

# Cabinet

## Agenda

---

**Date:** Tuesday, 4th February, 2014  
**Time:** 2.00 pm  
**Venue:** Committee Suite 1,2 & 3, Westfields, Middlewich Road,  
Sandbach CW11 1HZ

---

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.

---

Please contact Paul Mountford on 01270 686472  
E-Mail: [paul.mountford@cheshireeast.gov.uk](mailto:paul.mountford@cheshireeast.gov.uk) with any apologies or requests for further information or to give notice of a question to be asked by a member of the public

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 - 6)

To approve the minutes of the meeting held on 7<sup>th</sup> January 2014.

6. **Third Quarter Review of Performance 2013/2014** (Pages 7 - 60)

To consider the Council's financial and non-financial performance at the three quarter year stage of 2013/2014.

7. **The Council's Medium Term Financial Strategy 2014/17** (Pages 61 - 228)

To consider, and to recommend to Council, the Leader's report and the Budget report on the Medium Term Financial Strategy for 2014/2017.

8. **Treasury Management Strategy and Minimum Revenue Provision Policy Statement 2014/15** (Pages 229 - 258)

To consider the 2014/15 Treasury Management Strategy Statement, incorporating the Minimum Revenue Provision Policy Statement, the Investment Strategy and Prudential and Treasury Indicators.

9. **The Strategic Direction of Travel for Adult Social Care Services - Promoting Open Choice** (Pages 259 - 272)

To consider a report on the strategic direction of travel for regulated social care services.

10. **Adult Social Care - Strategic Direction of Travel - Informal Support to Address Prevention and Early Intervention** (Pages 273 - 286)

To consider the proposed strategic direction of travel for informal support to address prevention and early intervention for people with social care eligible needs.

11. **Pay Policy Statement 2014/15** (Pages 287 - 332)

To consider, and to recommend to Council, the recommendations of the Staffing Committee regarding the draft Pay Policy Statement for 2014/15.

12. **Business Cases for Alternative Service Delivery Vehicles** (Pages 333 - 448)

To note the progress made towards becoming a strategic commissioning Council; to approve the formal business cases for Ansa Environmental Services Ltd. and Orbitas Bereavement Services Ltd.; and to approve Everybody Sport and Recreation Services Ltd. (ESAR) to trade as a wholly owned company of the Council.

13. **Strategic Joint Commissioning for Improved Outcomes and Value for Money** (Pages 449 - 458)

To consider a report seeking approval to extend a number of contracts until a commissioning review aimed at improving health and wellbeing outcomes has been completed.

14. **Procurement of Fresh Produce** (Pages 459 - 462)

To consider a proposed procurement route for fresh produce.

15. **The English National Concessionary Travel Scheme 2014/2016** (Pages 463 - 470)

Cheshire East Council is the travel concession authority for the area and Cabinet is requested to consider a revised scheme for the period 1 April 2014 to 31 March 2016.

16. **Proposed Amendment to Smoke Free Policy** (Pages 471 - 482)

To consider a proposal that the current Council Smoke-Free Policy be amended to include electronic cigarettes.

This page is intentionally left blank



**CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Cabinet**  
held on Tuesday, 7th January, 2014 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, L Gilbert, B Moran, P Raynes,  
D Stockton and D Topping

**Members in Attendance**

Councillors Rhoda Bailey, G Baxendale, L Brown, S Corcoran, K Edwards,  
R Fletcher, S Gardiner, M Grant, S Hogben, O Hunter, L Jeuda, R Menlove,  
A Moran, B Murphy, D Newton, L Smetham, A Thwaite, G Walton and  
S Wilkinson

**Officers in Attendance**

Mike Suarez, Peter Bates, Suki Binjal, Caroline Simpson, Heather  
Grimbaldeston, Brenda Smith, Andrew Ross and Paul Mountford

**Apologies**

Councillors F Keegan and J Macrae

**108 COUNCILLOR PETER NURSE**

The Leader announced the sad news that Councillor Peter Nurse had passed away last week. Councillor Nurse had been elected to Cheshire East Council in May 2011 and had represented the Crewe West ward. He had previously served on Cheshire County Council for a number of years.

All present stood for a minute's silence as a mark of respect.

The Leader asked that the Council's condolences be conveyed to Councillor Nurse's family.

**109 DECLARATIONS OF INTEREST**

Councillor S Wilkinson declared a non-prejudicial interest in an item on High Speed Rail 2 as he lived near to the proposed route.

**110 PUBLIC SPEAKING TIME/OPEN SESSION**

Mr Andrew Shaw spoke regarding HS2. Mr Shaw expressed his disappointment at the Council's support for the project but urged the Council to adopt a balanced approach meeting the needs and concerns of

residents across the Borough. In addition, he suggested that the Council's proposed response to the consultation should be strengthened to the effect that the Council expects the highest standards of mitigation and compensation to apply and that the Council's support would be conditional upon support for those whose properties could be blighted.

The Leader responded that the Council had taken on board many of Mr Shaw's concerns.

111      **QUESTIONS TO CABINET MEMBERS**

Councillor S Hogben referred to the decision taken on 3<sup>rd</sup> January 2014 to allow the cinema at Dunwoody Way, Crewe to be enlarged, which would involve the closure of Lakeside Superbowl. He asked what the Council would do to promote tenpin bowling in the area in future and whether this could be considered for the proposed Lifestyle Centre. The Leader and the Health and Adult Care Portfolio Holder acknowledged that the closure of the bowling club was disappointing and removed a facility used by adults unable to engage in more vigorous activities. The Council would consider other sites for such a facility in the future if any proposals came forward, and would consider the suggestion regarding the Lifestyle Centre.

Councillor K Edwards referred to the redacted report on Lyme Green which the Council had published and sought assurances that the Monitoring Officer would be fully consulted on future delegated decisions and that adequate training in procurement had been carried out. The Leader responded that officers had now received and would continue to receive training in procurement and that the Cabinet itself had also received such training. He also confirmed that the Monitoring Officer would be fully consulted on delegated decisions and would be able to reject any decisions with which they were not satisfied.

Councillor B Murphy asked how the Council had found itself in the position whereby publishing what had actually been said during the Lyme Green investigation could adversely affect Council taxpayers. The Leader referred to the legal advice that the Council had received which had been published previously.

Councillor Murphy also referred to an error with the waste collection service at Tytherington over the Christmas period and wondered if similar incidents had occurred elsewhere. The Leader and the Portfolio Holder for Environment responded that the Council had not received an unusual number of complaints over the Christmas period and that overall the service had run well.

112      **MINUTES OF PREVIOUS MEETING**

**RESOLVED**

That the minutes of the meeting held on 10th December 2013 be approved as a correct record.

113      **CHESHIRE EAST COUNCIL HIGH SPEED RAIL 2 (HS2)  
CONSULTATION RESPONSE (FORWARD PLAN REF. CE 13/14-66)**

Cabinet considered a report seeking approval of the Council's HS2 Phase Two consultation response on the proposed route from Birmingham to Manchester. The consultation was due to close on 31<sup>st</sup> January 2014.

The Council had taken a supportive stance on HS2 subject to the inclusion of a new Hub Station at Crewe and to the highest standards of mitigation and compensation being applied. It also recognised the need for HS2 for the following key reasons:

- § To meet the future demand for strategic connectivity in the UK for business, freight and personal travel.
- § To relieve the West Coast Main Line, which was the busiest rail corridor in Europe for both passengers and freight.
- § To support sustainable development and travel patterns.

The Council supported the findings of the HS2 Growth Task Force that had identified the unique opportunity HS2 offered the UK as a driver of economic growth. The Council also agreed with the need to connect Manchester to London and serve Manchester Airport.

The Council believed the Government could improve HS2 in four ways:

- § A new station and track layout for Crewe to be delivered by Network Rail by 2020 to accommodate an HS2 stop.
- § Deliver the full HS2 Hub Interchange Station at Crewe by connecting into the new station.
- § The section from Lichfield to Crewe be implemented to coincide with the delivery of Phase One delivering £2bn of additional transport benefits for the case for Phase One.
- § The highest standard of compensation is offered to blighted homes through the Exceptional Hardship Scheme now and the eventual statutory provisions, including the consideration of a Property Bond Scheme. This should be supported by engineering solutions that maximise the mitigation against the impacts of HS2 on residents, businesses, farms and the local environment.

The draft consultation response was attached at Appendix 1 to the report. The consultation response would be supplemented by a detailed report on the proposition for Crewe and an assessment into significant mitigation measures to address the impacts of the line of route. This work was

ongoing and would be submitted and made more widely available in January.

The Leader indicated that comments and suggestions made at the meeting by Members whose wards were likely to be affected by HS2 would receive consideration. He added that a Member Briefing on HS2 was being arranged.

## **RESOLVED**

That

1. the proposed consultation response on HS2 as set out in Appendix 1 to the report be approved; and
2. the Director of Economic Growth and Prosperity be authorised, in consultation with the Strategic Communities Portfolio Holder, to sign off the consultation material, supplementary reports and final submission.

### **114 ALDERLEY PARK DEVELOPMENT PROSPECTUS**

Cabinet considered a report outlining the purpose and content of the Alderley Park Development Prospectus.

The Prospectus had been produced to outline the intended 'direction of travel' in terms of future policy for the Alderley Park Site. That future policy was within the emerging Core Strategy which had recently been out to consultation. It was intended to provide guidance for potential investors, given that the site was being marketed before the Council's emerging policy for the site could be confirmed via the adoption of the Core Strategy.

The contents of the Development Prospectus were entirely aligned with emerging planning policy for the site.

## **RESOLVED**

That the Alderley Park Development Prospectus as attached at Appendix 1 to the report be endorsed.

### **115 COUNCIL SUPPORT FOR CHESHIRE NEIGHBOURS CREDIT UNION**

This item had been withdrawn because the Chairman of the Finance Policy Development Group, Councillor F Keegan, had been unable to attend the meeting.

116      **RESIDUAL WASTE INTERIM PROCUREMENT SOLUTION 1ST  
APRIL 2014 - 31 MARCH 2016 (FORWARD PLAN REF. CE 13/14-69)**

Cabinet considered a report on a residual waste interim procurement solution for the period 2014-16.

Cabinet had taken a decision in principle in June 2013 to progress with the long term procurement of waste disposal arrangements whilst at the same time procuring interim disposal arrangements to ensure service continuity prior to the long-term arrangements being implemented.

The interim residual arrangements would involve:

- (a) the provision of a transfer station facility in the north of the borough to allow transport of waste to the Hanford Energy from Waste facility in Stoke-on-Trent;
- (b) the provision of a haulage contract to enable the transport of waste as described above; and
- (c) the provision of a deposition/disposal point in the south of the Borough for kerbside black bin waste.

The interim arrangements would be managed in the future by the Council's wholly-owned Environmental Services company (Ansa Environmental Services Ltd) and would run from the expiry date of the current arrangements in March 2014 until the long-term solution commenced in April 2016.

The arrangements would deliver a "step-change" in the Council's disposal methods, resulting in around 43% of the Council's residual waste being diverted away from landfill sites. The arrangements would deliver savings of £2.5M.

**RESOLVED**

That delegated authority be granted to the Portfolio Holder for Environment and the Executive Director of Strategic Commissioning to award the contract to the successful tenderer following submission of tenders on the 13th Jan 2014.

117      **FRAMEWORK FOR DOMESTIC REPAIRS AND ADAPTATIONS  
(FORWARD PLAN REF. CE 13/14-63)**

Cabinet considered a report on securing value for money in the procurement of domestic repairs and adaptations on behalf of vulnerable residents.

The Council was committed to helping people to stay in their own homes and remain as active and independent as possible. Support for older, vulnerable and disabled people to repair or adapt their home was part of a suite of developments across housing, social care, health and public health to increase good outcomes

In order to comply with public sector procurement regulations and with the Council's Finance and Contract Procedure Rules, these services had to be procured in a fair and transparent manner whilst ensuring best value. To replace the current procurement arrangements, a full procurement exercise would be undertaken to establish a Framework Agreement. The Framework would be the final part of a suite of contracts and Frameworks for home repairs and adaptations. The Framework value would be between £1.6million and £2million over the period of the Framework, which was two years with an option to extend for a further two years.

**RESOLVED**

That

1. the officers be authorised to conduct a procurement exercise to tender for a Framework for Domestic Repairs and Adaptations, with the aim of securing a Framework for works for two years, with the option to extend for a further two years subject to satisfactory performance; and
2. authority be delegated to the Director of Economic Growth and Prosperity in consultation with the Portfolio Holder for Housing, Planning, Economic Development and Regeneration to award contracts to contractors meeting the requirements of the Framework following a legally compliant procurement exercise, and subsequently enter into Framework Agreements with the successful bidders.

The meeting commenced at 2.00 pm and concluded at 3.50 pm

M Jones (Chairman)

## CHESHIRE EAST COUNCIL

### REPORT TO: CABINET

---

<b>Date of Meeting:</b>	4 <sup>th</sup> February 2014
<b>Report of:</b>	Chief Operating Officer (Section 151 Officer)
<b>Subject/Title:</b>	2013/2014 Third Quarter Review of Performance
<b>Portfolio Holders:</b>	Cllr. Peter Raynes / Cllr. Barry Moran

---

#### 1.0 Report Summary

- 1.1 Cheshire East is the third largest Council in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Annual spending is approximately £750m. The complexity of customer demands and the size of the organisation make it very important to manage performance and control expenditure to ensure the best delivery of outcomes.
- 1.2 The report, attached as **Annex 1**, gives summary and detailed information about the Council's financial and non-financial performance at the three-quarter year stage of 2013/2014. There has been significant improvement in the financial position since the second quarter, and there is substantial improvement compared to this position in previous years.
- 1.3 As part of the overall process for managing the budget, and in accordance with the Council's Finance Procedure Rules, it is important to ensure correct authority is provided for changes which may be necessary during the year. Changes can occur where additional spending is required on specific projects, the majority of which are being funded from external sources as in the cases in this report. The report therefore identifies where any approvals are required for such revised estimates or virements.
- 1.4 The information in **Annex 1** is set out in three sections:

**Section 1 Summary of Council Performance**, brings together the impact that service performance, the change management programme and financial performance are having on the 5 Outcomes in the Council's 3 Year Plan.

**Section 2 Financial Stability**, provides an update on the overall Financial Stability of the Council. It demonstrates how spending in 2013/2014 is being adequately funded, including the positions on overall Service budgets, Grants, Council Tax and Business Rates, Treasury Management, centrally held budgets, and the management of the Council's Reserves.

**Section 3 Workforce Development**, provides a summary of the key issues relating to the Council's Workforce Development Plan.

## **2.0 Decision Requested**

2.1 Cabinet is requested to note and comment as appropriate on the following issues:

- the summary of performance against the Council's 5 key outcomes **(Section 1)**;
- the projected service revenue and capital outturn positions, overall financial stability of the Council, and the impact on the Council's general reserves position **(Section 2)**;
- the delivery of the overall Capital Programme **(Section 2, paragraphs 153 to 161 and Appendix 4)**;
- Approved Supplementary Capital Estimates and Virements up to £250,000 in accordance with Finance Procedure Rules **(Appendix 5)**;
- Treasury Management investments and performance **(Appendix 8)**;
- the Council's invoiced debt position **(Appendix 10)**;
- Workforce Development and staffing issues **(Section 3)**.

2.2 Cabinet is requested to approve:

- Supplementary Capital Estimates and Virements over £250,000 for inclusion in the Capital Programme to be approved by Council as part of the Medium Term Financial Strategy 2014/2017 report **(Appendices 6 and 7)**;
- Allocation of additional specific grant **(Appendix 9)**.

## **3.0 Reasons for Recommendations**

3.1 Performance information plays a vital role in supporting members and officers in the understanding of the impact of Council activity. Quarterly published reports allow the Council to celebrate achievement, understand relative performance and address issues of underperformance.

3.2 In accordance with good financial management, Members receive quarterly reports 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 to ensure such decisions are made in the context of the overall Council budget.

## **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 Council policies including carbon reduction and health. The projected outturn position, ongoing impacts in future years, and the impact on general reserves have been 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 outcomes for local communities. Monitoring performance helps to 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 Performance and risk management are part of the 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. Risks identified in this report will be used to inform the Corporate Risk Register.
- 9.2 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 2013/2014 Budget and the level of general reserves have been factored into the 2014/2015 Financial Scenario, Budget and Reserves Strategy.

## **10.0 Background**

- 10.1 The Council's quarterly reporting structure provides forecasts of a potential year-end outturn. The forecasts in the report highlight achievements against outcomes and provide an indication of potential risks at this stage in the year. At the Third Quarter stage, an underspend of £0.3m is projected against a budget of £259.7m. Portfolio Holders and the Corporate Leadership Board will continue to focus on these forecasts to avoid any impact on the Council's general reserves.
- 10.2 In 2012/2013 the overall revenue budget was slightly underspent despite the third quarter forecasts of significant overspending. This increases the confidence that spending will be managed within budget in 2013/2014.

## **11.0 Access to Information**

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

Name: Peter Bates  
Designation: Chief Operating Officer (Section 151 Officer)  
Tel No: 01270 686013  
Email: [peter.bates@cheshireeast.gov.uk](mailto:peter.bates@cheshireeast.gov.uk)



# **Third Quarter Review of Performance 2013 / 2014**

Page 11

**February 2014**



# Introduction

The Council produces quarterly performance reports as part of the annual performance reporting framework set out in the Finance and Contract Procedure Rules. This report looks at progress in achieving the Council's Three Year Plan (2013 to 2016) during the period April to December 2013.

Details are included of the Council's financial and non-financial performance and the report also seeks Member approval for service bids and virements.

An overview and summary financial table are provided at the beginning of the report for quick reference. The three main sections of the report are:

**Section 1** of the report brings together the impact that service performance, the change management programme and financial performance are having on the five Outcomes in the Council's Three Year Plan. The section highlights key aspects of service performance and significant exceptions against the change programme and capital programme designed to deliver the Outcomes. It considers the key financial pressures which the Council's Services are facing, and the proposed remedial measures identified by Services to mitigate these pressures.

**Section 2** provides an update on the overall Financial Stability of the Council. This includes service revenue budget issues, 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. The figures included in this section reflect the original budget approved by Council in February 2013 adjusted for approved service bids and virements, including those requested in the report.

**Section 3** provides a summary of the key issues relating to the Council's workforce development plan and change projects linked to staff resources within the Council.

The Council continues to provide detailed and transparent information about its use of public money both in this report and its budget processes.

Appendices are provided as follows:-

- **Appendix 1** shows the Three Year Council Plan.
- **Appendix 2** explains changes to the Revenue Budget since the Mid Year Review which have been authorised or require authorisation via this quarterly report.
- **Appendix 3** shows the latest position on the Corporate Grants Register.
- **Appendix 4** summarises revised in-year Capital budgets and the revised forecasts of total Capital Programme expenditure and its funding.
- **Appendix 5** list approved Supplementary Capital Estimates and Virements up to £250,000.
- **Appendix 6** list requests for Capital Virements over £250,000.
- **Appendix 7** list requests for Supplementary Capital Estimates over £250,000.
- **Appendix 8** provides details of Treasury Management investments.
- **Appendix 9** lists requests for Allocation of Additional Grant Funding.
- **Appendix 10** analyses the position on Outstanding Debt.

# Contents

Introduction.....	- 1 -
2013/2014 Revenue Forecast – Third Quarter Review Summary .....	- 3 -
Overview .....	- 4 -
Section 1 Summary of Council Performance .....	- 5 -
Section 2 Financial Stability .....	- 18 -
Section 3 Workforce Development .....	- 27 -
Appendices	
Appendix 1 – The Three Year Council Plan .....	- 31 -
Appendix 2 – Changes to Revenue Budget 2013/2014 since Mid Year Review .....	- 33 -
Appendix 3 – Corporate Grants Register .....	- 35 -
Appendix 4 – Summary Capital Programme and Funding .....	- 37 -
Appendix 5 – Approved Supplementary Capital Estimates and Virements up to £250,000 .....	- 39 -
Appendix 6 – Request for Capital Virements over £250,000 .....	- 41 -
Appendix 7 – Request for Supplementary Capital Estimates over £250,000 .....	- 42 -
Appendix 8 – Treasury Management .....	- 43 -
Appendix 9 – Requests for Allocation of Additional Grant Funding .....	- 47 -
Appendix 10 – Debt Management .....	- 48 -

## 2013/2014 Revenue Outturn Forecast at Three Quarter Year Review

2013/2014 Three Quarter Year Review (GROSS Revenue Budget £643.8m)	Revised Budget (NET) £m	Forecast Outturn Position £m	Current Forecast Over / (Underspend) £m	Current Forecast Over / (Underspend) % Change	For further information please see the following sections
<b>Commissioning Services</b>					
Children & Families Services	57.8	57.7	-0.1	-0.2%	Section 1 - Paragraphs 119-122
Adult Social Care	96.5	96.9	0.4	0.4%	Section 1 - Paragraphs 112-118
Public Health (fully grant funded)	-	-	-	-	
Environmental Protection & Enhancement	38.0	38.3	0.3	0.8%	Section 1 - Paragraphs 18, 72-76
Public Protection & Enforcement	-0.2	1.2	1.4	#	Section 1 - Paragraphs 15-16, 90-92
Economic Growth & Prosperity	7.0	6.8	-0.2	-2.9%	Section 1 - Paragraphs 26, 33-34, 42, 96
Communities	18.4	17.2	-1.2	-6.5%	Section 1 - Paragraphs 17, 19
<b>Chief Operating Officer</b>					
Comm.Strategy, Business Improvement & Performance	21.6	21.3	-0.3	-1.4%	Section 2 - Paragraph 127
Organisational Development	4.5	4.3	-0.2	-4.4%	Section 2 - Paragraph 127
Monitoring Officer	1.7	1.8	0.1	-	Section 2 - Paragraph 127
Governance & Democratic Services	4.1	4.2	0.1	2.4%	Section 2 - Paragraph 127
Assets	18.0	18.2	0.2	1.1%	Section 1 - Paragraphs 36, 43
<b>Total Services Net Budget</b>	<b>267.4</b>	<b>267.9</b>	<b>0.5</b>	<b>0.2%</b>	# % change not shown against negative net budget
<b>CENTRAL BUDGETS</b>					
Specific Grants	-22.0	-23.7	-1.7		Section 2 - Paragraphs 132-136
Capital Financing	11.9	11.0	-0.9		Section 2 - Paragraphs 164-166
Contingencies	4.2	3.9	-0.3		Section 2 - Paragraphs 168-169
Relocation costs repayment	0.0	0.6	0.6		Section 2 - Paragraph 171- 72
Supplementary estimates inc LGO pay award	-1.5	0.0	1.5		Section 2 - Paragraph 173- 74
Invest to Save Reserve	-0.3	-0.3	0.0		
<b>Total Central Budgets</b>	<b>-7.7</b>	<b>-8.5</b>	<b>-0.8</b>	<b>-10.4%</b>	
<b>TOTAL NET BUDGET</b>	<b>259.7</b>	<b>259.4</b>	<b>-0.3</b>	<b>-0.1%</b>	<b>Improvement of £4.3m from Quarter 2</b>
	Planned Contribution 2013/2014 £m	Forecast Variance Quarter 2 £m	Forecast Variance Quarter 3 £m	Impact on reserves Quarter 3 Forecast £m	
Impact on Reserves	0.0	-4.0	0.3	0.3	
General Reserves Balance	2013/2014 Budget £m		Quarter 3 Forecast £m		
Opening Balance April 2013	13.2	Actual	19.0		
2013/2014 Impact on Reserves (see above)	0.0	Forecast	0.3		} Section 2 - Paragraphs 178-183
Closing Balance March 2014	13.2	Forecast	19.3		

# Overview of Third Quarter Performance

## The Council's finances are under control:

- The Third Quarter Review is forecasting an overall underspend of £0.3m compared to budget (this follows the Mid-Year Review which had already demonstrated significantly better budget management compared to previous years)
- The forecast underspend, of just 0.1%, provides clear evidence that the Council's budget, of £259.7m, is robust and well managed despite the pressures being experienced generally in public sector finances
- Accurate financial planning and performance is providing significant support towards achievement of the Council's outcomes

## ACHIEVING THE COUNCIL'S FIVE OUTCOMES

**Cheshire East Council provides more than 500 services, supporting over 370,000 residents, and over 17,500 businesses.**

### 1 ~ Our local communities are strong and supportive

- Rural proofing has now been adopted
- "School uniform swap" scheme set up to save parents up to £170,000
- Leisure Service volunteers are on track to increase by 10%

### 2 ~ Cheshire East has a strong and resilient economy

- Latest publication shows a 9% increase in the value of tourism
- 100 kilometres of road re-surfacing completed

### 3 ~ People have the life skills and education they need in order to thrive

- Childcare options for two year olds have been increased

### 4 ~ Cheshire East is a green and sustainable place

- Collective energy switching has saved participants over £125 each
- Recycling rates increased to an all time high of 54%

### 5 ~ People live well and for longer

- Junior participation in sport is up 5% compared to last year
- 89% of users surveyed agreed Care4CE has helped to improve their quality of life

## FINANCIAL STABILITY

**Cheshire East Council has set an annual budget in excess of £750m.**

- The Council is among the top third of Unitary Councils in terms of **Council Tax collection**. Over 99% of Council Tax and Business Rates are collected within three years.
- **Investment income** is £65,000 higher than budget. Average rate earned on investments (0.49%) is in line with the London Inter Bank 7 day rate.
- **Central Budgets** – a £0.8m underspend is forecast from increased grants, capital financing and contingencies, partly offset by the costs of the nationally negotiated Pay Award and planned repayment of relocation costs.
- **Net Revenue Outturn** is projected to be £0.3m less than the Revised Net Budget of £259.7m. This is an improvement of £4.3m from Quarter 2.
- **General Reserves** are expected to increase this financial year by £0.3m to £19.3m. This is more than the revised net budget due to the impact of the improved 2012/2013 outturn.
- The revised **capital budget of £78.3m** is forecast to be balanced.
- Total outstanding **Debt** (excluding local taxation) is £5.0m. £2.6m of debt is over 6 months old, but this is covered by a bad debt provision to meet potential write-offs.



# 1. Summary of Council Performance

## Introduction

1. Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km<sup>2</sup> for over 370,000 residents. The budget to deliver these services in the period April 2013 to March 2014 is over £750m, which is raised from a combination of local taxes, national taxes (in the form of Government Grants) and payments direct from service users. In terms of spending power per head, Government figures highlight the impact of different levels and sources of funding on total Council spending:

2.

Spending Power per Head Comparisons 2013/2014			
	Cheshire East	Rural East Riding of Yorkshire	Urban Liverpool
	£	£	£
Grants	317	405	955
Council Tax	439	382	251
Total	756	787	1,206

3. The Council's Three Year plan, which was agreed by Council on 28<sup>th</sup> February 2013, has five outcomes that will focus service delivery in the medium term. This section of the report highlights progress towards achieving each of the five outcomes.
4. This report reflects activity that has taken place mostly in the period July 2013 to December 2013 including progress against the Council's change programme. Commentary is also provided on the financial impacts (both revenue and capital) of this activity.

## 1 ~ Our local communities are strong and supportive

5. Building strong communities and developing our joint working was debated in the workshops at the Town and Parish Council Conference held on the 4<sup>th</sup> November 2013. Feedback and ideas are being incorporated into the recommendations of the Localism and Creating Strong Communities Review. The conference was well attended, with 38 Local Town and Parish Councils represented, demonstrating continued improved attendance at each event held. Joint working with Town and Parish Councils in local communities continued to increase, with new joint work on planning policies and the local plan, rural watch and work to retain community assets.
6. The focus of Community Asset Mapping work this quarter has been on the faith sector, with information from 231 faith organisations being collected and uploaded onto the Geographical Information System. Work is ongoing to encourage other areas to carry out asset mapping.
7. Local Area Partnerships (LAPs) have worked to deliver a range of initiatives to reduce unnecessary demand on services. Outcomes achieved in Quarter 3 include:
  - Current projects now attracted over £664,000 in external funding.
  - Current projects now received £293,000 from partners from 'in-kind' funding.
  - Strong Mums – Troubled families (Bridges Project) now integrated into steering group. A successful event in October engaged more than 20 women and addressed a range of wellbeing issues as well as extensive consultation and planning for further events. The Strong Mums scheme is planned to evolve into a 'Strong Families' project.

- A school uniform swap site Facebook Page for Nantwich has been established to allow parents and carers to easily sell, swap or give away spare school uniforms or equipment. Estimated savings for new school starters across the Nantwich area is up to £166,000.
  - Facilitating the use of the Open Arms community centre to share their space with a local housing provider and increase the capacity of the centre for local use.
8. The Review of Localism and Creating Strong Communities Project Team worked closely with Communities Policy Development Group, and a series of presentations have been discussed at Informal Cabinet. The framework is to be considered by Cabinet in February 2014.
  9. Rural Proofing was adopted on 12<sup>th</sup> November 2013 and work is now underway on a Rural Statement to agree and deliver Cheshire East's rural priorities.
  10. The Local Area Partnerships (LAPs) have also worked to increase volunteering:-
    - a. Increased community involvement and recruitment of 20 new volunteers on the Buglawton Estate, whilst developing a church hall into a vibrant community facility. £70,000 of a £250,000 project has been raised so far.
    - b. In Nantwich, local volunteers submitted a robust LAP response to ongoing consultations for the Local Plan and facilitated a joint comprehensive response, working with 120 individuals.
    - c. Volunteers from Wilmslow are highlighting environmental hot spot areas and using a range of measures to combat dog fouling.
  11. There remains a steady intake of new Leisure Service volunteers and the service is on schedule to average an overall 10% increase within the year. This quarter volunteers have supported the Corporate Parenting CARE awards in November. The introduction of volunteers into Leisure Centres has now taken place with the first volunteers starting in December. In conjunction with the Cheshire East Community and Voluntary Service a workshop was held for 22 people on "how to manage volunteers".
  12. The results from the summer Libraries survey were received and analysed during the third quarter. There were 7,500 responses received, with 94% of respondents saying that the library they use the most is good, with a majority (54%) saying that their library is very good. 95% of library users are satisfied with the library service. The challenge for Cheshire East libraries is to improve the efficiency of the traditional function of lending and focus resources to support customers with greatest need. The feedback from the survey, including feedback about each library, is being reviewed to develop a priority list for improvements. The existing Libraries strategy will be refreshed during quarter four to respond to the feedback from the survey and to define the priorities for a sustainable library service that will support the Council's priority outcomes whilst also delivering the 30% cost efficiencies expected by the major change project.
  13. A decision has been recently made by Government to proceed with Individual Electoral Registration (IER) and plans are significantly advanced to ensure that the authority is well placed to respond to this challenge; maximising voter registrations as part of the process. The annual canvass was delayed in light of the pending IER decision but is now progressing well. The response rate to the annual canvass currently stands at 72%. The final figure, along with the electorate figure, will be available when the register is published on 17<sup>th</sup> February 2014.
  14. The commissioned Early Intervention and Prevention Services are continuing to support people in the community and together with the use of the Innovation Fund, are seeing clear evidence of sustainable community-based services to enable residents to remain independent and improve their quality of life. In Quarter 3

tenders for this area of service were received and are being assessed. These will shape further and enhance this area of service provision and will recognise the successful services that have been put in place in addition to enabling the development of new and innovative service solutions from April 2014.

15. There was a £0.4m income shortfall and £0.1m expenditure pressure in the Car Parking Service due to delays in progressing outsourcing and development of a broader enforcement delivery model in 2014/2015.
16. CCTV savings of £0.2m have not been realised as the fibre network Public Sector Network contract was not awarded. This has been mitigated in-year by ICT recharge income for BT Fibres and reduced Crime and Disorder Reduction Partnerships contributions of £150,000.
17. There have been £750,000 of savings within Revenues and Benefits that have been realised mainly through increased court costs income and a favourable level of Benefit subsidy.
18. Cheshire East Transport is currently forecasting a net under-spend of £250,000, an improvement of £175,000 since Mid Year Review. The main reason for the change is an improved position against public transport support as it is now reasonable to assume that there are less likely to be any significant network changes over the remaining three months of the financial year, and there is an under-spend against the community transport grants budget. These are offset by an increase in costs in respect of printing the new Cheshire East bus timetables and a Bus Shelter audit prior to the new Transport company being established.
19. There have been £187,000 worth of savings achieved within Partnerships, Customer Services and Libraries mainly from vacancies.

## 2 ~ Cheshire East has a strong and resilient economy

20. Business and Visitor Economy: The Council continues its commitment to supporting businesses to growth and prosperity; Bentley announced a 19% increase in global deliveries in 2013 – the fourth consecutive year of double-digit growth. There were over 10,000 cars delivered, the highest figure in Bentley's 95-year history, against 8,500 in 2012.
21. A strategy for High Growth City was published and approved by Cabinet setting out the ambitious plans for Crewe and surrounding areas. As part of this work a Vision Statement for the Crewe Civic and Cultural Quarter was published in support of the proposed planning application for a new Lifestyle Centre for Crewe town centre.
22. Significant progress is being made as part of the Alderley Park Task Force to secure a longer-term future for the site as a vital part of the North West Life Science sector. Key achievements included the production of a Development Prospectus for the site and completion of an Environmental Impact Assessment to provide guidance for potential investors and occupiers.
23. The Arts, Cultural and Community review for Macclesfield has been completed, and a further action to develop a Heritage and Culture Strategy was agreed, to help inform priorities for future external funding bids. Further enhancements to Macclesfield town centre have been put in place; including new branding at Macclesfield train station and feature lighting installed around the Town Hall, Market Place and surface improvements at Chestergate.
24. Tatton Park Quarter 3 progress includes:
  - a. Stables Restaurant/Gardeners Cottage (TPE Ltd) : gross income for the Catering facilities at Tatton were showing an increase of just under 30% from the takings for the third quarter in 2012

- b. Trading Outlet income for the third quarter is being maintained at the same level as 2012 although the investment in new stock lines and presentation of the refurbished Gift Shop is showing a sales increase in the third quarter alone of over 8.5%
  - c. Education School visits have been maintained over the third quarter with a year-on-year increase of over 13% to date
  - d. Park Entry Income maintaining comparator increase with 2012 of over 7% which equates to an additional 10,000 vehicle entries to date
  - e. The Council has been successful in a bid for Heritage Lottery Funding for the restoration and reinterpretation of Tatton Park's Farm attraction: Tatton Dale Farm Heritage – Two Centuries of 'Field to Fork'. An initial grant of £76,600 was awarded to develop a detailed proposal, with the full project development of the Granary and Mill project being £1.1m.
25. The latest research into the value and volume of tourism published in Quarter 3 shows that in 2012 Cheshire East's tourism industry grew by 9% by comparison with the previous year and is now worth £690 million. By contrast, the economic impact of the North West of England's tourism industry was 3.7% lower in 2012 than in the previous year.
26. A net saving of £0.2m is forecast in Farms Service, in line with 2012/2013, mainly from reduced maintenance costs and revised income.
27. Engine of the North:  
In Quarter 3 the Council approved £5.5million of expenditure to kick start major development schemes. Key achievements over the period include:
  - Public consultation on a planning application at South Macclesfield Development Area
  - Approval to dispose of Remenham and appointment of disposal team to conclude within 2014
  - Appointment of a Masterplanning Team for Handforth East to secure an allocation within the Local Plan
  - Approval to dispose of Handforth Earl Road site and appointment of a disposal team – part disposal in 2014, completed in 2015.
28. Workforce: The Council agreed to seek accreditation with the National Skills Academy for Construction to formalise a framework for including employment and skills requirements in its construction tenders, and provide advice and guidance for contractors, developers and their supply chains.
29. An 'offer' of targeted support for care leavers is currently under development. Some areas being considered include: providing additional money to those young people who would lose benefits e.g. housing, on taking up an Apprenticeship; and linking up potential employers with those Cheshire East apprentices who may not be offered a permanent position by the authority on completion of their 'A' Team Apprenticeship. This offer is intended to cover all care leavers, whether they are taking up one of the Authority's 'A' Team opportunities or whether they are taking up any external Apprenticeship vacancies with partner organisations.
30. Partners proposing the University Technical College have been interviewed by the Department for Education to progress to the pre-opening stage of the University Technical College. The outcome of the interview will be known late January 2014.
31. Infrastructure: Provisional figures for turnaround of planning applications in Quarter 3 are:
  - N157a, Majors within 13 weeks = 53.2% (target: 60%)
  - N157b, Minors within 8 weeks = 69.1% (target: 65%)
  - N157c, Others within 8 weeks = 83.5% (target: 80%)
32. Since the start of the year Cheshire East Highways has delivered a significant carriageway surfacing and surface dressing

programme as well as repairing in excess of 56,000 potholes as phase 1 of the highway investment programme. Key achievements include:

- Around 100km of road length resurfaced or dressed removing over 56,000 potholes
- Approximately 70,000m<sup>2</sup> of programmed carriageway patching repairs completed
- 100% safety inspection achieved
- 43% reduction in potholes identified by Inspection
- 2 independent condition surveys undertaken confirming that Highway Investment Programme has resulted in carriageway improvements on A roads up by 1% and on B/C roads up by 4%
- Over 50% of the network gullies cleansed before the winter period
- 5,475 'aspects' (including traffic signals, Signal Box signs, Pedestrian heads, Push Button wait lamps) have been converted to LED lamps
- Over 1,100 signal faults repaired
- Route Management Strategies undertaken and implemented on A51, A34, A49, A50 and A530
- £2m worth of repairs to highway bridges and structures undertaken

33. Highways spend is being effectively controlled with staffing pressures from increased workloads being offset against other savings. Specifically £145,000 net pressure in Highways (Strategic) due to agency / consultancy costs on Highways DM/S278/S38 work, and Planning appeal costs and HS2 consultancy are being partly offset by improved S38 income and recharge to capital.

34. Potential costs arising from public inquiries into housing land supply are expected to be mitigated in year by planning income overachieving its income target.

35. Substructure works are now complete at the Crewe Rail Exchange, with the programme to be complete and open in April 2014.

36. £0.8m savings relate to realising the rationalisation of building stock.

37. Inward Investment: Work underpinning our commitment to inward investment continues towards our target of providing 96% coverage of high speed broadband by June 2015; current coverage sits at 81%. Development of the Connecting Cheshire Project is well underway and running ahead of schedule. During the period the project has concluded the initial survey and planning phase, publicised the coverage maps of the rollout programme and announced the 15,000 homes and businesses to receive high-speed fibre broadband by March 2014. Significant infrastructure build has taken place with key fibre spines being installed throughout Cheshire East, over 200 roadside fibre cabinets surveyed, 50 new fibre cabinets built and three fibre cabinets are ready for service with customers.

38. The Connecting Cheshire Business Support programme is ramping up its activity to help businesses get the most out of high-speed broadband, having completed 68 twelve-hour business assists by the end of December.

39. £1.6m of Rural Community Broadband funding has been applied for in order to continue the rollout of high-speed broadband in very rural/remote areas of Cheshire East. Further discussions with Government have been initiated about additional funding to extend the broadband programme into the final 4% of homes and businesses in Cheshire and Warrington.

40. A team of experts from across the Authority has worked extensively with the Cheshire and Warrington Local Enterprise Partnership to develop the Cheshire and Warrington Strategic Economic Plan and European Structural Investment Fund Strategy, which will secure new funding opportunities from

Government for key growth projects, including major highways schemes, High Growth City and Alderley Park. These strategic documents have been submitted to government for review and approval for funding awards being finalised in 2014.

41. Responsible Business: Business satisfaction with local authority regulation services is on target at the end of the third quarter with a cumulative in-year position of 95% (88 out of 93 businesses and customers expressing satisfaction).
42. Savings of £182,000 have been achieved from Housing Service restructuring and vacancy management.
43. In-year pressures of £0.6m in Assets from unrealised savings and corporate landlord transfers are largely offset by targeted repairs and maintenance reductions, energy rebate and vacancy management.

### **3 ~ People have the life skills & education they need in order to thrive**

44. The Early Years and Childcare team are now part of the Early Help service and are developing close working relationships within the Children Centres. The rollout of the two year old programme is key to ensuring the best start in life for our most vulnerable children. The programme involves close working across agencies, with particular reference to Health Service colleagues and the links to the statutory assessment at two years of age and the development of the Integrated Review.
45. There has been an increase in the number of providers in Cheshire East offering two year old places, including childminders. Targeted schools have been briefed about their involvement in the delivery of the Two Year Old offer.
46. The roll out of the Early Language Development programme to up-skill contracted settings and their practitioners and the use of

intervention strategies are key to improving the language and communication skills of our youngest children.

47. A two year old monitoring tool has been devised and provided for all settings on the programme. The data is submitted on a termly basis to the local authority (LA). This information has been analysed by the LA, shared with Children Centres and is being used to provide services within the LA.
48. Briefings have taken place with partner agencies and all settings have been informed on the eligibility process and how parents can access the offer. Parents are able to check their eligibility via the Family Information Service.
49. Early Years Foundation Stage Profile (EYFSP) data has been analysed and shared with schools via the Autumn Review. Targeted training has been offered to schools in areas of need to use and interpret their EYFSP data. All schools will have the opportunity to attend training in the development of mathematics.
50. Extensive consultation has now taken place on the Raising Achievement Plan and a detailed action plan has been developed to address the three core priority areas. The clear focus across primary and secondary schools is to narrow achievement gaps for vulnerable learners. A range of interventions are now in place and the establishment of action learning sets on key themes.
51. Currently, 86% of all learners attend good or outstanding schools. A professional development programme for schools, co-delivered by Ofsted, is making good progress with the intention of reducing the 20 schools currently judged as requiring improvement.
52. The Youth Support Service has refocused work in the geographical cluster teams to ensure that young people who are most vulnerable and without offers of education or training are supported on a one-to-one basis to gain training or education. This is in line with the Raising of the Participation age statutory requirements.

53. Quarter 3 has been a record quarter for work with those who are 16 to 18 and not in education and training (NEET), with the figures being the best they have ever been in Cheshire East, having reduced from 5.1% in September to 3.7% by December. We have seen a significant decrease in the number of young people who are 'Not Known', due to the setting up of the tracking role in the Youth Support Service and data share with colleges and training providers. This allows for the most vulnerable NEET young people to be identified and work with by the Youth Support Service. This in turn has meant we have the lowest level of NEET in five years.
54. Work undertaken through the Local Area Partnerships included developing the skills of NEET young people in Crewe through a kitchen garden horticultural programme. This was funded externally at a total of £4,000.
55. We have seen another positive increase in the numbers of young people gaining the offer through the September Guarantee. There is still a small proportion of young people not taking up the offer, and this an area where the Youth Support team are working with schools.
56. Work continues on implementing a project funded by the National Apprenticeship Service (NAS) to provide schools with a more focused approach to raising the profile of apprenticeships. NAS Apprenticeship Vacancies (AV) listings are now going directly into schools. The Youth Support Service (YSS) and the 14+ Skills Team have been working on measuring the effectiveness of this.
57. The Apprenticeship Promise, led by Cheshire and Warrington Local Enterprise Partnership is offering Businesses who sign the Apprenticeship Promise and who commit to take on an Apprentice(s) to become part of the Cheshire and Warrington Inspiring Apprenticeship employer network. Benefits include: access one-to-one local apprenticeship support and information; promotion of their organisation through the Inspiring

Apprenticeship Network; attendance at the annual Inspiring Apprenticeships Networking Event; and entry to receiving the Inspiring Apprenticeships Employer of the Year at the Annual Trinity Mirror Business Awards.

58. Significant work is taking place within the Virtual School to increase the level of tracking of cared for learners to maximise their academic outcomes. More robust data collection systems are now in place to be able to accurately predict end of Key Stage results and modify support programmes for learners to assist their outcomes. Individual planning documentation has been improved to place greater emphasis on academic standards. All Year 11 learners received a personalised message and voucher over Christmas as a reward for their ongoing efforts.
59. Significant work is underway to narrow the achievement gaps including key conferences/Continuing Professional Development events, additional staffing and detailed auditing of best practices across all schools.
60. A Principal for the new Autism school has been appointed and the Council continues to work in partnership with the National Autistic Society to establish the school.
61. There has been significant engagement in Quarter 3 with professional partners, children and young people and parents and carers on developing the local offer. A multi-agency working group has been established to develop the local offer and includes a parent representative.
62. The business requirements for a new combined children and adults IT directory are being drafted.

#### 4 ~ Cheshire East is a green and sustainable place

63. Work to complete the Local Plan Process by March 2016 continues. The Pre-submission draft Core Strategy was published for consultation between 5th November and 16th December. Approximately 10,000 comments were received over the period. Additional Housing applications were approved, contributing to the overall housing supply.
64. The Council's Carbon Management Programme was initiated in 2010, to reduce emissions by 25% (equivalent to 8,000 tonnes of carbon dioxide) by 2016. Some 84% of these savings were to be achieved through the reduction in energy use. The target for energy management has now been exceeded, resulting in a cost avoidance of £1.8 million, which, otherwise, would have been spent on energy consumption. This in turn enables the Council to better support front line services.
65. The energy management programme will continue to ensure the Council meets its overall carbon management savings.
66. The recent Collective Switching campaign resulted in 8% of registrants switching energy supplier. The 301 residents who switched saved almost £38,000 on their energy bills.
67. The Council continues to investigate the potential for a deep geothermal district heating network on its land at Leighton West. The Council has applied for grant funding from the Department of Environment and Conservation (DEC) to support the Council's innovative work on geothermal energy. Confirmation of grant award is expected in early 2014.
68. 'Smarter Ways to Travel', a key part of the 'All Change for Crewe' regeneration programme, will unlock the growth potential of Crewe in a low carbon way, improving air quality and connectivity across the town. The programme, made possible in Crewe by £3.5 million of funding from the Department for Transport's Local

Sustainable Transport Fund (LSTF), will support the delivery of a range of sustainable transport measures in Crewe.

