy 2012/2015 approved by Council on 23 February 2012 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 contribution of £7.3m.

133. Taken together with the service and central budget outturn impacts above, the overall impact is a net increase in general reserves of £7.6m to £19.0m as shown in **Table 20**.

Table 20 – Change in Reserves Position

	£m
Opening Balance at 1 April 2012	11.4
Planned Contribution to Reserves	7.3
	18.7
Outturn Impacts (Table 19)	0.3
Closing Balance at 31 March 2013	**19.0**

134. The balance of £19.0m compares favourably with the opening balance forecast in the 2013/2014 budget of £13.2m. The Council's Reserves Strategy will be reviewed as part of the First Quarter Review, and will take account of the final outturn for 2012/2013 as well as in-year performance against the 2013/2014 Budget and issues highlighted in the Medium Term Strategy.

135. The Council also maintains Earmarked Revenue reserves for specific revenue purposes. At 1 April 2012 balances on these reserves (excluding Schools and Grants) stood at £7.2m. During 2012/2013, net additional contributions to these reserves (after any amounts drawn down to fund service expenditure on these specific items) were £1.3m. Service outturn forecasts take account of this expenditure and funding.

136. A list of the net movements on these earmarked reserves is shown in **Table 21**.

Table 21 – Movements on Earmarked Reserves

		Increase (+) / Decrease(-) in Reserve £m
Children & Families	EARS	0.1
Adults	Extra Care Housing PFI	0.2
Places & OC	Crematoria	0.2
Places & OC	Tatton / Economic Developmen	-0.1
Places & OC	Enabling Local Delivery	-0.1
Corporate	Insurance	0.6
Various services	Service Manager carry forwards	0.8
Various services	Invest to Save	-0.4
TOTAL		**1.3**

137. Under Finance Procedure Rule A.40, services are proposing to carry forward the following items into 2013/2014 via the Service Manager earmarked reserve :

Table 22 – Service Manager Carry Forward Reserve

Service	Item	£000	Details
Children & Families	Skills Funding Agency	157	Underspend in Lifelong Learning against non-ringfenced grant funding.
Adults	Drugs Action	150	Monies received from wind-up of Cheshire DAT intended for use by Public Health in 2013/2014.
Housing	Preventing Repossessions Grant	58	SRE of £107k approved in year funded from additional grant. Initial bid form stated that spend would be spread over 2 years.
Strategic Planning	Local Plan	85	Slippage on Local Plan work.
Democratic	Elections	154	Provision towards 4 yearly elections costs.
ICT	Delayed order	139	Problems with suppliers led to major goods orders not being delivered before the end of March 2013.

3. Performance Report

2012/2013 Year-End / Quarter Four Performance

138. This section provides a high level summary of the key performance headlines for the year ending 2012/2013.

139. For external reporting purposes at the end of Quarter Four, 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.

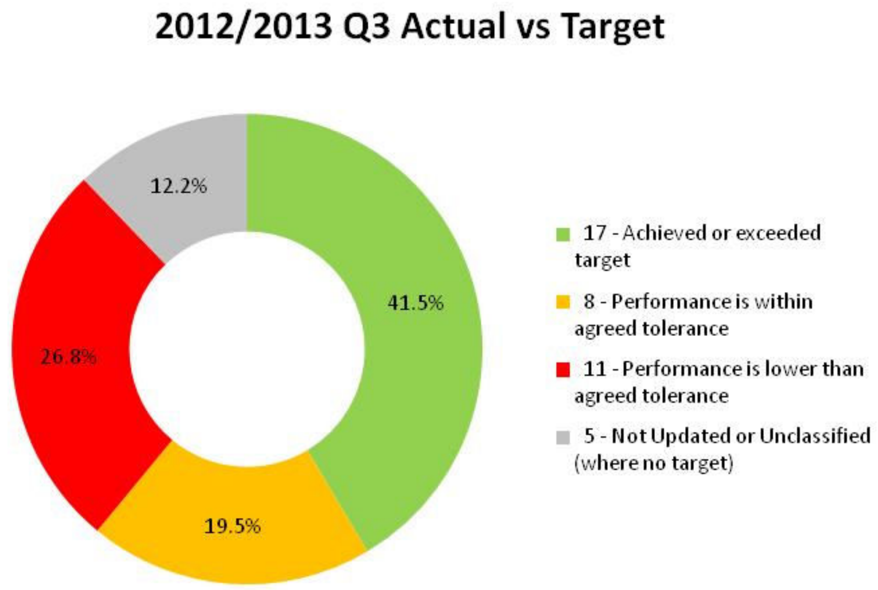
140. In total 41 measures were externally reported during 2012/2013, with 26 measures reported on a Quarterly basis and 15 additional (annual) measures being reported at year-end.

Performance Measure Tolerances (Red/Amber/Green ratings)

141. 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 were made for the revision of tolerances (e.g. where a 5% tolerance is not appropriate due to a measure's data return format), tolerances were revised to support individual targets. In all other circumstances, the 5% tolerance remained in place for performance measure reporting in 2012/2013.

2012/2013 Year-End / Quarter Four Performance Against Target

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



143. **41.5 %** of measures are on target or exceeding their target at 2012/2013 Year-End Quarter Four.

144. However **26.8 %** did not achieve their annual/quarterly target:

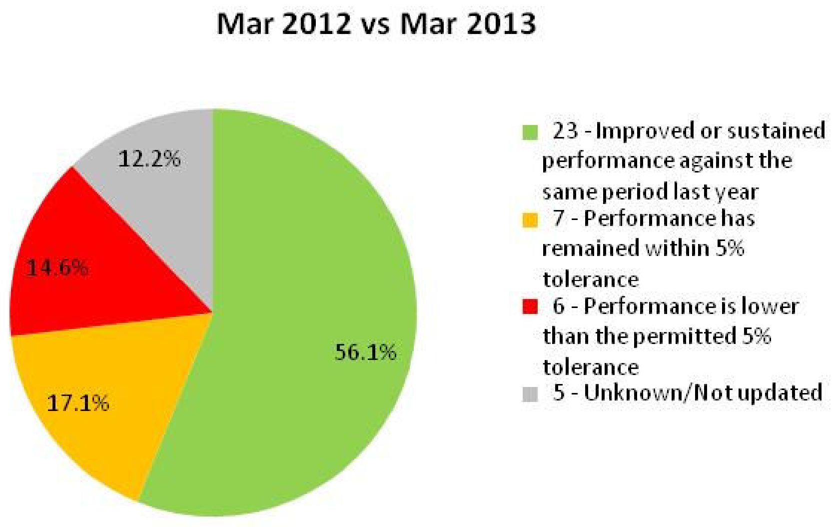
RED MEASURES COMPARED TO TARGET

Directorate	***Reference***	***Definition***
Children, Families & Adults	*CFA 001*	*Average time between a child entering care and moving in with its adoptive family, for children who have been adopted (days)*
	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 75	*Achievement of 5 or more A*-C grades at GCSE or equivalent including English and Maths (Threshold)*
	NI 112	*Under 18 conception rates*
	NI 130	*Social care clients receiving Self Directed Support (Direct Payments and Individual Budgets)*
	NI 135	*Carers receiving needs assessment or review and a specific carers service, or advice and information*
Places & Organisational Capacity	*NI 154*	*Net additional homes provided*
	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

145. Performance assessments (red; amber; green) have been made based on current performance compared to Q4 2011/2012.



146. The **6 (14.6 %)** measures which failed to achieve the same level of performance when compared to the same period last year were:

RED MEASURES COMPARED TO SAME PERIOD LAST YEAR

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 65	*Children becoming the subject of a Child Protection Plan for a second or subsequent time*
	NI 112	*Under 18 conception rate (figure relates to rates between 2008-10)*
	NI 130	*Social care clients receiving Self Directed Support (Direct Payments and Individual Budgets)*
	CAF003	*Percentage of children who wait less than 21 months between entering care and moving in with their adoptive family*

(See Appendix 8 for further details)

Appendices to Final Outturn Review of Performance 2012 / 2013

June 2013

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

	Three Qtr Net Budget £000	Additional Grant Funding £000	Allocations from Contingency £000	Restructuring & Realignments (within Directorate) £000	Other Virements £000	Final Net Budget £000
Children & Families						
Directorate	573					**573**
Safeguarding & Specialist Support	26,840					**26,840**
Early Intervention & Prevention	12,844				19	**12,863**
Strategy, Planning & Performance	18,926				-119	**18,807**
	59,183	0	0	0	-100	59,083
Adults						
Care4CE	0					**0**
Strategic Commissioning	36,473				-54	**36,419**
Business Management and Challenge	3,457					**3,457**
Individual Commissioning	59,109					**59,109**
	99,039	**0**	**0**	**0**	**-54**	**98,985**
CHILDREN, FAMILIES & ADULTS	**158,222**	**0**	**0**	**0**	**-154**	**158,068**
Places & Organisational Capacity						
Waste, Recycling & Streetscape	26,785					**26,785**
Highways & Transport	17,791	-324			20	**17,487**
Community Services	206					**206**
Development	21,972	30			-37	**21,965**
Performance, Customer Services & Capacity	10,304				-2	**10,302**
PLACES & ORGANISATIONAL CAPACITY	**77,058**	**-294**	**0**	**0**	**-19**	**76,745**

	Three Qtr Net Budget £000	Additional Grant Funding £000	Allocations from Contingency £000	Restructuring & Realignments (within Directorate) £000	Other Virements £000	Final Net Budget £000
Corporate Services						
Finance & Business Services	17,837				-39	**17,798**
HR & OD	3,266					**3,266**
Borough Solicitor	5,630				-40	**5,590**
CORPORATE SERVICES	**26,733**	**0**	**0**	**0**	**-79**	**26,654**
TOTAL SERVICE OUTTURN	**262,013**	**-294**	**0**	**0**	**-252**	**261,467**
CENTRAL BUDGETS						
Specific Grants	-41,568	294				**-41,274**
Capital Financing	14,800				2	**14,802**
Contingencies	4,336					**4,336**
Contribution to Reserves	7,245					**7,245**
Invest to Save Reserve	-581				250	**-331**
CENTRAL BUDGETS	**-15,768**	**294**	**0**	**0**	**252**	**-15,222**
TOTAL BUDGET	**246,245**	**0**	**0**	**0**	**0**	**246,245**

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 March 2013 was £9.6m. After allowing for £4.4m of debt still within the payment terms, outstanding debt stood at £5.2m. This is £1.6m lower than at 31st December.

3. The total amount of service debt over 6 months old is £2.7m which is £0.2m lower than the Third Quarter position.

4. Services have created debt provisions of £2.9m 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			
Children & Families	*607*	*338*	*338*
Schools	*46*	*38*	*38*
Adults	3,334	1,507	1,607
Total Children, Families & Adults	**3,987**	**1,883**	**1,983**
Waste, Recycling & Streetscape	229	202	202
Highways & Transport	285	222	222
Community	105	75	75
Development	551	349	349
Performance, Customer Service & Capacity	8	2	2
Total Places & Org Capacity	**1,178**	**850**	**850**
Finance & Business Services	20	15	6
HR & OD	17	12	11
Borough Solicitor	7	5	2
Total Corporate Services	**44**	**32**	**19**
TOTAL	**5,209**	**2,765**	**2,852**

Appendix 3 – Summary Capital Programme and Funding

	TQR In-Year Budget	SCE's/ Virements/ Reductions Outturn	Revised Outturn In-Year Budget	Actual Expenditure	Forecast Expenditure		
Department	2012-13 £'000	2012-13 £'000	2012-13 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	Post 2014-15 £'000
Children & Families							
New Starts	6,630	-168	6,462	3,162	10,788	708	0
Ongoing schemes	11,270	-9	11,260	10,563	1,240	0	0
	17,900	**-177**	**17,723**	**13,725**	**12,028**	**708**	**0**
Adults							
New Starts	1,466		1,466	967	829	0	0
Ongoing schemes	-		0	0	0	0	0
	1,466	**0**	**1,466**	**967**	**829**	**0**	**0**
Places & Organisational Capacity							
New Starts	28,686	-71	28,615	20,670	29,622	20,783	1,526
Ongoing schemes	19,750	-362	19,388	11,782	24,169	297	0
	48,436	**-433**	**48,002**	**32,452**	**53,791**	**21,080**	**1,526**
Corporate Services							
New Starts	6,367		6,367	3,620	29,034	26,840	5,000
Ongoing schemes	1,093		1,093	649	943	327	0
	7,460	**0**	**7,460**	**4,269**	**29,977**	**27,167**	**5,000**
Total New Starts	43,149	-239	42,910	28,420	70,273	48,331	6,526
Total Ongoing schemes	32,113	-371	31,741	22,994	26,352	624	0
Total Capital Expenditure	**75,261**	**-610**	**74,651**	**51,414**	**96,624**	**48,955**	**6,526**

Funding Source	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Grants	28,938	35,210	12,404	0
External Contributions	1,593	23,014	20,309	0
Non-supported Borrowing	8,561	27,784	11,242	6,526
Revenue Contributions	236	616	0	0
Capital Reserve	12,086	10,000	5,000	0
Total	51,414	96,624	48,955	6,526