69. Throughout the third quarter the focus on environmental management continues to support and engage local communities resulting in improvements and high environmental standards across the borough. This success has been reflected in a number of key achievements during Quarter 3 including:
- 6 Greenflag Awards retained in Congleton Park, Bollington Recreation Ground, The Moor Knutsford, Brereton Heath Country Park and Teggs Nose Country Park
  - 7 Play Facilities have been enhanced
  - Successful devolution of services completed in Congleton, with a go live date of 2<sup>nd</sup> January 2014
  - Customer Service Excellence Standard achieved
  - Works ongoing to replace cremators at Crewe cemetery, scheduled for completion in early February. Currently on schedule and within budget
  - Feasibility works underway to consider further refurbishment works within the crematorium buildings
70. Progress is well underway for creating an arm's length trading company to deliver bereavement services. The Business Case has been completed and 'Orbitas' has been registered as a Company. Formal employee consultation is underway regarding TUPE transfer from Council to newly formed companies with commencement date scheduled for 1<sup>st</sup> April 2014. Project meetings, stakeholder meetings and board meetings are all continuing.
71. Key achievements from Environmental Operations include:
- Increasing recycling and reuse levels to 54% - Cheshire East's highest figure to date, and placing it as the second highest achieving unitary authority in the North West
  - Production of high level waste strategy objectives to inform the new waste strategy for the Council to 2030



- Collaborative arrangement commenced with Staffordshire that will result in 43% of residual waste being diverted away from landfill to energy recovery next year
- Since the start of the financial year have provided a service covering 9.6 million scheduled Residual, Recycling and Garden waste collections (3.4 million Refuse, 3.4 million Recycling and 2.8 million garden) and supported elderly, disabled or vulnerable residents through the provision of approx 194,000 scheduled assisted collections
- Worked with 11 high schools on our secondary school green challenge, and with 115 primary schools as part of the Junior Recycler of the Year competition
- Our 50 waste prevention volunteers, in partnership with Cheshire West and Chester have actively promoted waste prevention, reuse and recycling at 32 events speaking to 2,740 people giving 242 hours of volunteering to the project
- Emptying of approximately 2,400 litter bins and over 900 dog bins
- Responding to approximately 1,700 reported incidents of fly tipping in the last 12 month period

72. In terms of Waste expenditure the service has seen:

- A £200,000 reduction in Agency costs through the diversion of staff displaced through the green waste extended shutdown and implementation of some route changes as part of the efficiency review
- Pressures of £300,000 from increases landfill tonnages – partly offset by reduction through Landfill diversion (£93,000)
- Reduced fleet costs of £24,000 through managing increased fuel costs by savings elsewhere
- Green Waste Extended Shut Down delivering in year savings of £100,000m over Frontline Staff/Vehicles and Contract implications

- 73. Alternative Street Cleansing service delivery proposals to form part of the Waste and Environmental Operations Company resulting in unrealised savings of £266,000.
- 74. Winter Maintenance savings £100,000 not realised in year due to policy change not being endorsed; overspend mitigated in year through reduced spend in other areas.
- 75. Reduction of £100,000 income owing to replacement cremators at Crewe, and delays in markets/public conveniences transfer as part of the Local Service Delivery programme.
- 76. Increased Grounds Maintenance and Street Cleansing recharges (£47,000), additional vacancy savings (£28,000), targeted supplies and transport savings (£246,000), and devolution funding for the Congleton management fee (£30,000).

## 5 ~ People live well and for longer

- 77. The Public Health team continues to embed public health within the Council and across the health system. The Director of Public Health is leading progress on Outcome 5 of the Council's Three-Year Plan.
- 78. The Director of Public Health has published the Annual Report 2013 which has been presented at Scrutiny, Cabinet, the Health and Wellbeing Board and Clinical Commissioning Group colleagues.
- 79. Financial planning for 2014/2017 is progressing. A budget plan for this period has been drafted and has been reviewed as part of the Council's budget challenge sessions
- 80. With support from Legal and Procurement Services, work is progressing well in putting in place the necessary contracts for the services inherited from the Primary Care Trust.

81. The re-commissioning of drug and alcohol services is progressing with stakeholder consultation events, including an on-line survey, having taken place. Reviews of sexual health, tobacco control and healthy child (5-19 years) services are also continuing, the latter in conjunction with NHS England for health visiting services.
82. Work undertaken through the Local Area Partnerships included the establishment of a six-week Drug Proof Your Kids course in Knutsford. The programme has been developed after requests from parents who wanted to help themselves and other parents with regards to alcohol and drug awareness.
83. Other work undertaken through the Local Area Partnerships included healthy eating events which support the reduction of obesity and diabetes in children and young people. Twelve families from Knutsford were involved in events aimed at changing attitudes towards food and cooking healthy meals on a restricted budget.
84. The Cycling Proficiency scheme 'Bikeability' is running at a 92% success rate with over 3,500 young people now accredited with Bikeability Level 2 and 3 awards. A bike maintenance course was run in December with six volunteers from community groups now nationally accredited.
85. The provision of 'Nordic Walking' has grown month by month with two new leaders trained and about to start sessions in the south of Cheshire East and attendance numbers continue to increase. 'Walking Football' launched at Barony Park for the older population.
86. Recent case studies of the "Activate" programme (disabled provision) has demonstrated that in addition to physical benefits parents are able to get respite and make other contacts. Sessions are now offered in over six different sports across the Borough.
87. Total participation in sport and active recreation shows a 3% overall increase when compared to the previous period in 2012/2013. Adult participation is up 1%, junior participation 5% and older people 4%. Everybody Memberships, which commit customers to regular activity, are up 17% when compared to October 2012.
88. A new fitness suite and exercise studios at Nantwich Pool has been completed as part of a £1.3m refurbishment. New memberships at this site are up 28%.
89. Attendance to date at Rural Touring Arts (RTA) Programme stands at 1,600, and Crewe Lyceum Theatre at over 54,000.
90. £100,000 leisure facilities premises and transport pressures will be addressed as part of the 2014/2015 Business Planning. Since Mid-Year Review Premises costs have also increased by £15,000.
91. £0.5m pressure remains against the Leisure salaries budgets.
92. £0.3m pay pressure due to slippage into 2014/2015 of savings relating to the Leisure Trust set up
93. In home adaptations for older and/or disabled residents, 398 (82% of the annual target) households have been assisted; an increase of 16% on 2012/2013 performance.
94. 56 affordable housing units were delivered in quarter three, taking the cumulative total for the year to 169. The projected annual total is 243 units against a target of 350. A MySpace project was launched to assist 18-24 year olds in accessing the private rented sector and receive support to maintain their tenancy. Meanwhile, 35 long-term empty properties (over six months) have been brought back into use.
95. Housing are now working with Adults Service Commissioners to explore alternative delivery models for the Cheshire Homechoice

- and Homelessness team, along with the Care and Repair service which will enable residents to make informed decisions about their housing options and promote independent living.
96. Strategic Housing is forecast to realise 'in year' savings of £182,000 principally from the restructure of the Service and from vacancy management.
  97. The number and quality of Common Assessment Framework assessments has been on an upward trajectory since July 2013. Work continues through the Early Help sub-group to increase the involvement of partner agencies.
  98. Good progress is being made in improving children's safeguarding arrangements. The Peer Challenge of Cheshire East's Consultation Service (the front door into Children's Social Care) was very positive. This was validated by Ofsted in December as part of their Improvement Pilot (Cheshire East is one of three local authorities across the country).
  99. The volume of business into Children's Social Care has increased in Quarter 3, with a significant increase in the number of combined assessments required, but it is expected that this will plateau once the new systems are fully embedded. Despite this increase, timescales for completions of assessments have improved significantly since Ofsted's inspection. The cumulative position for December 2013 is 82% of all combined assessments completed within 45 days. The milestone for December was 75% with a target of 90% by March 2014. The performance book, developed for the Improvement Board, provides regular and detailed information on key safeguarding indicators.
  100. Significant audit activity on Children's Social Care is underway which, again, is evidencing improvement in practice. There are still some inconsistencies in practice, but work is underway to embed good and outstanding practice.
  101. A significant number of actions underpinning the Children's Improvement Plan have now been signed off by the Improvement Board and its independent Chair.
  102. The new Children's Participation Service, run by the Children's Society, was launched at the start of December to improve engagement with children and young people. This includes increasing advocacy and independent visitor services. It is expected that this will support the increase in children and young people participating in their plans.
  103. The number of cared for children remains at a significantly lower number than this time last year (346 at the end of December as opposed to 402 at the same point last year). Internal placements continue to be developed and used to ensure that the number of cared for children placed locally is maximised.
  104. Adoption timescales continue to improve. The national Adoption Scorecard, to be published in early Quarter 4, will indicate a continued year-on-year improvement in respect of thresholds for timeliness for adoption. Cheshire East won the British Association for Adoption and Fostering (BAAF) Council Adoption Service of the Year national award for its Four4adoption collaboration. The collaboration also won Recruitment Champion of the month in November. This followed a series of innovative campaigns which saw traffic to the website increase by over 400% and generate almost 80 enquiries from Adopters in November.
  105. Adult Social Care services continue to progress the service redesign major change programme within assessment and care management services. Staff have attended workshops throughout October and November to contribute to identifying the areas for improvement and consider the options for doing things differently which will ensure we deliver for local residents whilst at the same time recognising financial pressures. Further work is underway to ensure the new way of working is heavily influenced by those who use our services and those who care for them.

106. We are working together with health partners on two major change programmes. Caring Together in the East Clinical Commissioning Group area and Connecting Care in the South. The programmes aim to redesign the delivery of health and social care services across primary and secondary care. The new service model will ensure a shift towards community based services and ensuring we have in place a coordinated approach to care with integrated services wherever possible. Both programmes have a formal programme management structure and are progressing at a pace and stakeholder events are taking place that have a proactive approach to public involvement and engagement. Design groups are well underway looking at the development of four key areas of the service redesign model.
107. In terms of Public Involvement and Engagement, two engagement sessions have taken place to involve service users and parents/carers to have a strong voice and influence the shaping of support to individuals with a Learning Disability and Autism. For the first time this included representation from across the full age range.
108. The newly formed (since April 2013) Healthwatch organisation is now taking shape and in this quarter has demonstrated the impact in terms of representation of the public in relation to adult and children's health and social care services. Healthwatch have also established a working group looking at personalisation in Cheshire East which will inform our service development programmes.
109. During Quarter 3 over 13,000 hours of community support reablement have been delivered to around 650 customers helping them to regain their independence and remain living within their own homes. Of those people that finished reablement during Quarter 3 around 45% had no services or a decreased level of service at their six week review
110. Mental Health reablement dealt with over 700 referrals during the quarter with an average of 68% of people engaging in support. Of those who completed their support with the team 99% needed no ongoing commissioned support. In these teams around 8% of the work involved supporting people to access education, voluntary work or supported employment and fewer than 2% of the people supported by these teams subsequently required an ongoing commissioned service.
111. The recent Quality Standards Questionnaire sent out by Care4CE has indicated a high percentage of people feel that their quality of life has been improved through interaction with the various services on offer – of 185 Surveys that have been returned so far 89% either strongly agree or agree that the service they have received has helped to improve their quality of life.
112. Adults services has constantly posted significant overspends throughout the lifetime of Cheshire East Council reflecting the very real challenges being faced, especially when considering the growth in the Older People's population (fastest growing over 85 population in the region) and the complexity of service users coming through transition from Children's services to Adulthood.
113. The current financial position of a small projected overspend represents a major improvement to the projected deficit of £1.3m reported at Mid-Year Review. A number of factors play into this improvement, from better management (including forecasting) of care costs, income rising slightly and vacancies being held where appropriate.
114. Prudent assumptions have been made about income from partners (primarily Health partners) as issues such as entitlement to Continuing Health Care are resolved. These assumptions also include current allocations under a number of different Legal arrangements (including Section 75 and 256 agreements such as the Learning Disability Pooled Budget and Social Care allocations) regarding how both funding arrangements and also, how monies should be deployed to benefit the whole Care

economy in Cheshire East. These arrangements will grow in importance as the Better Care Fund develops and more integration occurs between Social Care and Health.

115. Adult Social Care continues to face major financial challenges and will need to be well prepared for forthcoming changes such as those coming through the Care Bill in order to maintain financial stability going forward.
116. The Director continues to work towards producing a balanced budget by year end. Key negotiations are ongoing with Health colleagues around the funding of complex care packages and this in addition to the extent of winter pressures being faced will be crucial in achieving a balanced position.
117. These changes will need adequate planning and resourcing to ensure residents of Cheshire East are properly treated with regard to new arrangements such as the operation of a care account.
118. The current position in Adult Social Care gives reassurance about the financial direction of travel showing costs are under far greater control than experienced to date during the lifetime of Cheshire East which gives a solid platform for moving forward to 2014/2015 and beyond.

#### Children and Families Services

119. The service continues to seek efficiencies and drive down costs mindful of the future financial scenario and the wider Council position.
120. Two main factors contribute to the underspend, firstly, holding vacancies on a one-off basis and secondly, continued efficiencies in social care costs through placements which provide improved outcomes for children. A good example of this is the significant

reduction in out of borough placements from 52 at its highest point to 31 at the start of 2013/2014 down to 23 now, meaning expensive placements, sometimes costing in excess of £3,000 per week have been replaced by placements closer to home which are better for the Cared for Child in terms of improved access to family, friends etc.

121. Further examples include an a reduction in Agency Foster placements from 81 in March to 72 in December 2013 and a rise in Independent Living from 13 in March 2013 to 20 in December 2013.
122. All of these continue to reduce costs. Efficiencies continue to be sought wherever possible, with levels of managerial activity being constantly re-evaluated and reduced where safe and contracts being renegotiated to improve outcomes while costs are reduced. This approach will contribute to the Council's bottom line and this lower cost base and relentless drive efficiency that will continue in future years provides reassurance that the challenging financial targets will be delivered.

## 2. Financial Stability

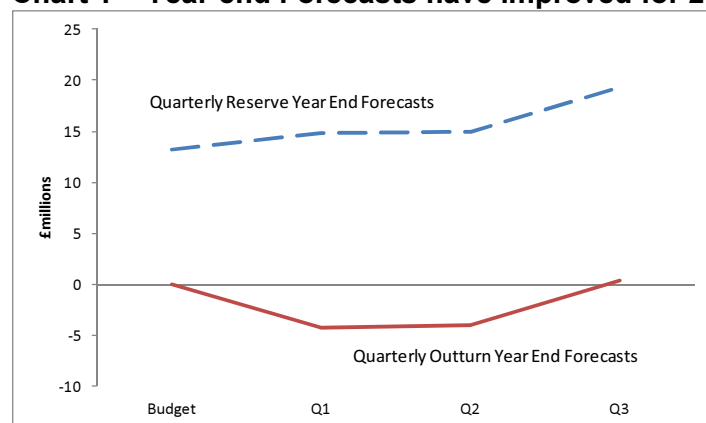
### Introduction

123. Financial performance in 2013/2014 has continued to improve compared to previous financial years. Improvements in financial planning, governance and stewardship are having a clear impact on the Council's ability to manage its budget and create greater confidence in the medium term plans.

124. The forecast of an underspend at year-end has not been possible in any previous quarterly report for Cheshire East, which highlights the significance of this Third Quarter estimate.

125. Estimates have been closer to budget as the improved management of the 2013/2014 budget has become clear as demonstrated in the chart below.

**Chart 1 – Year-end Forecasts have Improved for 2013/2014**



### Service Revenue Budget - Overview

126. **Table 1** provides a service summary of financial performance at Quarter 3. For further details please see Section 1 and the notes

below the table. Changes to service net budgets since the Mid Year Review are analysed in **Appendix 2**.

**Table 1 Service Revenue Outcome Forecasts**

	Revised Budget (NET) £000	Forecast Outturn Position £000	Current Forecast Over / (Underspend) £000	Current Forecast Over / (Underspend) % Change	OUTCOME NUMBER 1-5
<b>Commissioning</b>					
Children's	44,354	44,806	452	-0.2%	3 / 5
Early Help & Protection	11,270	10,706	-564	-5.0%	3 / 5
Integrated Safeguarding	2,250	2,206	-44	-2.0%	3 / 5
Adult Social Care	96,534	96,894	360	0.1%	5
Public Health	0	0	0	0.0%	5
Environmental Protection & Enhancement	38,007	38,284	277	-0.2%	2 / 4
Public Protection & Enforcement	-240	1,199	1,439	#	1 / 4 / 5
Economic Growth & Prosperity	6,975	6,801	-174	-6.4%	2 / 5
Communities	18,449	17,255	-1,194	-6.6%	1 / 2
<b>TOTAL COMMISSIONING</b>	<b>217,599</b>	<b>218,151</b>	<b>552</b>		
<b>Chief Operating Officer</b>					
Assets	17,965	18,232	267	1.5%	
Commercial Strategy, Business Improvement and Performance	21,622	21,202	-420	-3.7%	2
Organisational Development	4,517	4,315	-202	-8.3%	
Monitoring Officer	1,683	1,825	142	0.0%	
Governance and Democratic Services	4,110	4,230	120	0.0%	
<b>TOTAL CHIEF OPERATING OFFICER</b>	<b>49,897</b>	<b>49,804</b>	<b>-93</b>		
<b>TOTAL SERVICE OUTTURN</b>	<b>267,496</b>	<b>267,955</b>	<b>459</b>	<b>-0.8%</b>	
<b>Schools Grant Funded</b>					
<b>Schools Grant Funded including DSG</b>					
Strategy, Planning & Performance - DSG	0	1,413	1,413		3
Schools (Individual School Budgets)	0	0	0		3
Other Schools Provision	0	-2,665	-2,665		3
Pupil Premium	0	0	0		3
		<b>-1,252</b>	<b>-1,252</b>		

# % change not shown against negative net budgets

127. Other corporate issues at Quarter 3 not described in Section 1 include:

- Good progress in delivering against budget in the Corporate Service areas and supporting the many initiatives being taken forward by the Council.
- Cost pressures are being experienced in ICT from redundancy costs, under achievement of income and ICT Shared Services. These are off-set by a predicted underspend on implementing the Public Service Network.
- Organisational Development are continuing to reflect an underspend due to staffing issues in training and the terms and conditions harmonisation budget not being used.
- Monitoring Officer and Governance and Democratic Services are predicting to come in on budget.

128. The impact of the projected service outturn position is to decrease balances by £0.5m. Further items impacting on the level of the Council's balances are detailed in the paragraphs below on centrally held budgets.

129. As the Council improves the focus on providing funding for specific outcomes there may be changes to the way services are structured. In particular, the Council will always consider the most appropriate delivery model to commission services; this could be in-house services, arms length services or private sector providers. In the period October to December 2013 considerable progress has been made towards setting up new delivery models in Waste, Leisure, Bereavement Services and Development (via the Engine of the North limited company).

130. The Council has made considerable improvements in the way it manages its major change programmes. This has included extensive training, a refreshed methodology, the setting up of new monitoring and reporting arrangements and monthly reporting. In

April 2013 the Council launched a corporate project and programme management framework to support achievement of the Three Year Plan. The framework focuses on capital or revenue projects or programmes where the total value exceeds £250,000, or poses significant risk to the Council. Progress is reviewed by a Member-led governance group, called the Executive Monitoring Board (EMB), which is supported by a Technical Enabler Group (TEG) and the Programme Management Office (PMO).

131. Monitoring of the current projects and programmes focuses on whether projects are expected to achieve the benefits set out in each business case within the timescales and budget initially agreed. Where progress on a specific project or programme is impacting on the outcomes contained in the Council's Three Year Plan details will be provided in Section 1 of this report. Where projects are not meeting time, quality or cost standards these will be considered by Cabinet as part of a monthly summary report.

### Government Grant Funding of Local Expenditure

132. Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. The overall total of Government grant budgeted for in 2013/2014 was £405.6m. This includes the new Public Health Grant.

133. In 2013/2014 Cheshire East Council's specific use grants held within the services were budgeted to be £291.6m based on Government announcements to February 2013. Further announcements have revised this figure to £295.6m. Spending in relation to specific use grants must be in line with the purpose for which it is provided. General purpose grants were budgeted to be £114.0m based on Government announcements to February 2013. Further announcements have revised this figure to £116.6m.

134. **Table 2** is a summary of the budgeted and updated position for all grants in 2013/2014. A full list is provided at **Appendix 3**.

**Table 2 – Summary of Grants to date**

	Revised Forecast MYR 2013/2014 £m	Revised Forecast TQR 2013/2014 £m	Change £m
SPECIFIC USE			
Held within Services	301.0	295.6	-5.4
GENERAL PURPOSE			
Central Funding	93.0	93.0	0.0
Children & Families Services	2.9	3.0	0.1
Adult Social Care & Independent Living	5.5	5.5	0.0
Environmental Protection & Enhancement	0.1	0.1	0.0
Economic Growth & Prosperity	0.0	0.2	0.2
Communities	3.5	3.5	0.0
Chief Operating Officer	11.4	11.4	0.0
	116.4	116.7	0.3
Total Grant Funding	417.4	412.3	-5.1

135. Specific use grants have decreased by £5.4m. This is mainly due to in-year academy conversions.

136. Additional grant funding of £1.7m in 2013/2014 has been paid into General Reserves. In Quarter 3 notification of additional general purpose grants of £0.3m for 2013/2014 have been received. Requests for the allocation of this additional grant funding are detailed in **Appendix 9**.

### Collecting Local Taxes for Local Expenditure

137. Cheshire East Council collects Council Tax and National Non Domestic Rates for use locally and nationally.

### Council Tax

138. Council Tax is set locally and retained for spending locally. Council Tax was frozen for 2013/2014 at £1,216.34 for a Band D property. This is applied to the taxbase.

139. 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 2013/2014 was agreed at 137,122.19 which, when multiplied by the Band D charge, means that the expected income for the year is £166.8m.

140. In addition to this, Cheshire East Council collects Council Tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. **Table 3** shows these amounts separately, giving a total collectable amount of £201.6m.

**Table 3 – Cheshire East Council collects Council Tax on behalf of other precepting authorities**

	£m
Cheshire East Council	166.8
Cheshire Police & Crime Commissioner	21.0
Cheshire Fire Authority	9.3
Town & Parish Councils	4.5
	<b>201.6</b>

141. This figure may vary slightly during the year if more discounts and exemptions are granted or more properties are built.

142. 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 £203.8m.



143. **Table 4** shows collection rates for the last two years, and demonstrates that 99% collection is on target to be achieved within three years.

**Table 4 – Over 99% of Council Tax is collected within three years**

Financial Year	CEC Cumulative	
	2011/2012 %	2012/2013 %
After 1 year	97.7	98.2
After 2 years	99.1	*
After 3 years	*	*

\*data not yet available

144. The Council Tax in-year collection rate for 2013/2014 is currently 86.4% compared to 86.8% for the same period in 2012/2013. This represents a reduction in collection rate of 0.4% on last year and equates to a reduction in cash collection of £0.8m.
145. Council Tax support payments (incl. Police and Fire) were budgeted at £18.9m for 2013/2014 and as at the end of the third quarter the total benefit awarded totalled £17.5m. This minimises the risk of an increase in claimants for the remainder of the year and the potential costs of current outstanding claims. Members have agreed to retain the scheme in its current form for 2014/2015.
146. Council Tax discounts awarded as at the end of the third quarter are £18.5m which is broadly in line with the same period in 2012/2013. The figure now includes a long term empty premium of £0.6m and a Landlord Discount figure of £0.8m.
147. Council Tax exemptions awarded at the end of the third quarter totalled £3.5m. This is lower than the same period in 2012/2013 where the amount awarded totalled £6m. This reduction is due to the changes to exemption rules introduced at the beginning of 2013/2014 and is broadly in line with estimates.

### National Non Domestic Rates (NNDR)

148. NNDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes annually in line with inflation and takes account of the costs of small business rate relief. The inflation factor used is 2.6% which reflects the Retail Price Index as at September 2012.
149. The small business multiplier applied to businesses which qualify for the small business relief has been set at 46.2p in 2013/2014. The non-domestic multiplier has been set at 47.1p in the pound for 2013/2014.
150. The amount of business rates set by Department for Communities and Local Government (DCLG), to be collected by Cheshire East at the start up of the business rates retention scheme, was £132.5m (including an allowance for appeals). Local estimates in March increased this figure to £138.9m. Any increase in business rates collected are to be split 49% to central government, 1% to the Fire Authority with the remainder being retained by Cheshire East. Mid-Year estimates were calculated to include a much larger estimate for potential appeals bringing our forecast outturn more in line with original DCLG estimates.
151. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.

**Table 5 – Over 99% of Business Rates are collected within three years**

Financial Year	CEC Cumulative	
	2011/2012	2012/2013
	%	%
After 1 year	98.1	98.0
After 2 years	99.1	*
After 3 years	*	*
*data not yet available		

152. The business rates in-year collection rate for 2013/2014 is currently 87.3% compared to 87.5% for the same period in 2012/2013. This represents a decrease in collection rate of 0.2% on last year and equates to a reduction in cash collection of £0.3m.

## Capital Programme 2013/2016

153. Since the Mid-Year Review the overall programme has increased by £1.8m as shown in **Table 6**.

**Table 6 – Summary Capital Programme**

	MYR Total Forecast Budget 2013/17	Amendments to MYR Forecast Budget 2013/17	Amended MYR Forecast Budget 2013/17	Budget Reductions	SCE's	Revised Total Forecast Budget 2013/17
	£m	£m	£m	£m	£m	£m
Children Services	14.2	-0.2	14.0	0.0	6.9	20.9
Early Help & Protection	1.0	0.0	1.0	0.0	0.0	1.0
Adult Social Care	9.9	0.0	9.9	-7.6	0.0	2.4
Environmental Protection & Enhancement	58.7	0.3	59.0	-0.1	0.0	58.9
Public Protection & Enforcement	17.4	0.0	17.4	0.0	0.0	17.4
Economic Growth & Prosperity	54.1	5.5	59.6	-6.8	5.1	57.9
Communities	1.6	0.0	1.6	0.0	0.0	1.6
Commercial Strategy & Business Innovation	66.6	-0.2	66.4	-1.2	0.0	65.2
	<b>223.5</b>	<b>5.5</b>	<b>229.0</b>	<b>-15.8</b>	<b>12.0</b>	<b>225.2</b>

154. A Capital Challenge Session was held in November 2013 led by Members and Officers who reviewed the overall programme and produced a reduction of £15.8m in schemes that require funding by Prudential Borrowing, with a £4.0 m reduction in 2013/2014.

155. However a number of new schemes have either been approved since Mid-Year Review or will be approved at Third Quarter Review. These include the Engine of the North capital programme of £5.5m which will be funded by capital receipts, new Children Services schemes (£6.8m) that will be wholly funded by Government Grants, and £5.1m for Crewe Green Link Road (Phase 2) which is required for the railway under-bridge structure on the site so that the Authority meets the requirements of Network Rail. The additional budget requirement for the Link Road will be funded by Government Grants and Developer Contributions.

156. 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 7**.

**Table 7 – Capital Funding Sources**

	MYR Total Forecast Budget £m	TQR Total Forecast Budget £m	Variance £m
Grants	91.0	103.4	12.4
External Contributions	19.2	19.4	0.2
Prudential Borrowing	96.7	80.4	-16.3
Revenue Contributions	1.1	1.0	-0.1
Capital Reserve	15.3	20.9	5.6
	<b>223.3</b>	<b>225.2</b>	<b>-1.8</b>

157. Since the mid-year forecast budget the funding of the capital programme has changed with a large reduction of £16.3m in the Prudential Borrowing requirement over the next three years with a greater emphasis on utilising Government Grants and the increase in capital receipts that will be achieved as a result of the Engine of the North development opportunities and the asset rationalisation programme.

### Capital Budget 2013/2014

158. At the Third Quarter review stage the Council is forecasting expenditure of £78.3m in 2013/2014. **Table 8** illustrates the in-year changes to the capital programme which shows an overall decrease of £12.0 m. This includes the net impact in 2013/2014 of supplementary capital estimates and virements listed in **Appendices 5 to 7**.

159. The most notable changes to the in-year budgets are the budget reductions of £4.0m achieved as part of the Capital Challenge Session in November 2013 and the Engine of North Capital programme of £4.7m in 2013/2014.

160. The in-year budgets have also been brought in line to reflect the forecast expenditure at the Third Quarter Review stage. The Outturn position will be measured against this revised in-year position for any slippage against the capital programme.

**Table 8 – Changes to the 2013/2014 Capital Budget**

	MYR Budget	Revised TQR Budget	Forecast Expenditure	Current Forecast (Over/ Underspend)
	£m	£m	£m	£m
Children Services	8.8	7.7	7.7	0.0
Early Help & Protection	0.6	0.5	0.5	0.0
Adult Social Care	1.4	1.1	1.1	0.0
Environmental Protection & Enhancement	45.2	32.4	32.4	0.0
Public Protection & Enforcement	2.2	2.7	2.7	0.0
Economic Growth & Prosperity	8.8	16.6	16.6	0.0
Communities	1.2	0.7	0.7	0.0
Commercial Strategy & Business Innovation	22.0	16.6	16.6	0.0
<b>Grand Total</b>	<b>90.3</b>	<b>78.3</b>	<b>78.3</b>	<b>0.0</b>

161. **Appendix 5** lists approved supplementary capital estimates and virements up to and including £250,000 in respect of forecast overspends and additional schemes not previously approved as part of the 2013/2014 Capital Programme.

162. **Appendix 6** details a request for a Virement of £300,000 for the Crewe Lifestyle Centre to be funded from the 2013/2014 Regeneration and Development programme.

163. **Appendix 7** lists requests for supplementary capital estimates over £250,000 that will be approved as part of the Budget Report 2014/2017 that will be presented at full Council on the 27th February 2014.

## Central Adjustments

### Capital Financing Costs

164. 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 £11.9m accounts for 4.6% of the Council's net revenue budget.

165. At Third Quarter Review, the overall saving on the capital financing budget is forecast to be £0.9m. The estimated external interest charges are now not expected to be incurred, cash balances have remained stable so no additional external borrowing has been undertaken and the return on investments is expected to exceed target. These factors produce an underspend of £0.6m.

166. The administrators of Heritable Bank have continued to make repayments in 2013/2014 bringing the total amount recovered to 94%. The original expectation was for around 88% of this to be recovered. The additional receipt over and above the original estimated recovery rate of 88% has resulted in additional revenue in 2013/2014 of £300,000.

### Treasury Management

167. Investment income at the end of Quarter 3 is £305,000 which is £65,000 higher than budgeted for the period. In addition, further repayments have been made to the Council in respect of Heritable Bank as detailed above. Income could have been higher but the externally managed pooled funds, although posting good results in September and October, performed poorly in November and December. General slowdown in global markets and emerging countries were chiefly responsible, and following on from poor

results earlier in the year has resulted in minimal growth in the fund value in 2013/2014. Investment rates have declined slightly from last year but, based upon the current economic forecasts, are expected to remain at current levels. Credit quality and liquidity of investments will continue to take priority over yield.

- The average lend position (the 'cash balance') including fund manager and legacy balances up to the end of the third quarter was £74.9m.
- The average annualised interest rate received on in house investments up to the end of the third quarter was 0.61%.
- The average annualised interest rate received (net of fees) on the externally managed pooled funds up to the end of the third quarter was -0.05%.

168. The Council's total average interest rate up to the end of quarter 3 in 2013/2014 was 0.49%. This is higher than the London Inter-bank Bid Rate for 7 days at 0.42% and is on a par with our expected rate of return of 0.50%. The base rate remained at 0.50% for the quarter.

**Table 9 – Interest Rate Comparison**

Comparator	Average Rate Q3
Cheshire East	0.49%
LIBID 7 Day Rate	0.42%
LIBID 3 Month Rate	0.44%
Base Rate	0.50%

169. All investments are made in accordance with the parameters set out in the Treasury Management Strategy Statement (TMSS) approved by Council on 28<sup>th</sup> February 2013. Further details of counterparty limits and current investments are given in **Appendix 8**.

## Central Contingencies

### Pensions

170. The 2013/2014 budget contained £0.7m contingency provision to meet the impact of increases in Employer Pensions contributions. This has been fully allocated to services.

### Severance and relocation costs

171. A provision of £4.2m was included in the 2013/2014 budget to meet ongoing actuarial charges relating to Voluntary Redundancies (VR), and relocation costs arising from Local Government Reorganisation. Spending in-year is forecast to be in line with the provision. However services are absorbing relocation costs within their budgets, and consequently £0.3m of the contingency will be returned to balances. Overall though, relocation costs are lower than originally forecast. Budget provision of £0.5m made in 2012/2013 to return surplus funding transferred to the Council on reorganisation to Cheshire West and Chester Council was carried forward in general reserves. It is now anticipated that a payment of £0.6m from reserves will be made in 2013/2014.

### Allocation of Additional Grant Funding

172. The Council's budget provides for the receipt of known specific grants. However where additional unbudgeted non-ringfenced grant funding is received, services wishing to increase their expenditure budgets are required by Finance Procedure Rules to seek approval to use this additional funding. This report seeks approval to services' requests to incur additional expenditure in 2013/2014 fully funded by additional grant. Details of the allocations are contained in **Appendix 9**.

## Use of Reserves

173. At First Quarter Review approval was given to allocate £0.5m to service budgets from General Reserves relating to Flood Grant, Flood Levy, and income shortfall from sale of CLS Care Service Leases.
174. The National Joint Council for Local Government Officers agreed a Pay Award of 1% (for staff up to Grade 12) with effect from 1 April 2013, and the removal of Spinal Column Point 4 from 1 October 2013. At Mid-Year Review the estimated cost of £1m was removed from service outturn forecasts and factored in centrally to be met from reserves. Services have now been allocated the additional budget to meet these costs.

### Debt

175. A summary of outstanding invoiced debt by Service is contained in **Appendix 10**.

## Outturn Impact

176. The impact of the projected service outturn position is to reduce balances by £0.5m as reported above (**para 128**).
177. Taken into account with the central budget items detailed above, the impact of these issues is to increase balances by £0.3m, as summarised in **Table 10**.

**Table 10 – Impact on Balances**

	£m
Service Outturn	0.5
Specific Grants	-1.7
Capital Financing	-0.9
Contingencies	-0.3
Relocation costs	0.6
LGO Pay Award	1.0
Use of Reserves	<u>0.5</u>
	<u>-0.3</u>

**Management of Council Reserves**

178. The Council's Reserves Strategy 2013/2016 stated that the Council would maintain reserves to protect against risk and support investment. The Strategy forecast that the level of reserves would remain constant at £13.2m throughout this period in line with the risk assessed minimum level.

179. The opening balance at 1st April 2013 on the Council's General Reserves increased from a budgeted £13.2m to an actual position of £19.0m, due to the final outturn position for 2012/2013.

180. In light of the impact of the revised outturn position on general reserves and the emergence of other potential pressures on the budget, the Reserves Strategy was updated at First Quarter Review.

181. The 2013/2014 budget made no provision for a contribution to or from general reserves.

182. The overall impact of service and central budget outturn issues identified above is therefore a net increase in general reserves of £0.3m to £19.3m as shown in **Table 11** below.

**Table 11 – Change in Reserves Position**

	£m
Opening Balance at 1 April 2013	19.0
TQR Outturn Impacts	<u>0.3</u>
Forecast Closing Balance at March 2014	<u>19.3</u>

183. The projected balance of £19.3m is above the Reserves Strategy risk assessed minimal level of £13.2m. In line with the overall strategy to protect the Council against risk and support investment this additional funding will be retained in general reserves and feature as part of the 2014/2015 budget setting process.

### 3. Workforce Development

184. This section sets out the Council's activities in relation to workforce development plans and changes to staffing levels and costs.

#### Workforce Development Projects

185. The Council has a number of key workforce development projects underway to support the Council's transformation. Under the major change project 8.2, which is specifically about building capability and engaging the workforce, a workforce engagement survey has now been commissioned and will be run in January 2014. The results of this survey will provide some key information to establish a baseline for the Council regarding staff engagement and morale and, importantly, enable the development of focused action plans to make improvements in key indicators where necessary.

186. Following the spring staff road-shows, the Leader of the Council and the Chief Executive, along with a number of other key senior leaders from across the Council, took part in a Dragons-Den style event in September. This event provided a number of staff with the opportunity to 'showcase' their suggestions for service improvements and innovative ideas and bid for investment to develop them further. Three of the proposals were confirmed ready for taking forward for implementation and a further four were identified as having strong potential. In addition, there were a number of project ideas that are now to be mainstreamed in business and service plans. Overall, the event was hugely successful in demonstrating to staff that their ideas matter, promoting collaborative working and increasing commercial awareness and understanding.

187. The three proposals that are ready to progress are the Junior Community Warden Scheme, Staffing Solution Centre and the MyCEApp (a mobile phone app for CEC and its wider community). Estimated development costs of £46,500, in order to develop the

ideas into fully working solutions, will be met from existing cost of investment budgets.

188. The first of the Senior Leadership Conferences took place in November and was very successful. The conference heard from key note speakers including the Leader of the Council, the Chief Executive and the Executive Director of Strategic Commissioning.

189. A series of Staff Roadshows are also planned to start early in the New Year and all staff are encouraged to attend.

190. The Council is now underway with its third cohort of managers on the Cheshire and Warrington Collaborative Leadership Programme, which the Council runs in partnership with Cheshire West and Chester, Warrington and other partners including the Police, Fire and NHS. This is a hugely successful programme and an excellent example of collaborative working. The programme this year is being run in conjunction with North West Employers.

191. Work is ongoing to develop a key set of organisational capabilities, including commercial awareness, commissioning skills and matrix working. A tailored development programme is being developed alongside this to ensure that the Council's managers and staff have the right skills and capabilities to operate at pace and deliver what is required as part of the Council's strategic commissioning operating model.

192. Investment for Major Change Project 8.1a (Performance Related Pay) was initially estimated to be £0.18m in the current financial year but, as previously reported, this investment will now be required in 2014/2015 once a clear strategy has been agreed.

193. Linked with the Major Change Project 8.1b, Flexible and Agile working, a piece of work is being undertaken to pull together related

and inter-dependent streams of work to ensure they are joined up and therefore maximising the benefits of each project. These include ICT and the roll out of Next Generation Desktop and the Council's Assets strategy.

## Senior Management Review

194. As agreed and approved by full Council on the 28th February 2013, (Becoming a Strategic Commissioning Council), the Council is now underway with phase 3 of the Senior Management Review, which will conclude the review. The scope of phase 3 includes all managers and supervisors, in order to maximise savings. A commitment has been made to achieve the full £5m savings in year two (rather than over the three years originally stated).

## Staffing Changes

195. **Table 12** below demonstrates that there has been a reduction in headcount of over 3.3% between October and December this year. The headcount figure in December 2012 was 5,502 (a reduction over the year of 477). This is attributed, in the main part to a number of resignations, voluntary redundancies and retirements.

**Table 12: Headcount and FTE figures for October to December 2013**

	Oct-13		Nov-13		Dec-13	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
Places	2,131	1,441.3	2,117	1,432.5	2,102	1,426.1
Childrens	1,128	767.3	1,128	769.2	1,124	763.6
Adults	1,331	998.2	1,330	997.3	1,332	996.6
HR&OD	48	41.3	49	42.3	48	42.5
Apprentices	47	45.1	50	48.1	49	46
Finance	249	230.5	248	229.7	251	232.7
Legal / Dem	125	82.9	119	78.5	119	78.4
Shared Svs	142	130.8	142	131.2	122	114.7

Total	5,201	3,738.5	5,183	3,728.8	5,025	3,700.6
-------	-------	---------	-------	---------	-------	---------

**Staffing Costs**

196. Direct employee costs reduced from £9,935,055 in October to £9,881,991 in December. There has not been a material change to the monthly underspend since October. The variance has moved from £1.06m to £1.11m. The reduction in salaries is due to a capitalisation of salaries in the Adults service representing over 6 months of salary payments being incurred on capital schemes that were being shown in revenue.

**Table 13: Comparison of average days lost to sickness in the Third Quarter of 2013/2014 to the same period last year**

	October	November	December
Q2 2013/2014	6.22	7.19	8.34
Q2 2012/2013	6.84	7.97	9.07

*Whole Council excluding Schools – year to date cumulative effect*

197. **Table 13** (above) demonstrates that there continues to be an overall reduction in the average number of days lost to sickness absence this year in comparison to last year.

## Voluntary Redundancies

198. The Council's voluntary redundancy scheme continues to support organisational change and the delivery of the planned programme of change in the Council Plan. The effective use of voluntary redundancy in this way enables the Council to achieve its planned savings and efficiencies and also helps to maintain good employee relations within the Authority and minimises the prospect of compulsory redundancy.



199. Fifteen people have left the Council under voluntary redundancy terms in Quarter 3, five of whom held posts within the management grades (grade 10 or above). The total severance costs for all thirty-four employees was £158,000 inclusive of redundancy and actuarial costs. Over the next five years, these reductions are estimated to save the Council over £3.5m (which is the combined accumulated costs of the deleted posts).

# **Appendices to Third Quarter Review of Performance 2013 / 2014**

**January 2014**

# Appendix 1 – The Three Year Council Plan



# 2013 2016

## Our principles to underpin budget decisions

- We will be policy-led and stick to our decisions
- We will make decisions based on evidence of need and of what works, with due regard to our equality duty
- We are planning for at least three years
- We must be a more productive and affordable organisation
- We will stop doing some things to focus on those that matter most to local people
- We will invest in innovative new ways of providing services
- We will ensure that those who provide services, whether in-house or externally, give real value-for-money
- We will promote self-reliance and capacity in local communities to reduce demand on public services
- We will focus our limited resources on prevention and early intervention
- We will invest in infrastructure to promote local economic growth and access to job opportunities

## Priorities

## Change Programmes

1. Local economic development	1.1 Investment in existing and new road infrastructure 1.2 Investment in high speed broadband network for Cheshire East 1.3 Investment to support business growth and delivery of Macclesfield and Crewe regeneration, and the Sustainable Towns programme
2. Developing affordable and sustainable local models of care for vulnerable children and adults	2.1 Improve the sufficiency of care locally for vulnerable children and adults 2.2 Next phase of development of Care4CE service 2.3 Secure new integrated health and care pathways for learning disabilities 2.4 Securing efficiencies through strategic commissioning of children and adult services
3. Focusing services on early intervention and prevention	3.1 Focus Childrens Services on early help for families 3.2 Review adult assessment and case management services
4. Responding to the changing education and learning environment	4.1 Develop our relationship with self-sustaining schools 4.2 Continue review of Home to School transport 4.3 Improve the range of special school provision 4.4 Pursue the development of a new University Technical College
5. Securing housing that is locally-led, community-based and that meets local needs	5.1 Develop a new delivery model for the housing service and ensure housing services support independent living and health improvement 5.2 Develop accommodation strategy for vulnerable adults and those with learning disabilities
6. Redefining the Council's role in core place-based services	6.1 Develop new delivery model for leisure provision 6.2 Develop new delivery model for streetscape and bereavement 6.3 Develop a new model for sustainable library services and community hubs 6.4 Determine future delivery model for waste management services 6.5 Develop Total Transport Programme
7. Re-shaping the organisation	7.1 Restructure the organisation 7.2 Develop a more affordable model of corporate and support services with key subject expertise, to enable better strategic commissioning and delivery of frontline services 7.3 Continue targeted business improvement reviews to find efficiency savings from all services 7.4 Implement a modern business architecture, including ICT systems, which supports innovative and affordable frontline delivery 7.5 Maximise the benefits from the Corporate Landlord model to best utilise our asset base to support delivery of the Council's wider objectives 7.6 Develop resilient communities
8. Workforce planning	8.1 Further develop employment and working practices to enable flexible and agile working 8.2 Identify changing skills requirements over medium term and equipping the organisation with these skills 8.3 Manage workforce turnover so that vacant posts are used to provide efficiency savings, whilst retaining staff with essential skills

## Appendix 2 – Changes to Revenue Budget 2013/2014 since MYR

	MYR Net Budget	Additional Grant Funding	Allocations from Balances & Contingencies	Restructuring & Realignments	Other Virements	TQR Net Budget
	£000	£000	£000	£000	£000	£000
<b>Commissioning Services</b>						
Children	35,284	75	152	9,097	-254	44,354
Integrated Safeguarding	2,232			18		2,250
Early Help & Protection	11,232		46	22	-30	11,270
Adult Social Care	97,701		264	-1,105	-326	96,534
Public Health	321			-321		0
Environmental Protection & Enhancement	38,139		108		-240	38,007
Public Protection & Enforcement	-335		95			-240
Economic Growth & Prosperity	6,415	203	64	315	-22	6,975
Communities	27,704		96	-9,511	160	18,449
<b>Chief Operating Officer</b>						
Chief Operating Officer	18,112		36	-94	-89	17,965
Commercial Strategy, Business Improvement & Performance	19,568		79	2,042	-67	21,622
Organisational Development	4,560		15	-19	-39	4,517
Monitoring Officer	1,696		28		-41	1,683
Governance & Democratic Services	4,555		12	-491	34	4,110
Cross Cutting Items	-617				617	0
<b>TOTAL SERVICE BUDGET</b>	<b>266,567</b>	<b>278</b>	<b>995</b>	<b>-47</b>	<b>-297</b>	<b>267,496</b>

	MYR Net Budget	Additional Grant Funding	Allocations from Balances & Contingencies	Restructuring & Realignments	Other Virements	TQR Net Budget
	£000	£000	£000	£000	£000	£000
Central Budgets						
Specific Grants	-22,046	-278			283	-22,041
Capital Financing	11,905				14	11,919
Contingencies	4,194					4,194
Contribution to/from Reserves	-566		-995	47		-1,514
Invest to Save Reserve	-253					-253
	-6,766	-278	-995	47	297	-7,695
<b>TOTAL BUDGET</b>	<b>259,801</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259,801</b>

## Appendix 3 – Corporate Grants Register

Corporate Grants Register 2013/2014 - Third Quarter Review		Revised Forecast MYR 2013/2014 £000	Revised Forecast TQR 2013/2014 £000	Change £000
	Note			
<b>SPECIFIC USE (Held within Services)</b>				
<b>Schools</b>				
Dedicated Schools Grant	1	189,926	184,649	(5,277)
Pupil Premium Grant	1	5,511	5,427	(84)
Sixth Forms Grant (EFA)	1	6,406	6,406	0
Total Schools Grant		<b>201,843</b>	<b>196,482</b>	<b>(5,361)</b>
Housing Benefit Subsidy		84,518	84,518	0
Public Health		13,762	13,762	0
Local Enterprise Partnership		526	526	0
Adoption Improvement Grant		350	350	0
Restorative Justice Development Grant		0	1	1 Approved
<b>TOTAL SPECIFIC USE</b>		<b>300,999</b>	<b>295,639</b>	<b>(5,360)</b>
<b>GENERAL PURPOSE (Held Corporately)</b>				
<b>Central Funding</b>				
Revenue Support Grant		55,855	55,855	0
Business Rates Retention Scheme		37,159	37,159	0
<b>Total Central Funding</b>		<b>93,015</b>	<b>93,015</b>	<b>0</b>
<b>Children and Families Services</b>				
Skills Funding Agency		952	952	0
Youth Offending Service Grant		353	353	0
Troubled Families		586	586	0
Troubled Families - Co-ordinator		100	100	0
Remand Funding - New Burden		47	47	0
Sector Led Improvement Grant		3	3	0
Adoption Improvement Grant		554	554	0
Extended Rights to Free Transport		284	284	0
Special Educational Needs Reform Grant		0	75	75 Service Bid

Corporate Grants Register 2013/2014 - Third Quarter Review		Revised Forecast MYR 2013/2014 £000	Revised Forecast TQR 2013/2014 £000	Change £000
	Note			
<b>GENERAL PURPOSE (Held Corporately)</b>				
<b>Adult Social Care and Independent Living</b>				
NHS S256 Reablement Funding	2	5,192	5,192	0
Local Reform and Community Voices Grant (inc Deprivation of Liberties: £33k, Healthwatch: £100k and Mental Health: £121k)		254	254	0
Adult Social Care Data Collection - New Burden		60	60	0
<b>Environmental Protection &amp; Enhancement</b>				
Lead Local Flood Authorities		52	52	0
<b>Economic Growth &amp; Prosperity</b>				
Neighbourhood Planning Grant		5	10	5 Service Bid
Heat Networks Funding Stream		0	198	198 Service Bid
<b>Communities</b>				
Housing Benefit and Council Tax Administration		2,000	2,000	0
NNDR Administration Grant		562	562	0
Social Fund - programme funding		612	612	0
Social Fund - administration funding		129	129	0
Council Tax - New Burden		148	148	0
<b>Chief Operating Officer</b>				
Education Services Grant		5,349	5,349	0
New Homes Bonus 2011/2012		870	870	0
New Homes Bonus 2012/2013		1,844	1,844	0
New Homes Bonus 2013/2014		1,037	1,037	0
Affordable Homes 2012/2013		85	85	0
Affordable Homes 2013/2014		82	82	0
New Homes Bonus 2013/2014 - return of topslice		315	315	0
Council Tax Freeze Grant 2013/2014		1,805	1,805	0
Community Rights to Challenge - New Burden		9	9	0
Community Rights to Bid - New Burden		8	8	0
Individual Electoral Registration		13	13	0
<b>TOTAL GENERAL PURPOSE</b>		<b>116,326</b>	<b>116,604</b>	<b>278</b>
<b>TOTAL GRANT FUNDING</b>		<b>417,324</b>	<b>412,242</b>	<b>(5,082)</b>

#### Notes

1 The Dedicated Schools Grant, Pupil Premium Grant and Sixth Form Grant (from the Education Funding Agency) figures are based on actual anticipated allocations. Changes are for in-year increases to allocations by the DfE and conversions to academy status.