Appendix 4 – Reductions in the Capital Programme

Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason
CHILDREN AND FAMILIES				
Poynton High School	3,187,970	3,112,284	75,686	Scheme Completed
Vine Tree Primary School	1,267,000	0	1,267,000	Scheme Removed from programme
Oakenclough CC - Co-location (<£100k)	75,000	64,509	10,491	Scheme Completed
Adelaide School - New Workshop	200,000	189,762	10,238	Scheme Completed
Accessibility (<□100k)	89,587	88,700	887	Reduction in income to be received from Marlfields Primary School. Cost of works on school site lower than originally anticipated.
Wilmslow High Secondary School	124,250	120,000	4,250	Correction required due to a SCE requested at TQR which was actioned in error due to expenditure miscoded between schemes.
Malbank School & Sixth Form College	1,418,783	1,393,423	25,360	Scheme Completed
St Oswalds (School Funded Project)	157,113	106,282	50,831	Reduction required for costs funded from St Oswalds Primary Delegated Budget.
Minor Works (<□100k)	433,661	432,127	1,534	Reduction in income to be received from Ivy Bank Primary School. Cost of works on school site lower than originally anticipated.
Adelaide Special School	162,353	155,372	6,981	Scheme Completed
Tytherington High School	3,049,686	2,746,491	303,195	The Final account for this project has been received which has resulted in fund of £303,195 being surplus to requirements.
Residential Dev Prog 11-12	1,500,000	1,225,000	275,000	Surplus to requirements as anticipant costs for remainder of scheme lower.
			2,031,452	

Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason
PLACES & ORGANISATIONAL CAPACITY				
Streets & Open Spaces				
Crematoria - Replacement Cremators	60,000	49,660	10,340	Budget reduction as repair costs lower than estimated.
Highways & Transport				
Bridge Maint Minor Works	1,378,459	1,338,459	40,000	The recovery of costs for work undertaken at Coppock House Farm was not achieved and therefore the £40k shortfall has been met from the LTP grant allocation.
Local Area Programme - A34 By Pass	99,400	98,427	973	
S278s				
S278 Former Oakland sch. Wilm	11,000	8,000	3,000	Developer has paid £8k fees so the approved budget can be reduced.
S278 Alderley Serv Rd S-burys	348	159	189	This project did not go ahead.
S278 Cookesmere Ln, UU	2,000	1,373	627	This project was fully funded by the developer and is now complete.
S278 Lowerhouse Mill, Boll'ton - 1266240	125	0	125	This project did not go ahead.
S278 James Street, Macc'field - 1261600	100	0	100	This project did not go ahead.
S278 A51 London Rd, NantwichM	36,000	29,629	6,371	This project was fully funded by the developer and is now complete.
S278 A534 OldMill Rd,SandbchM	20,000	19,774	226	This project was fully funded by the developer and is now complete.
S278 A534 Welsh Row AccessM	763,448	762,318	1,130	Historical projects, no further expenditure expected so budget can be reduced to match spend.
S278 A532 West St AdtranzM	374,158	351,208	22,950	Historical projects, no further expenditure expected so budget can be reduced to match spend.
S278 A51 Dist Rd/A500 Jct E	467,000	0	467,000	Historical projects, no further expenditure expected so budget can be reduced to match spend.
S278 Macclesfield Learn ZoneM	366,229	145,205	221,024	This project was fully funded by the developer and is now complete.
Community				
Lifestyle Centre Refurb at Wilmlow Leisure Centre	95,000	80,000	15,000	Despite earlier requests and cost estimates for additional funding, the costs came in significantly lower at tender stage and there were some building economies agreed as we carried out the project works at 2 sites at the same time.
			778,715	
Totals	**15,338,670**	**12,518,163**	**2,820,507**	

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

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Members are asked to note SCE and Virements up to and including £250,000		
SUPPLEMENTARY CAPITAL ESTIMATES		
Children and Families		
Alsager Highfields Primary School	4,781	Contribution from Alsager Highfields Primary School.
Church Lawton - Specialist Provision	12,000	Grant
Contact Point / Further Dev of Children's Hub/ e-CAF	6,631	Grant
DFC Grant	18,500	Devolved Formula Capital
East Cheshire Minor Works - Work on Children Centres	11,191	Grant
Excalibur Primary School	3,227	Contribution from Excalibur Primary School
Lindow PS - Basic Needs 11-12	21,097	Contribution from Lindow Primary School
Middlewich High Secondary School (MHS)	16,440	Capital Maintenance Grant and a Contribution from MHS
Minor Works (<□100k) - The Quinta Primary School	8,580	Contribution from The Quinta Primary School
Minor Works (<£100k) - Shavingon High School	1,067	Contribution from Shavington High School
Oakefield Primary School - Basic Needs 11-12	11,152	Contribution from Oakefield Primary School
Pupil Referral Unit 11-12	18,743	Grant
Schools - Access Initiative	1,680	Grant
Suitability (<£100k) - Cranberry Primary School	5,403	Capital Maintenance Grant
Suitability (<£100k) - Vine Tree Primary School	1,294	Contribution from Vine Tree Primary School
TLC Sir William Stanier Comm School	13,576	Grant
Underwood West PH3 Expansion	1,991	Grant
Alsager H S Perf Arts Cent	21,000	Grant
Accessibility (<□100k) - Disley Primary School	466	Grant
Minor Works (<□100k) - Primary Schools	658	Grant
Suitability (<□100k) - Pear Tree Primary	291	Grant
Suitability Bids <□100k - Mobberley Primary School	975	Grant
Suitability Bids <□100k - Alderley Edge School	2,336	Grant
Parkroyal Primary School	2,735	Grant
Goostrey Prim School	16,261	Grant

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Members are asked to note SCE and Virements up to and including £250,000		
SUPPLEMENTARY CAPITAL ESTIMATES		
Children and Families		
Lostock Hall Primary School	11,073	Grant
Bexton Prim School	1,813	Grant
Church Lawton - Spec Provision	3,428	Grant
Adelaide School - New Workshop	2,405	Grant
SCE to cover asset management costs - covers forty two projects.	215,539	Grant
Wilmslow High School 12/13	111,000	Contribution from Wilmslow High School
St Mary's, Crewe Primary School - Basic Need Project	249,000	Grant from Deparment of Education and a Contribution from St Mary's Primary School
Places & Organisational Capacity		
Highways & Transport		
S106 - Footway Imps - Birkin Centre	9,453	External Contribution - S106
S106 - Crossing Enhancement Wilmslow	4,500	External Contribution - S106
S106 - Footway Imp Wilmslow LC	5,500	External Contribution - S106
S106 - Footway Imp Church St Wilmslow	15,203	External Contribution - S106
S106 - Chapel St, Sandbach	5,254	External Contribution - S106
Red Bull Flood Alleviation	150,000	£125k grant from DEFRA + £25k funding from Staffs CC.
Communities		
Other Car Parking Improvements	19,511	External income for £20244 from Handforth Health Centre
Total SCE's	1,005,754	

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Members are asked to note SCE and Virements up to and including £250,000		
CAPITAL BUDGET VIREMENTS		
Children and Families		
Basic Need (<£100k) - PebbleBrook Primary	9,198	Pebble Brook Primary School - Phase 2
Capital Maintenance Grant	18,504	Suitability (<£100k) - Vine Tree Primary
Capital Maintenance Grant	584	Minor Works (<£100k) - Bosley St Mary Primary
Capital Maintenance Grant	2,425	Minor Works / Accessibility (<£100k) - Scholar Green Primary
Capital Maintenance Grant	3,000	Mossley Primary School
Capital Maintenance Grant	24	Suitability (<£100k) - Haslington Primary School
Capital Maintenance Grant	33,114	Egerton School
Capital Maintenance Grant	10,447	Suitability Bids <□100k Peover Superior and Bollington Cross Primary
Capital Maintenance Grant	3,335	Accessibility (<£100k) - Marlfields Primary School
Capital Maintenance Grant	2,863	Minor Works (<£100k) - Holmes Chapel Primary School
Capital Maintenance Grant	380	Minor Works (<□100k) - Pikemere Primary School
Capital Maintenance Grant	511	Basic Need (<□100k) - Monls Coppenhall Primary
Capital Maintenance Grant	333	Suitability (<□100k) - Adlington Primary School
Capital Maintenance Grant	834	Minor Wks/Accessibility <□100k - Vernon Primary School
Capital Maintenance Grant	1,105	Lower Park Primary School
Capital Maintenance Grant	23,355	Feasibility 10-11
Capital Maintenance Grant	1,347	Park Lane Special School
DFC Grant	1,393	Suitability (<£100k) - Pear Tree Primary
DFC Grant	293	Minor Works (<£100k) - Bosley St Mary Primary
DFC Grant	2,864	Minor Works (<£100k) - Holmes Chapel Primary School
DFC Grant	41,387	Minor Works (<□100k) - Monks Coppenhall
DFC Grant	26,282	St Oswalds (School Funded Project)
DFC Grant	380	Minor Works (<□100k) - Pikemere Primary School
DFC Grant	90	Suitability (<□100k) - Adlington Primary School
DFC Grant	2,268	Rode Heath Prim School
Suitability (<£100k)	3,000	DFC Grant - Cranberry Primary School
Alsager H S Perf Arts Cent	112,900	Minor Works / Accessibility (<£100k) - Alsager High School
Virement for C&F Project Management Costs - covers fifty five projects	189,542	Capital Maintenance Grant
DFC Grant	111,000	Wilmslow High School 12/13

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Members are asked to note SCE and Virements up to and including £250,000		
CAPITAL BUDGET VIREMENTS		
Places & Organisational Capacity		
Streets & Open Spaces		
Sandbach Park Building Refurbish	1,875	Wheeled Bins 11/12
Highways & Transport		
S278 Newton Hall Farm	144	S278 Alderley Serv Rd S-burys
S278 B5085 Town Ln, MobberleyM	15	S278 Alderley Serv Rd S-burys
Cycle Facilities	11,254	Accessibility - PROW
Poynton High, Links to School	561	Air Quality Action Plan
Local Area Programme - Part Night Trial	2,691	Local Area Programme - A34 By Pass
Local Area Programme - Dimming Trial	289	Local Area Programme - A34 By Pass
Road Safety Schemes - Minor Works	3,381	Road Safety Schemes - Minor Works
Road Safety Schemes - Minor Works	68,817	Road Safety Schemes - Minor Works
Red Bull Flood Alleviation	25,000	Surface Water Funding
Road Safety Schemes - Minor Works	108,098	Local Safety Schemes - Minor Works
S106 - Statham Street, Macclesfield	268	Local Safety Schemes - Minor Works
Connect 2 - Phase 2 & 3	142,760	Principal Roads Minor Works
Connect 2 - Phase 2 & 3	61,395	Accessibility - Cycling
Community Services		
Sandbach Utd Football Cx	30,000	Residents Parking Schemes
Performance, Customer Services & Capacity		
Customer Access	74,796	Radio Frequency ID (RFID)
Development		
AMS BLOCK 12/13	50,000	Energy Consumption
Tatton Vision 12-13	50,000	Minor Works 2012/13
Total Virements	1,234,101	
Total SCE's and Virements	2,239,854	

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

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Cabinet are asked to approve SCE and Virements above £250,000 up to and including £1,000,000		
SUPPLEMENTARY CAPITAL ESTIMATES		
Children and Families		
Dean Oaks Primary School - Basic Need Project	929,000	Grant from Department of Education
Places & Organisational Capacity		
Highways & Transport		
Crewe Rail Exchange	240,385	DEFRA Access for All Programme
Total SCE's Requested	1,169,385	
CAPITAL BUDGET VIREMENTS		
Places & Organisational Capacity		
Streets & Open Spaces		
Queens Park HLF Project	23,335	Materials Transfer Fac. 11/12
	50,000	Macclesfield Car Park Management Plan
	100,000	AMS BLOCK 12/13
	25,000	Gypsy and Traveller Sites
	36,000	COMPLIANCE 2012/13
	75,000	Vaudreys Wharf Canal (Non LTP)
	18,000	Accessibility - Bus Network Inv
	150,000	Principal Roads Minor Works
	477,335	

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Cabinet are asked to approve SCE and Virements above £250,000 up to and including £1,000,000		
<u>CAPITAL BUDGET VIREMENTS</u>		
<u>Places & Organisational Capacity</u>		
Highways & Transport		
Bridge Maintenance Minor Works 11-12	266,545	Bridge Maint Minor Works 12-13
Non-Principal Rd Minor Wks	439,880	Principal Roads Minor Works
Crewe Rail Exchange	400,000	Crewe Transformational Projects
Crewe Rail Exchange	9,615	Accessibility - Rail Station Improvements
<u>Corporate Services</u>		
ICT		
Core System Stability	246,474	Location Independent Workforce
	83,021	Enabled Citizens and Businesses
Total Virements Requested	1,922,870	
Total SCE's and Virements	3,092,255	

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Cabinet are asked to note SCE approved by Portfolio Decision - 20th May 2013		
<u>SUPPLEMENTARY CAPITAL ESTIMATES</u>		
<u>Places & Organisational Capacity</u>		
Streets & Open Spaces		
Replacement of Cremators - Crewe	684,000	Revenue Contribution from Environmental Fees
Total SCE's Requested	684,000	

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

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Full Council is asked to Approve SCE's and Virements in excess of £1m or SCE's of any value funded by internal reserves, balances or general purpose funding		
SUPPLEMENTARY CAPITAL ESTIMATES		
Children and Families		
Lacey Green Primary School - Basic Need Project	1,273,000	Virement from Basic Need - Block Provision 2013-14
Total SCE's Recommended	1,273,000	

Appendix 6 – Corporate Grants Register

Corporate Grants Register 2012/2013 as at 31st March 2013	Note	Original Budget £000	Forecast TQR £000	Final Outturn £000	Change from TQR £000
Specific Grants					
Ringfenced Grants					
Dedicated Schools Grant	*1*	193,822	193,540	192,537	(1,003)
Pupil Premium Grant	*1*	2,696	4,164	4,164	0
Sixth Forms Grant (EFA)	*1*	8,898	8,801	8,579	(222)
Golden Hello		0	40	44	4
16-19 Bursary		0	128	122	(6)
Additional Grant for Schools (AGS)		0	0	80	80
Year 7 Catch Up Funding		0	0	154	154
Academy Start Up Grant		0	0	25	25
Summer Schools		0	90	47	(43)
Total Ringfenced Grants		**205,416**	**206,763**	**205,752**	**(1,011)**
Non Ringfenced Grants - held within service					
Council Tax Benefit Subsidy	*3*	20,408	20,408	21,014	606
Housing Benefit Subsidy	*3*	75,128	75,128	84,596	9,468
Total Benefit Subsidies		**95,536**	**95,536**	**105,610**	**10,074**
Non Ringfenced Grants - held corporately					
Children & Families					
Early Intervention Grant		12,908	12,908	12,931	22
Learning Disabilities & Health Reform - PCT transfer			6,128	6,128	0
Learning Disabilities & Health Reform		4,124	4,417	4,417	0
Adult Skills & Adult Safeguarding Learning		675	675	676	1
Skills Funding Agency		216	296	296	0
YOS grant		411	418	418	0
NHS Funding	2	3,756	3,756	3,756	0
Troubled Families		0	522	522	0
Troubled Families - Co-ordinator		0	100	100	0
Music Grant		0	143	143	0
Adoption Improvement Grant		0	40	40	0

Corporate Grants Register 2012/2013 as at 31st March 2013	Note	Original Budget £000	Forecast TQR £000	Final Outturn £000	Change from TQR £000
Specific Grants					
Non Ringfenced Grants - held corporately					
Places & Organisational Capacity					
Housing Benefit & Council Tax Admin.		2,094	2,094	2,094	0
NNDR Administration Grant		519	562	562	0
Local Service Support Grant -					
Preventing Homelessness Grant		254	254	254	0
Lead Local Flood Authorities		177	177	177	0
Community Safety Fund		148	148	148	0
Extended Rights to Free Transport (C&F)		385	385	385	0
LSS Total		963	963	963	0
Mortgage Rescue		0	107	107	0
Community Transport Grant		0	139	139	0
Local Sustainable Transport Fund		0	578	292	(286)
Town Team Partnership		0	40	30	(10)
Corporate					
New Homes Bonus 2011/2012		870	870	870	0
New Homes Bonus 2012/2013		1,844	1,844	1,844	0
Affordable Homes - 2012/2013		85	85	85	0
Council Tax Freeze Grant 2012/2013		4,505	4,464	4,464	0
Council Tax - New Burdens		0	84	84	0
Community Rights to Challenge		0	9	9	0
LACSEG refund from 2011/2012 formula grant		0	503	503	0
New Burden Temporary Deferment Business Rates 2012/2013		0	5	5	0
New Burden Community Rights to Bid		0	5	5	0
New Burden Welfare Reform S2 2013		0	0	48	48
DWP - Housing Benefit		0	0	1	1

Corporate Grants Register 2012/2013 as at 31st March 2013	Note	Original Budget £000	Forecast TQR £000	Final Outturn £000	Change from TQR £000
Specific Grants					
Non Ringfenced Grants - held corporately					
Budgeted but not due in					
Children's Workforce in Schools Modernisation Grant		79	0	0	0
Learner Support Funds		38	0	0	0
16+ Transport Partnership grant		68	0	0	0
Further Education Funding (16-18 Funding)		10	0	0	0
Grants Claimed Retrospectively -					
Milk Subsidy		28	0	0	0
Asylum Seeker		86	0	0	0
Workstep		166	0	0	0
Migration Impact Fund (Communities of Interest)		103	0	0	0
		33,546	**41,754**	**41,530**	**(224)**
Total Specific Grants		**334,498**	**344,053**	**352,892**	**8,839**
Total Government Grant Funding		**402,174**	**411,730**	**420,569**	**8,839**

Notes

1 The Dedicated Schools Grant, Pupil Premium Grant and Sixth Form Grant (from the Education Funding Agency; formerly YPLA) figures are based on actual anticipated allocations; changes are for in-year increases to allocations by the DfE and conversions to academy status; original budgets reflect 2011/2012 figures

2 Spending against NHS Funding grant is to be negotiated with NHS

3 The budgets for Council Tax Benefit and Housing Benefit Subsidy grants are held within Finance and Business Services.

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. Credit conditions within the Eurozone and worldwide have been improving and consideration, with advice from our Treasury Management advisors, is being given to investments in strongly rated foreign banks. 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 final quarter of 2012/2013. In addition to ratings, other credit indicators, such as Swap rates are also monitored.

4. **Table 1** shows the current investments and limits with each counterparty. A full analysis of the types of investment and current interest rates achieved is given in **Table 2.**

Table 1 – Current Investments and Limits

Counterparties	Limits		Investments as at 31/03/13	
UK BANKS				
Barclays Bank	15%	£15m	-	-
Co-operative Bank:	15%	£15m	2%	£1.5m
HSBC Bank	15%	£15m	-	-
Lloyds TSB	15%	£15m	9%	£6m
Royal Bank of Scotland	15%	£15m	12%	£8.5m
Santander (UK) plc	15%	£15m	12%	£8.5m
Standard Chartered Bank	15%	£15m	3%	£2m
BUILDING SOCIETIES				
Nationwide Building Society	15%	£15m	-	-
Money Market Funds	50%		32%	
Deutsche	25%	£20m	4%	£3m
Ignis	25%	£20m	12%	£8.5m
Federated Prime Rate	25%	£20m	10%	£6.5m
Scottish Widows	25%	£20m	6%	£3.9m
Pooled Funds - External Fund Manager	50%		30%	£20.1m
				£68.5m

Table 2 – Types of Investments and Current Interest Rates

Instant Access Accounts	**Avg rate %**	**£'000's**
Instant Access Accounts	0.76%	15,456
Money Market Funds	0.41%	21,925

Notice Accounts	**Avg rate %**	**£'000's**
Notice Accounts (up to 100 days)	1.20%	3,000

Fixed Term Deposits	**Start**	**Maturity**	**Rate %**	**£'000's**
Lloyds TSB	08/11/2012	08/05/2013	1.35	4,000
Lloyds TSB	07/01/2013	07/01/2014	1.10	2,000
Standard Chartered – CD	26/11/2012	26/11/2013	0.69	2,000

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

Maturity Profile	**£'000's**
Instant Access	37,381
Maturing < 1 month	0
Maturing within 1 - 6 months	7,000
Maturing within 6 - 12 months	4,000
Externally Managed Funds	20,139
Total	**68,520**

5. 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. As explained at the mid year review the Councils performance is about 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.

Performance of Fund Manager

6. The table below shows the performance of the funds (net of fees) since the initial investment of £20m (£10.0m 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%
October 2012	0.07%	0.10%
November 2012	0.11%	0.12%
December 2012	-0.01%	0.01%
January 2013	-0.05%	-0.03%
February 2013	0.19%	0.19%
March 2013	-0.05%	-0.07%
Cumulative 2012/2013	0.74%	0.80%
Value of Investment at 31/03/13	£10,185,298	£10,161,551
Fees (since start)	£46,583	£50,151
Average Annual Rate as at 31/03/13	0.76%	0.61%

7. There has been some volatility in the Performance of these funds over the year. Poor performance in April and May was caused by the continued debt crisis in Europe and particularly Greece. In the latter part of the year weaknesses in the Australian Dollar and emerging market debt were to blame although this was offset by stronger performance in February and after year end in April 2013.

8. Overall the performance of the funds in 2012/2013 has been steady and has contributed to the investment income of the Council whilst maintaining good diversification of the types of investments and counterparties to which the Council is exposed.

Appendix 8 – Performance Report

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	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	640 days	701 days	Two specific cases totalling 3862 days have impacted negatively on this figure. One case was a child who has significant health issues and the other case related to siblings.
	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	214 days	164 days	Good performance, the adoption tracker meetings have contributed towards this improvement
	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	Not Set	41%	The young people that we are currently matching are being placed in less than 21 months. There are still historic cases which are over the threshold, however the new SHOBPA cases are now, where possible, being placed much quicker than in previous years.

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data		Operational Comments
	Ref	Description					Target	Result	
Performance Measures 2012/13									
	NI 19	Rate of proven re-offending by young offenders	Quarterly	Low	0.97 number	1.00 number	1.00 number	Not Updated	Home office changes to the counting rules mean that we can no longer compare like with like as we monitor the rate of offending via the PNC data now. The method for PNC calculation is to track a 12 month cohort of young people for 12 months after the original outcome. This means it can be up to 15 months after initial outcome before a figure can be calculated. The latest data available on the PNC database is for two periods Apr 2009 – Mar 2010 and Apr 2010 – Mar 2011. The frequency rate of offending is 0.82 and 0.80 respectively and results in a performance change/ frequency difference of -0.02. This shows that the young people in that particular cohort committed less offences compared to the cohort from the 12 months in the previous year.

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	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%	75.00%	37.30%	There has been a comprehensive review of all outstanding initial assessments in this quarter and as such the % completed within 10 days has dropped given the volumes of overdue ones that have been completed. The completion rate within 10 days of the assessments that have bene referred between Dec 12 and Mar 13 is much higher at 58.4% within 10 days.
	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%	75.00%	37.00%	There has been a comprehensive review of all outstanding core assessments in this quarter and as such the % completed within 35 days has dropped given the volumes of overdue ones that have been completed. The completion rate within 35 days of the assessments that have been referred between Nov 12 and Mar 13 is much higher at 52.7% within 35 days.

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(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data		Operational Comments
	Ref	Description					Target	Result	
Performance Measures 2012/13									
	NI 63	Stability of placements of looked after children: length of placement	Yearly	High	62.10%	85.00%	85.00%	Not Updated	The SSDA 903 has not been completed yet so this figure is not finalised. It will be updated as soon as available.
	NI 64	Child protection plans lasting 2 years or more	Quarterly	Low	2.63%	5.00%	5.00%	0.00%	Of all the CP plans ended in this quarter none had been on a plan for more than 2 years.
	NI 65	Children becoming the subject of a Child Protection Plan for a second or subsequent time	Quarterly	Low	11.11%	15.00%	15.00%	15.60%	There were 3 families in addition to individuals which has inflated the quarter figure.
	NI 67	Child protection cases which were reviewed within required timescales	Monthly	High	100.00%	100.00%	100.00%	100.00%	

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data		Operational Comments
	Ref	Description					Target	Result	
Performance Measures 2012/13									
	NI 71	Children who have run away from home/care overnight	Yearly	None	342 number	Not Set	Not Set	292 number	There were 497 instances recorded by the Police in 2012-13 of Children missing from home or care which related to 292 individual Children. Not all these Children will be Cheshire East residents. The Missing Children subgroup meets regularly to scrutinise data and action as appropriate and reports to the LSCB.
	NI 72	Achievement of at least 78 points across the Early Years Foundation Stage with at least 6 in each of the scales in Personal Social and Emotional Development and Communication, Language and Literacy	Yearly	High	75.00%	71.90%	71.90%	74.00%	This remains well above both the North West and national averages. Cheshire East is ranked equal 5th when compared to 152 local authorities in England; over the last three years, our national ranking has increased by 34 places.

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Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure Ref	Measure Description	Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data Target	Latest Data Result	Operational Comments
Performance Measures 2012/13									
	NI 73	Achievement at level 4 or above in both English and Maths at Key Stage 2 (Threshold)	Yearly	High	81.00%	86.00%	86.00%	85.00%	85% of pupils achieved Level 4+ in English and mathematics which is a rise of 4 percentage points on last year. At Level 5+ in English and mathematics, 34% of pupils achieved this level which is a 5 percentage point improvement on the previous year. This figure is 7 percentage points above national.
	NI 75	Achievement of 5 or more A*-C grades at GCSE or equivalent including English and Maths (Threshold)	Yearly	High	64.70%	67.80%	67.80%	61.90%	61.9% of pupils achieved 5+ A*-C grades including English and mathematics GCSE which is above the national average of 59.0%. Cheshire East is ranked 6th when compared to statistical neighbours.
	NI 79	Achievement of a Level 2 qualification by the age of 19	Yearly	High	Not Recorded	86.00%	86.00%	86.00%	Non Free school meals (FSM) 88% , FSM 58% achieved a level 2 qualification by 19 – including English and maths the figure is 66% (Non FSM 68%, FSM 30%)
	NI 80	Achievement of a Level 3 qualification by the age of 19	Yearly	High	Not Recorded	63.00%	63.00%	62.00%	Non FSM 64% , FSM 29%

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure Ref	Measure Description	Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data Target	Latest Data Result	Operational Comments
Performance Measures 2012/13									
	NI 111	First time entrants to the Youth Justice System aged 10 to 17	Quarterly	Low	188 number	198 number	198 number	Not Updated	Cheshire East figures are not available for this quarter due to the Youth Justice Management Information System only producing data for Cheshire as a whole. This is due to be changed in April, when Cheshire East YOT figures will be available.
	NI 112	Under 18 conception rate	Yearly	Low	28.40%	28.40%	28.40%	32.20%	This figure relates to conception rates between 2008-10, the data indicates varying levels of Teenage conception across Cheshire East, 37% of these occurring in the Crewe LAP. The data also illustrates the high percentage of termination in each of the LAP areas except Crewe. See: www.cheshireeast.gov.uk/social_care_and_health/jsna/starting_and_developing_well.aspx#maternity
	NI 117	16 to 18 year olds who are not in education, training or employment (NEET)	Quarterly	Low	5.00%	4.90%	4.90%	5.10%	

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure Ref	Measure Description	Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data Target	Latest Data Result	Operational Comments
Performance Measures 2012/13									
	NI 125	Achieving independence for older people through rehabilitation/ intermediate care	Monthly	High	74.40%	81.00%	81.00%	79.30%	This measure is slightly under target. This measure can be adversely affected when service users cannot be contacted 3 months after discharge. As a result there may be clients that we are unable to count towards the measure who continue to be at home three months after discharge.
	NI 130	Social care clients receiving Self Directed Support (Direct Payments and Individual Budgets)	Monthly	High	45.50%	60.00%	60.00%	37.10%	We are seeing an increasing number of service users who are receiving services that are ineligible for personal budgets (e.g. reablement). This year's target of 60% was based on a maximum achievable figure of 64% in 2011/12. The maximum figure for this year, however, was 55%. A review is being carried out to improve processes and practice that contribute to this measure and wider issues of personalisation.