2 Spending against NHS S256 Reablement Funding is to be negotiated with the NHS



## Appendix 4 – Summary Capital Programme and Funding

Department	TQR In-Year Budget	SCE's/ Virements/ Reductions TQR	Budget Realignment TQR	Revised TQR In-Year Budget	Forecast Expenditure		
	2013/2014 £000	2013/2014 £000	2013/14 £000	2013/2014 £000	2013/2014 £000	2014/2015 £'000	2015/2016 & Future Years £'000
<b>Children &amp; Families Services</b>							
2013/14 New Starts	2,660	0	-670	1,990	1,990	9,409	26
Ongoing Schemes	6,171	-167	-295	5,709	5,709	3,030	669
<b>Early Help &amp; Intervention</b>							
2013/14 New Starts	100	0	-100	0	0	397	0
Ongoing Schemes	536	0	-80	456	456	175	0
<b>Adult Social Care &amp; Independent Living</b>							
2013/14 New Starts	611	0	0	611	611	947	0
Ongoing Schemes	781	0	-243	538	538	243	0
<b>Environmental Protection &amp; Enhancement</b>							
2013/14 New Starts	24,066	350	-1,526	22,890	22,890	11,881	20
Ongoing Schemes	21,116	-63	-11,588	9,465	9,465	14,620	0
<b>Public Protection &amp; Enforcement</b>							
2013/14 New Starts	796	0	354	1,150	1,150	5,996	8,599
Ongoing Schemes	1,452	234	-121	1,565	1,565	50	0
<b>Economic Growth &amp; Prosperity</b>							
2013/14 New Starts	2,147	4,730	-498	6,379	6,379	2,734	594
Ongoing Schemes	6,657	92	3,447	10,197	10,197	26,409	11,640

Department	TQR In-Year Budget	SCE's/ Virements/ Reductions TQR	Budget Realignment TQR	Revised TQR In-Year Budget	Forecast Expenditure		
	2013/2014 £000	2013/2014 £000	2013/14 £000	2013/2014 £000	2013/2014 £000	2014/2015 £'000	2015/2016 & Future Years £'000
<b>Communities</b>							
2013/14 New Starts	754	-140	51	665	665	500	200
Ongoing Schemes	443	0	-364	79	79	180	0
<b>Commercial Strategy &amp; Business Innovation</b>							
2013/14 New Starts	380	0	50	430	430	0	0
Ongoing Schemes	21,595	-1,246	-4,159	16,190	16,190	39,477	9,102
Total 2013/14 New Starts	31,514	4,940	-2,339	34,115	34,115	31,864	9,439
Total Ongoing Schemes	58,750	-1,150	-13,402	44,199	44,199	84,184	21,411
<b>Total Capital Expenditure</b>	<b>90,264</b>	<b>3,790</b>	<b>-15,741</b>	<b>78,314</b>	<b>78,314</b>	<b>116,048</b>	<b>30,850</b>
<b>Funding Source</b>					<b>2013/2014 £000</b>	<b>2014/2015 £'000</b>	<b>2015/2016 &amp; Future Years £'000</b>
Grants					42,970	55,990	4,384
External Contributions					3,100	11,093	5,232
Prudential Borrowing					20,005	39,254	21,234
Revenue Contributions					921	103	0
Capital Reserve					11,318	9,608	0
<b>Total</b>					<b>78,314</b>	<b>116,048</b>	<b>30,850</b>

## Appendix 5 – Approved Supplementary Capital Estimates and Virements up to £250,000

Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements that have been made up to £250,000		
<b><u>SUPPLEMENTARY CAPITAL ESTIMATES</u></b>		
<b><u>Economic Growth &amp; Prosperity</u></b>		
Housing Grants - Ex MBC - S106	2,400	There are two properties sold under the scheme which we are awaiting invoices for final payments of £74,200 originally forecast at £72,000. This is funded from S106 contributions.
<b>Total Supplementary Capital Estimates Approved</b>	2,400	

Capital Scheme	Amount Requested £	Reason and Funding Source
<b>Summary of Supplementary Capital Estimates and Capital Virements that have been made up to £250,000</b>		
<b><u>CAPITAL BUDGET VIREMENTS</u></b>		
<b><u>Children and Families Services</u></b>		
Virement to be applied to eighteen projects. A full breakdown of this adjustment can be obtained from Corporate Finance.	23,789	Virement from Capital Maintenance Grant Block Provision to cover the costs of Asset Management Fees incurred during September to November.
<b><u>Economic Growth &amp; Prosperity</u></b>		
Poynton Revitalisation	140,000	Defects at some gully locations identified, cause under investigation, remedial works planned for Spring 2014. Final account negotiations underway with Contractor show potential funding shortfall which is to be addressed from 2013-14 LTP funds if required. Preparation of claim against the Transco Gas underway.
<b><u>Environmental Protection &amp; Enhancement</u></b>		
Cremators at Crewe	50,000	The opportunity to undertake some maintenance works to upgrade / rewire part of the electrical services is being undertaken simultaneously to the replacement cremator project works. Additional funding to cover this element of works has been agreed from the Assets Programme Management Capital budget.
A6 SEMMMS Project	50,000	Original LTP allocation of £100k was split 50/50 between this project and Poynton relief Road. Request to Vire the Poynton element (£50k) back to this project as Poynton has significant funding from other sources.
Congleton Park Improvements	6,571	The Project Manager has two schemes for Congleton Park in the current programme - this virement will roll the projects into one.
<b>Total Virements Approved</b>	<b>270,360</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>272,760</b>	

## Appendix 6 – Request for Capital Virements above £250,000

Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to approve the Virement above £250,000 up to and including £1,000,000		
<b><u>CAPITAL BUDGET VIREMENTS</u></b>		
<b><u>Public Protection &amp; Enforcement</u></b>		
Lifestyle Centre Crewe	300,000	£300k is requested to transfer from Regeneration Capital Budgets to pay for the purchase and demolition of the Church Hall which currently resides within the building construction zone.
<b>Total Virements Requested</b>	300,000	

## Appendix 7 – Request for Supplementary Capital Estimates above £250,000

Capital Scheme	Amount Requested £	Reason and Funding Source
<b>Supplementary Capital Estimates above £250,000 to be approved at Council on 27th February 2014</b>		
<b><u>SUPPLEMENTARY CAPITAL ESTIMATES</u></b>		
<b><u>Children Services</u></b>		
Manor Park - Basic Needs	809,000	Expansions to be undertaken at Manor Park, Offley and Elworth Primary schools to address a shortfall of places within the local area. Funded from grant allocations provided by the Department of Education.
Offley PS - Basic Needs	922,179	
Elworth Primary - Basic Needs	712,000	
Universal free school meals	639,635	From September 2015 any child aged four to six will be entitled to free school meals. The Department of Education is providing funding to enable catering provisions within our primary school, to be expanded to meet the increased demand.
School Maintenance Projects	3,674,606	Schools have been invited to submit bids to identify capital works addressing issues relating to the suitability, accessibility and condition of their sites. Funded from grant allocations received from the Department of Education.
<b><u>Economic Growth &amp; Prosperity</u></b>		
Crewe Green Link Road (Phase 2)	5,147,350	Estimates received for essential under bridge work were higher than expected as per Network Rails recommendations. Additional funding will come from the Department of Transport and Developer Contributions
<b>Total Supplementary Capital Estimates Requested</b>	<b>11,904,770</b>	

## Appendix 8 – 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. These limits have been reviewed and are recommended to be reduced in the Treasury Management Strategy for 2014/2015.
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 improved in 2013 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 and the rating of the Co-operative bank has remained significantly below investment grade. The Council's' main bank accounts are held at the Co-operative Bank and measures have been put in place to wherever possible reduce credit balances within the main accounts and limit the amount of overnight cash held in the investment account. Following a recent tender exercise, the Council will be changing banks to Barclays Bank from 1<sup>st</sup> April 2014.
4. Returns on highly liquid Constant Net Asset Value (CNAV) Money Market Funds deteriorated in the first two quarters. Future

changes in the regulation of these funds will impact further on returns. Some investments have been made in cash based Variable Net Asset Value (VNAV) Money Market Funds which benefit from higher returns but without instant access. Regulatory changes are due to impact on Money Market Funds in 2014/2015. It is likely that more funds will switch from a CNAV to VNAV basis.

5. **Table 1** shows the current investments and limits with each counterparty. Operationally these limits may be reduced (but not increased) dependent on market conditions and individual review of credit indicators. Leeds Building Society has been added to the list of counterparties as the ratings meet our minimum criteria and advice from our treasury management advisors shows strong credit indicators. Due to their smaller size we are limiting them to maximum investments of £1m. 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 30/09/13	
<b>UK BANKS</b>				
Barclays Bank	15%	£15m	15%	£10m
Close Brothers	15%	£15m	7%	£4.5m
Co-operative Bank:	15%	£15m	-	-
HSBC Bank	15%	£15m	-	-
Lloyds TSB	15%	£15m	16%	£11m
Royal Bank of Scotland	-	-	-	-
Santander (UK) plc	15%	£15m	2%	£1.6m
Standard Chartered Bank	15%	£15m	3%	£2m
<b>BUILDING SOCIETIES</b>				
Leeds Building Society	15%	£15m	1%	£1m
Nationwide Building Society	15%	£15m	11%	£7.5m
<b>Money Market Funds CNAV</b>	50%		22%	
Deutsche	25%	£20m	1%	£0.3m
Federated Investors	25%	£20m	3%	-
Ignis	25%	£20m	3%	£2m
Morgan Stanley	25%	£20m	5%	£3.5m
Scottish Widows	25%	£20m	2%	£1.1m
<b>Money Market Funds VNAV</b>				
Federated Investors	25%	£20m	4%	£3m
Pooled Funds - External Fund	50%		30%	£20.3m
				<b>£67.8m</b>



**Table 2 – Types of Investments and Current Interest Rates**

<b>Instant Access Accounts</b>	<b>Avg rate %</b>	<b>£m</b>
Instant Access Accounts	0.80%	1.6
Money Market Funds CNAV	0.39%	6.9

<b>Notice Accounts</b>	<b>Avg rate %</b>	<b>£m</b>
Money Market Funds VNAV	0.40%	3

<b>Fixed Term Deposits</b>	<b>Start</b>	<b>Maturity</b>	<b>Rate %</b>	<b>£m</b>
LLoydsTSB	07/01/2013	07/01/2014	1.10	2
Barclays	11/04/2013	17/01/2014	0.66	5
Nationwide BS	19/07/2013	17/01/2014	0.50	2
Barclays	28/08/2013	28/08/2014	0.85	5
Nationwide BS	02/09/2013	17/01/2014	0.48	3
LLoydsTSB	27/09/2013	10/01/2014	0.70	2
Nationwide BS	02/10/2013	07/02/2013	0.48	2.5
Nationwide BS	03/10/2013	10/01/2014	0.70	2
LLoydsTSB	01/11/2013	03/02/2014	0.70	3
Leeds Building Society	08/11/2013	11/02/2014	0.40	1
LLoydsTSB	08/11/2013	12/02/2014	0.70	2
Standard Chartered CD	26/11/2013	26/11/2014	0.69	2
Close Bros	27/11/2013	18/02/2014	0.55	2.5
Close Bros	04/12/2013	14/03/2014	0.50	2

<b>Externally Managed Funds</b>	<b>£m</b>
Pooled Investments	20.3

<b>Maturity Profile</b>	<b>£m</b>
Instant Access	8.5
Maturing < 1 month	19
Maturing within 1 - 6 months	13
Maturing within 6 - 12 months	7
Externally Managed Funds	20.3
<b>Total</b>	<b>67.8</b>

## Performance of Fund Manager

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

	<b>STANDARD MODEL</b>	<b>DYNAMIC MODEL</b>
<b>April 2013</b>	0.23%	0.27%
<b>May 2013</b>	-0.13%	-0.13%
<b>June 2013</b>	-0.25%	-0.29%
<b>July 2013</b>	0.05%	0.05%
<b>August 2013</b>	-0.20%	-0.25%
<b>September 2013</b>	0.22%	0.22%
<b>October 2013</b>	0.19%	0.22%
<b>November 2013</b>	0.00%	-0.02%
<b>December 2013</b>	-0.05%	-0.02%
<b>Cumulative 2013/14</b>	0.04%	0.04%
<b>Value of Investment at 31/12/13</b>	£10,208,770	£10,186,327
<b>Fees (Total since start)</b>	£65,783	£70,839
<b>Annual Rate as at 31/12/13</b>	0.13%	0.19%

7. Strong performance in April was overshadowed by poor results in May, June and August. The causes were the slowing down of growth in emerging markets, particularly China, and over-reactions in the bond markets over concerns on the possible scaling back of quantitative easing measures in USA.
8. Bond markets did rally in September and October with bonds now paying higher yields than before. However the fund suffered in

November and December with the value of emerging market debt being the main issue probably linked to the possibility of the USA reducing their level of quantitative easing. The nature of these investments is that performance can be volatile so they should only be judged over a longer period of time. The situation is being monitored and regular meetings are being held with the fund managers to assess the on-going performance, future direction and suitability of these funds.

## Appendix 9 – Requests for Allocation of Additional Grant Funding

Service	Type of Grant	£000	Details
Economic Growth and Prosperity	Heat Networks Funding Stream (General Purpose)	198	<p>The Council is due to receive a grant of £198,000 in February 2014 from the Heat Networks Funding Stream, administered by the Department for Energy and Climate Change in respect of the Crewe Deep Geothermal Energy Project, to commission consultants to undertake research and feasibility work.</p> <p>It is expected that phasing of the expenditure will entail some of the expenditure being incurred in 2014/2015.</p>
Children	Special Educational Needs Reform Grant (General Purpose)	75	<p>The Children and Families Bill 2013 is expected to gain Royal Assent in April 2014, coming into full effect on 1<sup>st</sup> September 2014. It will bring radical changes to the Special Educational Needs framework and will see the introduction of a new 0-25 Education Health and Care Plan (EHCP) to replace the current system of Statements and Learning Difficulty Assessments (LDA). The plans will reflect the child or young person's aspirations and outcomes for the future as well as their current need. Local Authorities will have two years to transfer all existing Statements and LDAs into an EHCP where appropriate.</p> <p>The SEN Reform grant is specifically to aid in the implementation of the new SEN Code of Practice and enable the transfer of all statements to EHCPs. As the requirement to implement EHCPs is from September, there is a need to carry forward the majority of this grant to fund the implementation process later in the year.</p>
Economic Growth and Prosperity	Neighbourhood Planning Grant (General Purpose)	5	<p>A grant of £5,000 is provided to the Council by the Department for Communities and Local Government for each Neighbourhood Area that is designated. This is to support these local communities to prepare a neighbourhood plan. This is the second designation this financial year. The grant is not ring fenced to Neighbourhood Planning so can be used to support the wider Spatial Planning function.</p>
<b>TOTAL</b>		<b>278</b>	

## Appendix 10 – 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. Annually, the Council raises invoices with a total value of around £50m. This includes around £25m in Adult Social Care relating to client contributions towards care packages and income from Health on pooled budget and partnership arrangements.
3. Total Invoiced Debt at the end of December 2013 was £6.1m. After allowing for £1.1m of debt still within the payment terms, outstanding debt stood at £5.0m. This is £2.0m lower than at 30th September, mainly due to settlement of debt relating to the Learning Disability Pooled Budget in Adults.
4. The total amount of service debt over 6 months old is £2.6m which is slightly less than the older debt reported at the Mid-Year Review.
5. Services have created debt provisions of £2.6m to cover this debt in the event that it needs to be written off.
6. 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.

### Commissioning

Children	419	245	271
Early Help and Protection	24	5	5
Adult Social Care	2,453	1,368	1,353
Environmental Protection and Enhancement	1,089	547	547
Public Protection and Enforcement	92	70	70
Economic Growth and Prosperity	659	346	336
Communities	17	15	15

### Total Commissioning

**4,753      2,596      2,597**

### Chief Operating Officer

Assets	223	18	18
Commercial Strategy, Business Improvement and Performance	18	17	6
Organisational Development	13	13	12
Monitoring Officer	2	2	2
Governance and Democratic Services	1	0	0

### Total Chief Operating Officer

**257      50      38**

### TOTAL

**5,010      2,646      2,635**

## CHESHIRE EAST COUNCIL

### REPORT TO: CABINET

---

<b>Date of Meeting:</b>	4 <sup>th</sup> February 2014
<b>Report of:</b>	Chief Operating Officer (Section 151 Officer)
<b>Subject/Title:</b>	The Council's Medium Term Financial Strategy 2014/2017
<b>Portfolio Holders:</b>	Councillor Jones / Councillor Raynes

---

#### 1 Report Summary

- 1.1 Residents of Cheshire East Council are enjoying the best quality of life in the Northwest, and the Council, through this Medium Term Financial Strategy, is continuing to support economic growth, choice for service users and safeguarding of vulnerable people.
- 1.2 The 2013/2014 Budget is being achieved, even against a backdrop of reducing government grants, and this forms the solid base to manage expenditure in the medium term. The 2014/2015 Budget is balanced, including provision to freeze Council Tax for a fourth consecutive year. Medium term deficits, caused through on-going reductions in public sector spending, will be addressed through the continued focus on efficiency, local service delivery and a drive towards economic prosperity.
- 1.3 This report provides the two documents which make up the Medium Term Financial Strategy (MTFS) for the period 2014/2015 to 2016/2017. They are:
  - **Appendix A** – The Leader's Report 2014/2017 ~ which sets out the Council's approach to achieving community outcomes over the medium term. The report provides context, highlights achievements to date and gives details of the proposed changes to services.
  - **Appendix B** – The Budget Report 2014/2017 ~ which sets out, in detail, the robust spending plans and income targets that will provide financial support for the achievement of the Council's plans for the financial year starting 1<sup>st</sup> April 2014, as well as indicative estimates for 2015/2016 and 2016/2017. The report provides information on the balance of funding between central and local government as well as supporting information on requirements for capital expenditure and reserve levels.
- 1.4 Both documents are the result of the Business Planning Process led by the Council from July 2013 to February 2014. They are both being reported to Cabinet for recommendation to Council.
- 1.5 The business planning process will involve considerable engagement with local people and organisations and details of how this process is being managed is also included within **Appendix A**.

## 2 Decision Requested

*That Cabinet recommends to Council that Members:*

- 2.1 Note the on-going Budget Engagement exercise being undertaken by the Council, as set out in the attached **Appendix A (Annex 4)**;
- 2.2 Note the comments of the Council's Chief Operating Officer (Section 151 Officer), contained with the Budget Report, regarding the robustness of estimates and level of reserves held by the Council based on these budget proposals (**Appendix B**);
- 2.3 Approve the 2014/2017 Leader's Report (**Appendix A**) as part of the Medium Term Financial Strategy Report;
- 2.4 Approve the 2014/2017 Budget Report (**Appendix B**), which presents the overall financial estimates related to the Revenue & Capital service proposals in the Medium Term Financial Strategy;
- 2.5 Note the ambition and future spending plans of the capital programme, which is designed to flex as funding opportunities allow, whilst ensuring that prudential borrowing remains within affordable limits;
- 2.6 Approve a Band D Council Tax of £1,216.34 (no change from 2013/2014) (**Appendix B**);
- 2.7 Approve the recommended Reserves Strategy and the proposal to create an earmarked investment reserve for £5.3m to improve the financial sustainability of the Council in the medium term;
- 2.8 Note the 2014/2015 non ring-fenced Specific Grants, and that any amendments to particular grants, in the light of further information received from Government Departments or other funding bodies, will be reported to Council; (**Appendix B, Annex 3**).
- 2.9 Agree the 2014/2015 Dedicated Schools Grant (DSG) of £184.8m and the associated policy proposals; (**Appendix B, Annex 6**).
- 2.10 Authorise the Children and Families Services and Rural Affairs Portfolio Holder to agree any necessary amendment to the DSG position in the light of further information received from DfE, pupil number changes, further academy transfers and the actual balance brought forward from 2013/2014;
- 2.11 Approve the recommended Prudential Indicators for Capital Financing to Council for approval; (**Appendix B, Annex 5**).
- 2.12 Note the risk assessment detailed in the Budget Report (**Appendix B, Section 4**);
- 2.13 Note the steps to become a commissioning council.

### 3.0 Reasons for Recommendations

- 3.1 In accordance with the Budget and Policy Framework Rules of Procedure, Cabinet on 4<sup>th</sup> February 2014, are asked to recommend to Council for approval the MTFs Report for 2014/2017, including the Leader's Report, Budget Report and the draft Capital Programme.
- 3.2 A copy of the Leader's Report is attached at **Appendix A**.
- 3.3 A copy of the Budget Report (which includes the Budget and draft Capital Programme) is attached at **Appendix B**.
- 3.4 The Council's Chief Operating Officer (Section 151 Officer) reports that, in accordance with Section 25 of the Local Government Act 2003 and Sections 32 and 43 of the Local Government Finance Act 1992, as amended by the Localism Act 2011, he is satisfied with the robustness of the estimates making up the Council Tax Requirement of £167,305,774 and he is satisfied with the adequacy of the financial reserves for the Council.
- 3.5 Further to the above statement it can be reported that the Medium Term Financial Strategy Report from the Leader of the Council (**Appendix A**) is based on sound financial principles and reflects sufficiently detailed plans that can maintain the financial resilience of the Council in the medium term.

### 4.0 Wards Affected

- 4.1 Not applicable.

### 5.0 Local Ward Members

- 5.1 Not applicable.

### 6.0 Policy Implications

- 6.1 The report outlines policy proposals which will impact on service delivery.

### 7.0 Financial Implications

- 7.1 The report includes details of policy proposals which will affect service budgets from 2014/2015 onwards.
- 7.2 The Council will use its agreed Budget Principles to guide decision making. These are set out below:

Our principles to underpin budget decisions:

- We will be policy-led and stick to our decisions
- We will make decisions based on evidence of need and of what works, with due regard to our equality duty
- We are planning for at least three years
- We must be a more productive and affordable organisation
- We will stop doing some things to focus on those that matter most to local people
- We will invest in innovative new ways of providing services
- We will ensure that those who provide services, whether in-house or externally, give real value for money
- We will promote self reliance and capacity in local communities to reduce demand on public services
- We will focus our limited resources on prevention and early intervention
- We will invest in infrastructure to promote local economic growth and access to job opportunities

## **8.0 Legal Implications**

- 8.1 The Council should have robust processes so that it can meet statutory requirements and fulfil its fiduciary duty.

## **9.0 Risk Management**

- 9.1 The steps outlined in this report mitigate the four main legal and financial risks to the Council's financial management:
- The Council must set a balanced Budget.
  - Setting the Council Tax for 2014/2015 must follow a legal process.
  - The Council should provide high quality evidence to support submissions for external assessment.
  - That Council borrowing will comply with the Treasury Management Strategy which is underpinned by the Prudential Code.
- 9.2 A risk assessment of the significant proposals being put forward has been carried out by each service and included as part of the service planning process.
- 9.3 It is important to note that the Council faces significant financial challenges in achieving its desired outcomes. Management of risk will need to be developed to ensure the Council can seize opportunities, introduce new, innovative models of service delivery, focus on funding and review its range of services while identifying and controlling any resulting risks. A revised approach to risk management will be further considered by Cabinet and Council as the Three Year Plan and budget are developed over the coming months.

## **10.0 Background and Options**

### *Meeting the Council's Priorities*

- 10.1 Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km<sup>2</sup> for over 370,000 residents. The budget to deliver these services in the period April 2014 to March 2015 will be over £1bn (revenue and capital), which is raised from a combination of local taxes, national taxes (in the form of Government Grants) and payments direct from service users and other organisations that the Council works with.
- 10.2 The Council is continuing to change and adapt to the challenges facing the public sector, while continuing to provide effective services to the residents and businesses of Cheshire East. To continue to improve services and provide better outcomes for local people, within appropriate funding levels, requires constant challenge to the way services are provided. Planning good quality services that people need is achieved through consultation, analysis and prioritisation.
- 10.3 During 2013/2014, the Council developed a Three Year Council Plan for 2013/2016 which set a clear strategic direction for the Authority.
- 10.4 The Council Plan identified the core purpose for the Council, reflecting the changing role of local government, funding reductions, and policy changes at the national and local level. It also identified the key outcomes we are seeking to achieve to improve the quality of life of local people and, therefore, what our priorities are for action and investment over the three year period covered by the plan.



- 10.5 Adding to or amending the change programmes has been an important focus of the budget setting process, ensuring that the Council focuses its energy and resources on those areas of change which will help build a sustainable Council for the future.
- 10.6 Progress in terms of delivery of the proposals has been monitored and reported at regular intervals during 2013/2014 and this will continue during 2014/2015.
- 10.7 The MTFS 2014/2017 - Leader's Report is attached at **Appendix A**.

#### *The Budget Setting Process 2014/2017*

- 10.8 The Budget Setting Process 2014/2017 was agreed by Cabinet on 22<sup>nd</sup> July 2013.
- 10.9 This has enabled a set of proposals to be developed and challenged through a managed process that considered service changes, the Capital Programme and the supporting financial planning assumptions relating to funding levels, etc.
- 10.10 Therefore, there have been a series of distinct stages of the Budget Setting Process with reports in relation to the Council's financial position being taken to Cabinet in June, July, November 2013 and February 2014. Members have been briefed on the 23<sup>rd</sup> July, 7<sup>th</sup> November and 17<sup>th</sup> December 2013.
- 10.11 This has been done against a background of continuing reductions in funding levels from central Government, a management restructure and the Authority moving to become a commissioning council.
- 10.12 The Budget Report provides financial background to the MTFS Report as well as setting out further details of the on-going approach to funding the Three Year Council Plan. It sets out, in detail, the spending plans and income targets for the financial year starting 1<sup>st</sup> April 2014, as well as indicative estimates for the 2015/2016 and 2016/2017 financial years.
- 10.13 The Budget Report is based on the Provisional Local Government Finance Settlement for 2014/2015. At the time of writing, the date of the final settlement, and necessary approval by Members of Parliament following a debate in the House of Commons, is not yet certain.
- 10.14 Any changes made as a result of the final settlement, engagement process and further debate will be reported to Members at the Council meeting on 27<sup>th</sup> February 2014.
- 10.15 The budget report continues to include estimated grant allocations in relation to Education Support Grant and these will be refined in due course. Any resulting impact in terms of changes to funding will be managed through General Reserves. Therefore, a balanced budget position will be maintained. Should there be any changes they will be notified to Members at the earliest opportunity.
- 10.16 The Budget Report for 2014/2017 (including the Reserves Strategy for 2014/2017) is attached at **Appendix B**.

#### **11.0 Wider Engagement in Setting the Budget**

- 11.1 The Reports for 2014/2017 have been produced following engagement on the Pre-Budget Report during January and February 2014.

- 11.2 The Business Planning Process provides the best way for the Council to fulfil its statutory duty to consult on its Budget proposals, for example with certain local stakeholder groups, local schools and local businesses. The Council also chooses to consult more widely with others, including our local partner public services, like Health and Fire and Rescue, as well as Town and Parish Councils, for example.
- 11.3 This process has been under-way for some time, as our thinking has advanced, and will continue in its later stages up to (and beyond, where necessary) the final decision making at Council later this month. In some cases, proposals remain subject to feedback from further targeted consultation activity, before they will be finalised and implemented (with revised financial projections where necessary).
- 11.4 Details of our Business Planning engagement process are attached within **Appendix A (Annex 4)**.

## **12.0 Access to Information**

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

Name:	Peter Bates
Designation:	Chief Operating Officer
Tel No:	01270 686013
Email:	<a href="mailto:peter.bates@cheshireeast.gov.uk">peter.bates@cheshireeast.gov.uk</a>



# **The Leader's Report 2014/2017**

**February 2014**

This document is available to download on the Cheshire East Council [website](#), it will be distributed to all Members as part of the February 2014 Council Agenda.

**If you have any comments or queries please e-mail**

**[shapingourservices@cheshireeast.gov.uk](mailto:shapingourservices@cheshireeast.gov.uk)**

# Foreword – Delivering our Three Year Plan

1. This Council can be proud of its achievements to date, Cheshire East is the best place to live in the Northwest and essential services provided by the Council are well respected by our residents. But we plan to go further; this Council is not increasing taxes, is not closing facilities and continues to rely on relatively small resources from central government.
2. Change, whilst inevitable, can be difficult but the Council is resilient and adapts to keep us moving forward. We have now set the course, ready for the journey ahead.
3. Cheshire East is establishing itself as a commissioning council. Many councils have taken the decision to either outsource services to the independent sector, or to cut vital services in order to make savings. This Council is walking a different path; by moving towards a commissioning delivery model and by embracing the formation of new service delivery vehicles. We are also connecting our commissioning activity with partner agencies where it can enhance services to local residents. By doing this, we have not only balanced the 2014/2015 budget, we have safeguarded vital services, ensuring the best future for our residents and our staff.
4. Over the past 12 months we have made significant progress towards achieving our planned outcomes. For example we've had some fantastic achievements in our communities, with over 1,500,000 visitors to our libraries last year and we will continue the development of our facilities into community hubs next year.
5. We help our young people gain a good start in life by being a market leader in both adoption and youth offending services. We can also pay homage to the robustness of our Children's Service. They responded to Ofsted with great professionalism – knowing that no child was ever at risk under our care. We will carry on the path to reduce expenditure in this area by focusing on prevention services which benefit our young people and avoids the expensive care costs that must be funded through taxes.
6. We have continued our strong economic track record of attracting new investment to the borough. Our Economic Development Team can be proud of their hard work to secure investment by Bentley Motors in Crewe and ensuring a strong future for Alderley Park. Added to this, there is new investment planned for the Astra Zeneca site in Hurdfield, and the development of the Waters site in Wilmslow. We will continue this hard work, focusing on the rolling out of superfast broadband, using the Council's assets to drive growth and focusing on generating further inward investment in the science corridor.
7. We have listened to local residents about the local environment, and in response we have repaired more potholes than any other comparable authority (achieving our 50,000 target by September) and we will continue to invest in our highways in 2014/2015. We listened to residents when they told us Green Waste collections were ceasing too early, and we delivered the changes residents asked for. In 2014 we will

- establish a Council owned company to deliver our waste services, making savings without impacting on service levels to local people.
8. Our facilities continue to support the lifestyles of our residents and life expectancy in Cheshire East is higher than most places in England reflecting the quality environment and on-going care support. We will continue to develop our approach to directing support early. We know the population is ageing and we will work on helping people to age well through maximising individual choice and challenging care providers to deliver more integrated services.
  9. Inside the Council, 2013 saw the re-structure of our Corporate Leadership Team, which included the appointment of our new Chief Executive Mike Suarez, and Chief Operating Officer Peter Bates. We now have the best possible management team to take this Council into 2014 and beyond. There will be further changes that staff know about but the Council's track record on managing change and constantly delivering more for less is well proven and I am confident that we have the right attitude, skills and support in place to meet these changes head on whilst enhancing choice and support for residents to strengthen resilience within our local communities.
  10. This report provides significant detail, highlighting the Council's commitment to transparency in the decision making process. The detail shows how the process to budget setting has been open and clear from the outset and that we have listened to feedback too.
  11. The following pages present a clear strategic direction of how Cheshire East Council will carry on achieving the community outcomes, and the report of the Finance Portfolio Holder, Cllr Peter Raynes, shows how this can be funded through well managed budget setting and control.

*Cllr Michael Jones*

Leader of Cheshire East Council

February 2014

# Contents Page

Foreword - Delivering our Three Year Plan .....	1
Delivering the Council's Outcomes .....	4
Outcome 1 .....	4
Outcome 2 .....	6
Outcome 3 .....	9
Outcome 4 .....	11
Outcome 5 .....	13
Effective Support Services .....	15
Annexes .....	17
Annex 1 – Cheshire East Council Three Year Plan .....	18
Annex 2 – Revenue Budget Proposals .....	19
Annex 3 – Capital Programme .....	34
Annex 4 – Budget Engagement Process .....	46
Annex 4 – Appendix 1 .....	51
Annex 4 – Appendix 2 .....	52

# 1. Delivering the Council's Outcomes

## Outcome 1 – Our local communities are strong and supportive

The service focuses on safety within communities and providing accessible leisure services. Achievements within Public Protection and Enforcement will be increasing participation in leisure activities and managing significant improvements in local leisure facilities.

The service focuses on the role that the Council will play in leading our communities, shaping local areas and bringing public services together with communities to create strong communities with a sense of independence, and ability to influence what services we commission in the future. It brings together a diverse range of services that impact on individual localities such as customer services, communities and partnerships, libraries, revenue and benefits, transport and community safety, and enforcement.

Achievements of Outcome 1 will be measured by key indicators such as: an increase in volunteers in our communities; increasing use of the Council's website; developing community hubs based around the Council's current library services; accessible and relevant transport services; reductions in crime, particularly for young offenders.

*Budget proposals are focused on these significant areas:*

- The current transport spend for Children and Families is nearly £9m. The proposal is to reduce this spend by c.7% to make savings of £0.7m.

### Some facts about Outcome 1

The number of Penalty Charge Notices issued is over 22,000 per annum

60 Unauthorised Gypsy and Traveller encampments were dealt with across the Borough in 2013

Reports of anti-social behaviour in Cheshire East are less than half the average for the Northwest

Licensing have managed over 1,300 premises applications this year

Over 1,500,000 visitors pass through the doors of our libraries each year

Work in communities delivers a wide range of community activities and projects with over 100 new volunteers getting involved in projects such as managing community centres or volunteering at one of the 16 new work clubs

180,000 Council Tax and National Non Domestic Rate bills are issued during annual billing. In 2012/2013 the Council collected 98.2% of Council Tax placing it in the upper quartile compared to other unitary councils.

Focus on local area working attracted £0.65m in external funding and £0.3m in kind contributions from Partners in a year

95% of all library users are satisfied with their library service

The Council receives 500,000 telephone calls and face to face enquiries in its Customer Service Centres and our website receives more than 4,000,000 visits in a year

120,000 new claims and changes of circumstances for housing and council tax benefits are received and processed in a year



- The successful reduction of children in care means we will spend less on transport for example, in supervised contracts prescribed by the Court. Furthermore for the services we currently purchase, improvements in the cost base of this will reduce spending by £275,000.
- With improved competition and more effective route planning for Special Educational Needs, a further reduction of £0.3m is achievable.
- The new national strategy of personalisation for education, health and care plans gives an opportunity to provide holistic personal budgets to parents which can include the transport element and estimates are that this could save £25,000.
- The introduction of Independent Traveller Training for young people to aid their social independence will further realise savings of £50,000.
- Finally, the service has reduced staffing costs of £50,000 which adds more savings.
- Continuing to develop a sustainable library service (-£0.6m) and developing integrated community hubs.
  - Expectations of libraries have evolved beyond the traditional role of promoting literature, reading and culture to also encompass information, literacy, learning, digital inclusion and job-seeking support.
- Improving the efficiency of the traditional function of lending and focusing resources to support customers with greatest need.
- No plans to close any facilities.
- Efficient operation in Customer Services and Revenue and Benefits (-£0.2m).
  - Focusing on internal efficiencies for staff and systems to give a better customer experience.
- Maintain investment in our regulatory services to protect the public and business and achieve our ambition to be an enforcing authority.
- Improve the delivery of our concessionary fares service (-£0.3m).
- Working with Partners to create strong local communities (potential growth).
  - Building relationships with our communities to encourage community activity and reduce dependence on Council services.

## Outcome 2 – Cheshire East has a strong and resilient economy

The Council has set out a clear vision and strategy for economic growth, which articulates the rationale and plans for increasing productivity and creating new jobs. This is based on the strong competitive advantage and track record that the borough has in terms of its skilled workforce, existing business base, entrepreneurial spirit, quality of life and its national, regional and local infrastructure.

- Cheshire East has all the right ingredients to see a step change in economic productivity and become a growth engine of the North. As such the service is being reconfigured to:
  - Utilise our strategic assets to drive economic growth.
  - Increase our focus on securing new investment from both current and new inward investors.
  - Strengthen our approach to major development projects and programmes that build upon our key commercial, institutional and sectoral assets.
  - Drive stronger and faster regeneration in our town centres, as a vital component in the well-being of our economy and communities.
  - Ensure that the Council and its commercial stakeholders are well positioned to secure new funding for projects, coming through Cheshire and Warrington Local Enterprise Partnership and others.

### Some facts about Outcome 2

Cheshire East's unemployment rate is at a five year low, at 1.9%, and is significantly lower than the rate for the region.

Cheshire East's economic output (Gross Value Added) per head is 7% above the UK average and 26% above the regional average.

37% of the Northwest region's Research and Development jobs are based in Cheshire East.

Cheshire East's tourism industry is the fastest growing in the country and employs 10,000 Full Time Equivalents, attracts over 13 million visitors, and is now worth £689 million to the local economy.

Cheshire East, as part of the Cheshire and Warrington Local Enterprise Partnership (LEP), is well established as a top-performing economy; in a national context, out-performing many of the leading economies in the Greater South East.

Cheshire East is home to nearly 18,000 businesses including 21 of Insider's Top 250 Companies, in fact there are more businesses in Cheshire East than any other area in the Northwest - even more than in Manchester.

40% of Cheshire East's workforce are qualified to degree level, significantly higher than the regional and UK average.

Cheshire East has one of the largest highways investment programmes outside of any metropolitan centre.

Community Grants awarded £73,053 towards £833,007 of project costs for 74 voluntary and community organisations during the first three-quarters of 2013/2014.

More than 56,000 potholes have been filled in 2013 and claims from pothole damage have significantly reduced.

66,000 Gullies have been cleaned to achieve reduced flooding against last year.

- As well as an excellent place to do business, Cheshire East is also a fantastic place to live and visit, and therefore focus is being placed on boosting the visitor economy and ensuring our housing offer is right. Major investment is also being made in our transport infrastructure to unlock the potential of our towns and villages, while at the same time protecting outstanding natural assets.
- Key growth areas will be the development of a Science Corridor across North Cheshire linked with Greater Manchester – harnessing and increasing the value to UK plc of a number of world-leading science-based employment areas from Astra Zeneca in Macclesfield, through Jodrell Bank, Alderley Park, Booths Park and the international technology centre for Barclays Bank at Radbroke Hall. The new head quarters for the Waters Corporation due to open this year in Wilmslow demonstrates the growing confidence of investors in Cheshire and the valuable science industries located here.
- Major economic growth plans for Crewe (Crewe High Growth City) and wider links through Mid-Cheshire and along the M6 Corridor will be delivered through the All Change for Crewe Economic Plan. Building on recent successes in inward investment such as £800m in Bentley and major investment in infrastructure, the Council will work with its private and public sector Partners to deliver further jobs and investment.
- Key to delivery of economic growth is a local planning framework which enables plan-led growth and stops unsustainable speculative development – this year will deliver the adoption of our new planning framework for the Borough to support communities and businesses.

Regulatory Services carry out 1,000 inspections a year in relation to diverse cases such as animal welfare and food safety.

97% of businesses and domestic service users are satisfied with the service received from Environmental Health.

- Investment in strategic and local infrastructure will continue both delivering against existing infrastructure schemes and leveraging in more investment from Government and the private sector to deliver a large programme of new roads and highway improvements. Ensuring that the best deal for Cheshire East from national infrastructure proposals such as HS2 is a major focus, and ambitious growth plans linked to a new Crewe Hub station, as well as major mitigation proposals for the North of the Borough, form the basis of our response to the current consultation.

Achievements within Economic Growth and Prosperity will be measured by the number of new jobs created; levels of employment / unemployment; economic productivity; business survival rates; inward investment; high-speed broadband coverage; strategic highways investment; skilled and productive workforce; timescales for processing of major planning applications and an increasing supply of affordable housing.

*Budget proposals are focused on these significant areas:*

- Realising the full value of the Cheshire East economy (current Gross Value Added £9m) by job creation and business growth.
  - New Investment Team to secure new investment and jobs.

- Engine of the North Development Company realising development potential of assets to deliver new homes, jobs and capital receipts.
  - Delivering the pipeline of major strategic infrastructure (largest programme in UK outside of major conurbations).
- Adoption of a new Core Strategy as the key element of a Local Plan for Cheshire East which is jobs-led with strong focus on quality of the environment.
  - Developing new sustainable alternative energy sources, including geothermal energy, to ensure a lower cost and resilient supply of energy and heat for local communities and businesses.
  - Work with major investors on key sites such as Alderley Park and Radbroke Hall to create additional high value jobs and ensure growth is maintained.
  - Accelerating the release of surplus assets to reduce revenue costs (initial forecast is -£0.4m).
  - Maintaining efficiency drive – Tatton Park subsidy reduction / reform of planning and property services.
  - Through integrated commissioning, ensure our housing policies and delivery of housing supply meet the current and future needs of our residents.
  - Commemorating the First World War Centenary for the benefit of local communities (+£0.1m).
  - Continuing investment in the existing road infrastructure, including £11m capital expenditure on a programme of

carriageway surface treatments including resurfacing, overlays and surface dressing and, where necessary, associated drainage and footway works that will restore the targeted roads to a high standard.

- The Council will take enforcement action to prevent behaviour which harms our communities and the environment. We will act consistently and proportionately, in line with our Enforcement Policy, in the interests of the public.
- Civil enforcement of on-street parking will be focused on reducing congestion, improving traffic flow, and dealing with dangerous parking behaviours and obstruction.

## Outcome 3 – People have the life skills and education they need to thrive

This outcome focuses on providing children with a good start in life in their early years, raising aspiration and achievement across primary and secondary education, and working closely with partners to protect vulnerable children including those with special educational needs and those placed in the care of the Council. Achievements within Children and Family Services will be measured through improvements in areas such as increased numbers of recognised qualifications, reducing numbers of NEETs, improved safety of vulnerable children, the number of children adopted and less children and young people getting involved in anti-social behaviour.

Achievement of Outcome 3 will be measured by the following key indicators such as:

- Achievement in the Early Years Foundation Stage.
- Narrowing of the gap in relation to those in the lowest 20% and the rest.
- Improved achievement in primary and secondary education.
- 87% of schools are now good or outstanding.
- Decrease in the number of young people who are 'NEET' or 'Not Known'.
- Increase in the number of Year 11 young people with a guaranteed offer of employment or training.
- Increase in apprenticeship applications which progress to successful starts.
- Increase in access to good quality local provision for children and young people with special educational needs.

### Some facts about Outcome 3

87% of primary and secondary schools in Cheshire East are good or outstanding.

90% of primaries are rated good outstanding by Ofsted; Cheshire East is one of the top 5 local authorities within the Northwest.

Cheshire East is ranked 3rd against all local authorities in closing the achievement gap in relation to the lowest 20% and the rest.

80% of eligible primary school children achieved Level 4 and above in reading, writing and maths.

62% of pupils achieved 5 or more A\*– C grades including English and Maths; the proportion of pupils gaining five A\*– C grades in any subject is 84%.

Cheshire East's figures for 16/18 year olds not in education, employment and training (NEET) are the lowest they have ever been, having reduced to 3.68% from 5.6% in December 2012.

We have seen another positive increase in the numbers of young people gaining the offer through the September Guarantee.

High quality youth support services were recognised through inspection of our Youth Offending Service and excellent NEET figures.

Plans for Cheshire East's first new Autism school are well developed.

An inspection of Cheshire East's Youth Offending Service confirmed that it is improving outcomes for young people.

- Improved outcomes for children in care and care leavers in primary and secondary education, employment and training.

- Improved outcomes for adults with disabilities or long term illness.

*Budget proposals are focused on these significant areas:*

- The targeting of preventative services and the improved financial management of care costs has resulted in significant savings to date. The significant reduction of children in care (475 at its peak and now 346) means that planned savings for 2015/2016 can be brought forward and further savings can be realised totalling £1.2m. In addition to this, income for complex placements with a care, social, health and education need will increase income by £0.4m.
  - Improved commissioning / contracting emphasis will result in a more dynamic approach to getting better value with the placements we continue to purchase and realise efficiencies of £0.4m.
- Early help services continue to perform well and the strategy to target resources is paying dividends financially, as seen in the reduction of the numbers of children in care. Early intervention and prevention services are key to this and are being aided by improved integration arrangements linking youth support and family support.
  - This will reduce management costs and planned for 2014/2015 is the removal of 5 further management posts and 3 back office support posts that will realise savings of £0.35m.
- Plans to use more assertive home visiting and potentially deliver services from mobile outreach, especially bearing in mind the need for rural proofing, will reduce the need for the buildings we currently use. Buildings could be

transferred to the community and with more integrated community hubs potentially being developed, building costs could be reduced by £0.15m.

- Momentum is gathering under the banner of going local in which we work to empower communities to become self sustaining and self reliant.

## Outcome 4 – Cheshire East is a green and sustainable place

Environmental Protection and Enhancement incorporate a wide range of front line operational services that are delivered by the Council and used by all residents who live and travel through Cheshire East. The services range from those that are essential to all residents such as waste collection, roads and bereavement services, to services that enhance our environment and the wellbeing of residents, such as the Countryside and Public Rights of Way Network. All of which are vital and valued by the communities within Cheshire East.

Achievements of Outcome 4 will be measured by key indicators as maintaining the high recycling and satisfaction rates in waste services, improving the condition of the Highway Network by reducing the number of potholes, managing down overall pollution in the area whilst increasing satisfaction with our parks, open spaces and countryside.

*Budget proposals are focused on these significant areas:*

- Creating new efficient delivery models for Environmental and Bereavement Services, saving £0.7m in revenue expenditure. In waste services this approach will minimise the impact of increasing landfill taxes, rising fuel inflation and an increase in the number of dwellings requiring bin collection services. Each new delivery model will also be supported by capital expenditure, such as the refurbishment of Crewe Crematorium (£1.5m) and investment in improving the Pym's Lane Depot to increase capacity of the site (£2.4m). Provision is also being made for a potential transfer station facility in the North of the Borough, with potential capital investment of £7m.

### Some facts about Outcome 4

Additionally we continue to be the most desirable place to live in the North West and strive to deliver the following high standards associated with protecting and enhancing our environment to ensure that we retain the most desirable living status.

These being:

Over 200,000 bins are emptied every week in Cheshire East and 92% of respondents were satisfied that bins are collected when they should be.

Recycling and reuse confirmed at 54% - the highest figure yet for Cheshire East and placing us as the second highest unitary in the North West.

Satisfaction with country parks increased during 2013/2014 to 96%.

"Free after 3" car parking has been introduced in 7 car parks across the borough to help businesses and increase footfall in town centres, with an addition of 4 more free car parks in Crewe, Congleton, Macclesfield and Wilmslow.

We have achieved Green Flag status in Parks and Open Spaces including; Congleton Park, Bollington Recreation Ground, The Moor Knutsford, Brereton Heath Country Park and Teggs Nose Country Park.