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data		Operational Comments
	Ref	Description					Target	Result	
Performance Measures 2012/13									
	NI 131	Delayed transfers of care from hospitals	Monthly	Low	8.70 number	10.00 number	10.00 number	10.20 number	The overall figure is relatively unchanged from last year. Within this measure, the number that are delays attributable to adult social care is only 0.3 (last year this was also 0.3 which was the equal lowest in the country).
	NI 132	Timeliness of social care assessment	Monthly	High	92.80%	94.00%	94.00%	93.40%	This is very slightly under target but has seen a slight improvement on 2011/12 performance. Around three-quarters have an assessment completed in less than two weeks from first contact.
	NI 133	Timeliness of social care packages	Monthly	High	93.80%	93.00%	93.00%	93.90%	Performance has exceeded target. A review of this measure is currently being considered for 2013/14: this measure is based on the old national indicator which was created prior to developments around personalisation and programmes such as reablement.

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(Organisation Summary)

Mar-2013

Objective	Measure Ref	Measure Description	Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data Target	Latest Data Result	Operational Comments
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%	40.00%	40.00%	34.00%	There was a significant improvement in 2011/12 and performance this year is at around a similar level but has, however, missed the challenging target that was set. There were over 2,900 completed carer assessments over the year, almost all of whom received information and advice or a specific service for carers.
	NI 141	Percentage of vulnerable people achieving independent living	Quarterly	High	73.45%	65.00%	65.00%	72.20%	Performance has exceeded 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%	98.70%	98.70%	Has hit target - long term and floating support services continue to be very successful at helping vulnerable people to live independently.

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(Organisation Summary)

Mar-2013

Objective	Measure Ref	Measure Description	Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data Target	Latest Data Result	Operational Comments
Performance Measures 2012/13									
	NI 145	Adults with learning disabilities in settled accommodation	Monthly	High	52.90%	70.00%	70.00%	82.90%	This measure has seen a significant improvement in performance and has exceeded target. Previous issues of under-performance were related to gaining confirmation of accommodation status in a way that meets the criteria for the measure. The Team Support Service looked at new ways of accessing the required data which has helped to improve the performance this year.
	NI 146	Adults with learning disabilities in employment	Monthly	High	7.00%	7.90%	7.90%	9.05%	Performance on this measure has significantly improved on last year and exceeded a challenging target. The Supported Employment team has worked to help support learning disabled people into work opportunities: for example Work Placement Officers have explored the use of assistive technology when arranging in-work support.

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data		Operational Comments
	Ref	Description					Target	Result	
Performance Measures 2012/13									
Places & Organisation Capacity	NI 154	Net additional homes provided	Yearly	High	577 number	750 number	750 number	651 number	The year 2012/13 saw 708 dwellings completed, with 57 dwellings lost through demolition, change of use or conversion, providing 651 net additional homes. There have been no extra care dwellings completed during this period. Housing market is improving, slowly. Levels of permissions granted and extant permissions is still well in excess of the levels of dwellings being built.
	NI 155	Number of affordable homes delivered (gross)	Quarterly	High	247 number	300 number	300 number	284 number	Actual Affordable homes delivered during Q4 was 133. Quarter 4 completed with a majority of the projects completing during this period. Our overall ambitious target of 300 was not met due to a number of providers both private and registered working within a slow economic market with reduced access to funding.

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data		Operational Comments
	Ref	Description					Target	Result	
Performance Measures 2012/13									
	NI 157a	Processing of planning applications as measured against targets for major application types	Quarterly	High	31.30%	60.00%	60.00%	50.80%	
	NI 157b	Processing of planning applications as measured against targets for minor application types	Quarterly	High	51.70%	65.00%	65.00%	73.90%	
	NI 157c	Processing of planning applications as measured against targets for other application types	Quarterly	High	69.60%	80.00%	80.00%	89.80%	
	NI 168	Principal roads where maintenance should be considered	Yearly	Low	6.00%	6.00%	6.00%	6.00%	
	NI 169	Non-principal roads where maintenance should be considered	Yearly	Low	11.00%	11.00%	11.00%	11.00%	

Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure Ref	Measure Description	Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data Target	Latest Data Result	Operational Comments
Performance Measures 2012/13									
	NI 182	Satisfaction of businesses with local authority regulation services	Yearly	High	83.00%	90.00%	90.00%	98.60%	69/70 respondents have reported positive responses in relation to their experience of working with regulatory services and are happy to contact the service if they need help and advice. The one dissatisfied respondent has been contacted and discussion revealed that they were unhappy with their food hygiene rating – this matter has been resolved following a rescore visit to assess the works that they were required to complete.
	NI 191	Residual household waste per head	Yearly	Low	505 kgs	531 kgs	531 kgs	491 kgs	For the year of 2012-13 Cheshire East Council have been able to reduce the amount of residual waste collected per household which has helped increase the Council's recycling rate (percentage of waste recycled, composted or reused).

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(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	Latest Data		Operational Comments
	Ref	Description					Target	Result	
Performance Measures 2012/13									
	NI 192	Household waste recycled and composted	Yearly	High	52.90%	54.00%	54.00%	53.80%	For the year of 2012-13 Cheshire East Council have been able to reduce the amount of residual waste collected per household which has helped increase the Council's recycling rate (percentage of waste recycled, composted or reused).
	NI 193	Municipal waste land filled	Yearly	Low	43.50%	43.00%	43.00%	42.40%	For the year of 2012-13 Cheshire East Council have been able to reduce the amount of residual waste collected per household which has helped increase the Council's recycling rate (percentage of waste recycled, composted or reused).

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Corporate Scorecard Report for 12/13 Quarterly Reporting

(Organisation Summary)

Mar-2013

Objective	Measure		Frequency	Polarity	Result 2011/12	Year End Target 2012/13	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	8.50 days	8.50 days	9.55 days	Despite high profile activity to manage attendance, absence levels were disappointingly higher than target and the previous year. The North West Employers Organisation report for 2011/12 recorded an average of 9.1 days lost to single tier authorities. The Council has a robust action plan to address absence, drawn up with reference to current best practice and this is regularly reviewed and updated by Cabinet and CMT. When looking at measures used to address absence, over half of all councils responding to a Chartered Institute of Personnel & Development Survey had an Employee Assistance Programme in place. Having given this due consideration, the Council will be introducing its own Programme in 13/14 as well as trialling a proactive intervention for addressing musculo-skeletal problems.

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24th June 2013
Report of:	Customer Service and Libraries Manager
Subject/Title:	Access to Payday Loan Websites through Public PCs in Libraries
Portfolio Holder:	Councillor David Brown

1.0 Report Summary

1.1 This report recommends the introduction of a policy to block access to payday loan websites through public PCs in Cheshire East libraries and other Council buildings.

2.0 Recommendation

2.1 That a policy be introduced to block access to payday loan websites through public PCs in public libraries and other Council buildings in Cheshire East.

3.0 Reasons for Recommendation

3.1 There has been significant recent media coverage regarding payday loan companies, with the Citizens Advice Bureau describing the payday loan industry as “out of control”, following claims of irresponsible lending and harassment. A report by the regulator, the Office of Fair Trading, revealed “widespread irresponsible lending” in the industry. This policy will enable the Council to take action to protect people from falling into a high interest debt trap and guide them towards affordable credit.

4.0 Wards Affected

4.1 All wards

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications

7.1 There will be no financial implications as a result of this policy. As mentioned in paragraph 10.6, there is software already in place that will enable the required changes to be made within existing budgets.

8.0 Legal Implications

8.1 There are no specific legal issues in respect of the proposal in this report.

9.0 Risk Management

9.1 There is minimal risk associated with the introduction of this policy. It could be considered an opportunity to improve the reputation of the Council by taking positive action to protect residents.

10.0 Background and Options

10.1 There has been significant recent media coverage regarding payday loan companies, with the Citizens Advice Bureau describing the payday loan industry as “out of control”, following claims of irresponsible lending and harassment. Citizens Advice has claimed that loans were given to people aged under 18, to those with mental health issues, and to individuals who were drunk at the time. It has called on the regulator to ban irresponsible lenders. Citizens Advice analysed 780 cases and said it had found evidence of lenders chasing the wrong people for debts, taking more than they were owed, and taking regular repayments from those who were struggling to pay. It called on High Street banks to offer micro-loans as an alternative to payday loans.

10.2 Payday loans have increased in popularity over recent years, partly as banks draw back on lending. Typically, someone will borrow a few hundred pounds from a payday loan firm for a short time, to tide them over until they receive their next wage or salary cheque.

10.3 A report by the regulator, the Office of Fair Trading (OFT), revealed “widespread irresponsible lending” in the industry. Following the publication of its report, the OFT sent a warning letter to all known payday lenders reminding them of the need to fully comply with the law and guidance. In addition, it has given the biggest 50 firms, which together account for 90% of the market, 12 weeks to change their practices or risk losing their licences. It has been writing to lenders telling them where to improve and is considering whether to refer the market to the Competition Commission to study how payday loan companies compete.

10.4 Some local authorities have begun to take action against pay-day lenders by blocking access to online payday loan companies from public computers in its libraries. Dundee City Council was the first to block access in December 2012 in a bid to stop people getting into debt over Christmas. The move was criticised, however, by the Consumer Finance Association, which represents some of the largest and most responsible pay-day lenders in the UK, commenting “The council is free to block whichever sites it wishes from its employees' computers but to also do so on public ones in community centres and libraries is denying local residents access to short-term, flexible credit. Pay-day loans are increasingly popular and responsible lenders such as the CFA's members operate by a strict code of conduct which protects consumers.”

10.5 Renfrewshire Council has also put in place measures to block access to payday loan websites from computers in its libraries, offices and community facilities. Michael Holmes, Renfrewshire's deputy leader, said: "The council is determined to use its voice and influence to guide people towards affordable credit such as credit unions and protect them from falling into a high interest debt trap. The changes to the benefit system are going to take £22m out of the pockets of the poorest people in Renfrewshire. Many of them will be driven to payday lenders to try to make ends meet”.

10.6 The public are able to access the internet through public PCs in Cheshire East libraries using the People’s Network. The software that manages access to the internet through these PCs enables the Council to filter access to specified websites, typically because they contain illegal, obscene or pornographic material. The software also uses dynamic content analysis to screen the actual content, context and construction of web pages, so that objectionable, hidden and malicious material can be accurately identified and blocked, ensuring safer surfing, in particular for young people. This software would enable the Council to block access to payday loan websites. It is proposed that access to the websites of the top 50 payday lenders identified in the OFT’s Compliance review is blocked using this software.

10.7 This policy will apply to PCs for public use in all Council buildings wherever practically possible.

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

Cabinet

Date of Meeting:	24th June 2013
Report of:	Rachel Musson, Corporate Operations Officer
Subject/Title:	Improving the Council's Approach to Procurement
Portfolio Holder:	Councillor J Paul Findlow

1.0 Report Summary

1.1 Cheshire East Council currently operates a devolved approach to procurement supported by a small Strategic Procurement Team located in Finance and Business Services Directorate. In the advent of recent events external consultants – V4 Services (V4), have been engaged to undertake an external health check of the Procurement activity across the Council. This report summarises V4's findings and their potential future involvement in helping to address some of the issues highlighted.

1.2 The report has been considered by the Portfolio Holder for Procurement who supports the recommendations.

2.0 Recommendation

2.1 Recommended that the proposal to re-engage V4 Services to support the Council to instil a more robust approach to procurement in anticipation of significant savings (between £1.85m and £4.5m being achieved on a fixed cost basis (£447k) be approved

3.0 Reasons for Recommendation

3.1 V4 has already delivered a procurement health check which identifies significant savings for the Council. Given that their services are available through a (procurement) framework it is appropriate to re-engaging V4 to support the Council in delivering those savings without the need to go through a competitive procurement exercise.

4.0 Wards Affected

4.1 This is a corporate issue and as such all wards are affected.

5.0 Local Ward Members

5.1 As above

6.0 Policy Implications

6.1 The Council has identified ambitious saving targets to be achieved over the next three years. If V4's intervention helps to achieve the savings that they have identified the exercise will be self financing and will contribute improving the budget position for the Council.

7.0 Financial Implications

7.1 The Procurement health check undertaken by V4 suggests that potential savings of between £1.85m and £4.5m could be achieved by a more robust approach to procurement and supplier management in targeted areas as identified in Appendix 1. However securing these savings will require external support. It is therefore proposed that V4 be engaged on a fixed cost basis at a total cost of £447,120 to help the Council to release these efficiencies.