We take great pride in maintaining our farming estate and unlike other larger authorities we strive to increase our farm holdings.

At mid-year the Council had reducing carbon emissions from its public sector operations by 19% compared to a target of 17%.

Building control have dealt with over 2,000 applications this year resulting in almost 11,000 site visits to inspect over 16,000 elements of construction work.

- Business as usual to service users, focussing on cost reductions and asset utilisation.
- Using prestige locations on highways, creating advertising and sponsorship income (-£0.1m).
- Better managing existing road space by providing a highway permit scheme that can reduce congestion associated with highway and utility related activities.
- Reducing energy use and carbon emissions and enhancing our environment (-£0.2m).
  - Carbon emissions have significantly reduced by 18% and on track to achieve a 25% reduction by 2016.
  - Enhance rural habitats along roadside verges
  - Diverting waste from landfill sites.
  - Converting waste into energy.
- Step changes will be targeted at energy generated from waste - over 40% expected to be diverted from landfill next year.
- At least maintaining the record levels of waste recycled, which is currently running at 54%.
- A programme of pathway works in Queens Park (capital investment £0.5m).

Building Regulation services dealt with 2,050 cases in the first quarter of 2013, which has generated a surplus position of £44,000 for the first 9 months of the financial year, with expectations that this will continue for the final period.

Planning enforcement have responded to almost 600 new reports of alleged breaches of planning control issuing 21 formal notices.

By collaborating with an adjacent authority - Staffordshire County Council, we are able to divert over 43% of our waste from landfill to an energy recovery process.

Each year we provide a service covering over 12 million scheduled Residual, Recycling and Garden waste collections and supported elderly, disabled or vulnerable residents through the provision of approx 250,000 scheduled assisted collections

We work with 11 high schools on our secondary school green challenge and with the 115 primary schools as part of the Junior Recycler of the Year competition.

Our 50 waste prevention volunteers have actively promoted waste prevention, reuse and recycling at 32 events speaking to 2,740 people giving 242 hours of volunteering to the project.

Our Street Cleansing teams mechanically regularly sweep over 2,722 km of road and complete the physical emptying of approximately 2,400 litter bins and over 900 dog bins. Additionally, we respond to over 1,700 reported incidents of fly tipping every year, ensuring the our environment remains a safe and clean place to live.

We maintenance and manage over 3,000 open space sites including 238 Sport and Play Facilities (Including Play Areas, Multi use games areas, Skate Parks, Outdoor Gyms and Tennis Courts), 85 Sports Pitches, and 16 Formal Parks.

We oversee the development of Parks and Open Spaces across the borough, including projects delivered at; Bollington, Congleton, Crewe, Elworth, Holmes Chapel, Middlewich, Sandbach, Wilmslow.

We work with other agencies such as the Cheshire Probation Trust to provide opportunities to rehabilitate offenders.



## Outcome 5 – People live well and for longer

This outcome focuses on promoting and supporting residents to live well and for longer through better management of their own health and daily life. This will include a refocus on initiatives and services which better support prevention, early intervention in community settings and personal independence and responsibility. There will also be a greater focus on delivering more integrated social care and health and wellbeing services. Achievements within Adult Care and Public Health will be supported by the Public Health Outcomes Framework and the Social Care Outcomes Framework and will be demonstrated through improvements in areas such as personalisation, reablement, self management and making healthy lifestyle choices over the relevant annual or longer term periods.

One key area of focus for the Outcome 5 objectives is to contribute to the implementation of the Health and Well Being strategic plan for the Council area as a whole. The Health and Well Being Strategy is jointly formulated between Public Health, social care and health commissioners and identifies the strategic priorities based on the local population needs assessment. The Health and Well Being Board is currently overseeing the refresh of the Health and Well Being strategic plan to ensure that the commissioning and provision of services deliver against the agreed priorities.

The approach to commissioning against the priorities is being considered as part of the Joint Commissioning Leadership arrangements. This focuses on services across the age range and involves the Council working with the two Clinical Commissioning Groups for health Commissioning together with NHS England responsible for Primary Care and other specialist areas.

### Some facts about Outcome 5

Life expectancy in Cheshire East is higher than the England average. Overall, Cheshire East has a low number of premature deaths (under age 75) with the area being in the top 25% in the Country. Life expectancy in Cheshire East is rising at the fastest rate in the Northwest, and the Council will continue to further develop its services which improve health and wellbeing and prevent early death.

Attendance at Council Leisure facilities is increasing, with over 1,600,000 visits between April and October 2013, up 3% from the same period in 2012.

Cheshire East adoption services, in collaboration with its partners, won the 2013 Adoption Service of the Year award.

Cheshire East is set to achieve the highest number of adoptions.

Targeted preventative activity has seen the number of children in care reduce by 10% in the last year and 25% since its peak. It has continued to fall during the last year, with a reduction of over 10% being achieved.

The Council provides care to an average of 5,500 adults at any time.

Cheshire East with partners Cheshire West and Chester and four clinical commissioning groups across Cheshire have been successful in becoming one of only 14 Pioneer sites across the country to pilot approaches to integrating health and social care services over the next five years.

The Bikeability scheme is running at a 92% success rate, with 3,500 young people now accredited.

Cheshire East Council is piloting a new project aimed at improving the lives of vulnerable young people through creating a 'gold standard' in supporting care leavers.

The Council's new public health commissioned services will continue to be reviewed and re-tendered where needed to ensure that they meet the health and wellbeing needs of the local population, deliver positive health related outcomes and link with other Council and wider partnership services.

*Budget proposals are focused on improving the health and wellbeing of the local population through:*

- Detecting need early and supporting healthy lifestyle choices
- Promoting self reliance and self management within individuals, neighbourhoods and communities by ensuring that people are supported with the best advice and information to do this
- Ensuring that low level and socially inclusive community based support is available in all areas and targeted to those areas where social isolation may impact adversely on an individual's health and well being.
- Effectively managing the forecasted growth in demand in particular for social care support, by doing things differently – by increasing choice for customers, by stimulating the social care market to deliver a range of services and by targeting more specialist focusing resources for those most in need
- Continuing to provide personalised care, focusing on prevention and early intervention, and helping people stay

in their own homes and communities for as long as they are able

- Continuing the work with our partners to deliver an increased range of integrated services which identify and focus on meeting people's needs and outcomes and ensuring they are appropriately safeguarded
- Making sure resources are targeted specifically to meet need and manage risk
- Innovation and evolution of a range of services across all care sectors to better serve our community with robust measures in place for Quality Assurance
- Joint approach between commissioners in ensuring a clear and detailed joint commissioning strategy is in place to meet the needs of the local population, and prioritising the support for stronger communities.
- Cheshire East Council is investing in leisure services, recognising the importance of an active lifestyle in achieving our outcomes for local people
- Establishment of a Leisure Trust to realise long term efficiencies and improve the quality of service
- Focusing potential capital investment of £32m on our major towns of Crewe, Macclesfield and Congleton to address health inequalities and integrate lifestyle services

## Effective Support Services

Corporate Services focus on providing professional advice, such as legal and accountancy issues, across all Council services as well as providing the significant facilities and technology that can enable front line services to operate effectively. In addition to those roles Corporate Services have a vital role in maintaining registers, providing procurement advice and project management skills, supporting elected Members and managing the governance and stewardship arrangements that promote transparency and accountability.

Achievements within Corporate Services will be measured by such things as promoting local democracy; 'true and fair' opinions from the external auditors on the financial statements; the added value the advice and expertise brings to delivery of front line services; the level of income collection rates; how the costs of support benchmark favourably with national comparisons; and achieving the best rate of returns on investment and the Council's estate.

*Budget proposals are focused on these significant areas:*

- An effective treasury management strategy is planned for 2014/2015 with no intention to increase borrowing from external lenders. Capital financing costs are forecast to reduce to £12.5m compared to the £13.5m forecast in February 2013.
- Pursuing saving through joint mentoring and collaboration through the launch of a more commercial back-office delivery model.

### Some facts about Corporate Services

Spending on Central Services in Cheshire East is forecast to be 20% lower than in the average English Unitary Authority.

The Service manages the Council's property portfolio of approximately 600 major property assets, with an asset value of £440m, which will assist in the delivery of a wide range of services to over 370,000 people in Cheshire East.

Over 10,000 births, deaths or marriages are registered by the Council each year.

Over 290,000 people are registered to vote in the Borough, the third largest electoral roll in the Northwest.

The service maintains and supports front-line services with nearly four thousand computers and laptops and nearly 350 different applications.

- Carbon Reduction Costs and utility costs are estimated to increase by over £0.9m in 2014/2015. Work on reducing emissions and effective disposal of surplus assets will continue to counter this issue. A cap on business rate increases at 2% may provide up to £50,000 of savings compared to current forecasts.
- Applying the most cost effective approach to funding ICT projects by capitalising up to £1m of chargeable work on the Public Sector Network and Next Generation Desktop projects.

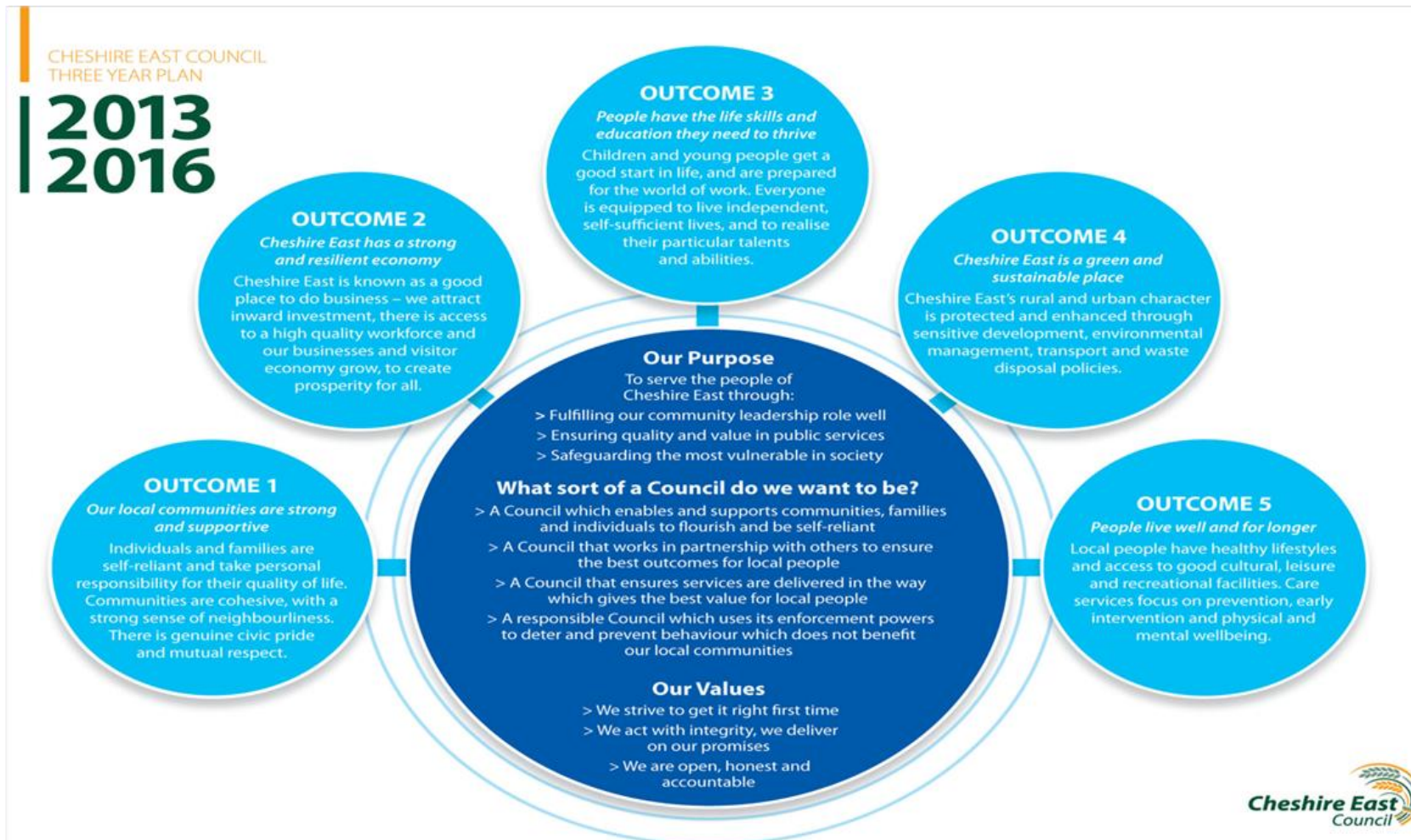
- Challenging spending on procuring supplies and services, looking at volumes and pricing structures which will realise savings of over £0.5m.
- Maintaining progress in financial management, further reducing risks which will be reflected in lower audit fees of up to £0.1m.
- Corporate services will also continue supporting all areas to deliver required savings from employee structures, and improve productivity and effectiveness of service arrangements. This will include attention to incremental progression of salaries and reductions to car mileage rates.
- Connecting Cheshire, capital investment of £23m planned for 2014/2015.



# **Annexes to The Leader's Report 2014/2017**

**February 2014**

# Annex 1 – Cheshire East Council Three Year Plan



To assist with reading this page a PDF version is has been made available at: [www.cheshireeast.gov.uk/budget](http://www.cheshireeast.gov.uk/budget)

## Annex 2 – 2014/2015 Proposals

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
<b>COMMISSIONING AREA</b>				
<b>Children and Families Services</b>				
	Care	Partnership and Commissioning of new models of care and support (Children's Social Care)	-250	40
	Care	Early Help Includes supported accommodation, post adoption support and commissioning of independent provider	-150	
	Care	Review and reduce Voluntary Community and Faith Sector Early Help contracts	-150	
	Care	Continue to implement the residential care review across Cheshire East, with additional beds in Macclesfield and Congleton areas	-200	
	Care	Joint funding / continuing healthcare assessments - children with complex care needs that should be recharged and funded from health	-150	
	Care	Review contracting - Establish market sufficiency and sustainability	-50	
	Care	Placements will be reduced utilising foster carers as an acceptable alternative and following preventative activity for later year reductions	-500	
	Early Help	Review and consult on the reduction of hours of Children Centres, without loss of key services. Member decision required	-100	75
	Home to School Transport	Rationalisation of home to school transport through procurement savings	-210	
	Home to School Transport	Home to school transport - safer routes	-100	

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Care	Review and reduce support to schools, following Academy conversions	-250	75
	Care	Review support across Children and Families, both team support and business support.	-170	70
	Care	Business efficiency and effectiveness	-50	30
	Home to School Transport	Review Home to School Transport	-150	
	Early Help	Review provision of the Children Centre estate focusing on those areas of most need	-400	150
	Care	Review and reduce Youth Support Services	-300	
	Care	Maximise income	-450	
	Home to School Transport	Extended Rights to Travel - Additional Grant Funding	153	
	Care	Share of cross service items including pay inflation and pensions less savings relating to the restructure, reviewing supplies and reducing car mileage rates	-526	
	Indicative allocations of Pay and Pensions	Indicative allocations of Pay and Pensions	696	
<b>TOTAL CHILDREN AND FAMILIES SERVICES</b>			<b>-3,307</b>	<b>440</b>
<b>Adult Social Care and Independent Living</b>				
	Commissioning Reviews	Commission night care support from the external market in line with day time domiciliary care arrangements	-80	60
	Commissioning Reviews	Respite care improvements in efficiency	-500	100



Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Commissioning Reviews	Restructure of the handyperson and care service. Service delivery and provision should not be impacted by this restructure	-120	200
	Better Care Fund	Better Care Fund (Section 256) - Funding transfer from NHS to social care - additional responsibility	1,457	
	Better Care Fund	Better Care Fund (Section 256) - Funding transfer from NHS to social care - increase in service income	-1,457	
	Social Care Demand	Increasing Demand including Children in Transition	750	
	Social Care Demand	Increasing Demand - Care Providers	1,300	
	Assessment Review	Developing and implementing an improved Continuing Healthcare assessment process between CEC and the Clinical Commissioning Groups to ensure that respective organisations discharge and fund their care responsibilities appropriately	-150	
	Social Care Demand	Review of Fairer Charging Policy – fees, charges and subsidies	-200	
	Commissioning Reviews	Review existing supported living support using the care fund calculator	-300	
	Commissioning Reviews	Shared Lives - investment in service to recruit new carers to provide additional range of long term placements as a viable and cost effective alternative to long term care residential care	166	
	Social Care Bill	Increased social worker capacity to support care bill implementation	0	
	Assessment Review	Implementation of new Care Assessment System	300	
	Commissioning Reviews	Impact of Review of Learning Disability Pooled budget	600	
	Commissioning Reviews	Initiatives to Deliver Care Efficiencies	0	
				1,050

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Commissioning Reviews	Public Health Integration to deliver improved outcomes by jointly commissioning services	-1,000	50
	Service Efficiencies	Business Systems and Processes to support the front line	-80	
	Commissioning Reviews	Review costs and charges of jointly commissioned services with the two Clinical Commissioning Groups	-264	
	Commissioning Reviews	Utilisation of the Section 256 funding for services delivering health benefits	-228	
	Assessment Review	Safeguarding quality assurance	400	
	Service Efficiencies	Share of cross service items including pay inflation and pensions less savings relating to the restructure, reviewing supplies and reducing car mileage rates	-367	
	Indicative allocations of Pay and Pensions	Indicative allocations of Pay and Pensions	928	
<b>TOTAL ADULT SOCIAL CARE AND INDEPENDENT LIVING</b>			1,155	2,230
<b>Public Health</b>				
		Transfer of Public Health Budget from NHS	512	
		Ring Fenced Specific Grant Funding	-512	
		<b>Emergency Planning, Health Protection, Infection Control:</b> Winter planning and affordable warmth initiatives - 1 and 2 year pilots	5	
		<b>NHS Health Check Programme:</b> Programme expansion and increased initiatives focussed on prevention and early detection	40	
		<b>Sexual Health:</b> Initiatives targeting risk taking behaviours for schools, colleges and the workplace	30	

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
		<b>Drugs and Alcohol:</b> Initiatives with increased focus on alcohol misuse, awareness raising and prevention	230	
		<b>Mental Health and Wellbeing:</b> Initiatives focusing on: <ul style="list-style-type: none"> <li>• Early detection of workplace stress, depression, and wellbeing in children and young people</li> <li>• Social isolation</li> <li>• Living well, dying well</li> </ul>	85	
		<b>Child Health:</b> NCMP expansion, helpline / drop in-centre initiative, health in pregnancy and health visiting service from 2015	172	
		<b>Health Improvement:</b> Targeted initiatives for stop smoking, diet and obesity, physical activity, breastfeeding and improving health in those with learning and physical disabilities	219	
		<b>Contribution to wider Council:</b> Green space utilisation, access to information and advice, road deaths	22	
		<b>Campaigns, Marketing, Advertising and Publicity</b>	31	
		<b>Capital investment to support health and wellbeing</b>	10	
		<b>Expand mandated specialist public health advice to NHS Commissioners</b>	56	
		Ring Fenced Budget Adjustment	-900	
<b>TOTAL PUBLIC HEALTH</b>			0	0

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
Environmental Protection and Enhancement				
	New Delivery Model - Environmental Operations	Waste and Recycling - New delivery model for Environmental Services (Waste / Streetscape / Fleet services)	-700	485
	Environmental Operations - Base Budget...	Waste and Recycling - Reinstatement of one off diversion from landfill for one-year (2013/2014), pending new delivery model	113	
	Environmental Operations - Base Budget...	Waste and Recycling - Adjustments to base budgets for landfill, HWRC and recycling contracts	292	
	Environmental Operations - Base Budget...	Waste and Recycling - Adjustments to base budgets for collection costs relating to fuel and maintenance inflation	89	
	Environmental Operations - Base Budget...	Waste - Street Cleansing Road Silt - diversion from Landfill to Recycling	-47	
	Environmental Operations - Base Budget...	Waste and Recycling - Impact of Annual Tonnage increases	286	
	Waste Minimisation - base budget adjustment	Waste and Recycling - Reinstatement of one-off reductions in 2013/2014 in the waste minimisation budget and recycling credits for one year only	153	
	Highways Contract - Inflation, Efficiency savings and reinstate winter review	Highways - Contract inflation, offset by efficiency savings in 2014/2015 and 2015/2016	98	

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Highways Contract - Inflation, Efficiency savings and reinstate winter review	Highways - Implementation of a new Highways Permit Scheme within Cheshire East	-100	259
	Highways Contract - Inflation, Efficiency savings and reinstate winter review	Highways - Handling third party claims < £200 by contractor	-35	
	New income generation	Highways - Advertising / Sponsorship of roundabouts	-80	
	Highways Contract - Inflation, Efficiency savings and reinstate winter review	Highways - Reinstatement 2013/2014 savings from reviews in winter servicing	100	
	Investment Proposal	Buy-out of long-term leasing contract for Automatic Public Conveniences	0	
	Public Conveniences unparished Macclesfield	Keeping Public Conveniences at two sites in the unparished area of Macclesfield (Park Green and Churchill Way) open	45	
	Investment Proposal	On-going costs of markets and toilets due to be transferred in 2014/2015	0	
	Investment Proposal	Mapping maintained assets for routing / recharging purposes. Leading to savings from efficient routing of vehicles	0	
	Bereavement Company	Bereavement Company - initial set up costs (savings to be reflected in 2015/2016)	90	
	Reduction in energy consumption - Street Lighting	Assets - Reduce energy consumption from street lighting and illuminated signs	-185	

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Environmental Operations - Service Review	Review the Silt Contract and Skip Contract utilisation	-100	
	Environmental Operations - Base Budget...	Diversion of Road Sweepings away from Landfill	-75	
	Environmental Operations - Service Review	Employee Structure Review - savings in Ansa	-250	
	New income generation	Green Waste - Winter Suspension - flexible workforce	-50	
	Income Generation and Income base budget adj	Contract consolidation - Ansa	-50	
	Bereavement Company	Contract consolidation - Orbitas	-5	
	Environmental Operations - Service Review	Rationalisation of employee working patterns - Ansa	-50	
	Environmental Operations - Base Budget...	Consume inflationary increase in Highways	-100	
	New income generation	Increase in developer opportunities result in additional income generation from developer 106 contributions	-50	
	PROW and Countryside - Service Review	Further adjustments to Countryside and Public Rights Of Way existing revenue budgets	-40	
	New income generation	Additional income - Patrol	-30	

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Cross cutting savings (Staffing, Car Mileage, Supplies)	Share of cross service items including pay inflation and pensions less savings relating to the restructure, reviewing supplies and reducing car mileage rates	-385	
	Indicative allocations of Pay and Pensions	Indicative allocations of Pay and Pensions	380	
<b>Total Environmental Protection and Enhancement</b>			-686	857
<b>Public Protection and Enforcement</b>				
	Leisure Services - New Delivery model	Leisure Services - New service delivery model to create efficiencies in operating costs; along with increasing income from fees and charges	250	20
	Investment Proposal	Review of enforcement activities	0	
	Leisure Services - New Delivery model	Leisure Facilities - review Joint Use arrangements	-150	
	Cross Cutting	Share of cross service items including pay inflation and pensions less savings relating to the restructure, reviewing supplies and reducing car mileage rates	-316	
	Indicative allocations of Pay and Pensions	Indicative allocations of Pay and Pensions	351	
<b>TOTAL PUBLIC PROTECTION AND ENFORCEMENT</b>			135	20

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
<b>Communities</b>				
	Sustainable Library	Libraries - Development of a sustainable library service.	-540	50
	Grants - Transitional Grants to T and PCs	Grants - Transitional grants to Town and Parish Councils in relation to implementation of local council tax benefit support scheme	-58	
	Avaya contact centre costs	Avaya contact centre costs	20	
	New Operating Model - Cust, R and B	New operating model for Customer Services, Revenues and Benefits.	-220	50
	Investment Proposal	Refurbishment of war memorials in Cheshire East		100
	Cross Cutting Savings	Share of cross service items including pay inflation and pensions less savings relating to the restructure, reviewing supplies and reducing car mileage rates	245	
	Indicative allocations of Pay and Pensions	Indicative allocations of Pay and Pensions	322	
<b>TOTAL COMMUNITIES</b>			<b>-231</b>	<b>200</b>
<b>Economic Growth and Prosperity</b>				
	Assets	Assets - Continuation of benefits realisation from introduction of Corporate Landlord model, via rationalisation of non-operational & operational property portfolio	-361	100
	Investment Proposal	Assets Major Change Project (New Model of Delivery Strand)	0	250
	Investment Proposal	Assets Major Change Project (Lean Commissioner / Business Efficiency Strand)	0	50



Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Investment Service	Housing and Adults Services - New delivery model for Housing, via integration with Adults Services	73	148
	Tatton Park Vision	Tatton Park Vision / MTFS to reduce Council subsidy	-123	
	Investment Service	Crewe Town Centre Management devolved responsibility to Crewe Town Council.	-57	
	Investment Service	Inward Investment Company	127	
	Investment Proposal	Business Efficiency: New Ways of Working	0	
	Culture....	Cultural Services: World War 1 Commemoration in the Borough of Cheshire East.	97	
	Culture....	Cultural Services: World War 1 Commemoration in the Borough of Cheshire East - funding from partners	-55	
	Culture....	Cheshire Record Office Shared Service	12	
	Investment Proposal	Strategic Infrastructure - temporary resources to process planning applications	0	
	Visitor Economy service efficiency	Marketing Cheshire Options Appraisal for subscription and service contract.	-20	
	Strategic and Economic Planning Service Review	Former Development Management pay cost savings	-25	
	Investment Proposal	Strategic Planning - Local Development Framework Public Inquiry and Local Plan site allocation project	0	
	Strategic Infrastructure - Staffing Budget Growth	Strategic Highways: Client Expert Commissioner	45	

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	Strategic and Economic Planning Service Review	Charging for planning advice for Neighbourhood Planning	-20	-60    400
	Assets	Charging for Assets advice	-10	
	Investment Proposal	Strategic Infrastructure: Local Sustainable Transport Fund (LSTF) grant funded scheme. Cost of investment relates to additional temporary income from charging staff time to LSTF	0	
	Concessionary Fares	Concessionary Fares - new 2014/2015 scheme efficiencies	-300	
	Strategic and Economic Planning Service Review	Increase Planning Income: target and provide one year 'cost of investment' funding for additional resource and potential cost of planning appeals in 2014/2015	-425	
	Cross Cutting Savings	Share of cross service items including pay inflation and pensions less savings relating to the restructure, reviewing supplies and reducing car mileage rates	-1	
	Indicative allocations of Pay and Pensions	Indicative allocations of Pay and Pensions	226	
<b>TOTAL ECONOMIC GROWTH AND PROSPERITY</b>			<b>-817</b>	<b>1,548</b>

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
Chief Operating Officer				
	Assets.....	Energy Consumption Base Correction	60	175
	Assets.....	Assets - Carbon Reduction Tax liability	326	
	Assets.....	Assets - Utilities Inflation	601	
	Assets.....	Assets Major Change Project (Asset Rationalisation Strand - Operational Portfolio and Corporate Estate)	531	
	Develop SLE	Develop Separate Legal Entity for the major Shared Services	200	
	Developed model - Corporate Services	Developed model for Corporate Services linked to other supporting the front-line projects	-250	
	MO - Staffing Capacity	Legal Services staffing capacity	27	
	MO - Staffing Capacity	Registration of land titles - fall out of temporary budget	-50	
	G and D - Elections Service Efficiencies	Delay recruitment to vacant Elections Office post	10	
	Finance - Reduction in Audit Fee	Audit Fee Saving	-100	
	OD - Harmonisation of Terms & Conditions	Terms and Conditions Harmonisation	-174	
	OD - HR OD Efficiency	Investors in People Budget Saving	-15	
	G and D - Elections Service Efficiencies	General service efficiency savings	-70	
	C and I - Staffing and Consultancy	Procurement Staffing and consultancy to deliver on-going savings	200	

Summary of Proposals - 2014/2015			Total	Cost of Investment
Service	Budget Report Category	Description	2014/2015 £000s	2014/2015 £000s
	ICT - Cross Cutting Saving (to be allocated)	Supplies savings - printing, phones etc	-245	316 230
	ICT - Capitalisation of Next Generation Desktop	Capitalise Public Service Network implementation	-650	
	ICT - Capitalisation of PSN Expenditure	Capitalise initial Next Generation Desktop implementation	-300	
	C and I - Capitalisation of Projects	Business Improvement staffing capacity review including capitalisation of project activity	-100	
	OD - HR OD Efficiency	Reductions in Organisational Development	-37	
	Investment Proposal	Strategic Commissioning - Capacity	0	
	Investment Proposal	HR Pay and Reward Strategy	0	
	Cross Cutting	Share of cross service items including pay inflation and pensions less savings relating to the restructure, reviewing supplies and reducing car mileage rates	-771	
	Indicative allocations of Pay and Pensions	Indicative allocations of Pay and Pensions	595	
<b>TOTAL CHIEF OPERATING OFFICER</b>			-212	721
<b>CROSS SERVICE</b>				
		Allocation of cross service management review savings to services in 2014/2015	1,963	
<b>TOTAL CROSS SERVICE</b>			1,963	0
<b>CEC TOTAL</b>			-2,000	6,016

### Reconciliation of Leader's Report to Budget Report Three Year Summary Position

	£m	£m
2013/14 Total Service Budgets		276.7
2014/15 Service Proposals (detailed above)	-2.0	
Reductions in temporary Budget allocations	-1.9	
Reductions in Central Budgets	-2.5	
(Capital Financing costs and Actuarial costs)	<hr/>	-6.4
<b>2014/15 Total Service Budgets</b>		<hr/> <b>270.3</b>

## Annex 3 – Capital Programme

### CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes</b>	<b>307,084</b>	<b>139,010</b>	<b>120,935</b>	<b>34,143</b>	<b>12,996</b>
<b>Medium Term &amp; Rolling Programmes</b>					
Children and Families Services	18,600	0	5,900	6,300	6,400
Early Help and Intervention	1,955	0	760	995	200
Adult Social Care and Independent Living	2,350	0	750	800	800
Environmental Protection and Enhancement	15,300	150	6,515	5,045	3,590
Communities	100	0	100	0	0
Economic Growth and Prosperity	59,231	4,751	23,363	5,767	25,350
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>97,536</b>	<b>4,901</b>	<b>37,388</b>	<b>18,907</b>	<b>36,340</b>
<b>Longer Term Proposals</b>					
Public Protection and Enforcement	17,000	0	500	8,500	8,000
Economic Growth and Prosperity	155,300	0	850	9,950	144,500
Chief Operating Officer	5,700	0	1,650	2,600	1,450
<b>Total Longer Term Proposals</b>	<b>178,000</b>	<b>0</b>	<b>3,000</b>	<b>21,050</b>	<b>153,950</b>
<b>Total</b>	<b>582,620</b>	<b>143,911</b>	<b>161,323</b>	<b>74,100</b>	<b>203,286</b>

# Children and Families Services

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
<b>Committed Schemes</b>	<b>20,199</b>	<b>6,394</b>	<b>12,411</b>	<b>695</b>	<b>698</b>
<b>Medium Term &amp; Rolling Programmes</b>					
<b>Basic Need</b> Grant from the Department for Education for local authorities to provide additional school places where needed in their area.	8,050	0	2,350	2,800	2,900
<b>Capital Maintenance</b> Estimated allocation of the capital maintenance grant which is to enable local authorities to support the needs of the schools that they maintain and for the Sure Start children's centres in their area.	10,550	0	3,550	3,500	3,500
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>18,600</b>	<b>0</b>	<b>5,900</b>	<b>6,300</b>	<b>6,400</b>
<b>Total</b>	<b>38,799</b>	<b>6,394</b>	<b>18,311</b>	<b>6,995</b>	<b>7,098</b>

# Early Help and Intervention

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
<b>Committed Schemes</b>	<b>804</b>	<b>232</b>	<b>572</b>	<b>0</b>	<b>0</b>
<b>Medium Term &amp; Rolling Programmes</b>					
<b>Partnership &amp; Commissioning of New Models of Care and Support (Children's Social Care)</b> New models of service delivery to maximise the capacity and use of assets including: <b>Extending Foster Care Capacity Scheme:</b> which will enable new/existing foster carers, who are willing to increase the number of places they offer or maintain existing placements through adaptations to their home. <b>Care Leavers Supported Accommodation:</b> To provide a new facility to support care leavers within the Borough and improve their transition through to adulthood.	960	0	460	300	200
<b>Re-development of Hurdsfield Family Facilities</b> Re-development of the existing family centre site to provide a Children's Centre and Community Facilities for the local area.	995	0	300	695	0
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>1,955</b>	<b>0</b>	<b>760</b>	<b>995</b>	<b>200</b>
<b>Total</b>	<b>2,759</b>	<b>232</b>	<b>1,332</b>	<b>995</b>	<b>200</b>



# Adult Social Care and Independent Living

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes</b>	<b>2,331</b>	<b>1,140</b>	<b>1,191</b>	<b>0</b>	<b>0</b>
<b>Medium Term &amp; Rolling Programmes</b>					
<b>Community Capacity Grant</b> Capital Funding provided by the Department of Health to enable local authorities to support development in adults social service in three key areas: Personalisation, Reform, Efficiency.	2,350	0	750	800	800
<b>Total</b>	<b>4,681</b>	<b>1,140</b>	<b>1,941</b>	<b>800</b>	<b>800</b>

# Environmental Protection and Enhancement

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Committed Schemes</b>	<b>106,069</b>	<b>71,671</b>	<b>29,440</b>	<b>2,252</b>	<b>2,709</b>
<b>Medium Term &amp; Rolling Programmes</b>					
<b>Investment in Depot Infrastructure</b> Investment in the depot infrastructure in order for the waste collection, treatment and disposal services to be delivered efficiently. Includes potential investment in Pym's Lane depot (£2.5m) and the creation of a waste facility in the north of the Borough (£7m).	9,500	150	2,400	3,500	3,450
<b>Waste Fleet Replacement</b> The replacement of twenty Waste Fleet Vehicles to improve the efficiency of the vehicles held by the Authority.	3,000	0	3,000	0	0
<b>Queens Park Pathway Project</b> The delivery of a programme of path works in Queens Park, Crewe to bring the path network up to a higher standard for visitors to the park.	500	0	500	0	0
<b>Crewe Crematorium Refurbishment</b> The refurbishment of the facilities at Crewe Crematorium funded by the Environmental Fee.	1,500	0	420	1,080	0
<b>Cranage Holmes Chapel Path Project</b> The potential delivery of a programme of works to create a multi-user path and bridge over the River Dane.	400	0	65	335	0

# Environmental Protection and Enhancement

# CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Open Spaces Development Fund</b> The establishment of an Open Spaces Development Fund to halt the decline and manage a sustained improvement to our park and open spaces within the Borough.	250	0	80	80	90
<b>Replacement Litter Bins</b> The delivery of replacement litter bins over a three year period across the Borough.	150	0	50	50	50
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>15,300</b>	<b>150</b>	<b>6,515</b>	<b>5,045</b>	<b>3,590</b>
<b>Total</b>	<b>121,369</b>	<b>71,821</b>	<b>35,955</b>	<b>7,297</b>	<b>6,299</b>

# Public Protection and Enforcement

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
<b>Committed Schemes</b>	<b>15,400</b>	<b>832</b>	<b>5,969</b>	<b>8,599</b>	<b>0</b>
<b>Longer Term Proposals</b>					
<b>Congleton Lifestyle Centre</b> Development of a new lifestyle centre facility in Congleton, providing leisure and social care services.	12,000	0	500	3,500	8,000
<b>Macclesfield Leisure Centre</b> Refurbishment of Macclesfield Leisure Centre with improved facilities.	5,000	0	0	5,000	0
<b>Total Longer Term Proposals</b>	<b>17,000</b>	<b>0</b>	<b>500</b>	<b>8,500</b>	<b>8,000</b>
<b>Total</b>	<b>32,400</b>	<b>832</b>	<b>6,469</b>	<b>17,099</b>	<b>8,000</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes</b>	<b>1,178</b>	<b>298</b>	<b>680</b>	<b>200</b>	<b>0</b>
<b>Medium Term &amp; Rolling Programmes</b>					
<b>Community Facilities Grants</b> The potential capitalisation of Community Grants for community purposes.	100	0	100	0	0
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>100</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>1,278</b>	<b>298</b>	<b>780</b>	<b>200</b>	<b>0</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes</b>	<b>64,191</b>	<b>21,658</b>	<b>29,309</b>	<b>11,815</b>	<b>1,409</b>
<b>Medium Term &amp; Rolling Programmes</b>					
<b>Corporate Landlord Model - Non-Operational</b> To undertake a rationalisation of current Council non operational assets into fewer buildings, releasing efficiencies in overheads, reducing carbon emissions and generating capital receipts as sites are released.	1,280	0	930	300	50
<b>Sydney Road Railway Bridge</b> To undertake improvements to Sydney Road Railway Bridge.	5,000	0	300	300	4,400
<b>A500 J16 Widening Scheme</b> This project will deliver an immediate improvement in traffic conditions on the A500 corridor to Crewe.	3,000	45	2,455	500	0
<b>Basford West Spine Road</b> The construction of a new link between the A500 north of Shavington and the Gresty Road corridor into Crewe town centre.	7,600	0	7,600	0	0
<b>Development Programme for Housing and Jobs</b> A development programme to generate significant economic growth and prosperity for local residents, including over 4,000 new homes and 3,000 jobs.	34,351	4,706	10,578	3,167	15,900
<b>Crewe Transformation Projects (Phase 2)</b> To undertake improvements to Sydney Road Railway Bridge, A530 / Sydney Road corridor and to deliver a Flag Lane Link Road.	8,000	0	1,500	1,500	5,000
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>59,231</b>	<b>4,751</b>	<b>23,363</b>	<b>5,767</b>	<b>25,350</b>

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Approved Budget	Prior Year Expenditure	Spend 2014/15	Spend 2015/16	Spend in future years
	£000	£000	£000	£000	£000
<b>Longer term Proposals</b>					
<b>Knutsford Shared Space</b> Improved pedestrian facilities, reduced congestion. Key to improving the retail environment of Knutsford.	2,000	0	0	2,000	0
<b>A6 Corridor Improvements</b> Improvement to traffic management on the A6 corridor.	2,000	0	0	500	1,500
<b>A34 Corridor (Including Handforth East)</b> Enabling infrastructure for Local Plan development site.	16,000	0	200	300	15,500
<b>Macclesfield Town Centre Improvements</b> To assess and improve traffic management.	6,300	0	200	200	5,900
<b>Cheshire East Strategic Corridor A51/A500 Nantwich</b> Junction improvements on A51 corridor east and north of Nantwich.	4,000	0	0	1,000	3,000
<b>South Macclesfield Link Road</b> To develop a link road in south Macclesfield in line with our development programme for housing and jobs.	15,200	0	200	500	14,500
<b>Poynton Relief Road</b> To deliver the outcome of the Poynton relief road Option Development scheme.	20,800	0	0	5,200	15,600

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Crewe Transformation Projects - Phase 3</b> Infrastructure improvement works associated with Network Rail and HS2 proposals at Crewe Station, including A500 widening.	16,500	0	250	250	16,000
<b>Congleton Relief Road</b> To deliver the outcome of the Congleton relief road Option Development scheme.	70,000	0	0	0	70,000
	2,500	0	0	0	2,500
<b>Total Longer Term Proposals</b>	<b>155,300</b>	<b>0</b>	<b>850</b>	<b>9,950</b>	<b>144,500</b>
<b>Total</b>	<b>278,722</b>	<b>26,409</b>	<b>53,522</b>	<b>27,532</b>	<b>171,259</b>



## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Annual Programme</b>	<b>93,897</b>	<b>33,998</b>	<b>41,137</b>	<b>10,582</b>	<b>8,180</b>
<b>Longer Term Proposals</b>					
<b>Connecting Cheshire Phase 2</b> The second phase of Connecting Cheshire will build on phase 1 seeking to ensure all premises have access to high capacity and high quality broadband which will support economic growth, especially of rural SMEs.	5,700	0	1,650	2,600	1,450
<b>Total Longer Term Proposals</b>	<b>5,700</b>	<b>0</b>	<b>1,650</b>	<b>2,600</b>	<b>1,450</b>
<b>Total</b>	<b>99,597</b>	<b>33,998</b>	<b>42,787</b>	<b>13,182</b>	<b>9,630</b>

## Annex 4 – Business Planning Process – Engagement

### Introduction

1. Cheshire East Council is conducting an engagement process on the Medium Term Financial Plans through a number of stages from October 2013 to Council in February 2014, and beyond that as proposals are implemented.
2. The Pre-Budget Report, published for Members on the 10<sup>th</sup> January 2014, and for stakeholders, on the 13<sup>th</sup> January 2014 includes details of the proposals from each service area for the next financial year. This report has been made available for various stakeholder groups, and can be accessed through a number of forums.
3. Where consultation with specific stakeholder groups is required in relation to proposals submitted, this is being identified as part of the proposal's High Level Business Case. Therefore, some of the major proposals remain "subject to consultation", that is further targeted consultation activity will be undertaken in advance of those specific proposals being implemented.
4. The Council acknowledges that such consultation activity may alter the outcome of the final proposal and mean the expected financial impact included within the budget is not deliverable. The Council deals with this by factoring into its minimum level of reserves an allowance for changes to proposals arising from consultation or delayed implementation.

### Background

5. Local authorities have a statutory duty to consult on their Budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with wider stakeholder groups. In September 2013, Council conducted a stakeholder analysis to identify the different stakeholder groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process. This report has helped to inform our consultation process for the current and future rounds of budget setting, and has identified channels of communication which were used to facilitate consultation with more of our stakeholder groups.

### Business Planning Process

6. On 22<sup>nd</sup> July 2013, the Cheshire East Cabinet agreed a comprehensive Business Planning Process.
7. A communications plan has been developed in relation to the Council's priorities and Budget. This sets out a phased approach to engagement:
  - Round 1 – from October to 10<sup>th</sup> January
  - Round 2 – from 10<sup>th</sup> January to 21<sup>st</sup> February
  - Round 3 – from 21<sup>st</sup> February
8. An overall summary of the events is set out at Appendix 1.

### Round 1 – October 2013 to January 2014

9. Round 1 of the engagement exercise used existing meetings, as well as specific events, to provide a briefing on the Council's Three Year Plan, outcomes, the process of budget setting, and updates on progress for various stakeholder groups.
10. An additional Members' Briefing was organised for the 17<sup>th</sup> December 2013, which included an update on arrangements for the Council's new Alternative Service Delivery Vehicles

(ASDVs), which are referred to in some of the proposals for 2014/2015. The key events are outlined in **Table 1** along with the topics of discussion.

**Table 1: Engagement Events - Round 1**

Event	Comments
Cabinet 12 <sup>th</sup> November 2013	Receive <a href="#">Mid Year Review of Performance</a> Report
Council 12 <sup>th</sup> December 2013	Agree <a href="#">Council Tax Base</a> for 2014/2015
Member Briefings: 23 <sup>rd</sup> July, 7 <sup>th</sup> November and 17 <sup>th</sup> December 2013	Update on budget setting progress from Commissioning Managers
Technical Enabler Group and Executive Monitoring Board – November 2013 – January 2014	Challenge process for High Level Business Cases
Corporate Trades Unions 13 <sup>th</sup> November 2013	Briefing on high level budget issues.

## Round 2 – January - February 2014

11. Round 2 is on-going and based on the Pre-Budget Report, which was issued to Members on the 10<sup>th</sup> January 2014 and to the public on the 13<sup>th</sup> January 2014. This document was taken for discussion at various meetings throughout January and February 2014. These are outlined in **Table 2**.

**Table 2: Engagement Events - Round 2**

Event	Comments
Corporate Scrutiny Committee 13 <sup>th</sup> January 2014	Consultation and engagement on the Pre-Budget Report
Staffing Committee 16 <sup>th</sup> January 2014	Discussion and consultation and engagement on the Pre-Budget Report
Schools Forum 30 <sup>th</sup> January 2014	Discussion and consultation and engagement on the Pre-Budget Report
Business event with Macclesfield Chamber of Commerce 5 <sup>th</sup> February 2014	Presentation on the Pre-Budget Report and the implications for local business, plus an update on business rates
Business Event with East Cheshire Chamber of Commerce 6 <sup>th</sup> February 2014	Presentation on the Pre-Budget Report and the implications for local business, plus an update on business rates
Business Event with South Cheshire Chamber of Commerce 7 <sup>th</sup> February 2014	Presentation on the Pre-Budget Report and the implications for local business, plus an update on business rates
Trades Unions 10 <sup>th</sup> February 2014	Discussion and consultation on the Pre-Budget Report, providing more detail on how the proposals will affect the staff
Party Group Meetings (as requested) throughout January and February 2014	Discussion and consultation on the Pre-Budget Report
Staff Roadshows – dates throughout January and February 2014	Promotion of Budget setting issues and consultation process on the Budget

## Engagement Material

12. The key purpose of the second round is to engage on the Council's Pre-Budget Report. The document aims to present an overview of the Medium Term Financial Strategy, key service developments and impact of the budget in a user friendly and readable format. A link to the Pre-Budget Report was circulated electronically to those who attended the meetings. A hard copy was made available on request. Staff were also notified that it was available through promotion at Staff Roadshows and through an article in Team Talk issued to staff on 17<sup>th</sup> January 2014.
13. The Pre-Budget Report was placed on the Cheshire East Council website at <http://www.cheshireeast.gov.uk/budget> on 13<sup>th</sup> January 2014. This link and the document itself included details of how to comment on the issues.

## Format of the January 2014 Meetings

14. The events took a similar format, with presentations which followed by a question and answer session. The presentation related to:
  - The Council's Three Year Plan.
  - The 2013/2014 expenditure position.
  - The funding position for 2014/2015 to 2016/2017.
  - Financial Resilience.
  - Service proposals.
  - Workforce development.
15. The Cheshire East Council Cabinet and Corporate Leadership Board were represented, with the Finance Portfolio Holder,

Chief Operating Officer and senior officers attending the events as required.

## Promoting the Pre-Budget Report

16. In keeping with Council's desire for transparency and openness, and following the stakeholder analysis report, Cheshire East Council sought to ensure that our Pre-Budget Report was accessible to as many stakeholders as possible, within the constraints of time and costs. Therefore, this round of budget setting employed a number of different channels of communication for promoting the Pre-Budget Report, and obtaining feedback in order that service proposals were available to a wide range of stakeholder groups for review and feedback. The Pre-Budget Report has been:
  - Published on the Town and Parish Council sharepoint site, which is an information exchange between Cheshire East Council and Towns and Parishes in the borough.
  - Included as the front page item in the January edition of Partnerships in Action for Cheshire East newsletter, due to be published by 30<sup>th</sup> January 2014.
  - Distributed to our key partners (including health, fire, police, and voluntary, community and faith sectors) and the wider community through the Cheshire East Council Partnerships Team, who then promoted the Report at their various meetings with different partners.