7.2 The budget required to support this initiative will be met from the Transformation Fund although in effect if the identified savings are achieved the initiative will be self financing.

8.0 Legal Implications

8.1 The contract value of the Council re engaging V4 Services exceeds £173,934. The contract is subject to the Public Contracts Regulations 2006 (as amended) and the fundamental principles of the Treaty of Rome (together the Public Contracts Regime) and therefore the Council should compete the opportunity by way of a legally compliant procurement exercise. A procurement exercise, depending on type will take in the region of six to nine months.

8.2 A direct award of contract to V4 Services breaches the Public Contracts Regime and the Councils own Financial Procedure Rules. A successful challenge against the Council could lead to:

- the award of damages to the claimant;
- the setting aside of the arrangement between Cheshire East and V4("declaration of ineffectiveness") and a mandatory civil financial penalty;

8.3 It is understood that the Council can make a direct award of contract from a legally procured framework agreement if it becomes a member of the North East Procurement Organisation (NEPO). NEPO operates a neutral vendor solution for the engagement of consultancy, specialist professional services and interims known as NEPRO. NEPRO is open to any public sector organisation if signed up as an Associate Member. Subject to Council's ability to legally draw off that framework the Council will be able to make a legal direct award.

9.0 Risk Management

9.1 There is a risk that if the issues raised in the Procurement health check are not addressed the Council will not realise the savings identified and if demand and supplier management are not improved this will lead to further wastage.

9.2 If the Council undertakes an open procurement exercise there is a risk that this will lead to delays in securing an improvement partner, potential loss of business intelligence already gathered by V4 and the potential for work already undertaken to be repeated by an alternative provider to enable them to get up to speed. Overall this could lead to delays in improving the current positions and savings being delayed.

9.3 There is a risk that if additional support is not provided to the Corporate Procurement Team there will be insufficient resource to support the Council's commissioning plans leading to ambition to deliver alternative delivery models not being achieved.

9.4 There is a risk that as the Council progresses its commissioning ambition that the potential for efficiency will transfer to the new delivery models in which case the Council will not directly benefit.

10.0 Background and Options

10.1 Cheshire East Council spends over £140 million a year on goods and services ranging from everyday items like pens and paper to procuring critical services for vulnerable members of the community. The successful and compliant procurement of goods and services is essential to ensure the Council delivers quality services at the right time, to the right quality at the right price.

10.2 Central Government has consistently expected local authorities to achieve annual efficiency savings through better procurement. Smarter and well planned procurement can also help and contribute to the wider social and economic challenges which the Council faces.

10.3 Cheshire East (CE) operates a devolved approach to procurement with activity undertaken as required within Services. This activity is supported by a small corporate Strategic Procurement Team (5.8 FTE) currently headed up on a temporary basis by the Shared Services Manager.

10.4 Since the Council's inception in April 2009 the Procurement team has been subjected to:

- An external Procurement Efficiency review (SOLVIS – November 2010)
- An independent procurement health check conducted by NWIEP and AGMA (Feb 2011)
- An Internal Audit of procurement (December 2012)

10.5 The outcomes from these reports have been used to inform a plan aimed at improving the Council's overall approach to Procurement. This has helped in driving process improvement and some efficiency however resourcing issues and lack of corporate buy-in has resulted in not achieving the ambitious savings that could be harvested.

10.6 Different models of for the delivery procurement are actively being pursued (internal and external) but again these have been slow to deliver a viable alternative to the current set up.

10.7 In April 2013, the Council engaged V4 to review the Council's overall approach to procurement. This engagement was secured through an existing framework and funded through existing budgets at the request of the Interim Chief Operating Officer. Their brief was to:

- Undertake a "health check review" and produce a diagnostic report;
- Identify the strengths and opportunities for improvement;
- Present an outline savings plan;
- Provide a roadmap with recommendations on how improvements can be achieved.

10.8 This involved a detailed document review; spend data analysis; and interviews with a range of key officers from across the organisation.

11 Summary of Findings

11.1 V4 has recently provided the Council with the report outlining their findings, which in summary suggest:

- Demand management – gatekeeper initiatives are in place, however no evidence of reducing maverick / off contract spend;
- Limited (structured) supplier engagement – 53% of total suppliers are valued below £1,000 and engagement predicated on contract termination;
- Large number of staff undertaking some form of 'procurement activity; – corporate procurement is reactive/advisory service with limited strategic influence;
- Lack of spend visibility – No Procurement Action Plan, spend control, cross cutting opportunities, tail end spend management;
- No Category Management – service driven, lack of visibility / opportunity;
- Lack of process and governance, core tools or model contracts, and convoluted processes.

11.2 To address these issues V4 highlight there is a strong business case to build capacity within the Council. They identify the drivers and justification for this as:

- Providing additional capacity and better skills in order to drive out cashable savings for investment;
- Improving service quality by ensuring goods and services better meet customers' needs;
- Improving and standardising business processes to drive out additional process savings;

- Delivering a positive and consistent experience for organisations wishing to trade with the council, by adopting common approaches, policies and documentation

11.3 The report goes on to identify a number of barriers to achieving these objectives based on V4's field work including:

- Lack of capacity and dedicated resource to undertake strategic procurement activities;
- Significant procurement activity is devolved to service areas without the proper controls with consequential risks;
- Inconsistent skills of staff undertaking procurement activities as part of their existing role;
- Process inefficiencies, such as waiver process;
- Perceived lack of recognition across the Council of the strategic importance of the procurement function;
- Generally a lower level of understanding about what procurement is and what it can achieve for the Council in respect of savings and improvements;
- Lack of overall grip on expenditure, contract management and supplier performance.

11.4 The report concludes that a satisfactory financial case exists based on the potential savings identified by V4 of between £1.85m and £4.5m (Appendix 1) that could be achieved by taking a different and in some cases a more strategic approach to procurement and recommending that Category Management should form the corner stone of any model moving forward.

12 Proposed Way Forward

12.1 The findings of the V4 diagnostic holds no surprises for those closely involved with strategic procurement in Cheshire East Council. However, the key issue will be identifying sufficient capacity and skill to deliver the required step change from within existing resources. It is clear that efficiencies in procurement will only be driven out by pump prime investment in the function.

12.2 It is clear that V4 have both the skills and capacity to make this difference. Having undertaken the initial field work, V4 have gained a good understanding of the challenges faced by the Council and could, if re-engaged to undertake the next phase of work, hit the ground running in helping to mobilise the organisation to start releasing the efficiencies through a more robust approach to category management.

12.3 When engaged V4 will operate within the Council as part of the internal 'Commercial Unit', to reinforce the culture and message that they are here to support and strengthen the existing corporate procurement function, rather than acting as separate consultants. The ethos of V4 is to up-skill Council staff during their tenure, so they can leave a legacy of workable practices and solutions for the Council to drive forward longer term.

12.4 V4 have provided a resource outline and costing proposal (without obligation). The Portfolio Holder agreed the Output-based pricing arrangement should be adopted, which will cost £37,260 per month including expenses.

The exact overall cost will be dependent on the time taken to put in place action to drive out efficiency. On this basis it is essential that the Service areas concerned are signed-up to work with V4 and the Procurement Team to deliver the desired savings. This arrangement can be stopped at any time by the Council, but it is expected that V4 will be required for approximately one year to secure the savings at a total cost £447,120.

13 Engaging Consultants

13.1 In these austere times the potential of achieving significant savings through procurement cannot be ignored and there are many consultants out there promising the “silver bullet” to realise efficiencies. V4 were selected to undertake the diagnostic of the Council’s procurement activity on the basis of officers’ previous experience in another local authorities and that only a modest investment (circa £7k plus expenses) was required to get them on site quickly.

13.2 It is evident that V4 have a proven track record of working with several councils across the country all of which appear to have benefited from V4s approach and delivery of expected savings. References have been secured from Bedford Borough Council and Peterborough City Council to date and these are both very positive about V4’s approach and delivery. These evidence the V4 approach of integrating their team with the councils own procurement resource thereby using local knowledge, communications and relationships to access and deliver targeted savings. This brings additional benefits in terms of skills and knowledge transfer which will develop internal capacity and help to embed a more robust approach to category management moving forward.

13.3 The cost of the second phase of work proposed by V4 is not insignificant but if the suggested efficiencies are achieved this would be a good return on investment. It is acknowledged that other consultants are available to undertake this type of exercise but given that V4 have already completed the preparatory work it would seem sensible to continue to use them rather than bring in another company at this stage, and their costs are very competitive.

13.4 It is proposed that V4 undertake the second phase of work to help realise the savings identified in the first phase. However given the value of the commission it is important to ensure that services are procured in a legal manner.

13.5 It is acknowledged that other consultants are available to undertake this type of exercise but given that V4 have already completed the preparatory work it would seem sensible to continue to use them rather than bring in another company at this stage and their costs are very competitive.

13.6 V4 Services is as an accredited supplier of NEPRO and as such their services can be called-off their framework by any member or associate member of the

North East Procurement Organisation. In effect this means that the Council can secure V4's services without the need to go through a full procurement process and therefore prevent any delay in securing the benefits to be realised i.e. efficiency savings.

14 Conclusions

14.1 V4's input to date is useful in that it brings into sharp relief deficiencies in the Council's overall approach to procurement. The issues are not insurmountable with the right support but it is considered that this situation needs to be rectified as soon as possible if the identified savings are to be achieved for the Council. There is a risk that as the Council progresses its commissioning ambition that the potential for efficiency will transfer to the new delivery models in which case the Council will not directly benefit.

15.0 Access to Information

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

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APPENDIX 1

Target Savings Plan

Below are the high level opportunities identified within the diagnostic that will form the key activity and work plans in terms of savings delivery:

	Opportunity	Min Annual Saving	Max Annual Saving	V4 Rationale
1	**Supplier Engagement –** Top 25 spend circa £64m	£1.28m	£3.20m	Typical we have achieved between 2 – 5% with other Authorities by running a supplier engagement programme
2	**Waste**	£44k	£66k	Charge for Garden Waste figure n/k Renegotiate the Henshaw arrangement (Transfer Station in the north)(Spend £550k / tonnage 22,000). Reduce tonnage fee from £25 / £20 closer to council in house cost of £12k (£2 or £3 reduction)
3	**Fuel**	£15k	£25k	5 bunkered fuel depots, 2 in the north and one in the south. One site barely used, spend circa £1.5m. Fuel cards circa £176k with Allstar. Difference in cost between trade and retail circa £0.20. Manage utilisation / Demand
4	**Waste**	tbn	tbn	Incorporate Litter bin collection into waste service.
5	**Home to school transport**	£105k	£240k	£3.2m spend. Despite repeated requests the Service area refused to meet with the V4 team. V4 have achieved between 7 and 16% of savings in this area. Estimate spend on quick win areas to be circa £1.5m
6	**Transport Services**	£64k	£130k	Undertake a strategic review of all transport services including utilisation, ancillaries, impress, lease / Buy / need (£3.2m)
7	**Public Health**	£130k	£250k	All contracts rolled over for 1 year. Usage figures still need to be understood. Services to extract from block contracts. (£13.7m spend). (Savings to be ring fenced)
8	**Print / Mail**	£50K	£150k	18.5fte across both functions. BPR
9	**Consultancy**	£50k	£150k	£2m of spend.
10	**Reduce Tail end spend**	£100k	£300k	Push more through corporate agreements and switch off requirement through stronger demand management
	Total	**£1.85m**	**£4.5m**	

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	24th June 2013
Report of:	Head of Environmental Protection & Enhancement
Subject/Title:	Major Change Project 6.4 - Determine Future Delivery Model for Waste Management Services
Portfolio Holder:	Cllr David Topping - Environment

1.0 Report Summary

1.1 Cheshire East Council (CEC) is both a waste collection and waste disposal authority (as defined in the Environmental Protection Act 1990). CEC has a number of responsibilities for the household waste that arises within its area. Due to the size and shape of the authority the collection service is divided into two operational zones - North and South. A depot is located in each (Macclesfield for the North and Crewe for the South) and these are both owned by the Council.

1.2 For the collection of household waste, CEC operates an in-house, wheeled bin-based, three stream kerbside waste collection service. This is based on an alternate weekly collection (AWC) solution of refuse, co-mingled recycling and garden waste. The introduction of this was completed in October 2011. This service has been popular with residents, with 93% customer satisfaction ratings and has enabled the authority to achieve a recycling rate of around 55%, which is top performance quartile. Currently, the Council's residual waste is disposed of 100% through landfill.

2.0 Service Review Achievement Highlights and Future Challenges

2.1 Since commencing the service review earlier this year, the Council has already identified the following areas that will make significant contributions to future service delivery efficiencies:

£1.9m of savings that can be secured from improvements to current waste disposal and collection activities. All savings identified, can be delivered ahead of schedule within 2014/15;

Significant move away from landfill disposal techniques with the opportunity to divert residual waste disposal requirements to a "waste to energy" programme;

Challenged and rigorously reviewed the existing waste collection service and identified investment opportunities within the fleet that will improve service reliability;

Engaged with Council Members, Employees and Trade Union representatives to develop credible change programmes that can be implemented with minimal service disruption;

Identified a new approach to service delivery that will see the creation of a wholly owned company (WOC) that manages the Council's waste collection and disposal needs. The WOC will enable the Council to pursue an ambitious change programme, whilst retaining the flexibility to pursue future opportunities associated with diverting waste away from landfill into energy generating projects.