## Feedback

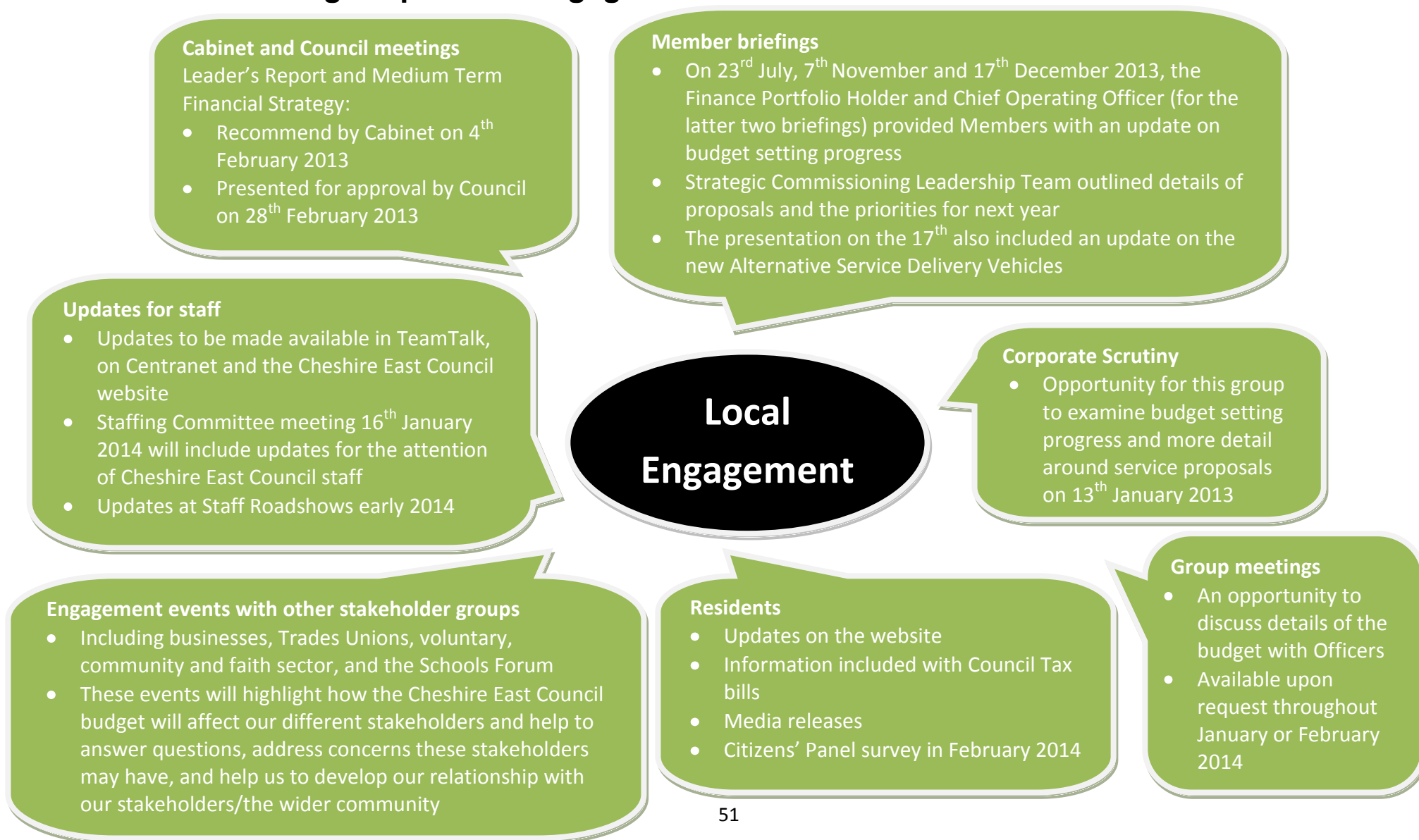
17. A summary of issues raised at the events is attached outlined below at Appendix 2.

18. At the time of issuing this report the engagement process is on-going. Therefore, any further issues or comments raised, in particular those relating to service proposals and budgets, will be reported to the Cabinet and Council meetings in February.
19. As noted earlier, the consultation on certain proposals will be undertaken prior to their implementation.

## **Conclusion**

20. Cabinet Members will review the feedback from the events and, where possible, factor these into their final budget deliberations prior to the Council meeting.
21. Feedback on the process or proposals can be sent to: [shapingourservices@cheshireeast.gov.uk](mailto:shapingourservices@cheshireeast.gov.uk)

## Business Planning Proposals – Engagement



### Summary of Key Engagement Issues

#### Financial Stability

##### Provisional Settlement

The Council will manage the impact of the Provisional Local Government Financial Settlement released on 18<sup>th</sup> December 2013 which confirmed a significant reduction in grant funding of 7% from 2013/2014 to 2014/2015.

##### Council Tax Freeze

The Provisional Settlement has confirmed the continuation of Council Tax Freeze Grant from previous years. Council Tax is proposed to be frozen for the fourth successive year in 2014/2015 as the Council proposes to accept the Government offer of a freeze grant. This approach has been endorsed by the Government as freeze grants have been rolled into baseline grant funding.

##### Non-Pay Inflation

The Council is not providing for a general inflationary increase in 2013/2014. Any inflationary pressures have been accurately identified and offset by savings within each respective service.

#### Service Proposals

Each of Cheshire East Council's service areas outlined their proposals for 2014/2015 in the Pre-Budget Report, and how this would affect the Cheshire East community:

*Children and Families:* positive steps being made in reducing the number of cared for children; reducing Council costs and providing better outcomes for Children; better partnership working with health and improved commissioning is expected to drive costs down further; transport costs under will be reviewed and new initiatives around developing further independent travel training for those with Special Educational Needs to be explored.

*Adult Social Care and Independent Living:* ambitious plans to stimulate the social care market would ensure that the market was able to respond to individual need; more effective collaboration with health departments; reviewing funding commitments; impacts of the new Care Bill are still being analysed.

*Environmental Protection and Enhancement:* significant savings will be realised as part of the Council's drive to introduce arms length delivery vehicles - bereavement services and Ansa; pothole repairs have resulted in major improvement in the condition of the highway; the need for a waste transfer station in the north of the borough was highlighted and that this may require significant capital investment in order realise subsequent revenue savings.



*Public Protection and Enforcement:* creation of the Leisure Trust will help realise ambitious savings targets and improve the leisure offer for Cheshire residents; particular emphasis would also be given to enforcement with an overriding aim to increase compliance rather than generate additional income through enforcement fees.

*Local Communities:* overarching aim is to help communities to become stronger and less reliant on public services and to improve delivery and targeting of services with partner organisations; diversifying what our services offer our communities will make them more tailored and appropriate; business improvement and efficiency can make savings without adverse impact on the Council's customers; additional savings would be made through renegotiation of concessionary travel contracts.

*Economic Growth and Prosperity:* growth items were put forward for a new investment team to ensure Cheshire East can take advantage of investment opportunities, and increased capacity of the planning department in finalising the Local Plan; targets to achieve planning fee income, asset rationalisation and disposal, and increase the Council's capital receipts; savings would be realised through reduced subsidy to Tatton Park due to new commercial arrangements; supporting local businesses through promoting opportunities and making it easier to do business with us.

*Corporate:* a range of proposals were considered around innovative financing of the capital programme, improving procurement arrangements, productivity and effectiveness of delivering central services; brief insight provided into the future capital programme arrangements, designed to

improve planning and clearly classify commitments, stages of development and affordability.

## Business Rates

The Provisional Settlement outlined a discount in business rates for small retailers in England and the extension of small business rate relief. Rate rises would also be capped at 2% from April 2014. The implications of this for our local businesses will be discussed in more detail at the events with the local Chambers of Commerce in early February 2014.

## Workforce Development

Implications for the Council's workforce were outlined in the Pre-Budget Report. This was discussed in more detail with Trades Unions and Staffing Committee to address any questions or issues.

## Grants

Confirmation of New Homes Bonus payment of £5.4m due for 2014/2015 as forecast in the scenario.

## Reserves

It was essential for the Council to keep a minimum level of reserves based on a detailed risk assessment. Any planned use had to be repaid over time to maintain levels. The minimum level was being reviewed in light of:

- The Council setting its Budget
- Levels of change and uncertainty
- The forecast outturn position

**Further comments in relation to Service Proposals will be reported to Members in advance of the Council decision on the Budget.**



# The Budget Report 2014/2017

Page 123

*(Note: This document is based on the Provisional Financial Settlement)*  
**February 2014**

This document is available to download on the Cheshire East Council [website](#), it will be distributed to all Members as part of the February 2014 Council Agenda.

**If you have any comments or queries please e-mail**  
**[shapingourservices@cheshireeast.gov.uk](mailto:shapingourservices@cheshireeast.gov.uk)**

# Foreword from the Finance Portfolio Holder

Welcome to Cheshire East Council's Budget Report, the local authority with the best quality of life in the Northwest.

The Council is on a journey to be a national leader in providing public services. We will achieve this by working with the community to achieve our five service outcomes for local people. However, we are also determined to do this without asking local residents to pay more.

In February 2013 we took the first steps towards becoming a "commissioning" council. By this we mean a Council that focuses its money and staff on delivering services people want and not on running a bureaucracy. To achieve this we aim to improve our understanding of what services residents really need and ensure money is invested and spent in these areas.

At the same time we are proposing in this report to freeze Council Tax for a further year and to accept the Council Tax Freeze grant, thereby keeping costs to local people down, and playing our part to improve household finances.

Our performance in 2013/2014 continues to show we are meeting the challenge of providing good services and reducing costs. Cheshire East was awarded the 2013 Adoption Service of the year, has the highest recycling rates in the North West and among the highest satisfaction levels for its library services. All this is achieved while spending 20% less than average on service delivery.

In the summer we reported a small surplus for our financial year 2012/2013. Our finances remain well controlled. To inform interested residents and stakeholders about the state of Council finances in October 2013 we published our [Guidance and Data on the Financial Resilience of the Council \(PDF, 962KB\)](#). The Council's Three-Quarter Year Review of Performance is also being reported to Council in February 2014. This predicts a small underspend against budget while delivering the services residents need.

This Budget Report provides stakeholders with the opportunity to understand the strategy behind our 2014/2015 proposals. The financial figures show a balanced budget for 2014/2015 and provide projections for further years based on projects we have already identified and income streams we can be confident in.

Given our cautious attitude to including income or savings only when definite projects or Government Announcements are known, we show a gap between income and expenditure in years 2 and 3. As in previous years we expect these challenges to be overcome in good time to present a further balanced budget for 2015/2016.

Throughout the plan we remain committed to the published outcomes the Council wishes to achieve for our residents. Fundamental to achieving this is introducing innovative new ways of working that provide quality and choice. Further details are provided in this report and the accompanying Leader's Report, but please also refer to the Council's website for all up to date information on Council initiatives and services ([www.cheshireeast.gov.uk](http://www.cheshireeast.gov.uk))

*Peter Raynes*

Cllr Peter Raynes, Finance Portfolio Holder

February 2014

# Comment from the Chief Operating Officer (S151 Officer)

The overall financial health and resilience of Cheshire East Council is strong. This provides a solid platform to cope with the national austerity challenges that the whole of the public sector continues to face. The Council is maintaining its focus on economic development and regeneration whilst being relentless in its pursuit of greater efficiency and productivity to enable delivery of quality services at lower cost. Putting local residents and businesses first.

Central Government's commitment to reduce the high levels of national debt has contributed to local government going through a period of unprecedented change and financial challenge. In January 2014, the Chancellor indicated that a further £25 billion of public spending cuts will be needed post the next election and by 2017/2018. It is clear that the state will have to be 'permanently smaller'.

Cheshire East's response continues to be based on innovation and creativity. The commitment to be a commissioning council and to develop better ways to achieve the Council's five stated outcomes by using a mix of delivery mechanisms is continuing to gain momentum. Services will have a more commercial and customer focussed outlook.

It is clear that there are financial and demographic challenges facing Cheshire East and prudent and effective financial management will remain critical to the success of the organisation. I only joined Cheshire East Council in October 2013, but I do believe that we are on the right path to creating sustainable services for the future.

Further changes across the public sector are inevitable and the forward thinking strategy adopted by the Council avoids a reactive 'salami-slicing' approach to budget development and service delivery. Given the uncertain climate, every council will currently have varying levels of financial gaps between predicted levels of income, expenditure and service demands for future years.

Cheshire East is no different but since February 2013 the original forecasted financial gap for 2014/2015 has been eliminated and the challenge for 2015/2016 has been more than halved.

Achieving the Council's five outcomes will significantly support financial stability in the long term, focusing as they do, on communities, business, education, environment and health. The budget development has followed a robust approach with the latest proposals emerging from a process of reflecting, analysing and then innovating.

These budget proposals build on the excellent performance reported in the Quarter 3 Report for 2013/2014. The headlines show that the Council is forecasting a small surplus of £0.3m (0.1%) on our £259.7m net revenue budget by the end of the financial year. This is the first time that the Council has reported a positive outcome at this stage of the financial year, since becoming a Unitary Authority in 2009. This clearly demonstrates that the current financial and performance management arrangements are strong and also provides reassurance that the budget proposals for 2014/2015 are robust and deliverable.

The proactive action taken to redesign and refocus the organisation during these difficult times has strengthened the Council's current financial position. Cheshire East is one of a very few councils in the country that could realistically become financially self sufficient from Central Government revenue grant support in the longer term. It is also a possibility that the level of locally held general reserves may be used as a factor in determining the value of future national finance settlements.

Given this context the recommended Reserves Strategy includes a proposal to create an Earmarked Investment Reserve of £5.3m, only to be used to improve the future financial sustainability of the Council. In my opinion the estimated levels of general reserves will still remain at an adequate level and protect the Council against a range of potential risks.

*P J Bates*

**Peter Bates CPFA CIPD MBA**

Chief Operating Officer (Section 151 Officer)

February 2014

# Contents

Foreword by the Finance Portfolio Holder.....	1
Comment from the Chief Operating Officer .....	2
Three Year Summary Position.....	4
Overview .....	5
1. Meeting the Council's Priorities .....	6
2. Financial Stability .....	10
3. Impact Assessment.....	27
4. Risk Management .....	35
Annexes	
Annex 1 – A Profile of the Authority.....	37
Annex 2 – The Budget Setting Process.....	41
Annex 3 – Grant Funding Details .....	42
Annex 4 – Minimum Revenue Provision.....	44
Annex 5 – Prudential Borrowing Indicators.....	45
Annex 6 – Financial Summary Tables.....	50
Summary.....	51
Children and Families Services .....	52
Dedicated Schools Grant.....	53
Adult Social Care and Independent Living .....	54
Public Health .....	55
Environmental Protection and Enhancement .....	56
Public Protection and Enforcement.....	57
Communities .....	58
Economic Growth and Prosperity .....	59
Chief Operating Officer .....	60
Capital .....	61
Annex 7 – Reserves Strategy.....	81
Annex 8 – Abbreviations .....	103

# Three Year Summary Position

	2013/2014 £m	2014/2015 £m	2015/2016 £m	2016/2017 £m	Three Year Change £m	Three Year Change %
<b>Commissioning</b>						
Children and Families Services	57.5	53.9	52.7	53.2		
Adult Social Care and Independent Living	91.5	92.7	94.6	93.9		
Public Health	0.0	0.0	0.0	0.0		
Environmental Protection and Enhancement	39.7	38.8	37.8	37.0		
Public Protection and Enforcement	-0.3	-0.6	-0.3	0.1		
Communities	12.2	11.9	10.7	10.7		
Economic Growth and Prosperity	14.1	14.3	13.1	12.5		
Chief Operating Officer	47.5	45.8	45.9	47.1		
Central budgets	14.5	13.5	14.6	14.0		
<i>Additional Reductions to closing Funding Deficit Yr 2</i>				-6.6		
<b>Estimated Service Budgets</b>	<b>276.7</b>	<b>270.3</b>	<b>269.1</b>	<b>261.9</b>	<b>-14.8</b>	<b>-5.3%</b>
<b>Funded by</b>						
Council Tax	-166.8	-167.3	-167.3	-167.3	-0.5	0.3%
Government Grants	-109.9	-103.0	-95.2	-79.2	30.7	-27.9%
Reserves <sup>(see note 1)</sup>	0.0	0.0	0.0	0.0		
<b>Total</b>	<b>-276.7</b>	<b>-270.3</b>	<b>-262.5</b>	<b>-246.5</b>	<b>30.2</b>	<b>-10.9%</b>
<b>Potential Funding (Surplus) / Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>6.6</b>	<b>15.4</b>		

Source: Cheshire East Finance

1. Note the Budget package includes the use of £5.3m of General Reserves. This is being transferred into an earmarked reserve in 2014/2015 to improve the financial sustainability of the Council in the medium term.



# Overview 2014/2017

**This Budget Report outlines how the proposals contained in the Medium Term Financial Strategy will be funded.**

Funding the Council's Outcomes 2014/2017:

- **Investing over £1bn** in providing services to local people.
- **Freezing Council Tax** payments for the fourth year in a row.
- **Reducing net expenditure** by £6.4m in 2014/2015.
- **Maintaining reserves of £14m** to protect vital services against risk and manage cashflow during the transformation of services.
- **Allocating £5.3m to earmarked reserves in 2014/2015 to invest in the longer term sustainability of the Council.**
- **Allocating £15.7m to support vulnerable residents** through continuation of the local Council Tax Support Scheme.
- **No external borrowing is planned, but up to £39m** of the Council's resources will support planned capital expenditure in 2014/2015, which relates to on-going capital commitments.
- Net financing costs of the Capital Programme will increase to £12.5m in 2014/2015 reflecting the Council's commitment to maintain investment in infrastructure. Capital financing costs are forecast to increase from 4.6% of the net revenue budget (2013/2014) to a still very prudent level of 4.9% (2014/2015).
- The Council will manage the impact of the Provisional Local Government Financial Settlement released on 18<sup>th</sup> December 2013 which confirmed a significant reduction in revenue support grant funding of 13% from 2013/2014 to 2014/2015. At the same time, the Settlement has confirmed the continuation of Council Tax Freeze Grant from previous years.
- Targeting 98.75% collection rates for local taxes.

# 1. Meeting the Council's Priorities

## Budget Setting Process

1. The key stages of the budget setting process followed a policy development approach which considered the initial parameters, researched potential changes, consulted on recommendations and then moves to approval and implementation of the proposed changes. The process is completed with the issue of provisional funding figures in December, closing consultation on the Budget Report in February and the formal meetings of Cabinet and wider Members that agree the Pre-Budget Report position at the end of February.
2. **Table 1** sets out the key stages followed throughout the 2013/2014 financial year to set a balanced budget for 2014/2015.
3. **Annex 6** sets out the financial impact of the changes for 2014/2017 for the Commissioning Services and the Chief Operating Officer in an established summarised format. Items have been referenced by Outcomes and the narrative will assist the read across to a greater level of detail of service change which is provided in the Medium Term Financial Strategy – Leader's Report.
4. The most significant elements of the major change programme are supported by High Level Business Cases which are subject to review under the Council's Member-led governance group called the Executive Monitoring Board. These will be available in due course and the Medium Term Financial Strategy report will also assist.
5. Changes resulting from these processes are reflected in the Council's Reserves Strategy which is re-assessed each year to determine the level of risk cover required and includes a proportion in relation to changes to proposals arising from consultation or delayed implementation.
6. Further details on the engagement process are set out in the Leader's Report.

## Table 1: Budget Setting Process – Key Stages



July 2013	August 2013 to October 2013	November 2013 to January 2014	February 2014
Start with: - Sustainable Community Strategy - Council 3 Year Plan - Medium Term Financial Strategy (£35m gap over 3 yrs)	Portfolio Holders and Commissioning Leadership Team analysed financial resilience and current Performance. Initial informal variations to budget are proposed	Corporate Leadership Board and Cabinet refining proposals (Government settlement announcement 18 <sup>th</sup> December 2013) Stakeholder briefings taking place	Cabinet to recommend estimated budget to Council reflecting any further feedback received Council determine final budget on 27 <sup>th</sup> February 2014

# 2014/2015 – Key Budget Developments

Event	Comments
Council 28 <sup>th</sup> February 2013	Identified <a href="#">net budget deficit</a> for 2014/2015 of £8.3m based on anticipated reductions in available funding
Corporate Leadership Board (CLB) meetings in May 2013	Analyse net Budget deficit and outline budget setting process following policy development approach
Cabinet 24 <sup>th</sup> June 2013	Receive 2012/2013 <a href="#">Final Outturn Review of Performance</a> Report
Strategic Commissioning Leadership Team 5 <sup>th</sup> July 2013	Briefed on process and targets
Cabinet 22 <sup>nd</sup> July 2013	Agree <a href="#">Budget Setting Process</a> including financial planning assumptions, net Budget deficit of £8.3m (based on anticipated reductions in available funding) and the process to close the gap
Cabinet 19 <sup>th</sup> August 2013	Receive <a href="#">First Quarter Review of Performance</a> Report 2013/2014
Progress meetings	Meetings with Executive Director of Strategic Commissioning and individual Commissioning Managers to discuss emerging responses and High Level Business Cases
Financial Resilience of the Council document, issued on 16 <sup>th</sup> October 2013.	<a href="#">Guidance and Data on the Financial Resilience of the Council (PDF,962KB)</a> : Key information document to demonstrate the Council's financial resilience
Initial responses produced by 25 <sup>th</sup> October 2013	Commissioning Managers submit proposals for review
Cabinet 12 <sup>th</sup> November 2013	Receive <a href="#">Mid Year Review of Performance</a> Report 2013/2014

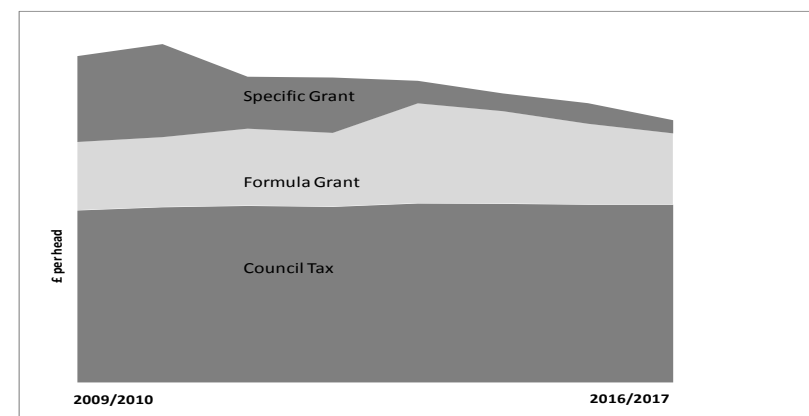
Event	Comments
Cabinet / Corporate Leadership Board meeting 19 <sup>th</sup> November 2013	Growth and savings proposals were submitted for analysis. Detailed challenge reduced the deficit considerably with further analysis being requested
19 <sup>th</sup> November to 4 <sup>th</sup> December 2013	Draft High Level Business Cases were completed, and passed to the Technical Enabler Group. Proposals were updated and amended following detailed review
Cabinet / Corporate Leadership Board meeting 4 <sup>th</sup> December 2013	Analyse received on net proposals, to balance the 2014/2015 Budget, broadly agreed
Council 12 <sup>th</sup> December 2013	Agree <a href="#">Council Tax Base</a> for 2014/2015
Member Briefings: 23 <sup>rd</sup> July, 7 <sup>th</sup> November and 17 <sup>th</sup> December 2013	Update on budget setting progress from Finance Portfolio Holder, Chief Operating Officer and Commissioning Managers
Technical Enabler Group and Executive Monitoring Board – November 2013 – January 2014	Challenge process for High Level Business Cases
Release <a href="#">Pre-Budget Report</a> 10 <sup>th</sup> January 2014 to Members	Report released to Members
Release <a href="#">Pre-Budget Report</a>	Report released to stakeholder groups for consultation
Corporate Scrutiny Committee 13 <sup>th</sup> January 2014	Consultation and engagement on the Pre-Budget Report
Cabinet 4 <sup>th</sup> February 2014	Asked to recommend the 2014/2017 Budget package to Council
21 <sup>st</sup> February 2014	Last date for comments on the Budget proposals.
<b>Council 27<sup>th</sup> February 2014</b>	<b>Approval of Medium Term Financial Strategy and Council Tax</b>

## 2. Financial Stability

### Introduction

7. Cheshire East Council is becoming more reliant on local funding and less reliant on central government grant. The funding for Council Services from Council Tax and Business Rates will have increased to over 75% of the total net funding for 2014/2015.
8. The financial stability of the Council, which determines the amount of money available for service expenditure, will be exposed to less risk from potential government funding shortfalls in the medium term, but financial planning for the Council now reflects the potential for year on year fluctuations in local funding particularly from business rates.
9. Overall the annual revenue budget for Cheshire East Council continues to be funded by a combination of Council Tax, service user charges, and (relatively low) Government grants. **Chart 1** illustrates how the balance between these funding sources is expected to continue changing over time.
10. The Budget Report is based on the Provisional Local Government Finance Settlement released on 18<sup>th</sup> December 2013. The figures remain subject to the release of the Final Settlement and a debate in the House of Commons. Dates for these two events are not yet known. Any subsequent changes will be reported to Members and may be managed through reserves.

Chart 1: Grant funding is reducing in the Medium term



Source: Cheshire East Finance (see also [Guidance and Data on the Financial Resilience of the Council](#) – Oct 2013)

Note: Council Tax has been adjusted for the change from Council Tax Benefit to Council Tax Support.

11. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2013/2014 and 2014/2015. This updates the information previously published in the Council's Budget Report in February 2013 and Budget Setting Process report taken to Cabinet in July 2013.

Table 2 - Funding available to services has reduced	2013/2014 Restated as at TQR	2014/2015	Change	Change
	£m	£m	£m	%
Government Grants (Adjusted for S256 treatment)	-109.9	-103.0	-6.9	-6.3%
Council Tax	-166.8	-167.3	0.5	0.3%
Sub total Funding	<b>-276.7</b>	<b>-270.3</b>	<b>-6.4</b>	<b>-2.3%</b>
Central Adjustments	<b>14.2</b>	<b>17.1</b>	<b>-2.9</b>	<b>20.4%</b>
Funding Available to Services	<b>-262.5</b>	<b>-253.2</b>	<b>-9.3</b>	<b>-3.5%</b>

Source: Cheshire East Finance

12. The key areas being covered in this section include:

Source of Funding	Paragraphs
-------------------	------------

Government Grant Funding of Local Expenditure	14 to 37
---	----------

Collecting Local Taxes for Local Expenditure	38 to 57
--	----------

Charges to Local Service Users	58 to 62
--------------------------------	----------

Income and expenditure are also influenced by decisions and estimates of the Council in relation to:

Investment, Borrowing and the Capital Programme	63 to 98
---	----------

Other Economic Factors	99 to 101
------------------------	-----------

Managing the Reserves Position	102 to 112
--------------------------------	------------

13. The detailed funding settlement from government has once again seen change, uncertainty and late release of information, which impacts on longer term financial planning. Issues for 2014/2015 include :

- The release of the Autumn Statement on 5<sup>th</sup> December.
- The release of the Provisional Settlement on 18<sup>th</sup> December.
- Late confirmation of Council Tax Freeze Grant and calculation of business rates estimates.
- No announcement on Education Support Grant.

These have set out changes to:

- General funding levels – confirming a 13% reduction in Revenue Support Grant.
- Funding from Business Rates – a cap on the multiplier and a change to discount / relief arrangements. It is not yet clear how these will be linked up.

## Government Grant Funding of Local Expenditure

14. Local authority finances in England are undergoing significant changes as part of the Government's overall deficit reduction programme. Overall, grant funding is still expected to reduce, but will vary depending on local levels of house building, commercial development and employment levels.
15. Funding for local government is forecast to further reduce significantly over the next 5 years, and is likely to continue to reduce beyond this timeframe to 2020. In the medium term this presents itself as funding deficits for the Council which could place strain on local service levels.
16. A summary of the Council's grant funding is shown in **Table 3**.

Table 3 - Grant Funding is reducing by 2013/2014 2014/2015 Change Change 6.4% in 2014/2015 Restated				
	£m	£m	£m	%
Business Rate Retention Scheme	-37.2	-37.8		
Revenue Support Grant	-55.8	-48.6		
Specific Grants (adjusted for S256 treatment)	-16.9	-16.6		
<b>Funding Available to Services</b>	<b>-109.9</b>	<b>-103.0</b>	<b>-6.9</b>	<b>-6.3%</b>

Source: Cheshire East Finance

17. The Council receives grant funding from the Government under several main headings:

- Business Rate Retention Scheme
- Revenue Support Grant
- Specific Grants (unring-fenced)
- Specific Grants (ring-fenced)

### Business Rate Retention Scheme (BRRS)

18. The Council anticipates collection of approximately £135m in business rates in 2014/2015. However, 72% of this funding is paid to government with 28% being retained specifically to support Cheshire East Council services. Growth in business rates can increase local funding which supports the approach set out in the Medium Term Financial Strategy to generate inward investment to the area.

### Revenue Support Grant (RSG)

19. In addition to retained business rates the government provide RSG which is not ringfenced for specific purposes. RSG could reduce by as much as 50% in the medium term.

### Specific Grants

20. A number of separately identified but unring-fenced Specific Grants have been retained. The detailed list is shown in **Annex 3** and summarised in **Table 4**.
21. The list of Specific Grants has reduced to mainly funding related to the New Homes Bonus and the Education Support Grant, which together equate to over 60% of the total received in 2014/2015.

<b>Table 4 - Separate specific grants have increased mainly as a result of Council Tax freeze</b>	<b>2013/2014 Restated</b>	<b>2014/2015</b>	<b>Change</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
New Homes Bonus	-4.2	-5.4		
Health Funding Section 256 (is now shown within service income)	-	-		
Education Services Grant	-5.3	-4.7		
Other Grants	-5.6	-4.7		
Council Tax Freeze Grant	-1.8	-1.8		
<b>Total Specific Grants</b>	<b>-16.9</b>	<b>-16.6</b>	<b>-0.3</b>	<b>-1.8%</b>

Source: Cheshire East Finance

22. Monies received for Health Service re-ablement funding (known as Section.256) have now been removed from grants and shown as service income within Adult Social Care and Independent Living, as these are invoiced payments. Further changes from the introduction of the Better Care Fund will be reflected in additional reports throughout the year.
23. New Homes Bonus funding is provided to the Council based on the net increase in properties and affordable homes. The scheme is now coming into its fourth year of a six year rolling programme with unring-fenced funding of £5.4m expected for 2014/2015.

### Education Services Grant (ESG)

24. In 2013/2014 all funding for the functions included in the Local Authority Central Spend Equivalent Grant (LACSEG) were removed from local authorities and transferred to the Department for Education (DfE). The DfE now administer and distribute a separate unring-fenced ESG to local authorities and to academies proportionate to the number of pupils for which they are responsible. LACSEG is included with the ESG grant.



25. The provisional allocation for local authorities is expected before the end of March 2014. Local estimates have set the provisional return of funds to be £4.7m and this has been factored into the scenario.
26. Beyond March 2015 the position is less clear and prudent estimates of £3m per annum have been factored in. This reflects the receipt of some element of funding or subsequent service reductions, or increased income, to the wider Council.

## Ring-fenced Grants

### Dedicated Schools Grant (DSG)

27. The Government has announced the indicative allocations of DSG for 2014/2015 which is ring-fenced. Following extensive educational funding reforms by the DfE, the grant is now allocated in notional funding blocks, namely the High Needs Block, the Schools Block and the Early Years Block.
28. The value of the High Needs Block is determined by identified 2013/2014 LA budgets to which adjustments have then been made. Funding is based on a Guaranteed Unit of Funding (GUF) per pupil for the latter two blocks. The Pupil numbers used in the calculation are based on the October 2013 Pupil Level from Schools Census information. Final allocations of the 2014/2015 DSG will include an adjustment for pupils reflected in the January 2014 Early Years Census.
29. New responsibilities in respect of support for newly qualified teachers (£0.1m) and provision of education for eligible 2 year olds (£3.4m) have been transferred to the local authority for 2014/2015, whilst responsibility for the Carbon Reduction Commitment energy efficiency scheme payments has been transferred to the DfE (-£0.3m).
30. **Table 5** shows the actual DSG received for 2013/2014, the indicative DSG for 2014/2015, the actual GUF (Amount per

Pupil) received for 2013/2014 and the Block GUFs to be received for 2014/2015 (excluding the adjustment for Academy recoupment).

<b>Table 5 - Dedicated Schools Grant will be allocated in 3 notional blocks from 2014/2015</b>	<b>Actual 2013/2014</b>	<b>Estimated 2014/2015</b>	<b>Change</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>

Total Dedicated Schools Grant	234.8	237.7	2.9	1.2%
-------------------------------	-------	-------	-----	------

#### Comprising

Schools Block (notional)	186.8	186.7
Early Years Block (notional)	13.3	13.4
High Needs Block (notional)	32.5	34.6
New responsibilities	2.2	3.0

<b>Per Pupil Funding</b>	<b>£/pupil 2013/2014</b>	<b>£/pupil 2014/2015</b>
--------------------------	--------------------------	--------------------------

#### Total Dedicated Schools Grant

Schools Block (notional)	4,077
Early Years Block (notional)	4,048

Figures quoted are before the Academy recoupment.

Source : DfE

### Dedicated Schools Grant (DSG) ~ Academy Funding

31. The DfE are clear that becoming an Academy should not bring about a financial advantage or disadvantage to a school but rather, enable Academies to have greater freedom over how they use their budgets.
32. The Individual Schools Budget (ISB) receivable for the 19 academies which opened before or during 2013/2014 has **not** been removed from the total DSG award to be received (as reflected in **Table 5**). The funding for these academies of approx £56.1m will be recouped from the Authority's DSG as part of the academy recoupment process.

### Pupil Premium Grant

33. The Government has also announced on-going increases to the Pupil Premium Grant which is now in its third year. Grant allocations are based on October 2013 census figures for deprived pupils in years from Reception to Year 11.
34. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2014/2015 have been confirmed at £1,300 for primary-aged pupils and £935 for secondary-aged pupils for every eligible child in both maintained schools and academies. All looked after children, adopted children and children with guardians will attract funding of £1,900 and children whose parents are in the armed forces continue to attract £250 per annum. It is estimated that Cheshire East Council will receive £8.8m in relation to the Pupil Premium for 2014/2015.

### Public Health

35. Central Government transferred the responsibility of commissioning / delivering public health services from Health to Local Authorities from April 2013.
36. Public Health responsibilities cover a wide range of services including: sexual health services; NHS Health Check programmes; Drug Misuse; Alcohol Misuse and Obesity.
37. Public Health grant will remain ring-fenced for the first three years as a minimum, so expenditure must be incurred in line with the definition of public health. Councils have been notified of the funding for the first two years, £12.7m in 2013/2014 which was subsequently revised to £13.7m and £14.2m in 2014/2015.

## Collecting Local Taxes for Local Expenditure

### Council Tax

38. The amount of Council Tax charged to occupied properties in 2014/2015 will be frozen at the 2013/2014 levels. For 2014/2015 the Band D Council Tax for Cheshire East Council will therefore remain at £1,216.34.

The calculation of the Council Tax is shown in **Table 6**.

<b>Table 6 - The calculation of the</b>		<b>2014/2015</b>	
<b>Cheshire East Council Band D Council</b>			
<b>Tax</b>		<b>£m</b>	<b>£m</b>
2014/2015 Revenue Budget recommended to Council on 27th February 2014 <sup>(1)</sup>			253.8
Less External Support:			
Business Rates Retention Scheme		37.9	
Revenue Support Grant		48.6	86.5
Surplus / Deficit on Collection Funds			0.0
<b>Amount to be Raised from Council Tax</b>			<b>167.3</b>
No. of Band D Equivalent Properties			137,548.53
<b>Band D Council Tax</b>			<b>£1,216.34</b>

Source: Cheshire East Finance

<sup>1</sup>. This figure is net of specific grants of £16.6m.

The impact on each Council Tax Band and the number of dwellings in each band is shown in **Table 7**.

**Table 7 - Impact of Council Tax on each Band**

Band	A	B	C	D
Council Tax £	810.89	946.04	1,081.19	1,216.34
No of Dwellings	29,507	34,755	32,872	24,469

Band	E	F	G	H
Council Tax £	1,486.64	1,756.94	2,027.23	2,434.68
No of Dwellings	18,923	12,981	11,838	1,771

Source: Cheshire East Finance

### Council Tax Freeze Grant

39. By freezing Council Tax, the Council is entitled to a grant for 2014/2015 equal to the amount that could have been raised by a 1% increase (before adjusting for Council Tax Support). As a result of this decision, and past decisions to freeze Council Tax, the Council will receive £8.1m of freeze grant in 2014/2015 as set out in **Table 8**.

**Table 8 - Council Tax Freeze Grant Equals 7.9% of Cheshire East Council's Government Funding in 2014/2015**      **2014/2015**  
£m

Allocation for:

2011/2012 (Year 4 - now rolled into BRRS)	4.5
2013/2014 (Year 2 - now rolled into BRRS)	1.8
2014/2015 (Year 1)	1.8
<b>Total Freeze Grant to be Received</b>	<b>8.1</b>

Source: Cheshire East Finance

40. The same amount will be receivable in 2015/2016 pending any further freeze grant offers, further reductions in general funding and local decisions over Council Tax levels for that year. It has been assumed a similar payment will be offered for 2015/2016 and, given the Council's plans to continue to freeze Council

Tax, this has been factored into the medium term financial planning assumptions.

### Council Tax Base

41. The Council Tax base quantifies the number of properties from which the Council is able to collect Council Tax. The tax base is presented as an equivalent number of domestic properties in Council Tax Band D terms after adjusting for relevant discounts and exemptions. The level of Council Tax multiplied by the tax base equals the expected income from local taxation.
42. The gross tax base for 2014/2015 (before making an allowance for non-collection) is calculated as 139,289.65. After taking into account current collection rates, a non-collection rate was set at 1.25%. This results in a final tax base of **137,548.53** Band D equivalent domestic properties.
43. The tax base for 2014/2015 reflects an increase of 0.3% on the 2013/2014 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of potential increases in Council Tax Support. The Council Tax base was approved by Council on 12<sup>th</sup> December 2013.

### The impact of the Council Tax Support Scheme

44. From 1<sup>st</sup> April 2013 the Council Tax Benefit system was replaced by a locally designed Council Tax Support Scheme. Claimants under this scheme receive appropriate discounts to their bills depending on their circumstances. It is important to note that pensioner claimants are not affected by this change.
45. Cheshire East will continue to compensate local councils for any reduction in tax base as a result of Council Tax Support. However, this compensation grant will be reduced in line with the funding reductions being experienced by the Council for the Revenue Support Grant (of which the compensation forms a part).

46. Cheshire East has a relatively high Council Tax base compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands F to H in the Cheshire East area (16.8% in Cheshire East compared to the England average of 9.6% based on [2012/2013 data](#)).

### Collection Fund

47. Receipts from Council Tax payers are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire & Police and local Town & Parish Councils).
48. A predicted deficit in the Collection Fund reduces revenue funding for the following annual budget (and vice versa in the case of a surplus). This can happen if predicted changes in the tax base do not occur or if payments are delayed.
49. The estimated balance on the Collection Fund has been forecast as a net nil position for 31<sup>st</sup> March 2014. This represents no change from the position forecast at 31<sup>st</sup> March 2013.
50. Year end balance on Business Rates Collection Fund is estimated to be roughly in line with budgeted base line funding levels.

### Council Tax on Second Homes

51. During 2006 the Cheshire Local Government Association (LGA) agreed to reduce the level of discount on Second Homes across Cheshire from 50% to 25% on the basis that the additional funds would be utilised as follows:-
- 50% to be retained by local authorities.

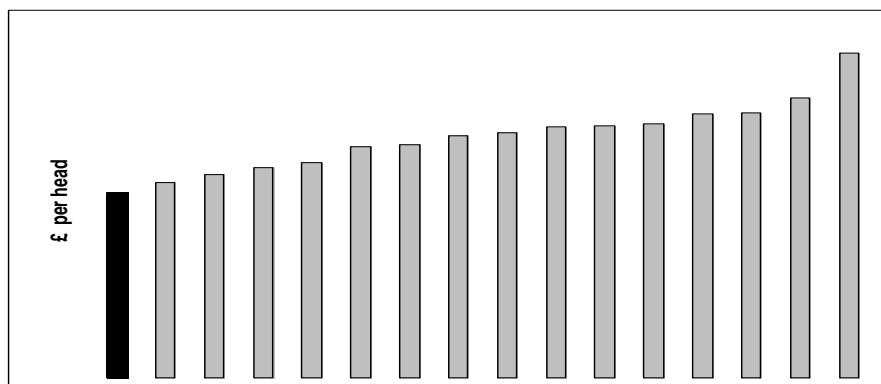
- The balance to be paid over to Local Crime and Disorder Reduction Partnerships (CDRPs) for local activities including the appointment of Community Support Officers.

52. The final figures cannot be calculated until each authority has set its 2014/2015 Council Tax. Contributions under the Second Homes agreement to the CDRP from the Police and Crime Commissioner and Cheshire Fire and Rescue Authority will be made during 2014/2015 by adjusting the precept payments to those authorities. The provisional contribution from Cheshire East Council is £152,000.
53. Any further changes to the Second Homes discount are not part of the local agreement and therefore the additional income from any change is not included in the figure shown.

### Funding Comparisons to similar Councils

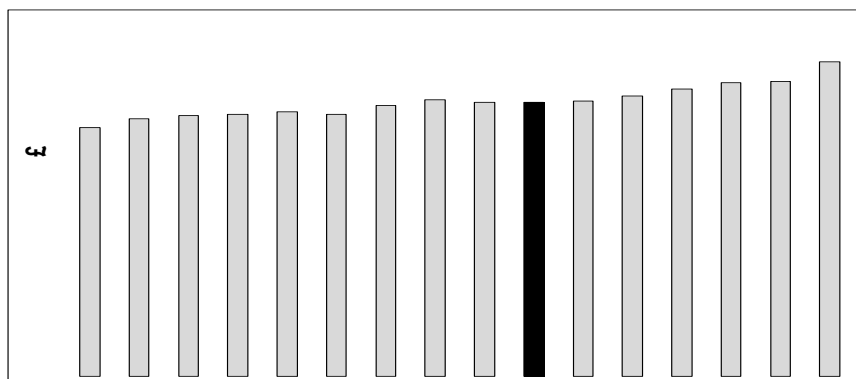
54. A suite of comparisons based on available data is provided below to add context to Cheshire East's funding position. For further analysis of the Council's financial position please refer to: [Guidance and Data on the Financial Resilience of the Council](#)

55. **Chart 2** – Government grant\* per head is the lowest of the Council's 15 near statistical neighbours.



\* Includes Business Rate Retention Scheme and Revenue Support Grant

56. **Chart 3** – Despite low government grants absolute Band D Council Tax levels remain average in comparison to near statistical neighbours.



### What is the Council Doing About it?

57. There are several areas where the Council is attempting to ensure its voice is heard. These are:

### i. Responding to Key Consultations

2013 has once again seen several major consultations on changes to local government finance take place. The Council has responded to the following consultations:

- Rates Retention and Formula Grant
  - 2013 - Local Government Finance Settlement 2014/2015 and 2015/2016: Technical Consultation
- Council Tax
  - New Build Empty Property: Technical Response
  - Council Tax Discounts for Annexes – Consultation
- Adult Social Care and Independent Living
  - 2013 - Caring for Our Future: Implementing Funding Reform
- General
  - 2013 - New Homes Bonus and the Local Growth Fund: Technical Consultation
  - 2013 - Proposals for the use of capital receipts from asset sales to invest in reforming services

### Schools Funding

Several consultations on schools funding took place and were responded to during 2013 including:

- Review of 2013/2014 School Funding Arrangements

In addition to the above, the local authority has consulted extensively with all schools regarding the implementation of the 2014/2015 formula and any changes that are required.

The DfE is still intending to implement a National Schools Funding Formula from April 2015 and the consultation on their proposals is due out in January 2014. Once the consultation is published, the local authority will consult with all schools on the proposals and what they mean for the schools in Cheshire East.

#### Provisional Settlement

The Council has responded to the settlement through the Society of County Treasurers' response. This collective response raised the key issue of a late release and inaccuracies over the spending power figures.

#### ii. Membership of Collective Groups.

The Council has membership of several collective groups which provide a stronger voice at a national level. They are:

- The Local Government Association
- The Society of County Treasurers
- The Sparse Rural Network
- The F40 Group

#### iii. On-going briefing with Members of Parliament.

The Council provides an update on key issues to local MPs every six weeks, or when special updates are required. At certain times these focus on the Budget and funding issues.

### Charges to Local Service Users

58. In some key service areas the Council makes a charge directly to the service user. The prices charged will sometimes be set nationally, but should always be related to recovering some or preferably all of the Council's costs in delivering discretionary

services.

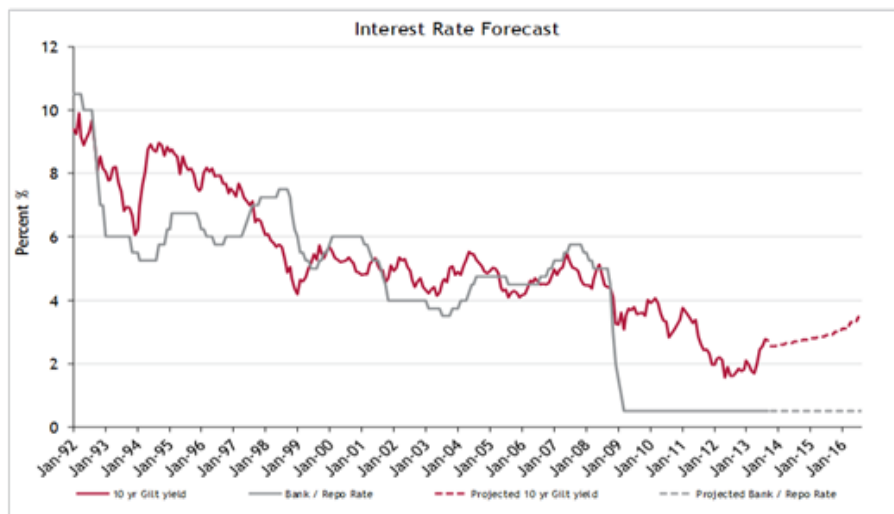
59. Approximately 12.6% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.
60. The Cheshire East Council pricing structure has over 1,800 different charges. With the overall objective to reduce subsidy in charged for services some prices may rise considerably more than inflation. In such cases users are being consulted and alternative service options are being discussed.
61. To assist officers and Members to recover full cost, the Council has produced a Charging and Trading Strategy to provide the relevant guidance to be applied. This document is available to Members on request.
62. The fees and charges list is under review given the change in commissioning arrangements in some areas. A revised version will be available in due course.

### Investment, Borrowing and the Capital Programme

63. The economy is growing again but, as the Governor of the Bank of England pointed out, it is not yet a return to normality, and the recovery is likely to be subdued by historical standards.
64. The Bank of England's Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping rates low for an extended period, using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates. Although unemployment was 7.7% in August 2013, it was not forecast to fall below the threshold until 2016, due to the UK's flexible workforce. However, on 22<sup>nd</sup> January this rate fell to 7.1% therefore, the position will be under review.

65. The Council's advisors, Arlingclose, forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable. Their projected path for short term interest rates therefore remains flat, however, upside risks weight more heavily at the end of their forecast horizon.