2.2 Although this paper has been presented as a single agenda item, due to the various strands and complexity of the activities, it will be presented in four sections. These being:

Section A - Existing Service Efficiency Review
This section runs through the detailed review undertaken by iESE Ltd (a public sector owned company) including all of their findings. Included within this section are details of actions needed that will generate on-going savings in excess of £1m from 2014/15. Once achieved, it is expected that the service costs, will then compare favourably to outsourced private sector provision.

The review covered both financial and non-financial implications of different efficiencies and has covered a wide range of service areas including:

Overall operational model;
Fleet provision and maintenance;
Round Structure – residual and recycling;
Management structure and staffing levels.

Section B - Future Delivery Models
This section runs through the various delivery models that will allow the Council to secure the greatest short-term benefits whilst remaining agile and flexible to adapt to the changing needs of waste management and the emerging opportunities associated with waste to energy initiatives. The review has considered a range of options from status quo through to the establishment of a wholly owned company.

Section C – Review of Depot Infrastructure
This section acknowledges the need for investment in new and existing facilities within the borough, providing the service with the greatest resilience in future years.

Section D - Interim Residual Waste Disposal Options (will be dealt with under Part 2 of the meeting and is contained in a separate paper).
This section explains in detail the procurement strategy associated with business continuity for all disposal arrangements post 31st March 2014.

2.3 Although each section can be read independently, it must be noted that none can be delivered/ progressed in isolation and only when combined, will deliver the service improvements required, namely:

Positive move away from landfill disposal methods;
Maintaining current levels of service satisfaction (in excess of 85%) that the residents of Cheshire East experience;
Securing service cost reductions of £2.5m by 2015/16.

2.4 The detailed analyses for Sections A to D can be viewed by contacting the report writer.

Summary of Recommendations
(For record of decisions – use detailed recommendations within each sub-section of the report, A – D)

3.0 Section A - Existing Service Efficiency Review

It is recommended that:

3.1 Cabinet note the findings of the service review that has highlighted the most appropriate areas for consideration (for full details refer to 3.4 within Section A below).

3.2 Cabinet approve the recommended plan and areas for delivery of the required efficiencies within the existing service (for full details refer to 3.4 within Section A below).

3.3 Once the above have been approved, that the responsibility for further development and implementation is delegated to the Head of Environmental Protection and Enhancement in conjunction with the Section 151 Officer, Monitoring Officer, Portfolio Holder for Environment and is subject to the corporate project quality assurance process governed by the Executive Monitoring Board (EMB) to ensure that the project is reviewed, prior to any future implementation.

4.0 Section B - Future Delivery Model

It is recommended that:

4.1 Cabinet note the findings of the options appraisal that has concluded the most appropriate future delivery model to be that of a wholly owned company encompassing an in-house collection service. (For full details refer to Section B below).

4.2 Cabinet approve, in principle, the formation of the company shell and the further work required to define the most appropriate legal form of company. The current view that requires further consideration with legal advisors is that the company will be Limited by Guarantee or Limited by Shares.

4.3 Cabinet agree to the establishment of a Shadow Board of Directors for the company and the Cabinet portfolio holder for Environment, Cllr David Topping work with the Leader of the Council and Chief Executive to define the appointments of the Non Executive Directors to the Shadow Board.

4.4 The Chief Executive and Monitoring Officer are given delegated authority to take forward the actions required to implement the recommendations and set up the Company shell, reporting back to Cabinet in October 2013 for endorsement of the new company (for full details and specific actions, refer to Section B below).

4.5 That subject to agreement of 2.1 to 2.4 of Section B of the report, and with cognisance of delegation in 2.4 of the report, the responsibility for further development and implementation is delegated to the Head of Environmental Protection and Enhancement in conjunction with the Section 151 Officer, Monitoring Officer, Portfolio Holder for Environment and subject to the corporate project quality assurance process governed by the Executive Monitoring Board (EMB) to ensure that the project is reviewed, prior to any future implementation.

5.0 Section C – Review of Depot Infrastructure

It is recommended that:

5.1 Cabinet acknowledge the need for new facilities within the North of the borough along with the need for improvements to be made to existing facilities at Pyms Lane (Southern Depot) to accommodate current and future service needs.

5.2 Cabinet approve that the responsibility for further development, funding and future implementation is delegated to the Head of Environmental Protection and Enhancement in conjunction with the Section 151 Officer, Monitoring Officer, Portfolio Holder for Environment and is subject to the corporate project quality assurance process governed by the Executive Monitoring Board (EMB) to ensure that the project is reviewed, prior to any future implementation.

6.0 Section D - Interim Residual Waste Disposal Options (will be dealt with under Part 2 of the meeting and is contained in a separate paper)

It is recommended that:

6.1 Cabinet note the findings of the costed options appraisal, financial implications and risks (for full details refer to **Interim Residual Waste Disposal Options Paper – Section D** (**Part 2 item)**, Para 3.4 to 3.5, 7.1 to 7.7 and Para 9.1 to 9.8) that concluded the most appropriate interim residual waste disposal solution.

6.2 Cabinet approve the recommended option for the interim waste disposal solution to be effective from April 2014 along with the offer to divert some residual waste away from landfill during 2013/14 as set out in **Interim Residual Waste Disposal Options Paper – Section D**, **Para 2.1 (Part 2 item)**.

6.3 Once the above are approved, that the responsibility for further development and implementation is delegated to the Head of Environmental Protection and Enhancement in conjunction with the Section 151 Officer, Monitoring Officer, Portfolio Holder for Environment and is subject to the corporate project quality assurance process governed by the Executive Monitoring Board (EMB) to ensure that the project is reviewed, prior to any future implementation.

6.4 Cabinet note an update regarding the previously approved contract extensions for Garden Waste, Dry Recyclate Bulking and Dry Recyclate Haulage as set out in **Interim Residual Waste Disposal Options Paper – Section D**, **Para 2.1 (Part 2 item)**.

7.0 Wards Affected

7.1 All Wards are affected

8.0 Local Ward Members

8.1 All Local Ward Members

9.0 Policy Implications

9.1 The Council's three-year plan budget principles – "We will ensure that those who provide services, whether in-house or externally, give real value for money".

9.2 This initiative aligns with Outcome 4 (Cheshire East is a green and sustainable place) of the Council's Three Year Plan.

9.3 The Council's Business Plan identifies efficiency savings linked to Waste Management services (Priority 6. Redefining the Council's role in core place-based services - 6.4: Determine future delivery model for waste management services).

9.4 For specific policy details – refer to each individual section A to D

10.0 Legal Implications

10.1 For specific details of the legal implications on each strand of the programme please refer to each individual section A to D of this report.

11.0 Financial Implications

11.1 For specific details of the financial implications on each strand of the programme please refer to each individual section A to D of this report but summary can be found below.

PROPOSED SAVINGS ACHIEVEMENT	**2013-14 £M**	**2014-15 £M**	**2015-16 £M**	**Total £M**
Savings Target per Business Plan	***(0.113)***	***(1.0)***	***(1.5)***	***(2.613)***
Service Efficiency Review (Section A)	(0.320)	(0.781)	(0.049)	(1.150)
Interim Residual Waste Disposal (Section D)	(0.111)	(0.510)	0.073	(0.548)
Existing Contract Extensions (Section D)		(0.110)	(0.110)	(0.220)
Total Savings Proposed	**(0.431)**	**(1.401)**	**(0.086)**	**(1.918)**

12.0 Risk Management

12.1 For specific details of the risk management factors for each strand of the programme please refer to each individual section A to D of this report.

13.0 Action Plan for Implementation

13.1 In order to implement the proposed programme, there is a significant but achievable amount of planning and discussion required.

13.2 This will require a dedicated project lead and sponsor with in-depth knowledge of the area and a dedicated project team will be needed.

13.3 With this in place, the identified benefits and improvements will allow the savings targets to be achieved across 2014/15 and 2015/16 and the new company to be set up and operational. Once Cabinet approval is given for the proposal, then a full implementation plan will be built defining milestones, reporting to progress and governance.

14.0 Further work yet to be conducted

14.1 Long Term Waste Strategy to be defined and tested

14.2 Procurement Strategy

14.2.1 The outcomes of the first phase of this programme of work will have delivered business continuity up until March 2016 with interim disposal capacity in place, depot infrastructure planned and the service improvements underway.

14.2.2 The Council intend to go to market for a range of services during 2013 with the objective of having new contractual arrangements in place for April 2016 at the latest.

14.2.3 It is proposed that dialogue with suppliers across the waste industry will commence in July 2013 to gain an understanding of developments in the market and to begin to explore the Councils future requirements. The Council will publish a Prior Information Notice (PIN) notice in August 2013 declaring its intention to commence a procurement process and to establish the link with the market and engage interest in the Cheshire East waste service.

14.2.4 It is considered favourable to conduct this procurement through a competitive dialogue and the waste team will shortly commence the planning of this, to identify resource structure and costs for this process.

14.2.5 Although the programme of improvements have a positive impact upon the Council's waste strategy goals, including a considerable number of environmental enhancements (most notably the move away from landfill disposal), it is necessary to further define the Councils long-term needs to ensure the Council's vision and future Strategy can adapt to the technological service improvements whilst at the same time being able to take advantage of emerging opportunities that will see a greater proportion of waste utilised as fuel in "waste to energy" projects. Therefore, the Council's waste strategy will need to continue to evolve as the change programme progresses.

14.2.6 All of the interim arrangements will be structured in such a way as to bring existing waste contracts co-terminus with any new contracts coming into operation and will also allow for early termination in the event that significant changes arise in the requirements of the service.

14.3 Gaps in Savings Against Target

14.3.1 There is a shortfall of £600,000 in savings against the target set in the 3 year financial planning 2013-16 and the Council will have committed to further reviews of the overall service to identify these.

14.3.2 The review has also identified a number of additional areas for consideration as detailed in section A, Para. 3.6 of this report and further work will be undertaken to test these.

Section A - Existing Service Efficiency Review

1.0 Report Summary

1.1 Cabinet, at its meeting on 10th December 2012, considered a report on the future of waste services. Key decision 22 (1-6) resolved: That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, be authorised:

i. To review the in-house collection service to identify areas of efficiencies;
ii. To procure external consultancy support to deliver new arrangements.

2.0 Recommendations

It is recommended that:

2.1 Cabinet note the findings of the service review that has highlighted the most appropriate areas for consideration. The full service review, with analysis and figures can be obtained by contacting the author.

2.2 Cabinet approve the recommended plan and areas for delivery of the required efficiencies within the existing service as shown in 3.4 below.

2.3 Once 2.2 has been approved, that the responsibility for further development and implementation is delegated to the Head of Environmental Protection and Enhancement in conjunction with the Section 151 Officer, Monitoring Officer, Portfolio Holder for Environment and is subject to the corporate project quality assurance process governed by the Executive Monitoring Board (EMB) to ensure that the project is reviewed, prior to any future implementation.

3.0 Reasons for Recommendations

3.1 There is a need to achieve best value for the services that the Council directly provides and reduce net operating cost wherever possible, whilst at the same time maintaining the best possible service for its residents in line with the Council's three-year plan.

3.2 The review and the delivery of the proposed efficiencies and improvements to the existing, in-house Collection service will contribute to achieving best value and the objectives of the 3-year business plan, as outlined in 3.1.

3.3 The purpose of the service review was to deliver an in-depth appraisal of the current, in-house waste collection services costs. The analysis covered both the financial and non-financial implications of different efficiencies and has covered a wide range of service areas including:

3.3.1 Overall operational model;
3.3.2 Fleet – provision and maintenance;
3.3.3 Round structure – residual and recycling;
3.3.4 Management structure and Staff levels.

3.4 The report has concluded that there are many areas for consideration and implementation - the full service review can be obtained by contacting the author but a summary is included here for ease:

Ref:	Cost Reduction Description	Saving £	2013/14 £'000	2014/15 £'000	2015/16 £'000
CR1	No additional bank holiday funding with effect from 01/04/13	56k	(56)		
CR2	Holiday cover for previous years no longer required from 01/04/14	25k		(25)	
CR3	Harmonisation Compensation payment ceases Nov 2014	73k		(24)	(49)
CR5	Reduction in Residual Collection Rounds from 20 to 19.	127k		(127)	
CR6	Reduction in Recycling Collection Rounds from 18 to 17.	127k		(127)	
CR7	Further reduction in Residual from 19 to 18 and Recycling Collection Rounds from 17 to 16 following Round Reorganisation.	254k		(254)	
CR8	Extension of Existing Garden waste non collection period from 6 weeks to 17 weeks.	298k	(194)	(104)	
CR10	Replacement of existing 20 Core Contract hire vehicles with Council capital purchase vehicles.	120k		(120)	
CR11	Removal of charges associated with vehicles no longer in service.	40k	(40)		
CR12	Reduction in tyre costs arising from change in contract and procurement of more suitable tyres for vehicles accessing landfill.	30k	(30)		
		Phasing	(320)	(781)	(49)

Total recurring savings achieved by 2015/16 - £1,150,000

3.5 In reaching this plan, exhaustive discussion and consultation with service management and officers has taken place to refine the original thinking to arrive at an overall plan that is deliverable. There are some challenges associated with each of the proposed savings and some inter-dependencies that will need careful planning before implementation but all are considered possible with the right level of support and management.