**Chart 4 - UK Interest Rates 1992 to 2016 (forecast)**



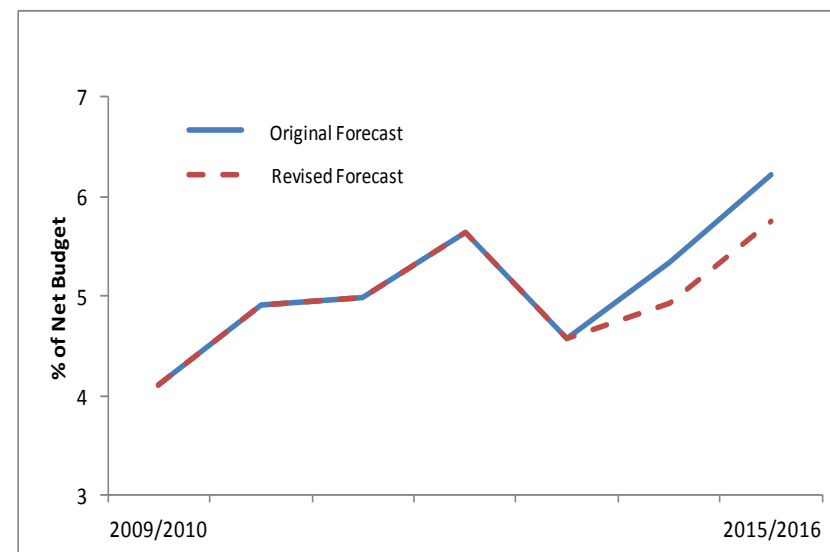
Source: Arlingclose

## Capital Financing Costs

66. The Treasury Management Strategy aims to hold down capital financing requirements at c.£14m per year in the medium term. The net revenue budget will decrease over time so the percentage required to fund capital is therefore likely to increase, which is as expected as the Council targets investment in infrastructure that can support the local economy.
67. **Chart 5** demonstrates the upward trend of the cost of borrowing as a % of the net budget from 2009 – 2016. This has reduced

compared to forecasts in February 2013. The application of capital receipts in 2012/2013 to repay prior years borrowing reduced the cost to 2010 levels, however, the impact was short term and costs are set to rise steadily as the level of prudential borrowing increases in future years.

**Chart 5 - The 2014/2017 MTFS is reducing the Cost of Borrowing as % of Net Budget from 2009-2016 compared to forecasts last year**



Source: [Guidance and Data on the Financial Resilience of the Council Version 1](#) ~ October 2013 (updated)

68. The capital financing budget for 2014/2015 is £12.5m as shown in **Table 9**. This includes amounts 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 budgeted amount of interest the Council anticipates earning from the temporary investment of its cash balances during the year.

<b>Table 9 - Capital Financing Budget</b>	<b>2014/2015</b>
	<b>£m</b>
Repayment of Outstanding Debt	8.0
Contribution re: Schools TLC Schemes	-0.9
Direct Revenue Funding	0.4
Interest on Long Term Loans	5.2
<b>Total Debt Repayment</b>	<b>12.7</b>
Less: Interest Receivable on Cash Balances	-0.2
<b>Net Capital Financing Budget</b>	<b>12.5</b>

*Source: Cheshire East Finance*

69. The budgeted provision for the repayment of debt in the year 2014/2015 comprises of the following elements:
- The charge in respect of borrowing incurred after April 2008 is calculated on a basis that charges the amount borrowed to the Council's income and expenditure account in equal instalments over the anticipated life of the asset. These periods vary from 5 years to 25 years depending on the type of expenditure funded from the borrowing.
  - Historical borrowing prior to this is calculated as 4% of the outstanding balance at 31 March 2013.
70. Details of the Council's Minimum Revenue Provision Policy is shown at **Annex 4**.
71. The amount of interest paid on the Council's portfolio of long-term loans is mainly at fixed rate of interest (circa 4.04%). This provides a degree of certainty to the capital financing budget.
72. Currently, long-term fixed interest rates are around 4.3%.
73. The rate of interest to be earned on the Council's cash balances that are temporarily invested (estimated at £36m) pending them being used is budgeted to be 0.5% during 2013/2014.
74. In line with many other local authorities, Cheshire East Council has taken the decision to use internal resources to fund capital expenditure in recent years, opting to "internally borrow". This strategy is sound, particularly with the 1% margin on Public Work Loan Board rates, low-investment yields and on-going concerns regarding credit risk.
75. The Council sets out the approach to these issues in its Treasury Management Strategy which is also being reported to [Cabinet](#) and Council in February 2014.

### Capital Programme Planning

76. The 2013/2016 capital programme was approved by Council on 28<sup>th</sup> February 2013. Updates have been provided via quarterly reports to Cabinet during 2013/2014. In November 2013 a review of the capital programme was undertaken to prioritise schemes wholly or partly funded from Council resources, this led to reductions in the overall programme.
77. These reductions, together with further updates to the current capital programme are included in the Third Quarter Review of Performance and the revised profile of spend for 2014/2015 onwards forms the base for the 2014/2017 programme, which is detailed in **Annex 6**.
78. Capital commitments have been reviewed to identify the profile of expenditure. There is recognition that there are obvious complexities around planning applications, public consultation etc, and dependencies on third parties for external funding that often means slippage occurs from one year to the next as delivery is delayed.



79. The level of Council resources available for capital investment is set out in **Table 10** and is based on the level of government grant and external contributions expected; the level of borrowing that the Council can undertake on a prudential basis and the level of capital receipts that can be generated over the period.
80. The inclusion of a capital project in the programme is subject to the Council's governance arrangements, in accordance with national best practice. Schemes over £250,000, or where there is a significant risk, are required to go through a gateway process. Schemes are assessed for technical viability by the Technical Enabler Group (TEG) and then reviewed and challenged by a member led Executive Monitoring Board (EMB).
81. Projects are required to go through a second stage (Gate 2) and provide detailed robust project documentation before they have approval to commence. EMB may reject proposals if they are unconvinced of the viability of the business case and any other aspect of the delivery plan including the fit with corporate priorities, which may result in the cessation of the proposal or a request for a revised proposal.
82. New proposals are at various stages of this process and are included in the programme for planning purposes. Where costings are not yet available indicative estimates are included. Schemes are categorised in the programme, according to status and the schemes that are continuing from the 2013 programme, or that have passed through the Gate 2 process will be monitored against progress and spend during 2014/2015.
83. The capital programme is intentionally aspirational, reflecting the Council's ambition, to pursue additional external funding, private sector investment and capital receipts. It is designed to allow flexibility, so that schemes can be phased, reviewed and if necessary put on hold until the resources required are identified and secured, or alternatively, brought on stream to take advantage of funding and market opportunities as they arise.
84. Budgets will be subject to scrutiny throughout the gateway process which ensures a robust quality assurance framework is followed for each project. The governance arrangements will safeguard against projects proceeding where costs may escalate beyond budgets. Variances from approved budgets will be subject to supplementary approval in accordance with financial regulations.

### Capital Programme Funding

85. As set out in **Table 10**, the proposed Capital Programme for 2014/2015 has planned expenditure of £161m supported by £88m of external funding (grants, S106 contributions etc.) leaving a net cost to the Council of £73m. The net costs of the programme will be met through estimated in year capital receipts of £33m and additional prudential borrowing of £39m.
86. The Council has discretion over the use of internally-generated capital resources which include capital receipts from the sale of surplus assets, prudential borrowing and revenue contributions. It is important that this discretion is used to ensure that these scarce capital resources are used to support capital schemes that make a major contribution to ensuring the Council's assets are suitable for delivering the future priorities, improving service delivery and generating revenue savings.

<b>Table 10 - Capital Programme Summary</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017 &amp; Future</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Committed Schemes	120.9	34.1	13.0
Medium Term & Rolling Programmes	37.4	18.9	36.3
Long Term Proposals	3.0	21.1	154.0
<b>Total Capital Programme</b>	<b>161.3</b>	<b>74.1</b>	<b>203.3</b>
<b>Financing</b>			
Prudential Borrowing	39.3	19.9	1.3
Government Grants	71.8	19.0	105.8
Capital Receipts	32.9	22.4	80.7
External Contributions	16.5	11.5	15.3
Other Revenue Contributions	0.8	1.3	0.2
<b>Total Sources of Funding</b>	<b>161.3</b>	<b>74.1</b>	<b>203.3</b>

Source: Cheshire East Finance

### Government Grants

87. Government grants are generally allocated by specific Government departments to fund projects and therefore are used by the Council to support the spending programmes for which they are approved.
88. The Council seeks to maximise such allocations of grant, developing appropriate projects and programmes which reflect Government-led initiatives and agendas but address priority needs in the community. Government funding has reduced in recent years but the Council still receives external support towards a number of projects such as school improvements and the Local Transport Plan. Over the period, these resources equate to £197m.

### Capital Receipts

89. A capital receipt is an amount of money which is generated from the sale of an asset. The asset rationalisation process will continue to explore opportunities to generate capital receipts by disposing of surplus property assets. This will also have revenue benefits by reducing costs relating to those assets.
90. The Engine of the North development plan, reported to Council on 17th October 2013 identified the potential to generate major capital receipts for the Council, potentially in excess of £80m over a 10 year period, net of development costs. This provides a number of opportunities in relation to future capital investment planning including; investing in other service capital projects; repaying existing borrowing or re-investing in other new land / regeneration schemes.
91. Under the Council's Capital Receipts Policy, all receipts are pooled centrally in the capital reserve and are fully allocated in line with corporate priorities as part of the overall development of the capital programme. An asset disposal schedule is maintained which indicates the timing and estimated values of future receipts. Where the programme is expected to be funded from capital receipts, depending on the timing of these receipts the start times of some projects may be brought forward or delayed. The current status of the land and property market will be kept under review by the Asset Management Service and East Cheshire Engine of the North Ltd. The programme will be reviewed if the resource position changes.

### Borrowing

92. The Council's capital investment falls within, and needs to comply with the "Prudential Code for Capital Finance in Local Authorities". Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the

Code, the level of borrowing they wish to undertake to deliver their capital programmes.

93. The level of Prudential Borrowing required in 2014/2015 and in future years is detailed in **Annex 5 – Prudential Borrowing Indicators**, paragraph 6. The revenue consequences have been considered as part of the medium term strategy to ensure they can be afforded in future years.

### Revenue

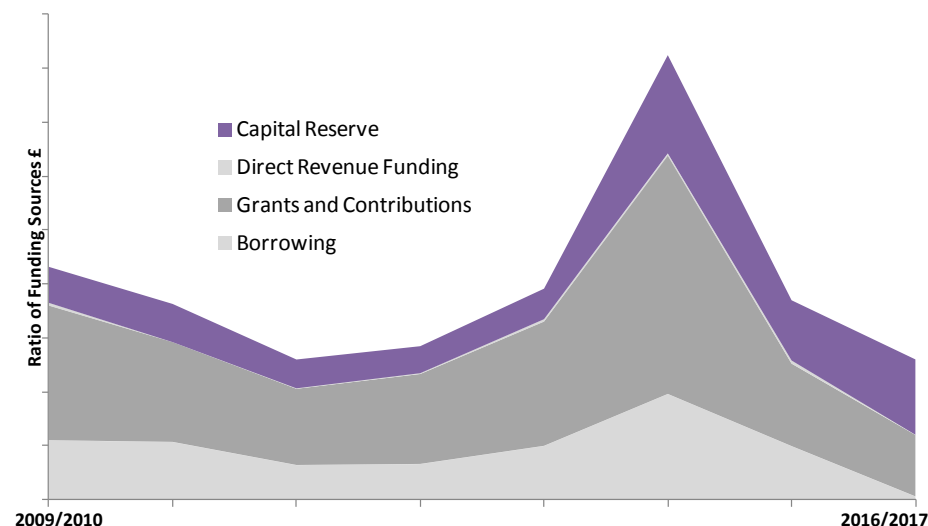
94. Capital expenditure may be funded directly from revenue. However, the general pressure on the Council's revenue budget limits the extent to which this may be used as a source of capital funding and therefore no revenue contributions are planned for new starts.

### Other Contributions

95. The Council also receives contributions from developers towards the provision of public assets or facilities, such as Section 106 contributions to mitigate the impact of their developments.
96. Section 106 agreements are drawn up during the planning process which identifies and addresses the local needs of the community in relation to new developments. The agreement obligates the developer to provide a sum of money to enable the provision of facilities such as play Areas and open spaces, increased education placements and road improvements.
97. As at 31<sup>st</sup> March 2013 the authority held Section 106 balances totalling £5.4m. The use of the funding is restricted by the terms of the original agreement and the timing of developer contributions is less predictable than other sources.
98. **Chart 6** demonstrates the balance of funding over time, the peak of grants and contributions in 2014-2016 relates to the

Superfast Broadband project where external contributions amount to £30m. The level of borrowing for new starts will reduce in future years in order to maintain repayments within affordable limits.

**Chart 6 - Balance of Capital Funding Sources from 2009-2017**



Source: Cheshire East Finance

### Other Economic Factors

99. The Council makes an assessment of its financial position over the next three years by using a model known as the financial scenario. It is based on a series of planning assumptions (for example: estimated inflation rates). The planning assumptions were published in July 2013 and updated through the year via Central Finance Group. Allowance will be made in 2014/2015 budget for other economic factors, largely inflation and pension costs; totalling **£4.6m**.

100. The Budget Report for 2014/2015 continues the theme of not including any central allowance for non-pay inflationary pressures on the basis this is generally being mitigated by service efficiency proposals, increased charges or specifically bid for as a separate policy proposal.

### Employer Pensions Contributions

101. The Workforce Planning section provides further details on the Pensions provision.

### Managing the Reserves Position

102. The Council Reserves Strategy 2014/2017 states that the Council will maintain reserves to protect against risk and support investment.
103. The Strategy identifies two types of reserves:

#### General Reserves

- Balances in this category are not identified for specific purposes, but will be used to cushion against the impact of emerging events or genuine emergencies.

#### Earmarked Reserves

- Balances in this category are set aside for specific projects where spending will occur outside of the usual annual spending pattern of the budget.
104. Cheshire East Council's Reserves Strategy has been updated and is included at **Annex 7** to this report. For the 2014/2015 Budget the Section 151 Officer is satisfied that the strategy remains consistent with previous years.

### General Reserves

105. The Budget Report for 2013/2014 anticipated an opening balance for 2014/2015 of £13.2m. The latest estimate is set at £19.3m, as adjusted for the projected 2013/2014 outturn which is based on the three-quarter year review.
106. The planned contribution for 2014/2015 is nil to reflect a reduced level of overall risk, and recognition of the need for substantial temporary investment in a number of major change programmes.
107. The medium term financial outlook reflects a reduction in real terms expenditure on Council services. Reducing expenditure over time may require up-front investment in change management that will sustain the financial resilience of the Council.
108. Strategically the Council must therefore utilise short term funding to support change and not to build up reserves. Current reserves levels will therefore be maintained to protect the Council against risk and should only require amendment if risk materialises or to support short term cashflow issues.
109. £5.3m is proposed to be transferred to earmarked reserves to support activity that will increase longer term financial stability of the Council, particularly in relation to growth in income from local sources.
110. General Reserves will therefore now be stabilised over the medium term.
111. A summary of the updated forecast reserves position over the life of the medium term strategy is shown in **Table 11**.

<b>Table 11 - Reserves levels will be maintained in the medium term</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
	£m	£m	£m	£m
Opening Balance	11.4	19.3	14.0	14.0
Change	7.9	-5.3	0	0
Closing Balance	19.3	14.0	14.0	14.0

Source: Cheshire East Finance

## Earmarked Reserves

112. It is anticipated that at 1 April 2014, balances on existing revenue earmarked reserves will be £10.5m.

## Summary of Financial Stability

113. **Table 12** summarises the position for 2014/2015 to 2016/2017.

<b>Table 12 - Three Year Summary Position</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
	£m	£m	£m	£m
<b>Commissioning</b>				
Children and Families Services	57.5	53.9	52.7	53.2
Adult Social Care and Independent Living	91.5	92.7	94.6	93.9
Public Health <sup>(Funded by Grant)</sup>	0.0	0.0	0.0	0.0
Environmental Protection and Enhancement	39.7	38.8	37.8	37.0
Public Protection and Enforcement	-0.3	-0.6	-0.3	0.1
Communities	12.2	11.9	10.7	10.7
Economic Growth and Prosperity	14.1	14.3	13.1	12.5
Chief Operating Officer	47.5	45.8	45.9	47.1
Central Adjustments	14.5	13.5	14.6	14.0
<i>Additional Reductions to closing Funding Deficit Yr 2</i>				-6.6
<b>TOTAL: Commissioning Services</b>	<b>276.7</b>	<b>270.3</b>	<b>269.1</b>	<b>261.9</b>
Government Grants	-166.8	-167.3	-167.3	-167.3
Council Tax	-109.9	-103.0	-95.2	-79.2
<b>TOTAL: Central Budgets</b>	<b>-276.7</b>	<b>-270.3</b>	<b>-262.5</b>	<b>-246.5</b>
<b>Deficit / (Surplus)</b>	<b>0.0</b>	<b>0.0</b>	<b>6.6</b>	<b>15.4</b>

Source: Cheshire East Finance

114. Directorate expenditure is shown as **£270.3m**. This represents a decrease of £6.4m (2.3%) on the Budget at the three quarter year review position.
115. The Funding Available to Services in 2014/2015 is estimated at **£270.3m** to give a balanced position.
116. This balance has been achieved through a substantial process to review and refine the funding figures and Services' expenditure / income levels.

## Allocating Funding to Services

117. Having analysed the Council's Funding Position, this section sets out how the funding is allocated to Services to support achievement of the Council's community outcomes.
118. The Medium Term Financial Strategy – Leader's Report sets out further details of how the Council is approaching delivery of the Three Year Council Plan.

## Balancing the Medium Term Budget 2015/2016 and 2016/2017

119. **Table 12** illustrates that Council funding is forecast to reduce over the medium term by as much as 5.3%. These estimates are prudent, but there is little doubt that Government funding is expected to decrease and that inflationary pressure on services will continue to increase. Setting a robust budget in these circumstances is therefore challenging and plans will be subject to review.
120. The MTFs reflects a balanced position for 2014/2015 with a mix of specific policy proposals in each Service.
121. The position for 2015/2016 and 2016/2017 continues to reflect a deficit position. This has been significantly reduced from this time last year and the challenge to remove that gap will continue during 2014/2015.

122. The Council adopts a standard five measure approach to balancing the budget and each measure is explored in relation to the medium term balancing of the MTFS.

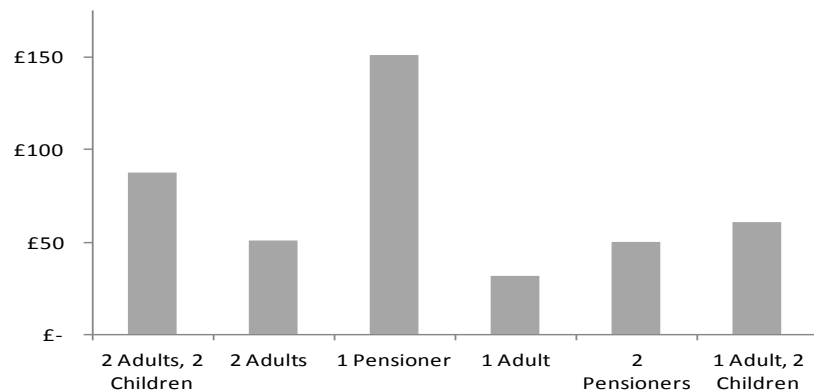
Measure	Description
<b>Measure One ~ Challenge Financial Assumptions</b>	Estimates related to government funding and inflation in particular will be checked against up to date indices and policies.
<b>Measure Two ~ Review Local Taxation</b>	Flexibility in Council Tax & Business Rates is explored in relation to emerging Government policy and local ambition.
<b>Measure Three ~ Manage Reserves</b>	The impact of the Council's Reserves Strategy is analysed, particularly in relation to risk and investment.
<b>Measure Four &amp; Five ~ Manage Cost Drivers &amp; Income</b>	Options for future service delivery are challenged to ensure priorities will be delivered in a cost effective and efficient way.

# 3. Impact Assessment

## Household Calculator

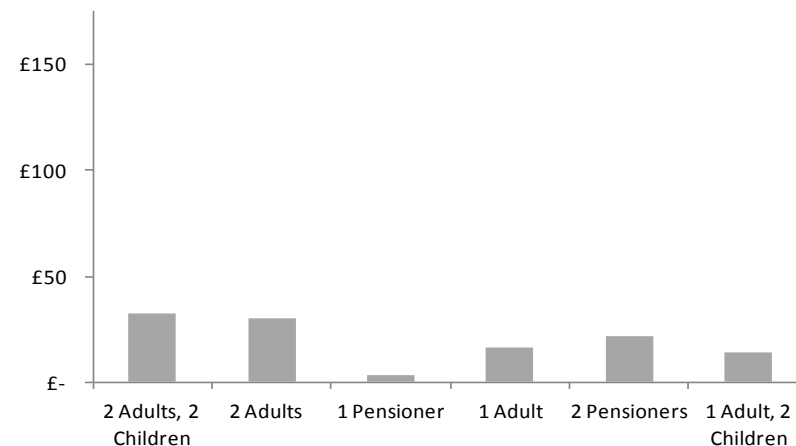
123. The 2014/2015 Budget Report is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous sections in terms of financial stability and allocation between major change programmes. This section considers the impact of the Budget on typical groups of service users in terms of the changes they may see and the charges they may pay.
124. A number of assumptions must be made in relation to property sizes and service usage. The Council uses existing data to inform this process.
125. **Chart 7** below illustrates the annual impact on six typical households accessing a variety of different services if a blanket increase in line with RPI (as at December 2013) were to be applied.

**Chart 7 – Increase in Annual Payments following a 2.7% RPI increase**



126. Every service with the Authority is in the process of refining a Charging and Trading Strategy which sets out the rationale for setting / changing fees and charges within that area.
127. The Strategies calculate full cost of the service being provided and therefore set out the resulting subsidy or surplus each time a charge is made. This will then be used to inform the setting of future levels of fees and charges to ensure fairness and that the Council meets any statutory obligations.
128. **Chart 8** below illustrates the actual annual increase per household when applied to the same variety of services..

**Chart 8 – Increase in Annual Payments following the proposed increase in fees and charges**



129. The policy proposals of the Council have offered protection to all typical groups saving a typical household £55.
130. Further details on the impact on businesses, communities and the environment are shown in **Table 14** on the following pages..

**Table 14:** Impact of the 2014/2015 Budget Proposals

## Local Businesses



Typical Facts  
Non Domestic Rates set by Government  
Supplementary Rates set by Cheshire East  
Liable to pay some Fees & Charges (for example licensing)

## Working with Businesses

The Council takes a pro-active role in engaging with and supporting local businesses. They are the engines of our economy, and the borough's future prosperity is driven by their capacity to thrive and grow. The Council's Economic Development and Regeneration team operates as a key broker for relationships between businesses and Council services and other public agencies. It also takes the leading role in promoting regeneration across the Borough, creating the conditions for job creation and economic growth, by working closely with other teams across the Council (e.g. planning, licensing, trading standards) and partners from the business community, voluntary and wider public sectors.

The team provides:

- A programme of business engagement events on specific issues, e.g. procurement, business support.
- Bespoke support for new and expanding companies, in terms of property finding, recruitment, etc.
- Information web pages including a business directory and property search facility.
- Support for targeted groups of businesses, such as independent retailers, by promoting local purchasing and advice on increasing sales.

The Council has a strong commitment to the development and regeneration of our town centres. This will be supplemented further over the 2013/2016 period, through further investment in its regeneration programme, alongside the strategic use of its own land and property, to lever in additional private sector investment. This will enhance the attractiveness of our towns to residents and visitors, and increase confidence in the developer and investor communities.

## New multipliers for 2014/2015

- Multiplier set by Government restricted to 2% increase
- Provisional 2014/2015 Multiplier at 48.2p\* in the £.
- Small business multiplier provisionally 47.1p\*\* in the £.

\* Includes supplement to fund small business relief.

\*\* All occupied properties with a rateable value below £18,000 are charged using the lower multiplier – except for those ratepayers receiving mandatory rate relief.

## Small Business Rate Relief (SBRR)

- Extension of the doubling of the SBRR to April 2015
- Amended SBRR criteria to allow businesses in receipt of SBRR to keep it for 1 year when they take on an additional property that would currently cause them to lose SBRR, in order to help small businesses with expansion costs


## Deferment Scheme for 2013/2014

Ratepayers who chose to defer part of the payment of their 2013/2014 rates bill under the 2013/2014 deferment scheme will pay back 50% of the deferred amount in 2014/2015. The remaining 50% will be due in 2015/2016.

## Supplementary Business Rates

There are no proposals for Cheshire East Council to charge supplementary rates in 2014/2015.



	<p><b>Local Retention of Business Rates</b>  From 1<sup>st</sup> April 2013 Cheshire East Council will retain c. 25% of any local growth in the rates generated through increased occupancy of commercial premises subject to certain tolerances. This will take several years to realise but will assist funding for the Council's activities. The Medium Term Financial Strategy sets out the Council's ambition to promote economic development.</p> <p><b>Local Discretionary Rate Relief</b>  Cheshire East Council has the discretion to award rate relief to any ratepayer. The Council will need to fully fund any relief awarded. Applications are considered on an individual basis, relief would only be awarded where it was in the Council Tax payer's interest to do so.</p> <p><b>Other measures to support local businesses with business rates</b></p> <ul style="list-style-type: none"> <li>- Temporary reoccupation relief, granting a 50% discount from business rates for new occupants of previously empty retail premises for 18 months</li> <li>- Introduction of a discount of up to £1,000 against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014/2015 and 2015/2016</li> <li>- Option to spread business rates bills over 12 months rather than 10 months as currently</li> <li>- A commitment by Government to resolve 95% of outstanding rating appeal cases by July 2015</li> </ul>
<p><b>Council Partners and Stakeholders</b></p>  <p>For Example:  Town &amp; Parish Councils, Health,  Fire, Police, schools, community &amp;  voluntary organisations,  Local Area Partnerships.</p>	<p>The Council will continue to work with partners to deliver certain services in Cheshire East. We will seek to commission and deliver jointly with our partners, both across Cheshire East and at a local level. Specifically, this budget reflects the changes to financial arrangements arising from the reform of the health care sector, including the integration of public health into the local authority.</p> <p>The Council will continue its work with Town and Parish Councils to develop local service delivery options including the transfer and devolution of services where appropriate.</p> <p>The budget includes a one off payment to Town and Parish Councils to reflect changes in funding arising through Council Tax Support. The total amount allocated for 2014/2015 is £381,000.</p>

## The Local Environment



Cheshire East Council is committed to continuing to reduce its energy consumption and carbon emissions from its buildings and will continue to develop strategies during 2014/2015, and beyond, to reduce the environmental impact of its activities.

The Council is continuing to work towards its Carbon Management Plan target of reducing our carbon emissions by 25% by March 2016. To do this, the Council is undertaking a number of schemes:

- Reducing carbon emissions from its own vehicles by undertaking a whole fleet review, installing technology and educating staff to reduce fuel consumption.
- Reducing the impact of our staff travel through a number of measures including changes to staff travel rates and promotion of alternatives to single car occupancy.
- A borough wide replacement of traffic signal lamps with LED's, which will cut energy and carbon.
- Completion of our £2 million capital investment in street lighting combining a number of measures to reduce energy use
- Supporting schools to reduce their energy use through the Low Carbon Schools Programme and Junior Energy Monitor Energy saving measure in our own Council buildings to continue to reduce our carbon footprint.

## Equality Impact

131. We have a statutory duty to understand the equality impacts of our decisions, policies, strategies and functions.
132. We want to ensure that our budget decisions do not discriminate against any group and promote equality of opportunity and good community relations. We have undertaken equality impact assessments where necessary, and will continue to do so as projects develop across the lifetime of the Three Year Plan. This process helps us to understand if our budget proposals:
  - Have an adverse impact on any of the protected characteristics listed in the 2010 Equality Act,
  - Result in direct or indirect discrimination.
133. The process assists us to consider what actions could address or alleviate any adverse impact and help us to recognise where investment could alleviate an adverse impact from a saving.
134. The completed Equality Impact Assessments will form part of the Business Cases.

## Workforce Planning

135. The key outcomes of effective workforce planning are summarised below:

- We have a safe, competent, appropriately skilled, agile, engaged, and high performing workforce ready and able to respond to the challenges ahead
- Where appropriate we attract and retain the best people from all sectors of the community to work for the Council
- We share and deploy our available resources across the Council in the best way to ensure priorities are achieved

136. These outcomes will be measured through formal assessment and recognition against national standards and benchmarks alongside key performance indicators. The introduction of Performance Related Pay for senior managers will strengthen this further.

## Pensions

137. There are a number of changes to the Local Government Pension Scheme due to take effect in 2014/2015. Key aspects covered in the draft Regulations are:

- Career Average Re-valued Earnings (CARE) benefit structure through the setting up of "Pension Accounts" for each employment / category of member (7 in total)
- The Pension Accounts are based on a 49ths accrual rate [98ths for the 50:50 Scheme]
- Revaluation adjustment used to index each year's pension accrual through an addition to the Pension Account

- Revised employee contribution rates (applying to the wider definition of Pensionable Pay that does not exclude non-contractual overtime)
- Creates an Assumed Pensionable Pay (APP) which protects members when pay is reduced in certain circumstances
- Ill health and survivor benefits
- Changes to Retirement Ages, and the continued link to State Pension Age
- Inclusion of various Administration aspects under Part 2 of the draft regulations

138. Employee Pension fund contributions for high earners will further increase from 1<sup>st</sup> April 2014, however 97% of Local Government Pension Scheme fund members will not see an increase to their contributions.

139. Pension contributions by the Council are also expected to increase in line with the Medium Term Financial Strategy forecasts.

140. The indicative results of the latest actuarial valuation of the Cheshire East Pension Fund, suggests a revised approach to contribution levels from Cheshire East Council. This is being done in order to address the Pension Fund deficit of £267m.

141. The results are based on a Cheshire East Council payroll that is stable and increasing at a typical annual rate. As expected, this is leading to the need for increased contributions from the Council. However, these are split between contributions in relation to employees and a cash lump sum.

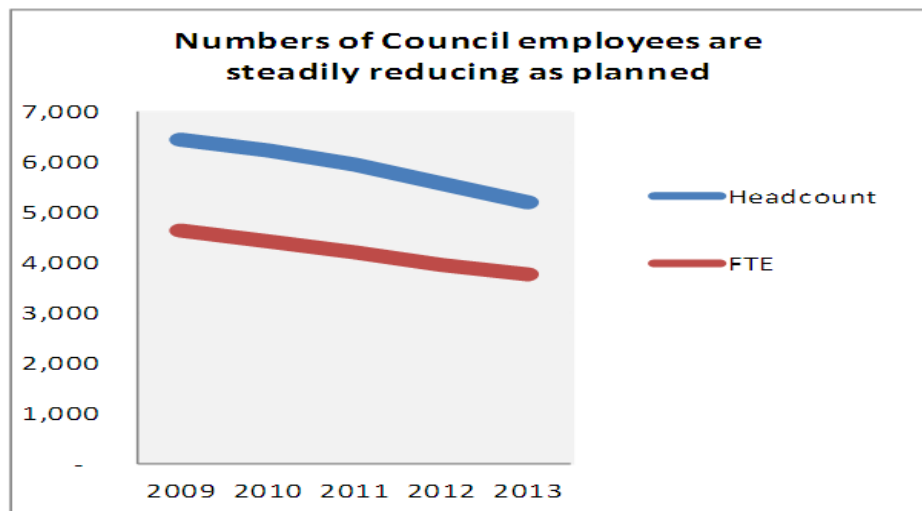
142. This change, combined with the plans to become a commissioning council, means that the approach to the pensions provision in the Financial Scenario needs to change and that will be reviewed during 2014/2015.

143. The re-organisation and transformation process the Council is going through has led to greater efficiency and a reduction in staff numbers. Some of this has been through early retirement. Actuarial charges totalling **£1.1m** have been allowed for in 2014/2015 relating to these costs.

### Pay and Terms and Conditions

144. The Trade Unions have submitted a pay claim to the Local Government Association for a staff pay award of 1% in 2014/2015, this is being considered currently (though this is not expected to apply to senior officers).
145. Whilst the Council does not intend to change employee Terms and Conditions in 2014/2015, there is a commitment to move away from Zero Hours Contracts and move towards flexible contracts announced, along with a move towards the living wage.
146. In addition, the Council will seek to introduce a 45p mileage rate for officers and Members, subject to staff and Trade Union consultation.

### Headcount analysis and trend



### New management structure and overall Full Time Equivalents (FTEs) impact

147. Phases 1 and 2 of the Senior Management Review are now complete and the new operating model is becoming embedded. Savings of £5m over three years were committed, however the full £5m will be achieved in the second year, 2014/2015.

### Culture and Values

148. Recognising that the size and shape of the Council will continue to change significantly over the next few years, the focus remains on preparing and enabling individuals, teams and the organisation to seize opportunities and rise to the challenges, ensuring managers are equipped for the changes ahead.
149. Our transition to a strategic commissioning model is well underway and a key aspect of this approach is to explore a range of delivery models to determine the best approach to deliver excellent and sustainable services to residents, businesses and service users across Cheshire East. Delivering our promises can only be achieved by working together and building a performance driven culture.
150. Recognising that effective organisational values are the foundations for success and building a constructive culture for change, the Council is now reassessing the suitability of our **aspire** values which have been in place since the creation of the Council in 2009, considering the different organisation we are now and will become.

### Building Capability

151. We continue to focus on and invest in educating and equipping our workforce with the continuous professional development, vocational, technical, statutory and mandatory skills. Able to demonstrate professional governance and competency, which are required to meet regulatory standards in order to deliver, and the capabilities required to deliver the best possible services to residents and businesses.

152. Work is on-going to develop a set of key organisational capabilities including increased commercial awareness, commissioning skills and performance improvement. A specific focus is on developing leadership and management capabilities through the Management Institute of Excellence at all levels across the Council with a range of tailored development programmes underway or in the pipeline.
153. Examples include the Caring Together Integration programme, and the Cheshire and Warrington Collaborative Leadership programme which the Council runs in partnership with Cheshire West and Chester, Warrington and other partners including Police and Fire.
- prioritised actions to be taken to address key issues and best practice shared.

### **Employee Engagement**

154. Building an engaged workforce which share the Council's aspirations and is prepared to 'go the extra mile' to achieve outstanding results - remains fundamental. Regular staff road shows led by the Leader of the Council and Chief Executive, continue to inform, involve and connect colleagues from across the Council as our journey of transformation continues.
155. A series of earlier road shows run during the spring 2013 resulted in numerous service improvement ideas being generated. The best ideas were shortlisted to go forward to a "Dragons Den" style event in the autumn. Three of the proposals are now being implemented, with a further four proposals being developed further. In addition a number of the other ideas have been mainstreamed into business and service plans. The Council hopes to continue this approach in 2014/2015.
156. In order to fully understand how staff think and feel about working for the Council an employee survey is being run in 2013/2014. The survey will provide an important insight into areas such as leadership and management, team work, change, and communication and will, as a result, enable

## 4. Risk Management

157. Risk management is an integral part of our business planning processes. Through the identification and managed response to risk, we are maximising opportunities to achieve our priorities, intended outcomes and key projects and we avoid or minimise any damaging actions or events that may prevent us from achieving our plan.
158. Risk management is about embracing risk in the right way; some risk taking is inevitable to achieve Council ambitions. In pursuit of new and leaner business models and with extended supply chains, we have recognised that the probability of, and exposure to risk is greater than previously and are responding to this. We have captured this in the form of our corporate risk entitled **Commissioning and Service Delivery Chains**<sup>1</sup> which is managed by the Director of Strategic Commissioning.
159. The Council provides a wide range of services and handles complex delivery arrangements and partnership networks, we continually adapt to face diverse threats as a result of economic and social change and opportunities (such as those provided by our new **Responsibilities for Public Health and Wellbeing**<sup>2</sup>). Some risks will always exist and will never be eliminated, our corporate risk entitled **Political and Economic Environment**<sup>3</sup> recognises where changes may impact upon the achievement of our outcomes and we have considered what mitigation or contingency arrangements we can implement to respond to risk.
160. Where we choose to accept an increased level of risk appetite to deliver our plan, we have processes in place to ensure that the potential benefits and risk exposure are fully understood before ventures are authorised, and that sensible measures to mitigate risk are established. Our Risk Management Policy

forms part of the Council's overall internal control framework and enables us to respond appropriately to risks. Our internal control framework includes the work undertaken by the Technical Enabler Group and Executive Monitoring Board established for our significant projects and programmes.

161. Reports to Committee and Leadership Board include a standard section on risk management which we use to maximise our opportunity of **Evidenced Decision Making**<sup>4</sup>. Report writers share their knowledge of the cause and effect of risks to ensure that decision makers fully understand risks before taking decisions, so that we are open, transparent and able to justify our decisions.
162. Our hierarchical risk registers at corporate, project and operational levels have a positive effect in recognising where risks are cross-cutting. The business planning process itself is a significant mitigation for our cross-cutting corporate risk around **Financial Control**.<sup>5</sup> Accurate financial planning and managing expenditure are fundamental to our financial stability, service continuity and the achievement of our outcomes. The process also provides us with a means to ensure that there is a mutual understanding and recognition of responsibilities between the people of Cheshire East and the Council and to maximise our opportunity risk of **Managing Expectations**<sup>6</sup>.
163. Significant risk impacting upon the achievement of the Council's corporate plan is escalated through the Corporate Risk Management Group (the Chair is the Deputy Leader of the Council), and reported to and monitored by the Corporate Leadership Board and Cabinet. Assurance of the risk management framework is provided through the Audit and Governance Committee. Our response to risk is taken from both a top down and bottom up approach so that oversight and recognition of risk and the resource of sensible protection of threats and exploitation of opportunities can be considered corporately.

<sup>1</sup> Corporate Risk 11 – Commissioning and Service Delivery Chains (Threat)

<sup>2</sup> Corporate Risk 13 – Responsibilities for Public Health and Wellbeing (Opportunity)

<sup>3</sup> Corporate Risk 1 – Political and Economic Environment (Threat)

<sup>4</sup> Corporate Risk 6 – Evidenced Decision Making (Opportunity)

<sup>5</sup> Corporate Risk 4 – Financial Control (Threat)

<sup>6</sup> Corporate Risk 2 – Managing Expectations (Opportunity)

# **Annexes to Budget Report 2014 / 2017**

Page 160

**February 2014**



# Annex 1 - A Profile of the Authority

## Introduction

1. Cheshire East is bounded by Cheshire West and Chester to the west, by the Greater Manchester conurbation to the north, Warrington to the northwest, Shropshire and Newcastle-under-Lyme to the south and High Peak and Staffordshire Moorlands to the east.

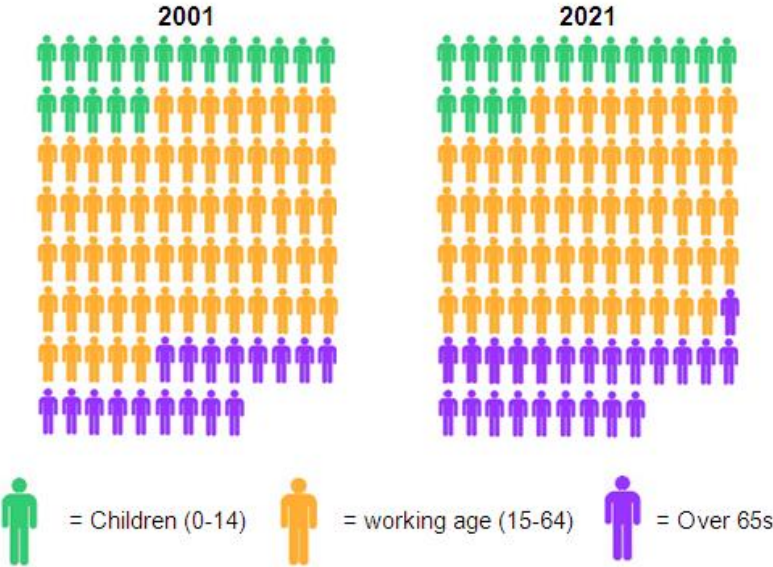
## Geography of the Area

2. The mix of topography, soils and land use in Cheshire East presents an area of contrasting character, ranging from the highland and lowland rural areas to the more densely-populated areas in the northeast of the authority. Part of the eastern boundary is part of the Peak District National Park which rises significantly higher than the rest of the Council area.
3. Cheshire East is characterised by wonderful countryside assets such as Tegg's Nose Country Park, The Cloud and the Gritstone Trail as well as its splendid historic towns and its major national visitor attractions such as Tatton Park and castles built of the distinctive local sandstone.
4. The main rivers of Cheshire East are the Bollin and the Weaver - which both flow into the Mersey – and the Dane (a tributary of the Weaver). A number of canal systems - the Trent and Mersey, Shropshire Union and Macclesfield canals – make up the Borough's other major waterways.
5. There are excellent rail links both with Manchester and other parts of the country, in particular through the main West Coast routes from London through Crewe and Macclesfield to the north. The M6 is the main north-south road route, but important east-west links are established by the M56. Another main trunk road running through Cheshire East is the A556 from Knutsford to Bowden which connects people to Manchester.

## Cheshire East and its population

6. Cheshire East has an area of 116,638 hectares. The population is 372,100<sup>1</sup>, making it the 3rd largest unitary authority in the North West and 12th largest in England. Principal concentrations of population are in the towns of Crewe (73,400), Macclesfield (52,500), Congleton (26,700) and Wilmslow (23,900)<sup>1</sup>. The Borough's other main towns – each with a population between 11,000 and 18,000 – are Alsager, Knutsford, Middlewich, Nantwich, Poynton and Sandbach<sup>2</sup>.
7. The majority of the Borough's residents live in market towns, villages or hamlets and around two fifths of the population live in areas that are classified as being more rural than urban<sup>3</sup>.
8. The population in Cheshire East has steadily increased over the past 20 years, from 340,500 in 1991 to 370,700 in 2011 – an increase of almost 9%<sup>4</sup>. This increase in the total population is mainly due to net inward migration. The age structure of Cheshire East is slightly older than that of England and Wales. In 2011, 5.4% of Cheshire East's residents were aged under 5 (compared to 6.2% for England and Wales), 12.3% were aged 5 to 15 (12.6% for England and Wales) and 19.4% were aged 65 or above (16.5% for England and Wales).
9. The age structure of the population in Cheshire East has changed since 1991. The number of older people (aged 65+) has increased by 39%, from around 54,200 in 1991 to 75,300 in 2012, whilst the number of children (aged 0-15) has fallen slightly (down 1% over the same period) and now stands at 66,100 (against 66,800 in 1991)<sup>4</sup>. The latest in-house population forecasts suggest there will be a further decline in the number of children, decreases in the working-age population and increases in the older age groups, with the largest proportional increase being in the 85+ age group<sup>5</sup>.

**Figure 1:** Proportion of residents by broad age groups – change over 20 years<sup>3,5</sup>

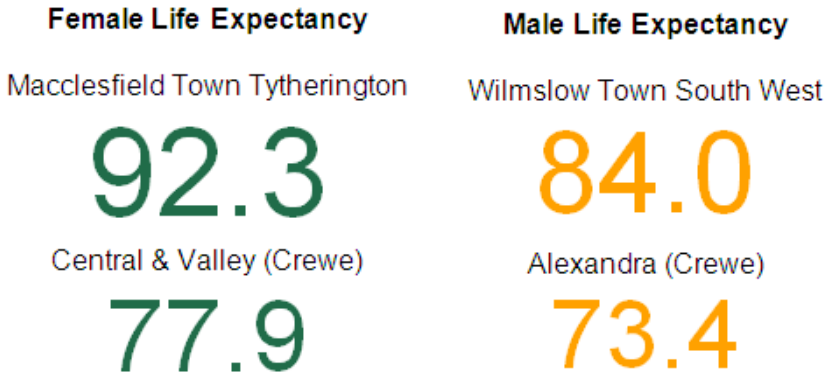


10. Cheshire East has a strong local economy. It contributes 5.6% of the North West region’s workforce<sup>6</sup>, but 7.6% of the region’s businesses<sup>7</sup>. Average household income is above the Great Britain average<sup>8</sup>. The Borough’s largest three industries in terms of economic output (Gross Value Added) in 2009 were Professional Services (12% share of GVA), Pharmaceuticals (9%) and Health and Social Work (8%). Forecasts suggest that, by 2025, Professional Services and Pharmaceuticals will make up even greater shares of Cheshire East’s GVA (14% and 12% respectively), with Computing Services (8% share) replacing Health and Social Work as the next largest sector<sup>9</sup>. The working age population (16-64 year olds) is forecast to fall by 4,200 (1.8%) during 2010-30<sup>5</sup>, which means that the Borough may need to rely on more inward migration or additional inward commuting to achieve employment growth.
11. The local economy is not immune from national and global factors and unemployment did rise sharply during the 2008/2009 recession, like in Great Britain as a whole. The proportion of 16-64 year-olds claiming Jobseeker’s Allowance or

JSA (1.9% in November 2013) has fallen significantly from its summer 2009 peak (3.2%), however this still exceeds pre-recession rates with more than a quarter of claimants (26.2%) receiving JSA for more than 12 months<sup>10</sup>. The broad measure of unemployment, which also includes people who are actively seeking work but not claiming Job Seekers Allowance, has remained at around 10,000-12,000 since 2008/2009<sup>11</sup>. Unemployment is still more prevalent amongst young people, with 3.3% of the Borough’s 18-24 year olds claiming JSA in November 2013<sup>10</sup>.

12. Residents enjoy better health than elsewhere in the region and nationally<sup>12</sup>. Life expectancy in the borough as a whole is above the national average and incidence of smoking cigarettes is lower<sup>13</sup>. However, there are notable differences in life expectancy, with females born in Central and Valley (Crewe) having a life expectancy 14 years lower than females born in Macclesfield Town Tytherington<sup>14</sup>.

**Figure 2:** Male and Female Life Expectancy at birth<sup>14</sup>

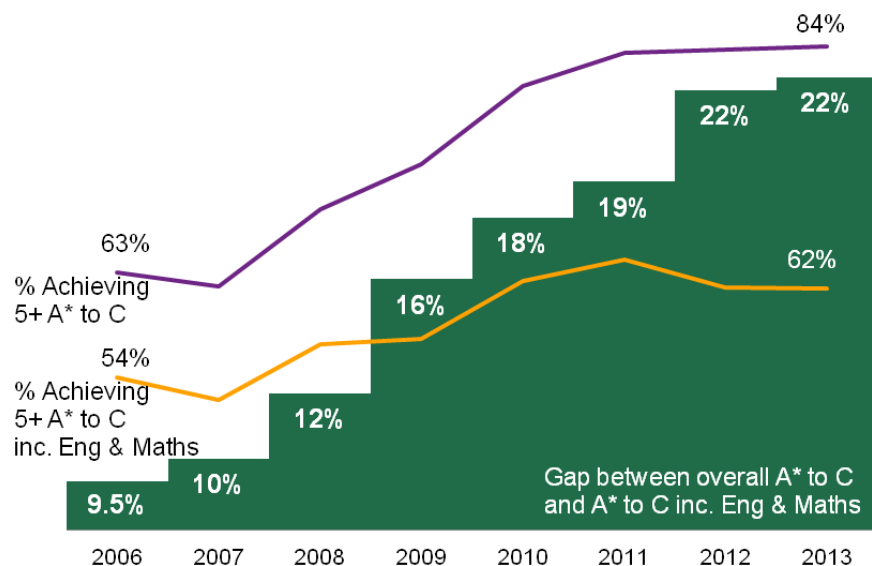


13. Educational attainment among school pupils - in terms of the percentage achieving Level 4+ in English at Key Stage 2 (primary school), Level 4+ in Maths at KS2 and five or more GCSE grades at A\*-C grade (secondary) is, in each case, above the national (England) average<sup>15</sup>. Cheshire East schools

generally perform well; children get off to a good start with a large percentage of childcare establishments, nursery education and primary schools judged to be better than similar areas and better than standards found nationally. There is very little inadequate provision with only a very small number of schools judged as underperforming by Ofsted.

14. Since 2006 the percentage of pupils achieving five or more A\*-C grades at GCSE (or equivalent) has increased by around 20 percentage points. However, those achieving five or more A\*-C grades, including English and Maths, has increased by around 8 percentage points. As a result, the gap between those achieving five or more A\*-C grades and those achieving five or more A\*-C grades including English and Maths has increased. However, caution should be exercised, as there has been an increase in the number of courses available that are GCSE equivalents, as well as more pupils accessing these equivalent exams. Consequently the percent achieving five or more A\* to C including equivalent qualifications has increased at a faster rate.

**Figure 3: GCSE results 2006-2013<sup>16</sup>**



15. The crime rate in Cheshire East is one of the lowest in the country<sup>17</sup> and residents are less concerned about anti-social behaviour than elsewhere. However, there is significant anxiety about victimisation with four in ten (41%) respondents worried about being a victim of crime<sup>18</sup>.
16. There are sixteen areas (lower super output areas) which are among the 20% most deprived in England, according to the most recent 2010 Index of Multiple Deprivation, an increase from 14 areas in the 2007 IMD<sup>19</sup>. These sixteen areas – eleven of them in Crewe, two in Macclesfield, two in Wilmslow/Handforth and one in Congleton - contain 7.7% of the Borough's population<sup>1</sup>.
17. Average house prices are considerably higher than the North West, at £145,600 for Cheshire East compared to £109,600<sup>20</sup> for the North West. Cheshire East is ranked as the fourth least affordable local authority area in the North West, with a ratio of average earnings to average house prices of 6.83<sup>21</sup>. Such high house prices are preventing access to home ownership for many, particularly for first time buyers<sup>22</sup>. High house prices increase demand for affordable housing.

**Figure 4: Affordable housing required and completed 2004/2005 – 2012/2013<sup>23</sup>**



## References for Annex 1

---

- <sup>1</sup> Office for National Statistics (ONS) mid-year population estimates 2012. ONS Crown Copyright 2013.
- <sup>2</sup> Spatial Planning Settlement definitions. LSOA level population estimates are for the new (post-2012) LSOA boundaries, which involve the splitting up of some of the old LSOAs in the Nantwich area. The definition of Nantwich town needs to be updated to reflect these LSOA boundary changes and therefore it is not appropriate to quote an exact 2011 Census figure for the town's population at this stage.
- <sup>3</sup> 2011 Census, Table: PP04, ONS, Crown Copyright and Rural Classification, 2004, Cheshire County Council.
- <sup>4</sup> ONS mid-year population estimates 1991-2012. ONS Crown Copyright 2013.
- <sup>5</sup> Cheshire West and Chester Council on behalf of Cheshire East Council, based on 2011 Census results and the latest Local Plan proposals for 1,350 dwellings per annum.
- <sup>6</sup> Business Register and Employment Survey 2012, ONS, NOMIS. ONS Crown Copyright. Note: Figures include working proprietors as well as employees.
- <sup>7</sup> Business Demography – 2012: Enterprise Births, Deaths and Survivals, ONS, Nov 2013.
- <sup>8</sup> Paycheck 2010 data, CACI Ltd.
- <sup>9</sup> Baseline projections from the Cheshire, Halton and Warrington Econometric Model (CHWEM). Projections were obtained using Cambridge Econometrics (CE)/IER LEFM software and are consistent with Cheshire East's UK Regional Forecast, as published on CE's Knowledge Base website in June 2012. Additional data preparation and aggregation by the Economic Development and Regeneration Team, Cheshire East Council.
- <sup>10</sup> JSA Claimant Count, ONS, NOMIS. Crown Copyright.
- <sup>11</sup> Broad unemployment: model-based estimates of unemployment, Jul 2004 – Jun 2005 to Jul 2012 – Jun 2013, ONS, Crown Copyright.
- <sup>12</sup> Life Expectancy at Birth: Dept of Health
- <sup>13</sup> Smoking prevalence: Office for National Statistics (ONS)
- <sup>14</sup> Life Expectancy at Birth for MSOAs, 2006-2010, Department for Health
- <sup>15</sup> "In Your Area" statistics, DfE website, accessed January 2014. Figures relate to 2011 and 2012 which are the latest available from the DfE website.
- <sup>16</sup> Education team, Cheshire East Council
- <sup>17</sup> Crime and Incident Data provided by Cheshire Constabulary – Extracted from Niche and Command and Control using Business Objects.
- <sup>18</sup> Influence Citizen's Panel, Autumn 2012 survey, Cheshire East Council
- <sup>19</sup> English Indices of Deprivation, 2010 and 2007, DCLG

<sup>20</sup> November 2013 House Price Index, Land Registry

<sup>21</sup> Table 577: Ratio of median house price to median earnings by district, DCLG Live Tables.

<sup>22</sup> Cheshire East Housing Strategy, Moving forward 2011/ 2016

<sup>23</sup> For completions, Congleton figures are from Annual Monitoring Report (AMR), Crewe and Nantwich are AMR apart from 2001 which are Housing Strategy Statistical Appendix (HSSA), Macclesfield are HSSA 2001-2005 and AMR 2005-2009. Therefore there will be discrepancy in some of the figures due to the different definitions used. For required, figures are the aggregated former district Housing Needs Surveys, then from 2008/2009 onwards are from the Arc4 Strategic Housing Market Assessment figures.

## Annex 2 –The Budget Setting Process

Set Parameters

Gather Evidence

Consult and refine

Approve

July 2013

August 2013  
to October 2013

November 2013  
to January 2014

Cabinet  
4<sup>th</sup> February 2014

Assumptions reported to  
Cabinet:

Revenue	£m	
Budget 2014/2015		
Cost of services	272.3	→
Council Tax	-166.8	→
Government Grants	-97.2	→
<b>Total</b>	<b>8.3</b>	

Key Developments:

Review Assumptions	£m	
Increase caused by revised Pensions contributions and agreement of 2013/2014 Pay Award	+1.7	→
Determine Tax base (New properties less discounts)	-0.5	→
Grant estimates increased to reflect continuing funding from Department of Work and Pensions and Department for Education	-3.5	→
<b>Sub Total</b>	<b>-2.3</b>	

Corporate Leadership  
Board / Cabinet 4<sup>th</sup>  
December:

Confirm Proposals	£m	
Proposed reductions in costs (as summarised in this report)	-3.7	→
Tax base agreed		→
Grant estimate further increased due to proposed Council Tax Freeze and improvement in settlement	-2.3	→
<b>Sub Total</b>	<b>-6.0</b>	

Latest Position	£m
Cost of services	270.3
Council Tax	167.3
Government Grants	-103.0
<b>Total</b>	<b>0</b>

## Annex 3 – Grant Funding Details

	2013/2014 £000	2014/2015 £000	2015/2016 £000	2016/2017 £000
<b>SPECIFIC USE (Held within Services)</b>				
<b>Schools</b>				
Dedicated Schools Grant	184,649	171,759	154,957	154,957
Pupil Premium	5,427	7,489	7,489	7,489
Sixth Forms	6,406	5,512	4,618	4,618
<b>Total Schools</b>	<b>196,482</b>	<b>184,760</b>	<b>167,064</b>	<b>167,064</b>
Housing Benefit Subsidy	84,518	84,518	84,518	84,518
Public Health	13,762	14,274	14,274	14,274
Local Enterprise Partnership	526	0	0	0
Adoption Improvement Grant	350	0	0	0
Restorative Justice Development Grant	0	8	0	0
<b>TOTAL SPECIFIC USE</b>	<b>295,638</b>	<b>283,560</b>	<b>265,856</b>	<b>265,856</b>
<b>GENERAL PURPOSE (Held Corporately)</b>				
<b>Central Funding</b>				
Revenue Support Grant	55,855	48,590	36,966	27,931
Business Rates Retention Scheme	37,159	37,883	38,929	38,929
<b>Total Central Funding</b>	<b>93,014</b>	<b>86,473</b>	<b>75,895</b>	<b>66,860</b>
<b>Children and Families Services</b>				
Skills Funding Agency	952	785	593	449
Youth Offending Service	353	0	0	0
Troubled Families	586	130	110	94
Troubled Families - Co-ordinator	100	100	85	72
Remand Funding	47	0	0	0
Sector Led Improvement	3	0	0	0
Adoption Improvement	554	0	0	0
Extended Right to Free Transport	284	153	0	0
Special Education Needs Reform	75	0	0	0
<b>Adult Social Care and Independent Living</b>				
Local Reform and Community Voices	254	262	262	0
Adult Social Care Data Collection	60	0	0	0
Independent Living Fund	0	0	1,500	0
Adult Social Care	0	0	1,723	0

	2013/2014 £000	2014/2015 £000	2015/2016 £000	2016/2017 £000
<b>Environmental Protection &amp; Enhancement</b>				
Lead Local Flood Authorities	52	52	35	0
<b>Economic Growth &amp; Prosperity</b>				
Neighbourhood Planning	10	0	0	0
Heat Networks Funding Stream	198	0	0	0
<b>Monitoring Officer</b>				
Individual Electoral Registration	13	0	0	0
<b>Communities</b>				
Housing Benefit and Council Tax Admin	2,000	1,760	1,000	1,000
NDR Admin	562	562	478	406
Social Fund - Programme Funding	612	612	0	0
Social Fund - Administration	129	119	0	0
Council Tax Support	148	135	0	0
<b>Chief Operating Officer</b>				
Education Services Grant	5,349	4,700	3,000	3,000
New Homes Bonus 2011/2012	870	870	870	870
New Homes Bonus 2012/2013	1,844	1,844	1,844	1,844
New Homes Bonus 2013/2014	1,037	1,037	1,037	1,037
New Homes Bonus 2014/2015	0	1,358	1,358	1,358
New Homes Bonus 2015/2016	0	0	1,223	1,223
New Homes Bonus 2016/2017	0	0	0	870
Affordable Homes 2012/2013	85	85	85	85
Affordable Homes 2013/2014	82	82	82	82
New Homes Bonus 2013/2014 - top slice	315	132	468	0
Council Tax Freeze Grant 2013/2014	1,805	0	0	0
Council Tax Freeze Grant 2014/2015	0	1,816	1,816	0
Council Tax Freeze Grant 2015/2016	0	0	1,800	0
Community Rights to Challenge	9	9	9	0
Community Rights to Bid	8	8	8	0
<b>TOTAL GENERAL PURPOSE</b>	<b>111,410</b>	<b>103,084</b>	<b>95,281</b>	<b>79,250</b>
<b>TOTAL SPECIFIC AND GENERAL PURPOSE</b>	<b>407,048</b>	<b>386,644</b>	<b>361,137</b>	<b>345,106</b>

## Annex 4 – Minimum Revenue Provision

1. The annual Minimum Revenue Provision (MRP) Statement sets out the Council's responsibility to ensure it makes adequate provision for funding the consequences of its capital investment decisions.
2. Capital expenditure is expenditure that provides on-going benefits to the Council for a period of longer than 1 year. Accounting rules require that where this capital expenditure is not funded through external contributions, external grants, capital receipts or contributions from revenue budgets it must be charged against the Council's General Fund Balances. The period over which this charge is made should reflect the length of time that the expenditure will provide benefits to the Council.
3. DCLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.
4. Prior to 2010 the major proportion of MRP relates to the more historic debt liability that was outstanding at the time the Guidance was adopted. This will continue to be charged at the rate of 4%, in accordance with option 1 of the Guidance.
5. New capital expenditure for each subsequent year will in general be charged in accordance with Option 3 of the Guidance, which recommends that the annual charge should broadly equate to the anticipated life, or period of benefit, which is reflective of the nature of the expenditure. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.
6. Charges will commence in the year following the creation of the capital asset, i.e, in the assets first full year of operation.
7. In the case of long term debtors arising from loans or other types of capital expenditure made by the Council, which will be repaid under separate arrangements, there will be no minimum revenue provision made.
8. For those types of capital expenditure incurred by the Council which are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.
9. MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.
10. The MRP Statement will be submitted to Council before the start of the 2014/2015 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.



# Annex 5 – Prudential Borrowing Indicators

Prudential Indicators revisions to 2013/2014 and 2014/2015 – 2016/2017, and future years

## Background

1. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

## Gross Debt and the Capital Financing Requirement

2. This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
3. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.
4. The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2013/2014, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

## Estimates of Capital Expenditure

5. This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
<b>Total</b>	<b>78.3</b>	<b>161.3</b>	<b>74.1</b>	<b>55.6</b>	<b>147.7</b>

Source: Cheshire East Finance

6. Capital expenditure will be financed or funded as follows:

Capital Financing	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital receipts	11.3	32.9	22.4	31.4	50.5
Government Grants	42.9	71.8	19.0	19.9	85.3
External Contributions	3.1	16.6	11.5	2.8	11.9
Revenue Contributions	1.0	0.8	1.3	0.2	0
<b>Total Financing</b>	<b>58.3</b>	<b>122.1</b>	<b>54.2</b>	<b>54.3</b>	<b>147.7</b>
Prudential Borrowing	20.0	39.2	19.9	1.3	0
<b>Total Funding</b>	<b>20.0</b>	<b>39.2</b>	<b>19.9</b>	<b>1.3</b>	<b>0.0</b>
<b>Total Financing and Funding</b>	<b>78.3</b>	<b>161.3</b>	<b>74.1</b>	<b>55.6</b>	<b>147.7</b>

Source: Cheshire East Finance

7. The above table shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

## Ratio of Financing Costs to Net Revenue Stream

8. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.
9. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	%	%	%	%
<b>Total</b>	<b>4.58</b>	<b>4.93</b>	<b>5.76</b>	<b>5.98</b>

Source: Cheshire East Finance

## Capital Financing Requirement

10. The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	£m	£m	£m	£m
<b>Total</b>	<b>203</b>	<b>234</b>	<b>242</b>	<b>252</b>

Source: Cheshire East Finance

## Actual External Debt

11. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2013	£m
Borrowing	134
Other Long-term Liabilities	27
<b>Total</b>	<b>161</b>

Source: Cheshire East Finance

## Incremental Impact of Capital Investment Decisions

12. This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	£	£	£
<b>Band D Council Tax</b>	<b>4.38</b>	<b>10.94</b>	<b>0</b>

Source: Cheshire East Finance

## Authorised Limit and Operational Boundary for External Debt

13. The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.
14. The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This

Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

15. The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).
16. The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
17. The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	2013/2014 Estimate £m	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m
Authorised Limit for Borrowing	212	245	255	265
Authorised Limit for Other Long-Term Liabilities	26	24	23	22
<b>Authorised Limit for External Debt</b>	<b>238</b>	<b>269</b>	<b>278</b>	<b>287</b>
Operational Boundary for Borrowing	202	235	245	255
Operational Boundary for Other Long- Term Liabilities	26	24	23	22
<b>Operational Boundary for External Debt</b>	<b>228</b>	<b>259</b>	<b>268</b>	<b>277</b>

#### Adoption of the CIPFA Treasury Management Code

18. This indicator demonstrates that the Authority has adopted the principles of best practice.

##### Adoption of the CIPFA Code of Practice in Treasury Management

The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 23<sup>rd</sup> February 2012

The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

## Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

19. These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).
20. The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	Existing Level or (Benchmark level) at 07/01/2014 %	2013/2014 Approved %	2013/2014 Revised %	2014/2015 Estimate %	2015/2016 Estimate %	2016/2017 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0	100%	100%	100%	100%	100%

Source: Cheshire East Finance

21. The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

## Maturity Structure of Fixed Rate borrowing

22. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at

times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

23. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.
24. The Lenders Option Borrowers Option (LOBO) is classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs can be called within 12 months the upper limit for borrowing maturing within 12 months has remained at 35% to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2014/2015

Maturity structure of fixed rate borrowing	Level as at 31 <sup>st</sup> March 2014 (based on Current Borrowing) %	Lower Limit for 2014/2015 %	Upper Limit for 2014/2015 %
under 12 months	22%	0%	35%
12 months and within 24 months	7%	0%	25%
24 months and within 5 years	14%	0%	35%
5 years and within 10 years	9%	0%	50%
10 years and within 20 years	19%	0%	100%
20 years and within 30 years	8%	0%	100%
30 years and within 40 years	13%	0%	100%
40 years and within 50 years	8%	0%	100%
50 years and above	0%	0%	100%

## Credit Risk

25. The Authority considers security, liquidity and yield, in that order, when making investment decisions.

26. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.
27. The Authority also considers alternative assessments of credit strength, and information on corporate developments and market sentiment towards counterparties. The following key tools are used to assess credit risk:
  - Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
  - Sovereign support mechanisms;
  - Credit default swaps (where quoted);
  - Share prices (where available);
  - Economic fundamentals, such as a country's net debt as a percentage of its GDP;
  - Corporate developments, news, articles, markets sentiment and momentum;
  - Subjective overlay.
28. The only indicators with prescriptive values remain credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

#### Upper Limit for total principal sums invested over 364 days

29. The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	%	%	%	%
	40	40	40	40

*Source: Cheshire East Finance*

## Annex 6 – Financial Summary Tables

Note: the 2013/2014 Budget, shown as the starting point in the following tables, takes account of any permanent changes made during the 2013/2014 financial year to date. There may be differences from the budget position at the Three Quarter Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

### Summary of Budget Movements from 2013/2014 Budget at Three Quarter Review to Permanent Base Carried Forward

Commissioning Services	Current Net Budget 2013/2014 at Three Quarter Review £m	Less Cost of Investment budget £m	Less temporary specific grant allocations £m	Less other temporary in- year budget adjustments £m	Permanent Base Budget carried forward to 2014/2015 £m
Children and Families Services	57.8	-0.3	-1.1	0.3	56.7
Adult Social Care and Independent Living	98.3	-1.6	-5.2	-0.4	91.1
Public Health	0.0				0.0
Environmental Protection and Enhancement	38.0	-0.9		1.5	38.6
Public Protection and Enforcement	-0.2	-0.3		-0.2	-0.7
Communities	18.4	-0.1		-6.4	11.9
Economic Growth and Prosperity	7.0	-0.6	-0.2	7.4	13.6
Chief Operating Officer	48.1	-1.2		-3.4	43.5
Cross Service	0.0	-1.3		-0.7	-2.0
<b>TOTAL:</b>	<b>267.4</b>	<b>-6.3</b>	<b>-6.5</b>	<b>-1.9</b>	<b>252.7</b>

Many of the proposals reflected in the following tables, the Medium Term Financial Strategy Report and on the Council's website at [www.cheshireeast.gov.uk/budget](http://www.cheshireeast.gov.uk/budget) remain subject to separate consultation exercises and further Member decisions prior to being implemented.

# CHESHIRE EAST COUNCIL REVENUE BUDGET SUMMARY

## REVENUE

	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
	Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children and Families Services	265,947	-209,207	56,740	250,094	-196,661	53,433	231,026	-178,539	52,487
Adult Social Care and Independent Living	124,164	-33,063	91,101	126,976	-34,720	92,256	145,056	-49,864	95,192
Public Health	13,762	-13,762	0	14,274	-14,274	0	14,274	-14,274	0
Environmental Protection and Enhancement	49,978	-11,364	38,614	49,644	-11,716	37,928	49,582	-12,004	37,578
Public Protection and Enforcement	14,034	-14,725	-691	14,209	-14,765	-556	14,509	-14,765	-256
Communities	89,227	-77,315	11,912	88,996	-77,315	11,681	87,915	-77,315	10,600
Economic Growth and Prosperity	33,465	-19,925	13,540	34,022	-21,299	12,723	33,616	-21,509	12,107
Chief Operating Officer	52,493	-9,004	43,489	52,281	-9,004	43,277	52,835	-9,004	43,831
Cross Service Budgets	-1,963	0	-1,963	0	0	0	0	0	0
<b>Base Budget</b>	<b>641,107</b>	<b>-388,365</b>	<b>252,742</b>	<b>630,496</b>	<b>-379,754</b>	<b>250,742</b>	<b>628,813</b>	<b>-377,274</b>	<b>251,539</b>

Changes to Budget Requirement									
	2014/2015			2015/2016			2016/2017		
	Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Children and Families Services	-15,853	12,546	-3,307	-19,068	18,122	-946	696	0	696
Adult Social Care and Independent Living	2,812	-1,657	1,155	18,080	-15,144	2,936	-1,590	0	-1,590
Public Health	512	-512	0	0	0	0	0	0	0
Environmental Protection and Enhancement	-334	-352	-686	-62	-288	-350	-514	-19	-533
Public Protection and Enforcement	175	-40	135	300	0	300	351	0	351
Communities	-231	0	-231	-1,081	0	-1,081	79	0	79
Economic Growth and Prosperity	557	-1,374	-817	-406	-210	-616	238	-149	89
Chief Operating Officer	-212	0	-212	554	0	554	1,246	0	1,246
Cross Service Budgets	1,963	0	1,963	0	0	0	0	0	0
<b>Financial Impact of Policy Proposals</b>	<b>-10,611</b>	<b>8,611</b>	<b>-2,000</b>	<b>-1,683</b>	<b>2,480</b>	<b>797</b>	<b>506</b>	<b>-168</b>	<b>338</b>
	2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
	Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
<b>Budget Carried Forward</b>	<b>630,496</b>	<b>-379,754</b>	<b>250,742</b>	<b>628,813</b>	<b>-377,274</b>	<b>251,539</b>	<b>629,319</b>	<b>-377,442</b>	<b>251,877</b>

Investment Proposals									
Children and Families Services	440	0	440	215	0	215	0	0	0
Adult Social Care and Independent Living	2,230	0	2,230	1,195	0	1,195	2,100	0	2,100
Public Health	0	0	0	0	0	0	0	0	0
Environmental Protection and Enhancement	857	0	857	310	0	310	0	0	0
Public Protection and Enforcement	20	0	20	0	0	0	0	0	0
Communities	200	0	200	140	0	140	0	0	0
Economic Growth and Prosperity	1,608	-60	1,548	858	0	858	200	0	200
Chief Operating Officer	721	0	721	238	0	238	238	0	238
Cross Service Budgets	0	0	0	0	0	0	0	0	0
<b>Total Investment Proposals</b>	<b>6,076</b>	<b>-60</b>	<b>6,016</b>	<b>2,956</b>	<b>0</b>	<b>2,956</b>	<b>2,538</b>	<b>0</b>	<b>2,538</b>
<b>Total Cost of Service</b>	<b>636,572</b>	<b>-379,814</b>	<b>256,758</b>	<b>631,769</b>	<b>-377,274</b>	<b>254,495</b>	<b>631,857</b>	<b>-377,442</b>	<b>254,415</b>

Note: This excludes any impact of closing later years funding gaps.

# Children and Families Services

# REVENUE

This service is responsible for the welfare and education of children and young people aged 0-19 across Cheshire East.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Directorate	3			0			0			0
Schools	3	183,024	-183,024	0	170,478	-170,478	0	152,356	-152,356	0
Education Support	3	29,173	-24,873	4,300	28,242	-24,873	3,369	27,902	-24,873	3,029
Home to School Transport	3	8,923		8,923	8,616		8,616	8,213		8,213
Children Social Care	3	30,247	-250	29,997	28,448	-250	28,198	27,648	-250	27,398
Early Help & Protection	3	11,818	-531	11,287	10,856	-531	10,325	10,856	-531	10,325
Safeguarding	3	2,762	-529	2,233	2,758	-529	2,229	2,758	-529	2,229
Indicative allocation of Pay and Pensions				0	696		696	1,293		1,293
<b>Base Budget</b>		<b>265,947</b>	<b>-209,207</b>	<b>56,740</b>	<b>250,094</b>	<b>-196,661</b>	<b>53,433</b>	<b>231,026</b>	<b>-178,539</b>	<b>52,487</b>

Changes to Budget Requirement										
		2014/2015			2015/2016			2016/2017		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Home to School Transport	3	-307		-307	-403		-403			0
Early Help	3	-500		-500			0			0
Care	3	-3,196		-3,196	-1,140		-1,140			0
Academy Conversions	3	-15,903	15,903	0	-18,122	18,122	0			0
Increase in grant funding	3	2,120	-2,120	0			0			0
Extended responsibility for 2 year old education	3	1,237	-1,237	0			0			0
Indicative allocation of Pay and Pensions		696		696	597		597	696		696
<b>Financial Impact of Policy Proposals</b>		<b>-15,853</b>	<b>12,546</b>	<b>-3,307</b>	<b>-19,068</b>	<b>18,122</b>	<b>-946</b>	<b>696</b>	<b>0</b>	<b>696</b>
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
<b>Budget Carried Forward</b>		<b>250,094</b>	<b>-196,661</b>	<b>53,433</b>	<b>231,026</b>	<b>-178,539</b>	<b>52,487</b>	<b>231,722</b>	<b>-178,539</b>	<b>53,183</b>
<b>Investment Proposals</b>										
Care	3	215		215	140		140			0
Early Help	3	150		150			0			0
Home to School Transport	3	75		75	75		75			0
<b>Total Investment Proposals</b>		<b>440</b>	<b>0</b>	<b>440</b>	<b>215</b>	<b>0</b>	<b>215</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cost of Service</b>		<b>250,534</b>	<b>-196,661</b>	<b>53,873</b>	<b>231,241</b>	<b>-178,539</b>	<b>52,702</b>	<b>231,722</b>	<b>-178,539</b>	<b>53,183</b>



# Children and Families Services - Schools: Grant Funded - Memorandum Page

## REVENUE

This page provides details of budgets funded by specific ring fenced grants used to support schools, including Dedicated Schools Grant (£171.8m), Education Funding Agency 6th Form Grant (£5.5m) and Pupil Premium Grant (£7.5m) indicatively for 2014/2015. The largest proportion of the grant is allocated directly to schools, with a proportion also held back to fund Local Authority Schools-related expenditure. This Children and Families Services: Central Spend budget is funded by the Dedicated Schools Grant and is included here for information only.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Nursery Schools	3	214	-6	208	214	-6	208	214	-6	208
Primary Schools	3	106,980	-3,672	103,308	103,223	-3,423	99,800	92,006	-3,112	88,894
Secondary Schools	3	55,347	-1,289	54,058	44,174	-1,023	43,151	38,398	-911	37,487
Special Schools	3	6,329	-43	6,286	5,356	-32	5,324	4,227	-30	4,197
Pupil Referral Unit	3	761	-16	745	761	-16	745	761	-16	745
Private, Voluntary and Independent Nurseries	3	10,633		10,633	11,870		11,870	11,870		11,870
Other Schools Provision	3	2,760		2,760	4,880		4,880	4,880		4,880
Children and Families: Central Spend	3	18,783		18,783	18,783		18,783	18,783		18,783
<b>Base Budget</b>		<b>201,807</b>	<b>-5,026</b>	<b>196,781</b>	<b>189,261</b>	<b>-4,500</b>	<b>184,761</b>	<b>171,139</b>	<b>-4,075</b>	<b>167,064</b>
<b>Changes to Budget Requirement</b>										
		2014/2015			2015/2016			2016/2017		
<b>Academy Conversions &amp; Funding Reforms</b>										
Academy Conversions	3	-15,903	526	-15,377	-18,122	425	-17,697			0
Increase in grant funding	3	2,120		2,120			0			0
Extended responsibility for 2 year old education	3	1,237		1,237			0			0
<b>Financial Impact of Policy Proposals</b>		<b>-12,546</b>	<b>526</b>	<b>-12,020</b>	<b>-18,122</b>	<b>425</b>	<b>-17,697</b>	<b>0</b>	<b>0</b>	<b>0</b>
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
<b>Budget Carried Forward</b>		<b>189,261</b>	<b>-4,500</b>	<b>184,761</b>	<b>171,139</b>	<b>-4,075</b>	<b>167,064</b>	<b>171,139</b>	<b>-4,075</b>	<b>167,064</b>
<b>Investment Proposals</b>										
<b>Total Investment Proposals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cost of Service</b>		<b>189,261</b>	<b>-4,500</b>	<b>184,761</b>	<b>171,139</b>	<b>-4,075</b>	<b>167,064</b>	<b>171,139</b>	<b>-4,075</b>	<b>167,064</b>

# Adult Social Care and Independent Living

# REVENUE

This service is responsible for the assessment and care management of vulnerable adults and providing advice about social care to the general public (including self funders).

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Adults Social Care	5	11,064	-692	10,372	11,317	-692	10,625	12,880	-692	12,188
Adults Care Packages	5	78,986	-22,728	56,258	80,508	-22,928	57,580	81,086	-22,928	58,158
Care4CE (Internal Care Provision)	5	19,011	-2,818	16,193	19,011	-2,818	16,193	19,011	-2,818	16,193
Prevention and support	5	15,103	-6,825	8,278	15,212	-8,282	6,930	30,356	-23,426	6,930
Indicative allocation of Pay and Pensions				0	928		928	1,723		1,723
<b>Base Budget</b>		<b>124,164</b>	<b>-33,063</b>	<b>91,101</b>	<b>126,976</b>	<b>-34,720</b>	<b>92,256</b>	<b>145,056</b>	<b>-49,864</b>	<b>95,192</b>

Changes to Budget Requirement										
		2014/2015			2015/2016			2016/2017		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Social Care Demand	5	2,050	-200	1,850	3,300		3,300	2,000		2,000
Assessment Review	5	550		550	-100		-100			0
Better Care Fund	5	1,457	-1,457	0	15,144	-15,144	0			0
Social Care Bill	5			0	1,723		1,723			0
New Burdens	5			0	1,500		1,500			0
Service Efficiencies	5	-447		-447	-160		-160			0
Commissioning Reviews	5	-1,726		-1,726	-4,122		-4,122	-4,518		-4,518
Indicative allocation of Pay and Pensions	5	928		928	795		795	928		928
<b>Financial Impact of Policy Proposals</b>		<b>2,812</b>	<b>-1,657</b>	<b>1,155</b>	<b>18,080</b>	<b>-15,144</b>	<b>2,936</b>	<b>-1,590</b>	<b>0</b>	<b>-1,590</b>
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
<b>Budget Carried Forward</b>		<b>126,976</b>	<b>-34,720</b>	<b>92,256</b>	<b>145,056</b>	<b>-49,864</b>	<b>95,192</b>	<b>143,466</b>	<b>-49,864</b>	<b>93,602</b>
<b>Investment Proposals</b>										
Commissioning Reviews		1,410		1,410	1,125		1,125	2,100		2,100
Social Care Bill		770		770			0			0
Service Efficiencies		50		50	70		70			0
<b>Total Investment Proposals</b>		<b>2,230</b>	<b>0</b>	<b>2,230</b>	<b>1,195</b>	<b>0</b>	<b>1,195</b>	<b>2,100</b>	<b>0</b>	<b>2,100</b>
<b>Total Cost of Service</b>		<b>129,206</b>	<b>-34,720</b>	<b>94,486</b>	<b>146,251</b>	<b>-49,864</b>	<b>96,387</b>	<b>145,566</b>	<b>-49,864</b>	<b>95,702</b>

## Public Health

## REVENUE

Public Health is a new local authority responsibility transferred from Health in 2013/2014, the service will take the lead on promoting and commissioning services that improve the Public Health of the residents of Cheshire East.

	Outcome Reference	2013/2014 Budget				2014/2015 Budget				2015/2016 Budget		
		Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
Public Health Leadership	5	1,611	-1,611	0		2,123	-2,123	0		2,123	-2,123	0
Health Protection	5	956	-956	0		956	-956	0		956	-956	0
Infection, Prevention & Control	5	484	-484	0		484	-484	0		484	-484	0
Substance Misuse	5	3,758	-3,758	0		3,758	-3,758	0		3,758	-3,758	0
Sexual Health	5	3,260	-3,260	0		3,260	-3,260	0		3,260	-3,260	0
Tobacco	5	654	-654	0		654	-654	0		654	-654	0
Children Public Health	5	1,562	-1,562	0		1,562	-1,562	0		1,562	-1,562	0
Miscellaneous Public Health Services	5	1,477	-1,477	0		1,477	-1,477	0		1,477	-1,477	0
<b>Base Budget</b>		<b>13,762</b>	<b>-13,762</b>	<b>0</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>
<b>Changes to Budget Requirement</b>												
Public Health Commissioning Review	5	2014/2015				2015/2016				2016/2017		
		512	-512	0				0				0
<b>Financial Impact of Policy Proposals</b>		<b>512</b>	<b>-512</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
		<b>2014/2015 Budget</b>					<b>2015/2016 Budget</b>			<b>2016/2017 Budget</b>		
<b>Budget Carried Forward</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>
<b>Investment Proposals</b>												
<b>Total Investment Proposals</b>		<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cost of Service</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>		<b>14,274</b>	<b>-14,274</b>	<b>0</b>

## Environmental Protection and Enhancement

## REVENUE

This service is responsible for Waste Collection & Recycling services, Waste Disposal, Strategy & Minimisation, Streetscape Services (Grounds Maintenance (including Verges), Street Cleansing, Bereavement Services, Public Conveniences and Markets), and Parks Development (Parks, Open Spaces & Playing Fields), Highways (Strategic Client, Cheshire Highways & Public Rights of Way (PROW) / Countryside), Transport and Fleet.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Strategic Manager Environmental Protection & Enhancement	4	96		96	96		96	96		96
Environmental Operations	4	35,990	-7,603	28,387	35,422	-7,745	27,677	35,009	-7,733	27,276
Bereavement Services	4	1,044	-2,405	-1,361	1,118	-2,405	-1,287	1,010	-2,405	-1,395
Markets	4	288	-614	-326	284	-614	-330	284	-614	-330
Public Conveniences	4	47		47	89		89	89		89
Highways (including Street Lighting energy)	4	11,029	-404	10,625	10,852	-614	10,238	11,036	-914	10,122
PROW & Countryside	4	1,484	-338	1,146	1,403	-338	1,065	1,353	-338	1,015
Indicative allocation of Pay and Pensions				0	380		380	705		705
<b>Base Budget</b>		<b>49,978</b>	<b>-11,364</b>	<b>38,614</b>	<b>49,644</b>	<b>-11,716</b>	<b>37,928</b>	<b>49,582</b>	<b>-12,004</b>	<b>37,578</b>

Changes to Budget Requirement										
		2014/2015			2015/2016			2016/2017		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Environmental Operations - contracts & inflation	4	568	-10	558	341	-10	331	335		335
Reinstate staff time charged to revenue following major highways capital investment project	4			0	200		200			0
Waste Minimisation	4	153		153			0			0
Bereavement Company	4	85		85	-108		-108	-9		-9
Highways Contract - Inflation, Efficiency savings & reinstate winter review	4	63		63	98		98			0
Public Conveniences unparished areas of Macclesfield	4	45		45			0			0
PROW & Countryside - Service Review	4	-40		-40	-50		-50			0
Income Generation & base budget adjustment	4		-50	-50		30	30			0
Reduction in energy consumption - Street Lighting	4	-185		-185	-114		-114			0
New income generation	4		-210	-210		-300	-300			0
Cross cutting savings (Staffing, Car Mileage, Supplies)	4	-385		-385			0			0
Environmental Operations - Service Review	4	-400		-400	-200		-200			0
New Delivery Model - Environmental Operations	4	-618	-82	-700	-554	-8	-562	-1,220	-19	-1,239
Indicative allocation of Pay and Pensions		380		380	325		325	380		380
<b>Financial Impact of Policy Proposals</b>		<b>-334</b>	<b>-352</b>	<b>-686</b>	<b>-62</b>	<b>-288</b>	<b>-350</b>	<b>-514</b>	<b>-19</b>	<b>-533</b>
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
<b>Budget Carried Forward</b>		<b>49,644</b>	<b>-11,716</b>	<b>37,928</b>	<b>49,582</b>	<b>-12,004</b>	<b>37,578</b>	<b>49,068</b>	<b>-12,023</b>	<b>37,045</b>
<b>Investment Proposals</b>										
New Delivery Model - Environmental Operations		485		485	310		310			0
Closure of Automatic Public Conveniences Lease Buy		259		259			0			0
Crewe and Macclesfield Local Service Delivery		42		42			0			0
Mapping maintained assets for routing		50		50			0			0
Bereavement Company set up costs		21		21			0			0
<b>Total Investment Proposals</b>		<b>857</b>	<b>0</b>	<b>857</b>	<b>310</b>	<b>0</b>	<b>310</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cost of Service</b>		<b>50,501</b>	<b>-11,716</b>	<b>38,785</b>	<b>49,892</b>	<b>-12,004</b>	<b>37,888</b>	<b>49,068</b>	<b>-12,023</b>	<b>37,045</b>

## Public Protection and Enforcement

## REVENUE

This service focuses on safety within communities, regulatory services and providing accessible leisure services. Achievements within Public Protection and Enforcement will be measured by such things as reductions in crime, particularly for young offenders, increasing participation in leisure activities and managing significant improvements in local leisure facilities

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Car Parking Enforcement	1	814	-1,011	-197	810	-1,011	-201	810	-1,011	-201
Car Parking Pay and Display	1	294	-4,710	-4,416	290	-4,710	-4,420	290	-4,710	-4,420
Neighbourhood Enforcement	1	1,114	-81	1,033	1,095	-81	1,014	1,095	-81	1,014
Emergency Planning	1	164	-12	152	164	-12	152	164	-12	152
Regulatory Services	1	2,781	-1,028	1,753	2,647	-1,028	1,619	2,647	-1,028	1,619
Leisure Services	5	7,285	-6,763	522	7,282	-6,763	519	7,282	-6,763	519
Built Environment Protection	4	1,340	-1,120	220	1,339	-1,160	179	1,339	-1,160	179
Directorate Training	1	242		242	231		231	231		231
Indicative allocation of Pay and Pensions				0	351		351	651		651
<b>Base Budget</b>		<b>14,034</b>	<b>-14,725</b>	<b>-691</b>	<b>14,209</b>	<b>-14,765</b>	<b>-556</b>	<b>14,509</b>	<b>-14,765</b>	<b>-256</b>
<b>Changes to Budget Requirement</b>										
		2014/2015			2015/2016			2016/2017		
Leisure Services - New Delivery model	5	100		100		0				0
Cross cutting savings (Staffing, Car Mileage, Supplies)	1	-276	-40	-316		0				0
Indicative allocation of Pay and Pensions		351		351	300	300		351		351
<b>Financial Impact of Policy Proposals</b>		<b>175</b>	<b>-40</b>	<b>135</b>	<b>300</b>	<b>0</b>	<b>300</b>	<b>351</b>	<b>0</b>	<b>351</b>
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
<b>Budget Carried Forward</b>		<b>14,209</b>	<b>-14,765</b>	<b>-556</b>	<b>14,509</b>	<b>-14,765</b>	<b>-256</b>	<b>14,860</b>	<b>-14,765</b>	<b>95</b>
<b>Investment Proposals</b>										
Enforcement Company Set up costs		20		20		0				0
<b>Total Investment Proposals</b>		<b>20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cost of Service</b>		<b>14,229</b>	<b>-14,765</b>	<b>-536</b>	<b>14,509</b>	<b>-14,765</b>	<b>-256</b>	<b>14,860</b>	<b>-14,765</b>	<b>95</b>

# Communities

# REVENUE

This service focuses on the role that the Council will play in leading our communities, shaping local areas and bringing public services together to create strong communities with a sense of independence and ability to influence what services we commission in the future. It brings together a diverse range of services that impact on localities such as customer services, communities and partnerships, libraries, revenue and benefits, transport and community safety and enforcement.

	Outcome Reference	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Transport	4	446		446	446		446	446		446
Local Community Services	1 & 5	87,118	-77,259	9,859	86,493	-77,259	9,234	85,228	-77,259	7,969
Local Area Working	1	1,663	-56	1,607	1,735	-56	1,679	1,642	-56	1,586
Indicative allocation of Pay and Pensions				0	322		322	599		599
<b>Base Budget</b>		<b>89,227</b>	<b>-77,315</b>	<b>11,912</b>	<b>88,996</b>	<b>-77,315</b>	<b>11,681</b>	<b>87,915</b>	<b>-77,315</b>	<b>10,600</b>
<b>Changes to Budget Requirement</b>										
		2014/2015			2015/2016			2016/2017		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Avaya contact centre costs	1	20		20			0			0
Transitional grants to Town & Parish Councils for the local Council Tax Support scheme	1	-58		-58	-93		-93			0
New operating model for Customer Services, Revenues and Benefits	1	-220		-220	-113		-113	-3		-3
Fall out of Housing & Council Tax Benefit admin grant	1			0	-240		-240	-240		-240
Fall out of Social Fund grant	1			0	-612		-612			0
Development of a sustainable Library service	1 & 5	-540		-540	-300		-300			0
Cross cutting savings (Staffing, Car Mileage, Supplies)	1 & 5	245		245			0			0
Indicative allocation of Pay and Pensions		322		322	277		277	322		322
<b>Financial Impact of Policy Proposals</b>		<b>-231</b>	<b>0</b>	<b>-231</b>	<b>-1,081</b>	<b>0</b>	<b>-1,081</b>	<b>79</b>	<b>0</b>	<b>79</b>
		2014/2015 Budget			2015/2016 Budget			2016/2017 Budget		
		Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
<b>Budget Carried Forward</b>		<b>88,996</b>	<b>-77,315</b>	<b>11,681</b>	<b>87,915</b>	<b>-77,315</b>	<b>10,600</b>	<b>87,994</b>	<b>-77,315</b>	<b>10,679</b>
<b>Investment Proposals</b>										
New operating model for Customer Services, Revenues and Benefits		50		50	90		90			0
Development of a sustainable Library service		50		50	50		50			0
Refurbishment of war memorials in Cheshire East		100		100			0			0
<b>Total Investment Proposals</b>		<b>200</b>	<b>0</b>	<b>200</b>	<b>140</b>	<b>0</b>	<b>140</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cost of Service</b>		<b>89,196</b>	<b>-77,315</b>	<b>11,881</b>	<b>88,055</b>	<b>-77,315</b>	<b>10,740</b>	<b>87,994</b>	<b>-77,315</b>	<b>10,679</b>

## Economic Growth and Prosperity

## REVENUE

The Service is responsible for prioritising high value growth gains. Our attention to detail is as much about how we grow as the scale of growth. Dynamic and commercially focused, the services of Strategic and Economic Planning, Development, Visitor Economy, Culture and Tatton Park, Investment and Strategic Infrastructure are creating the right conditions for economic growth, ensuring productive and competitive businesses, and maximising Investment and Business Engagement.

	2013/2014 Budget				2014/2015 Budget				2015/2016 Budget			
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000	
Director	2	110		110	126		126		126		126	
Strategic and Economic Planning	2 & 4	3,385	-2,998	387	3,261	-3,443	-182		2,861	-3,443	-582	
Development	2 & 4	3,250	-2,181	1,069	2,911	-2,191	720		2,618	-2,191	427	
Visitor Economy, Culture and Tatton Park	2 & 5	5,898	-4,165	1,733	5,937	-4,302	1,635		5,901	-4,512	1,389	
Investment	2, 3 & 5	4,695	-990	3,705	4,976	-990	3,986		5,106	-990	4,116	
Strategic Infrastructure	2	16,127	-9,591	6,536	16,585	-10,373	6,212		16,585	-10,373	6,212	
Indicative allocation of Pay and Pensions				0	226		226		419		419	
<b>Base Budget</b>		<b>33,465</b>	<b>-19,925</b>	<b>13,540</b>	<b>34,022</b>	<b>-21,299</b>	<b>12,723</b>		<b>33,616</b>	<b>-21,509</b>	<b>12,107</b>	
<b>Changes to Budget Requirement</b>												
		2014/2015			2015/2016			2016/2017				
Strategic and Economic Planning: service review and income generation.	2	-25	-445	-470	-400		-400				0	
Investment Service: budget growth to create a strong and commercially focused service, securing investment and funding	2	143		143	130		130				0	
Tatton Park Vision - reduce subsidy to the trading a/c	5	-41	-82	-123		-231	-231	-10	-132		-142	
Visitor Economy service efficiency	5	-20		-20	-7		-7	-6			-6	
Culture: World War 1 Commemoration and Cheshire Record Office budget growth	5	109	-55	54	-29	21	-8	22	-17		5	
Strategic Infrastructure: staffing budget growth to procure external funding/investment	2	45		45			0				0	
Strategic Infrastructure: concessionary fares - new 2014/2015 scheme efficiencies	2	-300		-300			0				0	
Strategic Infrastructure: LSTF grant funded scheme	2	782	-782	0			0				0	
Assets: Rationalisation Project & income generation	4	-361	-10	-371	-293		-293	6			6	
Cross cutting savings (Staffing, Car Mileage, Supplies)		-1		-1			0				0	
Indicative allocation of Pay and Pensions		226		226	193		193	226			226	
<b>Financial Impact of Policy Proposals</b>		<b>557</b>	<b>-1,374</b>	<b>-817</b>	<b>-406</b>	<b>-210</b>	<b>-616</b>	<b>238</b>	<b>-149</b>		<b>89</b>	
		<b>2014/2015 Budget</b>			<b>2015/2016 Budget</b>			<b>2016/2017 Budget</b>				
<b>Budget Carried Forward</b>		<b>34,022</b>	<b>-21,299</b>	<b>12,723</b>	<b>33,616</b>	<b>-21,509</b>	<b>12,107</b>	<b>33,854</b>	<b>-21,658</b>		<b>12,196</b>	
<b>Investment Proposals</b>												
Assets		400		400	350		350	100			100	
Business Process Efficiency Review		60		60			0				0	
Investment Service set up costs		148		148			0				0	
Strategic Infrastructure temporary resource funding		250		250	150		150	100			100	
Spatial Planning / Local Plan temporary resource and voluntary redundancy provision		350		350	358		358				0	
Planning temporary resource funding		400		400			0				0	
Strategic Infrastructure - LTSF Grant - Staff Time			-60	-60			0				0	
<b>Total Investment Proposals</b>		<b>1,608</b>	<b>-60</b>	<b>1,548</b>	<b>858</b>	<b>0</b>	<b>858</b>	<b>200</b>	<b>0</b>		<b>200</b>	
<b>Total Cost of Service</b>		<b>35,630</b>	<b>-21,359</b>	<b>14,271</b>	<b>34,474</b>	<b>-21,509</b>	<b>12,965</b>	<b>34,054</b>	<b>-21,658</b>		<b>12,396</b>	

## Chief Operating Officer

## REVENUE

This Service is responsible for providing effective and proactive support functions to Commissioning Services in the form of Finance, ICT, Human Resources, Legal, in addition to Democratic and Governance Services.