3.6 Within the full service review a number of ‘other’ areas for consideration have been highlighted. It is recommended that further work be undertaken to fully address these areas to understand the implications to the Council and the financial impact each have on it - the full service review can be obtained by contacting the author but a summary is included here for ease:

Further consideration	
Waste Management Staffing Restructure	£314k
Further learning based on comparison of model figures and 2012/13 out-turn £tba	c. £122k
Payment of overtime in 2012/13 reflected in a budget provision, or rather, treated as a risk item and covered by earmaked reserve	£64k
Review and identification of more efficient cross-charging mechanism within Fleet Services	TBC
Agency staff review	TBC
Reduction in Household waste recycling centres	TBC
Joint Waste Team reduction	£216k
Comparison of current May Gurney Lease charges to Council capital purchase identifies a differential	TBC

4.0 Wards Affected

4.1 All wards.

5.0 Local Ward Members

5.1 All local ward members.

6.0 Policy Implications

6.1 The Council's three-year plan budget principles – "We will ensure that those who provide services, whether in-house or externally, give real value for money".

6.2 The Council's Business Plan identifies efficiency savings linked to Waste Management services (Priority 6. Redefining the Council's role in core place-based services - 6.4: Determine future delivery model for waste management services).

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

7.1 In order to meet stringent financial targets the Council has detailed cost savings across all council services as part of the 3-year business plan. Within Waste Services, target savings of £1m in 2014/15 have been set with a further £1.5m set for 2015/16.

7.2 The full savings summary is shown in para 3.4 above and detailed modelling and analysis is available from the report author. In summary and subject to whether or not all of the proposals are recommended annual budget savings can be made in the order of £1m recurring by 2014/15.

7.3 The financial savings associated with the recommendations have been 'tested' and confirmed with Cheshire East's Waste Management team for scale and implementation. As noted in Para 3.5 above, there are some challenges and risks associated with each of the proposed savings and some inter-dependencies that will need carefully planning before implementation.

8.0 Legal Implications

8.1 Extending the period of garden waste non-collection from 6 weeks to 17 weeks will have an impact on the payments made to the service provider. The annual payment to the service provider will reduce although estimating the actual figure is difficult because we do not know how service users will manage waste in the event of the change. The Council has the right to require a change to the terms of the contract. The definition of Council Change is a change in the Council's policies that the service provider is obliged to accept, however, unless that change is as a result of contamination and the change is not in any way caused by the acts or omissions of the service provider then the Council will be liable for the service providers losses. Should the Council choose to pursue this option it should first ascertain if the service provider will look to the Council for lost revenue.

8.2 Extending the period of non-collection will require consultation with service users.

8.3 Any restructure of waste management staff will require consultation with employees and Trade Unions as per HR policy and the appropriate restructuring/ redundancy exercises carried out in accordance with the legal requirements.

8.4 Any efficiency based on changing services or goods will be subject to the Council's ability to exit from current contractual relationships without penalty and new providers need to be selected following legally compliant procurement exercises.

8.5 Para 3.6 refers to the consideration of a reduction in household waste recycling centres. The Council has a duty to provide Household Waste Recycling Centre (HWRC) facilities under the Environmental Protection Act 1990. The legislation does not define the number of facilities required save the requirement for them to be 'reasonably accessible to persons resident in the area'. Consultation with service users and communication of changes will be required. If HWRC's are designated delivery points for waste electrical and electronic equipment (WEEE), alternative delivery points will need to be provided by the Council or a third party.

9.0 Risk Management

9.1 There are a number of risks associated with the cost savings proposal, these are captured in detail along with mitigating actions as a part of the Project governance, those described below represents the pertinent ones that it is felt necessary to bring to the attention of members.

9.2 Early and continued engagement with trade unions and the existing workforce even at this stage will be key to successfully delivering the outcomes of the review.

9.3 There will be a number of staffing issues that will need to be considered further as part of the implementation of the proposed savings.

9.4 The proposed reduction in the Garden Waste operation may result in reputational challenges for the Council. This will need to be managed very closely to minimise any adverse reaction or publicity.

10.0 Action Plan for Implementation

10.1 In order to implement the proposed cost savings, there is a significant but achievable amount of planning and discussion required. This will require a dedicated project lead and sponsor with in-depth knowledge of the area and a dedicated project team will be needed. With this in place, the identified savings will allow the savings targets to be achieved across 2014/15 and 2015/16. Once Cabinet approval is given for the proposal then a full implementation plan will be built defining milestones, reporting to progress and governance.

Section B - Future Delivery Model

1.0 Report Summary

1.1 Key decision 22 (1-6) of the December 2012 Cabinet resolved: That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, be authorized to consider the potential options for the continuance of the Councils statutory duties and for the future longer term development and delivery of the Waste management service. As part of this iESE Ltd were commissioned to undertake an exploration into the future operating model and legal vehicles that could be used to deliver the service in future.

1.2 This report now sets out the work to date on the future operating models. It seeks Cabinet approval to the establishment of a delivery company subject to additional work to establish the most appropriate company vehicle to optimise and achieve the Councils objectives and approval to continue to operate an in-house collection service for the foreseeable future within the construct of that company model. The project is in line with the Council's three-year plan - Priority six: Redefining the Council's role in core place-based services. It is also part of the Major Change Programme - 6.4: Determine future delivery model for waste management services.

1.3 The Corporate Management Team (CMT) reviewed the project on the 4th June and its comments have been taken into account in the writing of this report. Further work has also been undertaken on the project documentation following the CMT briefing meeting.

1.4 The current service includes household waste collection, residual waste disposal, mixed recyclate bulking and haulage, garden waste and household waste recycling centres (HWRC), along with the management team associated with the service. The Waste Management service has 220 plus FTE staff and in 2012-13 financial year the council spent approximately £22m in delivering all waste services. In addition, a Joint Waste Team is funded between Cheshire East and Cheshire West & Chester Councils to manage the joint waste contracts for landfill, closed landfills and HWRCs.

2.0 Recommendations

It is recommended that:

2.1 Cabinet note the findings of the options appraisal that has concluded the most appropriate future delivery model to be that of a wholly owned company encompassing an in-house collection service.

2.2 Cabinet approve, in principle, the formation of the company shell and the further work required to define the most appropriate legal form of company. The current view that requires further consideration with legal advisors is that the company will be Limited by Guarantee or Limited by Shares.

2.3 Cabinet agree to the establishment of a Shadow Board of Directors for the company and give delegated authority to the Cabinet portfolio holder for Environment, Cllr David Topping work with the Leader of the Council and the Chief Executive to define the appointments of the Non Executive Directors to the Shadow Board.

2.4 The Chief Executive and Monitoring Officer are given delegated authority to take forward the actions required to implement the recommendations and set up the Company shell, reporting back to Cabinet in October 2013 for endorsement of the new company.

Specific actions are:

Review the legal advice and define the appropriate legal vehicle for the Company by end July 2013;

Define and draw up the Company objects;

Set up the Company as a separate legal entity and establish its Memorandum and Articles of Association by end August 2013;

Define the HR; Financial and legal implications of the company set up; transfer of staff and the service contractual agreements;

Develop a three year business plan for the company and set objectives against which its performance will be measured;

Define and develop the arrangements between the Council and the Company for all/any support services required and draw up any required service agreement(s).

2.5 That subject to agreement of 2.1 to 2.4 and with cognisance of delegation in 2.4 the responsibility for further development and implementation is delegated to the Head of Environmental Protection and Enhancement in conjunction with the Section 151 Officer, Monitoring Officer, Portfolio Holder for Environment and subject to the corporate project quality assurance process governed by the Executive Monitoring Board (EMB) to ensure that the project is reviewed, prior to any future implementation.

3.0 Reasons for Recommendations

3.1 There is a need to achieve best value for the services that the Council directly provides and to reduce net operating cost wherever possible, whilst at the same time maintaining the best possible service for its residents in line with the Council's three-year plan.

3.2 The review of the waste management service and the establishment of a wholly owned company means that the service will help to achieve the previous point whilst also maximising opportunity for partner engagement and promoting high quality service delivery.

3.3 The purpose of the options report was to deliver an appraisal for waste management services and to determine the future delivery models. The high level comparator analysis (shown in section 10 background, Para 10.4) completed thus far has considered at a high level the pros and cons and implications of different management vehicles and has covered a number of potential options, including:

- Establishing a new company;
- Continuing in-house management;
- Outsourcing management via a private sector company

3.4 The appraisal has concluded that a viable long term option aligned to the strategic direction and ambitions of the Council is the further exploration and establishment of a company model and this should be in the form of a new one created by the Council. The correct company structure is dependant upon the objects and function of the company. The review of the waste collection service has determined that, provided the identified savings are achieved there is no advantage to be gained from undertaking a procurement to outsource the service at this point in time. The review of the longer terms options for the waste services will give further consideration to the direction for the service beyond 2016.

3.5 While the Local Government legislation gives councils the ability to operate services inter-authority and to trade certain aspects of service, a company model can offer additional benefits such as:

- Offers a neutral vehicle for the service rather than one authority being seen to 'take over' the other. This can often be important politically;
- Can serve as an interim step on path to a more arms' length arrangement such as spinning-out to a mutual or private sector;
- Offers greater flexibility on pension and employment terms;
- Moves the Council / service relationship to a contractual one which is a move to more of a commissioning Council structure;
- Allows the service to operate in a more flexible decision making framework of a company outside of the normal restrictions of Council decision-making.

3.6 There is a requirement for the project to go through the Council's project Gateway process for review and endorsement before a recommended way forward can be presented to Cabinet.

4.0 Wards Affected

4.1 All Wards are affected.

5.0 Local Ward Members

5.1 All Local Ward Members.

6.0 Policy Implications

6.1 The Council's three-year plan budget principles – "We will ensure that those who provide services, whether in-house or externally, give real value for money".

6.2 This initiative aligns with Outcome 4 (Cheshire East is a green and sustainable place) of the Council's Three Year Plan and the ambitions of the Council to invest in more innovative and flexible ways of delivering services.

6.3 The Council's Business Plan identifies efficiency savings linked to Waste Management services (Priority 6. Redefining the Council's role in core place-based services - 6.4: Determine future delivery model for waste management services).

7.0 Financial Implications

7.1 There is a programme of work yet to be completed to identify the financial implications of the financial costs and savings associated with the establishment of the company.

7.2 The work so far has investigated the costs of the collection service compared with outsourced models and current market behaviours. There are significant savings identified in the collection service in the next 2 years and the delivery of these is fundamental to the services being cost effective against market competition and to ensure it has a viable proposition to make to potential customers. The delivery of these savings is not reliant upon the establishment of a company vehicle for the service.

7.3 Further work is required to assess the financial implications of the company options to be considered based on the following key income and expenditure areas:

- the current net direct costs of the services;
- the impact of VAT; NNDR and Corporate tax on the different models;
- the impact arising from central support costs;
- profit, contingency and overheads;
- the impact on pension costs to the Council and operator;
- detailed assessment of set-up costs and timescales;

- operational changes to increase revenue or reduce costs; and
- implications of including other services within the commissioning opportunity.

7.4 The recommendation is to finalise the establishment of a company legal vehicle and further define the nature of the company and ensure its smooth set up and transition of services. This further work will seek to identify additional savings which could be achieved through the establishment of the company and make recommendations to achieve both financial and non-financial benefits to the Council, particularly in relation to strategic priorities and integration of services. All current services within the Waste Management service will be included.

7.5 A fully costed implementation plan requires to be developed taking into account the legal considerations for the company structure and the implementation of the transition of the in-house waste collection services and outsourced waste contracts to the new company. However indications from our experience of other organisations that have taken the same path indicate costs to be in the region of £30,000 (such costs to be funded from Cost of Investment monies for the Waste Project in 13-14 & 14-15 totalling £600k).

8.0 Legal Implications

8.1 Unless the Council is outsourcing the service delivery to a company that is wholly controlled by Cheshire East Council it will be necessary to undertake a procurement exercise.

8.2 As the value of the service contract exceeds £173,934, the contract is subject to the Public Contracts Regulations 2006 (as amended) and the fundamental principles of the Treaty of Rome (together the Public Contracts Regime) a procurement exercise means that the Council owned company would need to compete with the European open market for the work. A procurement exercise, depending on type will take in the region of nine months.

8.3 There is an exception, in certain circumstances, where a contract let by a public body will not be deemed to be a contract for the purposes of the Public Procurement Regime. The relevant circumstances are that:

- The service provider carries out the principal part of its activities with the relevant public body;
- The public body exercises the same kind of control over the service provider as it does over its own departments;
- There is no private sector ownership of the service provider or any intention that there should be any.

The exemption was established by a European Court of Justice case and is referred to as the Teckal exemption.

Case law has shown that the contracting authority, the Council, must have the power of decisive influence over the strategic objectives of the company at a constitutional and operational level. The company will need to function as a commercial entity.

8.4 Prior to a company vehicle being endorsed by Cabinet, or established, the Council will need to develop a business case and undertake internal approval through EMB. The Council has received legal advice on the options for company models in other service areas and this advice will be utilised to determine the type of company vehicle that best meets the Councils operating criteria. The Council must adhere to good practise principles when assessing the business case for proposed transfers to arms length companies, these include:

Ensuring there is a good case for change and that the business case states whether any relevant parties have been consulted;

Clarifying how the change will affect the accountability of the Council;

Undertaking a thorough options appraisal to ensure the most cost-effective and efficient option is chosen;

Identifying and managing the costs associated with the proposed reorganisation as accurately as possible;

Identifying and realising the benefits of the proposed change;

Ensuring the proposed change is well managed and delivered;

Putting in place effective review arrangements to monitor whether the long-term objectives of the proposed change have been achieved.

8.5 The Council will have to establish a service contract with the new company to define all the services and the service levels that it will provide.

8.6 Irrespective of the issue of control the intention is that the chosen company model will be an arm’s length company i.e. will be separate legal entity from the council.

8.7 The transfer of the service to an arm’s length company is likely to constitute a relevant transfer under the Transfer of Undertakings Protection of Employment Rights regulations 2006 (TUPE) under which employees who are working in or for waste management immediately before the transfer will transfer to the new company.

The council will have to undertake the necessary due diligence to identify which employees have the right to transfer to the new company and to be able to provide the necessary employee liability information in accordance with the TUPE regulations.

The Council and the new company will also have to comply with the Regulations consultation requirement which stipulates that consultation on changes to terms and conditions (measures) needs to be conducted in good time before the transfer. In “good time” is not defined in the regulations but a comparison is usually drawn with the timescale for redundancy consultation which is 45 days.

8.8 Further specialist pension/actuary advice will be required on pension issues, the pension admission agreement and confirmation of the potential bond costs if the new company is to continue to offer access to the Local Government Pension Scheme (LGPS) (as opposed to a broadly comparable scheme which could be offered as an alternative to the LGPS).

8.9 Note to Cabinet: The Government is currently consulting on possible changes to the TUPE regulations. These changes may be enacted by October 2013. Legal services will advise on any impact which these changes may have on this project as soon as there is clarity on the changes.

8.10 It is important for the Council to:

- Identify the scope of the company and its objects and the relationship with the Council;
- Consider who will be the Board of Directors and how such a role is to be reconciled with any role within the Council, taking into account actual and perceived conflicts of interest and bias;
- Consider the necessary constitutional and administrative processes which the Council has and make any necessary amendments to these to ensure that the company can be used effectively and efficiently to improve service delivery;
- Consider the effective drafting of the Memorandum and Articles of Association of the Company, to give the Council the necessary degree of control (e.g. the Council would approve any Business Plan (i.e. the overarching "envelope" of the Company's activities), scrutinise the Company's performance and Board activities (directing the Board where necessary to act or not act in a certain way) and exercise a veto at Board level on all or key, strategic decisions affecting the Company), without hampering the day-to-day operations of the Company or discretion of it’s Board so it retains agility and flexibility.

9.0 Risk Management

9.1 There are number of risk associated with the project, these are captured in detail along with mitigating actions as a part of the Project governance, those stated below represent the pertinent ones it is felt necessary to bring to the attention of members.

9.2 Early and continued engagement with trade unions and the existing workforce even at this early stage will be key to successfully delivering the outcomes of the review and also in transitioning to a new delivery model.

9.3 Early and continued engagement will also be required with the Cheshire Pension Fund in relation to the actuary reports required in relation to the transferring employees, bond requirements and pension changes and the completion of a Pension Admission Agreement.

9.4 The creation of the chosen company structure well in advance of the anticipated transfer of Service date to ensure that the company is able to undertake all the necessity preparatory steps prior to the transfer and to engage in the necessary consultation both with the employees and the Council.

9.5 Considerable input from Legal and Assets Services will be needed to ensure the Council's ownership is protected in order to secure the future use of the assets for waste management purposes. Members of staff from legal services form part of the project and allowance will be made within the implementation costs for any external legal work to be carried out.

9.6 There will be a number of procurement issues that will need to be considered further as part of the in-depth review of the preferred delivery model, these will include current regulations that address asset and service transfer and a review of the impending changes in EU law relating to Teckal and procurement which are expected in the autumn of 2013.

9.7 Guidance suggests that there are different routes depending upon whether the asset is to be transferred or a service is to be transferred and this will be further explored to mitigate risks by choosing the optimal company model.

9.8 The review of the depot asset base which is due to report in July 2013 will help determine the future assets required to operate the waste services and define what will be required in the near to medium term future to deliver the long-term strategic needs of the Council. This work will be incorporated into any future delivery model taking into account the future strategy for Waste services and the links to any future outsourcing of the service. This will be further explored as part of the review.

9.9 In order to achieve the financial benefits of a company model, it is also necessary to consider the method for handling of the existing and any future waste facilities and whether these will be leased to the company, with appropriate safeguards around facility maintenance and service delivery.

9.10 Consideration and care will need to be taken in respect of arrangements for future capital investment (i.e. to avoid incidence of significant irrecoverable VAT on developments).

9.11 The impact on the councils support services associated with this service will need to be analysed and managed effectively as part of the project. This will ensure the company retains the necessary expenditure and staff resources to deliver the core business whilst reducing the likelihood of any residual overhead remaining with the council.

10.0 Background and Options

10.1 The appraisal considered the options for the future services and the factors in determining the optimal company structure within which to operate the business. The options considered were:
- In-house v Outsourced;
- Fully integrated outsourced service;
- Wholly owned company.

10.2 The review of the in-house collection service together with an assessment of current market conditions have demonstrated that subject to the identified savings being delivered the internal collection service can compete with any financial offering from the private sector and there is no significant advantage to be gained from outsourcing the services at this time.

10.3 The Council has indicated that CEC wishes to consider the establishment of a company through which it will operate its Waste and potentially other environmental services. It has developed a Charging and Trading strategy the main principles of which are:

- Charging for discretionary services will be appropriate and balanced by the Council's priorities;

- The Council will engage in trading for profit where it is possible to support the delivery of local priorities without minimising the risk to public finances;

- The strategic direction of the Council aligns well with the proposed establishment of a company model which would allow the Council to take advantage of greater freedoms and a more commercial and business oriented approach to running the operation.

10.4 A review of the benefits; dis-benefits and risks of each option was explored and is shown in tables below:

Wholly Owned Company

Benefits	Dis-benefits and Risks
Aligns with the Council's objective and ambition to invest in innovative ways to deliver services and to be a commissioning organisation Ability to operate under commercial terms and greater autonomy for the services Retention of jobs within the local	Consideration must be given to the future function of the service to determine the optimal legal vehicle, which takes greatest advantage of policy and legislative developments Council must retain responsibility for the statutory obligations of the service Potential for Council to have reduced

economy Benefits of improvements in service delivery are retained by the service Council or WOC not shared with private sector Opportunities for co-ownership with other Councils and a Teckal exempt model will provide opportunities for shared delivery Ability to generate surpluses within a Not for Profit model to reinvest in the growth of the business Implementation of different terms and conditions for staff thus potential reduction in costs to the Council Ability to influence and drive the direction of the service and attract partners Within an Company limited by shares model there would the ability for Council to receive dividends from company Incentivisation of the team to drive the business forward	control over the direction of the service as will have own Board of Directors Potential impacts on Council corporate services if not providing a service to the WOC Investment required to build a commercially viable activity Commercial and company operating skills and acumen required to deliver in a business oriented environment – stand alone survival Will potentially require a procurement of the service if the Council is not transferring the service under a Teckal arrangement A Teckal exempt model will place limitations on the nature and extent of the commercial activities

In- House v Outsourced provision

Benefits	Dis-benefits and Risks
<u>In-house</u> Total control over the nature of the services and the performance. Able to flex service as required Opportunity to continue to drive efficiencies and retain benefits Retention of jobs in the local economy Advantage of using Council reserves and investment management to	 Council must retain responsibility for the statutory obligations of the service Investment in infrastructure for depots and fleet will be borne by Council On-going costs and liabilities of employment and cannot easily change terms and conditions of existing staff Effective client side management

invest for a return in service. No share to private sector Can trade under local government powers within Council structure Ability to borrow funds at lower cost than private sector *Note: Would require development of additional in-house services or continued outsourcing of key services*	required to optimise benefits for the Council Drive and determination and incentives to improve the service may not be as great as in a WOC model
<u>Outsourced</u> Private sector partner to inject investment and industry expertise into the service to drive improvements and efficiencies Aligns with Council's objective to be a commissioning organisation Transfer of some risk to suppliers Industry specialist expertise to deliver service improvements Capital investment in infrastructure is carried by the supplier – though passed through as revenue cost to council	Council retains overall statutory responsibility for the service performance and will have to influence change through client side management rather than control Requirement to pay margins to private sector typically up to 12% Effective client side management required to optimise benefits for the Council Supply chain and local economy impacts if services are not in locality Less control over legislative changes Cost of tendering £100-200k for restricted procedure

Integrated Outsourced Model

Benefits	Dis-benefits and Risks
Private sector partner to inject investment and industry expertise into the service to drive improvements and efficiencies Aligns with Council's objective to be a commissioning organisation Seamless structure and delivery across a range of services	Council retains overall statutory responsibility for the service performance and will have to influence change through client side management rather than control Costs to the Council of procurement exercise potentially in excess of £500,000 Delivery of improvements delayed

Wholly managed and integrated service and relationships are managed between principal and sub contractors to deliver benefits Capital investment in infrastructure is carried by the supplier – though passed through as revenue cost to council Resonates with Council direction to be a commissioning council	until award of contract which is estimated to be 2015 at the earliest There are a limited number of suppliers who can provide a fully integrated service. This may result in limited competition unless suppliers were to form consortia to bid Market may not view opportunity as attractive with resultant limited cost benefits or potential cost increases Requires strong supplier management skills and approaches to get the best from suppliers and ensure benefits are shared Loss of staff and union backing resulting in industrial action

10.5 From the above options the Wholly Owned Company is the emerging option that closely aligns to addressing the needs of the Council whilst remaining flexible enough for the Council to take advantage of future innovative service improvements.

10.6 Further consideration will be given to the range of services that will constitute the makeup of the potential company but the first phase will be the whole of Waste Management services and the novated contractual agreements.

11.0 Action Plan for implementation

11.1 In order to implement a delivery model, there is a large amount of documentation to be prepared and legal requirements to be met. This will require a specialist project management with in-depth knowledge of the area and a dedicated project team will be needed. With this in place the preferred model should be fully operational by April 2014.

11.2 There is further work to be completed to refine the legal advice and determine the final legal vehicle for the Company but this will be a determinant between a Company Limited by Shares or a Company Limited by Guarantee.

11.3 The key elements of the development and implementation of the Company and in order to achieve this ambitious timeframe being:

- Development and testing of the optimal company model;
- Agreement from Cabinet to formally establish company;
- Creation of the company legal documentation;
- Registration with Companies House confirmed;

- Development of 3 year company business plan;
- Company becomes fully operational;
- Appointment of Chairman and Board of Directors – to include Executive Directors (see below) with consideration having been given to the role of Councillors acting as Directors of the Company;
- Appointment of CEO and Management Team;
- Establishment of financial management model and budget for company;
- Define governance arrangements operating between the Council and the Company;
- Drawing up of Service contract; SLA and Performance specification.

12.0 Action Plan for implementation

12.1 Once Cabinet has approved the decisions, a detailed and fully costed implementation plan will be developed and will be presented for consideration.

Section C – Review of Depot Infrastructure

1.0 Report Summary

1.1 Cabinet, at its meeting on 10th December 2012, considered a report on the future of waste services. Key decision 22 (1-6) resolved: That the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, be authorised:

i. To procure an interim residual waste treatment contract to run from April 2014 until the implementation of new overall arrangements;
ii. To extend the current dry recycling and garden waste contracts to coincide with the implementation of the new arrangements;
iii. To review the in-house collection service to identify areas of efficiencies;
iv. To procure external consultancy support to deliver new arrangements;
v. To explore alternative procurement routes to traditional procurement processes, including working with other local authorities or local authority consortia to deliver the goals of this project but in a more cost effective manner.

1.2 This report is in response to all of the above items and acknowledges that current depot facilities (Commercial Road – vehicle storage depot and Pyms Lane – Waste Handling facilities) will not address the future needs of the service and without review and further investment will prevent many of the efficiencies already identified being realised.

1.3 The Council has for some time been reviewing its depot capacity to ensure that it can meet both current and future requirements, giving consideration to all available options. An appraisal of medium to long-term options for depot facilities has been commissioned which will consider:

Future depot requirements in the North of the borough;
Depot improvements at Pyms Lane (Southern facilities).

1.4 Jacobs Consultants are undertaking this initial feasibility work with a draft report to be submitted by Jacobs at the end of July 2013.

2.0 Recommendations

It is recommended that:

2.1 Cabinet acknowledge the need for new facilities within the North of the borough along with the need for improvements to be made to existing facilities at Pyms Lane (Southern Depot) to accommodate current and future service needs.

2.2 Cabinet approve that the responsibility for further development, funding and future implementation is delegated to the Head of Environmental Protection and Enhancement in conjunction with the Section 151 Officer, Monitoring Officer, Portfolio Holder for Environment and is subject to the corporate project quality assurance process governed by the Executive Monitoring Board (EMB) to ensure that the project is reviewed, prior to any future implementation.

3.0 Reasons for Recommendations

3.1 In order to maintain an effective service that is “fit for purpose” in future years, depot facilities will be required.

3.2 Reviewing CEC current and future needs also addresses a monopoly situation with facilities and capacity within the Borough.

4.0 Wards Affected

4.1 All wards.

5.0 Local Ward Members

5.1 All local ward members.

6.0 Policy Implications

6.1 To be developed during the project feasibility stage

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

7.1 To be developed during the project feasibility stage

8.0 Legal Implications

8.1 To be developed during the project feasibility stage

9.0 Risk Management

9.1 To be developed during the project feasibility stage

10.0 Action Plan for Implementation

10.1 Following the outcome of the early feasibility work, a full and detailed action plan will be developed, outlining the preferred options that can be developed in detail through the Council’s project governance procedures and Executive Monitoring Board (EMB).

Section D - Interim Residual Waste Options

This item will be dealt with under Part 2 of the meeting

15.0 Access to Information – All Sections

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

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End.

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