	2013/2014 Budget			2014/2015 Budget			2015/2016 Budget		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Chief Operating Officer	52,493	-9,004	43,489	51,686	-9,004	42,682	51,729	-9,004	42,725
Indicative allocation of Pay and Pensions			0	595		595	1,106		1,106
<b>Base Budget</b>	<b>52,493</b>	<b>-9,004</b>	<b>43,489</b>	<b>52,281</b>	<b>-9,004</b>	<b>43,277</b>	<b>52,835</b>	<b>-9,004</b>	<b>43,831</b>

Changes to Budget Requirement									
	2014/2015			2015/2016			2016/2017		
Assets Energy Consumption Base Correction	60		60	60		60			0
Assets - Utilities change in charging mechanism and inflation	601		601	649		649	791		791
Assets - Carbon Reduction Tax	326		326	41		41	41		41
Assets Major Change Project	531		531	-394		-394	-181		-181
Finance - Develop SLE (CoSocius)	200		200	-613		-613			0
Finance - Reduction in Audit Fee	-100		-100			0			0
ICT - Capitalisation of New Generation Desktop	-650		-650			0			0
ICT - Capitalisation of PSN Expenditure	-300		-300	300		300			0
ICT - Cross Cutting Saving (to be allocated)	-245		-245			0			0
C&I - Developed Model for Corporate Services	-250		-250			0			0
C&I - Staffing and Consultancy	200		200			0			0
C&I - Capitalisation of Projects	-100		-100			0			0
MO - Staffing Capacity	-23		-23			0			0
G&D - Elections Service Efficiencies	-60		-60			0			0
OD - Harmonisation of Terms & Conditions	-174		-174			0			0
OD - HR OD Efficiency	-52		-52			0			0
Cross cutting savings (Staffing, Car Mileage, Supplies)	-771		-771			0			0
Indicative allocation of Pay and Pensions	595		595	511		511	595		595
<b>Financial Impact of Policy Proposals</b>	<b>-212</b>	<b>0</b>	<b>-212</b>	<b>554</b>	<b>0</b>	<b>554</b>	<b>1,246</b>	<b>0</b>	<b>1,246</b>
	<b>2014/2015 Budget</b>			<b>2015/2016 Budget</b>			<b>2016/2017 Budget</b>		
<b>Budget Carried Forward</b>	<b>52,281</b>	<b>-9,004</b>	<b>43,277</b>	<b>52,835</b>	<b>-9,004</b>	<b>43,831</b>	<b>54,081</b>	<b>-9,004</b>	<b>45,077</b>
<b>Investment Proposals</b>									
Assets - Major Change Project (Asset Rationalisation)	175		175	238		238	238		238
Strategic Commissioning - Capacity	316		316			0			0
HR Pay and Reward Strategy	230		230			0			0
<b>Total Investment Proposals</b>	<b>721</b>	<b>0</b>	<b>721</b>	<b>238</b>	<b>0</b>	<b>238</b>	<b>238</b>	<b>0</b>	<b>238</b>
<b>Total Cost of Service</b>	<b>53,002</b>	<b>-9,004</b>	<b>43,998</b>	<b>53,073</b>	<b>-9,004</b>	<b>44,069</b>	<b>54,319</b>	<b>-9,004</b>	<b>45,315</b>



# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes - In Progress</b>					
Children and Families Services	11,616	6,135	4,087	695	698
Early Help and Intervention	407	232	175	0	0
Adult Social Care and Independent Living	2,331	1,140	1,191	0	0
Environmental Protection and Enhancement	106,069	71,671	29,440	2,252	2,709
Public Protection and Enforcement	15,400	832	5,969	8,599	0
Communities	478	298	180	0	0
Economic Growth and Prosperity	62,232	21,528	28,074	11,221	1,409
Chief Operating Officer	93,897	33,998	41,137	10,582	8,180
Residual Budgets - Scheme's due for completion	3,015	2,787	226	0	0
<b>Total Committed Schemes</b>	<b>295,445</b>	<b>138,621</b>	<b>110,479</b>	<b>33,349</b>	<b>12,996</b>
<b>Committed Schemes at Gate 1 Stage</b>					
Children and Families Services	8,583	259	8,324	0	0
Early Help and Intervention	397	0	397	0	0
Economic Growth and Prosperity	1,959	130	1,235	594	0
Communities	700	0	500	200	0
<b>Total Committed Schemes at Gate 1 Stage</b>	<b>11,639</b>	<b>389</b>	<b>10,456</b>	<b>794</b>	<b>0</b>
<b>Total Committed Schemes</b>	<b>307,084</b>	<b>139,010</b>	<b>120,935</b>	<b>34,143</b>	<b>12,996</b>

# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Medium Term &amp; Rolling Programmes</b>					
Children and Families Services	18,600	0	5,900	6,300	6,400
Early Help and Intervention	1,955	0	760	995	200
Adult Social Care and Independent Living	2,350	0	750	800	800
Environmental Protection and Enhancement	15,300	150	6,515	5,045	3,590
Communities	100	0	100	0	0
Economic Growth and Prosperity	59,231	4,751	23,363	5,767	25,350
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>97,536</b>	<b>4,901</b>	<b>37,388</b>	<b>18,907</b>	<b>36,340</b>

# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Longer Term Proposals</b>					
Public Protection and Enforcement	17,000	0	500	8,500	8,000
Economic Growth and Prosperity	155,300	0	850	9,950	144,500
Chief Operating Officer	5,700	0	1,650	2,600	1,450
<b>Total Longer Term Proposals</b>	<b>178,000</b>	<b>0</b>	<b>3,000</b>	<b>21,050</b>	<b>153,950</b>
<b>Total</b>	<b>582,620</b>	<b>143,911</b>	<b>161,323</b>	<b>74,100</b>	<b>203,286</b>

## Funding Requirement

### Funded by:

Government Grants	84,073	71,753	19,037	105,784
External Contributions	2,969	16,557	11,508	15,275
Revenue Contributions	693	833	1,280	200
Capital Receipts	32,114	32,926	22,389	80,679
Prudential Borrowing	24,062	39,254	19,886	1,348
<b>Total</b>	<b>143,911</b>	<b>161,323</b>	<b>74,100</b>	<b>203,286</b>

# GLOSSARY

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

### Glossary of Terms

Approval is being sought for all items of Capital expenditure as detailed in the following tables. Estimates for capital expenditure may vary even during the lifetime of the project but particularly where a project is still being developed.

The following categories, used within the tables overleaf, describe the current status of the financial estimates:

#### **Committed Schemes - in Progress**

The project is established and activity is on-going. Expenditure is expected to occur in line with the value and timing described in this report and funding has been identified to manage that expenditure.

#### **Committed Schemes - Gate 1 Stage**

Project details have been drafted and are under review via the Technical Enabler Group (TEG) and Executive Monitoring Board (EMB). Expenditure levels, and the timing of expenditure, may be subject to change based on final estimates, the securing of available funding and workforce capacity.

#### **Medium Term & Rolling Programmes and Longer Term**

Projects under these headings are at an early stage. As capital projects can have lengthy preparation times these projects are entered here to demonstrate the Council's longer term investment requirements. Schemes are approved, as part of the budget setting process but will not commence until full project appraisal has been completed and funding has been secured.

Any necessary variations to capital spending requirements will be reported and approved in line with the Council's financial procedure rules.

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes - In Progress</b>					
Primary Schools	6,032	3,300	2,695	37	0
Devolved Formula Capital	4,388	2,377	725	587	698
Springfield Special School	1,096	458	567	71	0
Re-organisation / Co-location of Services	100	0	100	0	0
<b>Total Committed Schemes</b>	<b>11,616</b>	<b>6,135</b>	<b>4,087</b>	<b>695</b>	<b>698</b>
<b>Committed Schemes at Gate 1 Stage</b>					
Primary Schools	4,268	259	4,009	0	0
School Maintenance Projects	3,675	0	3,675	0	0
Universal free school meals	640	0	640	0	0
<b>Total Committed Schemes at Gate 1 Stage</b>	<b>8,583</b>	<b>259</b>	<b>8,324</b>	<b>0</b>	<b>0</b>
<b>Total Committed Schemes</b>	<b>20,199</b>	<b>6,394</b>	<b>12,411</b>	<b>695</b>	<b>698</b>

# Children and Families Services

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Medium Term &amp; Rolling Programmes</b>					
Basic Need	8,050	0	2,350	2,800	2,900
Capital Maintenance	10,550	0	3,550	3,500	3,500
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>18,600</b>	<b>0</b>	<b>5,900</b>	<b>6,300</b>	<b>6,400</b>
<b>Total</b>	<b>38,799</b>	<b>6,394</b>	<b>18,311</b>	<b>6,995</b>	<b>7,098</b>

## Funding Requirement

### Funded by:

Government Grants	5,785	17,569	6,924	7,098
External Contributions	602	742	71	0
Capital Receipts	0	0	0	0
Prudential Borrowing	7	0	0	0
<b>Total</b>	<b>6,394</b>	<b>18,311</b>	<b>6,995</b>	<b>7,098</b>

# Early Help and Intervention

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget £000	Prior Year Expenditure £000	Forecast Spend 2014/15 £000	Forecast Spend 2015/16 £000	Forecast Spend in future years £000
<b>Committed Schemes - In Progress</b>					
Short Breaks for Disabled Children	407	232	175	0	0
<b>Committed Schemes at Gate 1 Stage</b>					
Free Early Years Education Grant for 2 year Olds	397	0	397	0	0
<b>Total Committed Schemes</b>	<b>804</b>	<b>232</b>	<b>572</b>	<b>0</b>	<b>0</b>
<b>Medium Term &amp; Rolling Programmes</b>					
Partnership & Commissioning of New Models of Care and Support (Childrens Social Care)	960	0	460	300	200
Re-development of Hurdsfield Family Facilities	995	0	300	695	0
<b>Medium Term &amp; Rolling Programmes</b>	<b>1,955</b>	<b>0</b>	<b>760</b>	<b>995</b>	<b>200</b>
<b>Total</b>	<b>2,759</b>	<b>232</b>	<b>1,332</b>	<b>995</b>	<b>200</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Funded by:</b>					
Government Grants		181	448	0	0
External Contributions		0	0	0	0
Revenue Contributions		0	60	200	200
Capital Receipts		0	700	795	0
Prudential Borrowing		51	124	0	0
<b>Total</b>		<b>232</b>	<b>1,332</b>	<b>995</b>	<b>200</b>



# Adult Social Care and Independent Living

## CAPITAL

### CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes - In Progress</b>					
Supporting the Front Line	1,558	611	948	0	0
Building Base Review	773	529	243	0	0
<b>Total Committed Schemes</b>	<b>2,331</b>	<b>1,140</b>	<b>1,191</b>	<b>0</b>	<b>0</b>
<b>Medium Term &amp; Rolling Programmes</b>					
Community Capacity Grant	2,350	0	750	800	800
<b>Total</b>	<b>4,681</b>	<b>1,140</b>	<b>1,941</b>	<b>800</b>	<b>800</b>

### Funding Requirement

#### Funded by:

Government Grants	1,140	1,941	800	800
External Contributions	0	0	0	0
Revenue Contributions	0	0	0	0
Capital Receipts	0	0	0	0
Prudential Borrowing	0	0	0	0
<b>Total</b>	<b>1,140</b>	<b>1,941</b>	<b>800</b>	<b>800</b>

# Environmental Protection and Enhancement

# CAPITAL

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes - In Progress</b>					
Highway Investment Programme	23,149	12,355	10,795	0	0
Roads Maintenance Block - Local Transport Plan	7,748	0	7,748	0	0
Integrated Transport Block - Local Transport Plan	3,208	0	3,208	0	0
Alderley Edge Bypass Scheme Implementation	63,111	52,769	5,401	2,232	2,709
Carbon Initiatives - Street Lighting carbon reduction programme	2,363	1,813	550	0	0
Local Sustainable Transport Fund	1,273	813	460	0	0
Bridge Maintenance Minor Works	2,249	1,799	450	0	0
King George V Pavilion Project	250	10	240	0	0
S106 Funded Schemes	676	495	181	0	0
Road Safety Schemes Minor Works	770	620	150	0	0
Local Area Programme	560	410	150	0	0
S278 Funded Schemes	712	587	107	20	0
<b>Total Committed Schemes</b>	<b>106,069</b>	<b>71,671</b>	<b>29,440</b>	<b>2,252</b>	<b>2,709</b>

# Environmental Protection and Enhancement

# CAPITAL

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years  £000
<b>Medium Term &amp; Rolling Programmes</b>					
Investment in Depot Infrastructure	9,500	150	2,400	3,500	3,450
Waste Fleet Replacement	3,000	0	3,000	0	0
Queens Park Pathway Project	500	0	500	0	0
Crewe Crematorium Refurbishment	1,500	0	420	1,080	0
Cranage Holmes Chapel Path Project	400	0	65	335	0
Open Spaces Development Fund	250	0	80	80	90
Replacement Litter Bins	150	0	50	50	50
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>15,300</b>	<b>150</b>	<b>6,515</b>	<b>5,045</b>	<b>3,590</b>
<b>Total</b>	<b>121,369</b>	<b>71,821</b>	<b>35,955</b>	<b>7,297</b>	<b>6,299</b>
<b>Funding Requirement</b>					

## Funded by:

Government Grants	53,358	12,813	0	0
External Contributions	782	466	20	0
Revenue Contributions	266	420	1,080	0
Capital Receipts	1,896	9,154	6,197	6,299
Prudential Borrowing	15,519	13,102	0	0
<b>Total</b>	<b>71,821</b>	<b>35,955</b>	<b>7,297</b>	<b>6,299</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes - In Progress</b>					
Lifestyle Centre Crewe	15,400	832	5,969	8,599	0
<b>Total Committed Schemes</b>	<b>15,400</b>	<b>832</b>	<b>5,969</b>	<b>8,599</b>	<b>0</b>
<b>Longer Term Proposals</b>					
Congleton Lifestyle Centre	12,000	0	500	3,500	8,000
Macclesfield Leisure Centre	5,000	0	0	5,000	0
<b>Total Longer Term Proposals</b>	<b>17,000</b>	<b>0</b>	<b>500</b>	<b>8,500</b>	<b>8,000</b>
<b>Total</b>	<b>32,400</b>	<b>832</b>	<b>6,469</b>	<b>17,099</b>	<b>8,000</b>

# Public Protection and Enforcement

## CAPITAL

### CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
Government Grants		0	0	0	0
External Contributions		0	0	0	0
Revenue Contributions		0	0	0	0
Capital Receipts		0	500	8,500	8,000
Prudential Borrowing		832	5,969	8,599	0
<b>Total</b>		<b>832</b>	<b>6,469</b>	<b>17,099</b>	<b>8,000</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Committed Schemes - In Progress</b>					
Customer Access - Developing Access to Poynton Library and Civic Centre.	478	298	180	0	0
<b>Committed Schemes at Gate 1 Stage</b>					
Sustainable Libraries	700	0	500	200	0
<b>Total Committed Schemes</b>	<b>1,178</b>	<b>298</b>	<b>680</b>	<b>200</b>	<b>0</b>
<b>Medium Term &amp; Rolling Programmes</b>					
Community Facilities Grants	100	0	100	0	0
<b>Total</b>	<b>1,278</b>	<b>298</b>	<b>780</b>	<b>200</b>	<b>0</b>

## Funding Requirement

<b>Funded by:</b>	0	0	0	0
Government Grants	0	0	0	0
External Contributions	0	0	0	0
Revenue Contributions	0	0	0	0
Capital Receipts	0	100	0	0
Prudential Borrowing	298	680	200	0
<b>Total</b>	<b>298</b>	<b>780</b>	<b>200</b>	<b>0</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget  £000	Prior Year Expenditure  £000	Forecast Spend 2014/15  £000	Forecast Spend 2015/16  £000	Forecast Spend in future years £000
<b>Economic Growth and Prosperity</b>					
Crewe Green Link Road Phase 2	25,747	2,381	15,878	7,338	150
Tatton Park Investment	6,260	0	6,260	0	0
Disabled Facilities Grants	3,892	1,962	940	990	0
Congleton Relief Road (Option Development)	3,606	1,806	900	900	0
Farms Strategy	3,380	358	852	911	1,259
Tatton Vision	2,363	506	775	1,082	0
Crewe Transformation Projects	823	173	650	0	0
Poynton Relief Road (Option Development)	1,100	600	500	0	0
Private Sector Assistance	1,336	993	343	0	0
Housing Development	500	165	335	0	0
Affordable Housing Initiatives (S106 Holly Lodge)	870	560	310	0	0
Poynton Revitalisation	4,892	4,752	140	0	0
Feasibility Studies	190	87	103	0	0
Parkgate - Regeneration	359	296	63	0	0
Crewe Rail Exchange	6,914	6,889	25	0	0
<b>Total Committed Schemes</b>	<b>62,232</b>	<b>21,528</b>	<b>28,074</b>	<b>11,221</b>	<b>1,409</b>

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Committed Schemes at Gate 1 Stage</b>					
Gypsy and Traveller Sites	515	30	485	0	0
Regeneration & Development Programme	1,444	100	750	594	0
<b>Total Committed Schemes at Gate 1 Stage</b>	<b>1,959</b>	<b>130</b>	<b>1,235</b>	<b>594</b>	<b>0</b>
<b>Total Committed Schemes</b>	<b>64,191</b>	<b>21,658</b>	<b>29,309</b>	<b>11,815</b>	<b>1,409</b>
<b>Medium Term &amp; Rolling Programmes</b>					
Corporate Landlord Model - Non-Operational	1,280	0	930	300	50
Sydney Road Railway Bridge	5,000	0	300	300	4,400
A500 J16 Widening Scheme	3,000	45	2,455	500	0
Basford West Spine Road	7,600	0	7,600	0	0
Development Programme for Housing and Jobs	34,351	4,706	10,578	3,167	15,900
Crewe Transformation Projects - Phase 2	8,000	0	1,500	1,500	5,000
<b>Total Medium Term &amp; Rolling Programmes</b>	<b>59,231</b>	<b>4,751</b>	<b>23,363</b>	<b>5,767</b>	<b>25,350</b>



## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Longer Term Proposals</b>					
Knutsford Shared Space	2,000	0	0	2,000	0
A6 Corridor Improvements	2,000	0	0	500	1,500
A34 Corridor (Including Handforth East)	16,000	0	200	300	15,500
Macclesfield Town Centre Improvements	6,300	0	200	200	5,900
Cheshire East Strategic Corridor A51/A500 Nantwich	4,000	0	0	1,000	3,000
South Macclesfield Link Road	15,200	0	200	500	14,500
Poynton Relief Road	20,800	0	0	5,200	15,600
Crewe Transformation Projects - Phase 3	16,500	0	250	250	16,000
Congleton Relief Road	70,000	0	0	0	70,000
Cheshire Archives and Local Studies Premises	2,500	0	0	0	2,500
<b>Total Longer Term Proposals</b>	<b>155,300</b>	<b>0</b>	<b>850</b>	<b>9,950</b>	<b>144,500</b>
<b>Total</b>	<b>278,722</b>	<b>26,409</b>	<b>53,522</b>	<b>27,532</b>	<b>171,259</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Funding Requirement</b>					
<b>Funded by:</b>					
Government Grants		15,600	22,507	10,159	97,886
External Contributions		467	7,509	9,169	14,175
Revenue Contributions		170	353	0	0
Capital Receipts		6,234	11,758	4,717	57,850
Prudential Borrowing		3,938	11,395	3,487	1,348
<b>Total</b>		<b>26,409</b>	<b>53,522</b>	<b>27,532</b>	<b>171,259</b>

CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years					
	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Annual Programmes</b>					
Connecting Cheshire	31,692	6,814	23,376	1,502	0
Asset Management Maintenance Programme	28,079	16,390	5,688	3,000	3,000
Core System Stability	17,208	5,133	5,376	2,900	3,800
Location Independent Workforce	7,325	1,854	4,131	1,340	0
Core Financials	7,339	3,503	1,836	1,000	1,000
Enabled Citizens and Businesses	1,114	304	450	360	0
Maximisation of Corporate Landlord Model - Operational	1,140	0	280	480	380
<b>Total Annual Programmes</b>	<b>93,897</b>	<b>33,998</b>	<b>41,137</b>	<b>10,582</b>	<b>8,180</b>
<b>Longer Term Proposals</b>					
Connecting Cheshire Phase 2	5,700	0	1,650	2,600	1,450
<b>Total Longer Term Proposals</b>	<b>5,700</b>	<b>0</b>	<b>1,650</b>	<b>2,600</b>	<b>1,450</b>
<b>Total</b>	<b>99,597</b>	<b>33,998</b>	<b>42,787</b>	<b>13,182</b>	<b>9,630</b>

## CAPITAL PROGRAMME 2014/15 - 2015/16 and Future Years

	Total Approved Budget	Prior Year Expenditure	Forecast Spend 2014/15	Forecast Spend 2015/16	Forecast Spend in future years
	£000	£000	£000	£000	£000
<b>Funded by:</b>					
Government Grants		6,157	16,357	1,154	0
External Contributions		882	7,802	2,248	1,100
Revenue Contributions		0	0	0	0
Capital Receipts		23,977	10,714	2,180	8,530
Prudential Borrowing		2,982	7,914	7,600	0
<b>Total</b>		<b>33,998</b>	<b>42,787</b>	<b>13,182</b>	<b>9,630</b>



# **Reserves Strategy**

2014/2017

Contents

Executive Summary ..... - 83 -

1. Introduction ..... - 84 -

2. General Fund Reserves (Revenue) ..... - 87 -

3. Earmarked Reserves (Revenue) ..... - 94 -

4. Capital Reserves ..... - 98 -

5. Reserves Strategy Conclusion ..... - 99 -

Background Papers ..... - 100-

Annex A ~ Protocols and Controls ..... - 101 -

# Executive Summary

Cheshire East Council is maintaining adequate reserves for two main purposes:

1. to protect against risk, and;
2. to support investment

This strategy reflects how these two purposes are intrinsically linked as financial risks will reduce through appropriate investment in schemes that will generate long term returns. However, at present the risks associated with overall changes in local government funding, and the need to invest now to realise returns in the medium term, increase the need to hold higher reserves in the short term.

The Reserves Strategy presents information about the requirements to maintain financial reserves and provides statements on the types of reserves and current and predicted balances.

The strategy is normally revised annually, in line with the process to determine the Council's Budget, and sets out a clear purpose for the holding of reserves, using risk assessments and setting out principles for the management of balances in the medium term.

Cheshire East Council's Reserve Strategy was last approved at Council on 28<sup>th</sup> February 2013, an update was presented to Cabinet on 19<sup>th</sup> August 2013 to reflect the Outturn Position for 2012/2013.

The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2014/2017 is being reported to Cabinet and Council in February 2014.

This strategy represents the latest position, following a review of the balances previously held, to ensure they meet the needs of Cheshire East Council.

For further information on trends in the Council's financial performance and how this affects reserve levels please refer to: [Guidance and Data on the Financial Resilience of the Council](#).

*Peter Bates*

CPFA, Chief Operating Officer, Section 151 Officer

Note: The strategy follows guidance issued by the Chartered Institute of Public Finance & Accountancy ~ LAAP Bulletin 55 – February 2003: Guidance Note on Local Authority Reserves and Balances. Compliance with the guidance is recommended in the Institute's 2003 Statement on the Role of the Finance Director in Local Government and the regulatory framework and role of the Section 151 Officer are set out in **Annex A**.

# 1. Introduction

## Types of Reserves

1. When reviewing medium term financial plans and preparing annual budgets the Council considers the establishment and maintenance of reserves. Two types of Revenue Reserves will be held:

### General Reserves (see Section 2)

This represents the non-ringfenced balance of Council funds. There are two main purposes of general reserves: firstly to operate as a **working balance** to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing, and; secondly to provide a **contingency** to cushion the impact of emerging events or genuine emergencies. The target level of reserves retained will be risk based. General Reserves must be adequate and will increase and decrease as follows:

#### Increasing General Reserves

- *Planned repayment* as set-out in the Medium Term Financial Strategy, usually to recover to an adequate level in relation to a detailed risk assessment, or to prepare in advance for future risks or investment.
- Allocation of an *operating surplus* at the close of the financial year.

### Decreasing General Reserves

- *Planned draw-down* of reserves to create investment, and to counteract the possibility of over-taxing in any financial year.
- Allocation of an *operating deficit* at the close of the financial year.

### Earmarked Reserves (see Section 3)

These provide a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives. Discipline is required around setting up and maintaining earmarked reserves, and this strategy sets out the Council's approach to this. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on specific intended purposes.

### Assessing the Adequacy of Reserves

2. In order to assess the adequacy of unallocated general reserves when setting the budget, the Section 151 Officer will take account of the strategic, operational and financial risks facing the Authority. The Council will therefore adopt formal risk management processes. The Audit Commission Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks will be assessed in the context of the Authority's overall approach to risk management.



3. There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts. The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control, as required by professional standards.
4. Setting the level of general reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account will also be taken of the key financial assumptions underpinning the budget alongside a consideration of the Authority's financial management arrangements.
5. **Table 1** sets out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow.
6. These factors can only be assessed properly at local level. A considerable degree of professional judgment is required. The Section 151 Officer may choose to express advice on the level of balances in cash and / or as percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the Authority for that particular year.
7. Advice will be set in the context of the Authority's process to manage medium term financial stability and not focus on short term considerations, although balancing the annual budget by drawing on general reserves may be a legitimate short term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit, and will occur only to pump prime investment and not to regularly support such costs. Advice will be given on the adequacy of reserves over the lifetime of the Medium Term Financial Strategy.

**Table 1: Holding adequate reserves will depend on a number of key factors**

Budget Assumptions	
-	The treatment of inflation and interest rates
-	Estimates of the level and timing of capital receipts
-	The treatment of demand led pressures
-	The treatment of planned efficiency savings / productivity gains
-	The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
-	The availability of other funds to deal with major contingencies and the adequacy of provisions
Financial Standing & Management	
-	The overall financial standing of the Authority (including: level of borrowing, debt outstanding, Council Tax collection rates)
-	The Authority's track record in budget and financial management including the robustness of the medium term plans
-	The Authority's capacity to manage in-year budget pressures
-	The strength of the financial information and reporting arrangements
-	The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level
-	The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

Source: CIPFA ~ LAAP Bulletin 55, 2003

8. The current guidance requires the purpose, usage and the basis of transactions of earmarked reserves to be identified clearly. A review of the levels of earmarked reserves will be undertaken as part of annual budget preparation.

## 2. General Fund Reserves (Revenue)

### Purpose

9. The purpose of general reserves is to minimise the possible financial impacts to the Authority from:
  - Emergencies.
  - In-year emerging issues.
  - Reacting to investment opportunities
10. The Finance Procedure Rules set the parameters for the use of general reserves.
11. The in-year use of general reserves requires Council approval and must not be used for any level of recurring spending unless that spending will be included in revenue budgets in the following financial year or a suitable payback period is agreed in advance.
12. In all cases the use of reserves should be approved by the Section 151 Officer.

### Opening Balances

13. The 2013/2014 Budget anticipated that the Council would hold general reserves of £13.2m. However, an improved final outturn position resulted in a revised balance of £19.0m.
14. At 1<sup>st</sup> April 2014, it is anticipated that the Council will hold general reserves of £19.3m. This balance is calculated from:

	Final Outturn 2013 £m
Amount of General Fund Balance available for new expenditure (Source: <a href="#">2012/2013 Statement of Accounts</a> )	<b>19.0</b>
The impact of performance against the 2013/2014 Revenue Budget (Source: <a href="#">2013/2014 Three Quarter Year Review of Performance</a> )	<b>0.3</b>
	<hr/> <b>19.3</b> <hr/>

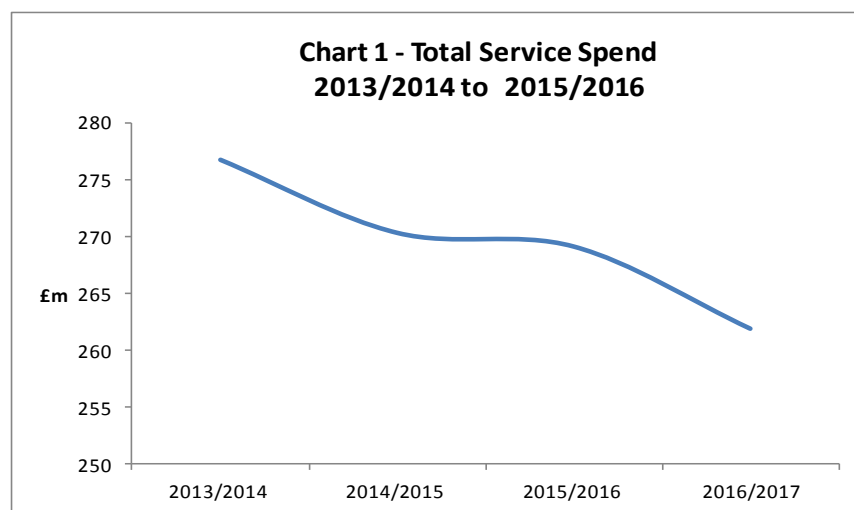
### Estimated Movement in Reserves (2013/2014 onwards)

15. **Table 2** (overleaf) summarises the current estimated movements in general reserves from 2013 to 2016. This position makes a clear assumption that any recently identified in-year, or future, emerging financial pressures will be met from within the Council's funding envelope.
16. In addition the level of reserves needed will be assessed each year according to the risks facing the Authority (see Risk Assessment overleaf).

<b>Table 2 - Reserves levels will be maintained in the medium term</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
	£m	£m	£m	£m
Estimated Balance @ 1st April	19.0	19.3	14.0	14.0
Estimated Impact of Spending	0.3	0.0	0.0	0.0
Planned Contribution to Reserves	0.0	-5.3	0.0	0.0
<b>Forecast General Reserves @ 31st March</b>	<b>19.3</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>
Risk Assessed Minimum Level - Feb 2014	13.2	14.0	14.0	14.0

Source: Cheshire East Finance

17. **Chart 1** shows how the medium term financial outlook reflects a reduction in real terms expenditure on Council Services.

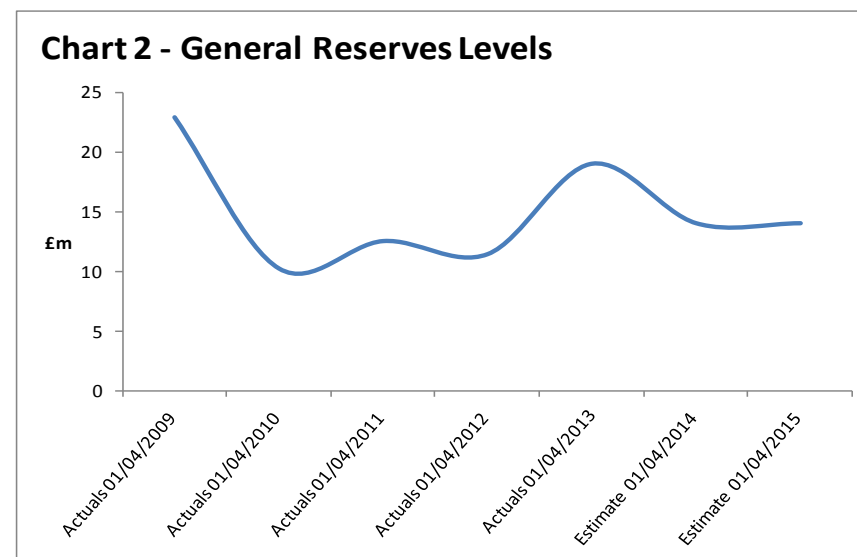


Source: Cheshire East Finance

18. Reducing expenditure over time reflects the reductions in government funding. At the same time the Council is minimising the impact on local residents by not raising Council Tax. However,

this approach can require up-front investment in change management that will sustain the financial resilience of the Council. For example reducing staffing numbers may require expenditure on severance payments, automation of services may require investment in information technology. Investment in infrastructure can generate receipts from the Council's estate, and from new business and domestic premises in the area.

19. Strategically the Council is therefore utilising short term funding to support investment and change and not to build up reserves balances.
20. **Chart 2** reflects how Cheshire East Reserves are used to support large scale investment, and are being stabilised over the medium term.



Source: [Guidance and Data on the Financial Resilience of the Council](#) (as updated January 2014)

21. The level at which reserves are set for 2014/2015, reflects the aim of Cheshire East Council to match the Risk Assessed Minimum Level, ensuring reserves are adequate, and provide sufficient flexibility to manage short term cashflow. This approach has also allowed flexibility within the 2014/2015 budget to provide for costs associated with investment.

### General Fund Reserves - Risk Assessment

22. The risks facing each local area will vary, and in the case of Cheshire East, the impact of rising demand for services, the economic climate, emerging Government policies, particularly in relation to business rates, and pressure on public services to reduce overall expenditure are relevant. And these present the potential for significant emerging risk.
23. The minimum target level of reserves is quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts.
24. Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume a level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year by smoothing the impact on citizens.
25. Risks are categorised, and potential values are applied to them, this presents the potential exposure to financial risk. **Table 3** shows the risk areas and the level of reserves Cheshire East Council should retain to mitigate that risk. In each case the value of the risk retained has been calculated as a percentage of the potential impact. The percentage is based on the likelihood of the risk actually achieving that total impact in any year.

- The level of risk in the Medium Term Financial Strategy reduced following improvements in reporting and achievement of budget targets. New Medium Term risks are emerging as the Council is undertaking significant change to adapt to a commissioning approach and there is still significant uncertainty about the long term effect of changes to funding from business rates. Overall risks are therefore slightly increasing for the period 2014/2017

26. £14m remains a relatively prudent overall target for reserves at 5.5% of the net budget. This reflects the following potential negative financial issues facing the Council in the medium term:

- Further changes to the local government financial settlement may create funding deficits, and the medium term strategy of the Council remains unbalanced at present.
- Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.
- There is a significant pensions deficit which may need to be managed outside of the current medium term estimates, despite significant additional budget being provided for in the Medium Term Financial Strategy, to reflect increasing contribution rates from 1<sup>st</sup> April 2014 following the triennial valuation.

27. It is also possible that a number of events could happen in a single year and the Council could be exposed to new unidentified risks. For this reason the analysis also contains a Strategic Reserve calculated as a percentage of gross expenditure (in this case 0.6%).

28. Risks will be included and managed using the following basic principles:

- a. The risk may impact within the medium term.
- b. Risks are potential one-off events.
- c. The risk will have genuine financial consequences.
- d. Mitigating actions will be in place to minimise the potential requirement for financial support.
- e. If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate Revenue Budget estimates.
- f. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

**Table 3: A robust level of reserves is guided by an assessment of potential risks**

<b>Class of Risk</b>	<b>Knock on Effects</b>	<b>Effect on Budget / Mitigating Action</b>	<b>Risk Assessment</b>
<b>Health &amp; Safety</b>	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	<b>£400,000</b>
	Loss of income	Substantial disruption to income streams / Robust disaster recovery	
	Lost reputation	Cost of new advertising to regain confidence / Effective Communication Plans	
	Effect on recruitment	Additional advertising costs to attract staff / Employment options on standby	
<b>Fire / Structural damage</b>	Major loss of service	Premises not operational / Robust disaster recovery plan	<b>£900,000</b>
	Epidemic	High staff or resident sickness & absence costs / raise awareness of safety measures and introduce robust emergency response plans	
	Severe Weather	Additional staffing, transport and materials costs / robust emergency plans	
	Insurance claims create rising premiums or cost to insurance reserves	Budget growth to cover premiums or self insurance costs / Good claims management	

Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	Risk Assessment
<b>Budget Pressures</b>	<p>Opening Balances vary from current predictions</p> <p>Efficiency savings challenged by changing priorities, and reduced income from economic downturn and additional VR costs.</p> <p>Higher than anticipated Inflation arising in year</p> <p>Potential decrease in Council Tax collection rate</p> <p>Potential decrease in assumed Business Rates income</p> <p>Changes to Government forecasts of Business Rates during the year.</p>	<p>Impact on opening balances / apply prudent assumptions to opening balances.</p> <p>Impact of 2013/2014 projected outturn / robust remedial plans and monitoring of progress</p> <p>In-Year emerging issues / Robust plans and monitoring of progress</p> <p>Increased inflation on contracts and services / contract management and robust remedial plans</p> <p>New payers unable to pay / debt recovery procedures</p> <p>Lower than forecast income or increased reliefs / robust assessment criteria</p> <p>Potential to change income received through the Business Rate Retention Scheme</p>	<b>£7,700,000</b>



Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	Risk Assessment
<b>Legal costs</b>	Legal challenges to Council service delivery	Court costs and Claims for compensation / clear processes and good workforce management	<b>£500,000</b>
	Data corruption and need to improve security	ICT service days to repair, loss of service / robust security policies and firewalls	
<b>Industrial relations / External organisations</b>	Disruption to service and possible costs of arbitration / tribunal	Loss of income, costs of providing essential services or direct costs of resolution, reduced pay budget / emergency planning	
<b>Strategic Reserve</b>		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes	<b>£4,500,000</b>
<b>OVERALL RISKS</b>			<b>£14,000,000</b>
<b>% of Net Revenue Budget</b>			<b>5.5%</b>

Source: Cheshire East Finance

29. The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance. This is equivalent in total to **£14m**.

30. It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2014/2015 Revenue Budget. The key factors are:

- the capacity of the organisation to deliver proposed growth or achieve the proposed level of savings entirely,
- potential underachievement of cost reduction targets following consultation processes,
- demand for services rising above estimated trends,

- changes to Government settlements.

### Adequacy of General Reserves

31. A duty of the Section 151 Officer is to comment on the adequacy of financial reserves (**see Annex A**).

32. The estimates contained within the medium term financial strategy must be sufficiently robust to achieve certainty that reserves are adequate. The Section 151 Officer will use information contained within the Reserves Strategy to comment specifically in the annual Budget Report on the adequacy of reserves.

### 3. Earmarked Reserves (Revenue)

#### Purpose

33. The purpose of earmarked reserves is:

- a. To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
- b. To set aside amounts for projects that extend beyond 1 year.

34. Once Earmarked reserves have been established by Cheshire East Council it is the responsibility of Chief Officers, in consultation with the Section 151 Officer, to ensure balances are spent in line with their purpose.

35. **Table 4** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

36. For each earmarked reserve held by Cheshire East Council there will be a clear protocol setting out:

- the purpose of the reserve,
- how and when the reserve can be used,
- procedures for the reserve's management and control,
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy,
- clear indication of payback periods and approach (if applicable).

**Table 4: All earmarked reserves should have a clear rationale**

Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations.	Where expenditure is planned in future accounting periods, it is prudent to build up resources in advance.
Insurance reserves.	An Insurance Fund has been established to meet the potential costs of insurance excesses arising from claims in respect of fire and consequential loss, public and employer liability, and vehicles relating to both Cheshire East Council and the former Cheshire County Council.
Reserves of trading and business units.	Surpluses arising from in-house trading may be retained, or may have to be retained by statute to cover potential losses in future years, or to finance capital expenditure.
Reserves retained for service departmental use.	Increasingly, authorities have internal protocols that permit year-end surpluses at departmental level to be carried forward.
School Balances.	These are unspent balances of budgets delegated to individual schools.

Source: CIPFA ~ LAAP Bulletin 55, 2003

37. When establishing reserves, Cheshire East Council will ensure that it complies with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions.

38. The protocol for Cheshire East Council earmarked reserves is set out below. The Section 151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.

39. Earmarked Reserves will be:

- Set up by Full Council, on recommendation by the Section 151 Officer,
- Supported by a business case,
- Normally held for a maximum of 3 years, except where the business case justifies a longer retention,
- Subject to a minimum value, set initially at £60,000, unless the business case supports a lower level,
- Be reviewed at least annually.

40. Services may also carry forward balances in accordance with Financial Procedure Rules.

41. Earmarked reserves have the effect of transferring the tax burden across financial years as current taxpayers' funds are being used to support future years' spending. It is therefore recommended that Cheshire East Council's earmarked reserves are subject to annual review, at least as part of the budget-setting process to ensure that they are still appropriate, relevant and adequate for the intended purpose.

## Opening Balances

42. At 1<sup>st</sup> April 2014, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £10.5m. It is estimated that balances will reduce by £5.1m by the end of 2014/2015. **Table 5** (overleaf) shows the position on each earmarked reserve.

43. The 2014/2017 Budget Report highlights the increasing reliance on funding from local taxation, as opposed to funding from Central Government grant. Council are therefore asked to approve establishment of a specific earmarked reserve to support activity to increase the longer term financial resilience of the Council. Activity funded from this reserve could relate to investment in schemes that can increase locally controlled income sources such as the commercial or domestic tax bases.

44. The estimated position on the Insurance Reserve includes the settlement of an historic claim for additional contributions from the administrators of Municipal Mutual Insurance.

Table 5: Earmarked Reserves that are statutory or essential have been retained for 2014/2015

Service Description	Estimated Available Balances 2014/2015 £000	Forecast Movement in 2014/2015 £000	Estimated Balance at 31 March 2015 £000	Reason / Use
<b>Children and Families Services</b>				
Long Term Sickness	233	0	<b>233</b>	LTS Insurance Scheme, surplus premiums paid by schools ~ operated as a trading account.
Education All Risks (EARS)	261	0	<b>261</b>	Carried forward surplus of insurance premiums paid by schools ~ operated as a trading account
<b>Adults Social Care and Independent Living</b>				
Extra Care Housing (PFI)	1,428	300	<b>1,728</b>	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
<b>Environmental Protection &amp; Enhancement</b>				
Crematoria	0	0	<b>0</b>	Mercury abatement income set aside to fund potential replacement cremators as per the capital programme.
<b>Economic Growth &amp; Prosperity</b>				
Building Control	131	0	<b>131</b>	Ring-fenced surplus (could be used to offset service deficit, if applicable)
Tatton Park	238	0	<b>238</b>	Ring-fenced surplus on Tatton Park trading account
Economic Development	100	-100	<b>0</b>	Support for town centres and economic development initiatives
Climate Change	0	0	<b>0</b>	Renewable Energy project

Service Description	Estimated Available Balances 2014/2015 £000	Forecast Movement in 2014/2015 £000	Estimated Balance at 31 March 2015 £000	Reason / Use
<b>Communities</b>				
Enabling Local Delivery	225	-225	0	Available to promote local delivery
Partnerships & Grants Support	89	-89	0	Funding issued to groups who meet the Council's criteria. It is planned to use the reserve in 2013/2014.
<b>Chief Operating Officer</b>				
Invest-to-Save	0	0	0	Central reserve to support invest-to-save projects
Elections	200	200	400	To provide funds for Election costs every 4 years
Insurance & Risk	2,212	190	2,402	To settle insurance claims and manage excess costs.
Investment	5,300	-5,300	0	To support investment that can increase longer term financial independence and stability of the Council.
<b>Cross Service</b>				
Service Manager carry forwards	75	-75	0	Specific funding for expenditure slipped against previous year's budget e.g. Pay Harmonisation.
<b>Totals</b>	<b>10,492</b>	<b>-5,099</b>	<b>5,393</b>	

Source: Cheshire East Finance

## 4. Capital Reserves

45. Following the application of £27.8m of capital receipts to repay capital expenditure that had taken place in previous years the balance of the reserve at 31st March 2013 was reduced to £1.077m. In 2013/2014, capital receipts received in year will be fully applied to finance the capital programme and therefore no capital receipts reserves will be held by the Council.
46. Where revenue contributions are used to finance capital expenditure these will be held in reserve until such time as the expenditure is incurred.

## 5. Reserves Strategy Conclusion

- 47. Overall Cheshire East Council is establishing reserves that match the minimum risk levels while retaining flexibility react to investment opportunities. This approach can be supported during the medium term based on recent performance against budget.
- 48. This recognises local issues and allows the Section 151 Officer to comment favourably on the adequacy of reserves.
- 49. The maintenance of protocols around the use of balances improves control and increases openness in financial reporting and management. This approach assists with financial planning and increases understanding of Cheshire East Council's financial position. Reserves' positions will continue to be reviewed throughout the financial year.

## Background Papers

[Cheshire East Council ~ Final Accounts 2012/2013](#)

[Cheshire East Council ~ Budget Report 2013/2014](#)

[Cheshire East Council ~ First Quarter Review of Performance 2013/2014](#)

[Cheshire East Council ~ Mid Year Review of Performance 2013/2014](#)

[Cheshire East Council ~ Three Quarter Review of Performance 2013/2014](#)

General Fund Reserves ~ Risk Assessment Working Papers 2014

CIPFA, Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves & Balances (2003)

[Guidance and Data on the Financial Resilience of the Council](#)



# Annex A to Reserve Strategy

## Protocol & Controls

### The Existing Legislative / Regulatory Framework

Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

There are three significant safeguards in place that militate against local authorities over-committing themselves financially:

1. The balanced budget requirement.
2. Chief Finance Officers' S114 powers.
3. The External Auditor's responsibility to review and report on financial standing.

The balanced budget requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Finance Officer to report to all the Authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. The Authority's full Council must meet within 21 days to consider the S114 notice and during that period the Authority is prohibited from entering into new agreements involving the incurring of expenditure.

While it is primarily the responsibility of the local authority and its Chief Finance Officer to maintain a sound financial position, External Auditors have a responsibility to review the arrangements in place to ensure that financial standing is soundly based. In the course of their duties External Auditors review and report on the level of reserves taking into account their local knowledge of the Authority's financial

performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

### The Role of the Chief Finance Officer

It is the responsibility of the Chief Finance Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. There is no statutory minimum.

Local authorities, on the advice of their Chief Finance Officers, are required to make their own judgements on the level of reserves taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

### Good Governance

It is important that Members take responsibility for ensuring the adequacy of reserves and provisions when they set the budget. CIPFA recommend that the respective roles of officers and Councillors in relation to reserves should be codified locally and given due recognition in the Constitutions. This codification should:

- state which council bodies are empowered to establish reserves
- set out the responsibilities of the Chief Finance Officer and Councillor – or group of Councillors – responsible for finance
- specify the reporting arrangements

### A New Reporting Framework

The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Chief Finance Officer. To enable the Council to reach its decision, the Chief Finance Officer should report the factors that influenced his or her judgement and ensure that the advice given is recorded formally. Where the advice is not accepted this should be recorded formally in the minutes of the Council meeting.

**CIPFA recommended that:**

The Business Planning report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the additional contribution to / withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure this should be accompanied by a statement from the Chief Finance Officer on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the Authority's medium term financial strategy.

A statement reporting on the annual review of earmarked reserves should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions / withdrawals and the estimated closing balances.

## Annex 8 – Abbreviations

1. This annex provides details of the abbreviations used in the Report in alphabetical order.

Term	Meaning
ASDV	Alternative Service Delivery Vehicles
BRRS	Business Rates Retention Scheme – a new system of funding introduced on 1 <sup>st</sup> April 2013.
CSR	Comprehensive Spending Review 2010 – a major announcement in October 2010 in relation to Local Government funding levels for 2011/2012 to 2014/2015.
DCLG / CLG	Department for Communities and Local Government – the Government department responsible for supporting local government and communities.
DSG	Dedicated Schools Grant – grant received from Government to fund schools.
FQR	First-Quarter Review of Performance
HR	Human Resources – one of the Council's corporate service areas.
ICT	Information and Communication Technologies – service responsible for technology at Cheshire East Council.
LACSEG	The Local Authority Central Spend Equivalent Grant
LSOA	Lower Super Output Areas - geographical areas, based on population size, each containing a minimum population of 1,000 people and on average (mean) around 1,500 people. There are 231 LSOAs in Cheshire East and 32,482 LSOAs in England.
MYR	Mid-Year Review of Performance
NNDR	National Non Domestic Rates – the contribution to local authority costs by businesses. The rate is set by central Government.
PCC	Police and Crime Commissioner – the new arrangement for Commissioning Police Services.
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works.
RSG	Revenue Support Grant – a grant that forms part of the Business Rate Retention Scheme.
SLE	Separate Legal Entity – a delivery model for delivering services in a different way.
TQR	Third-Quarter Review of Performance

This page is intentionally left blank

## CHESHIRE EAST COUNCIL

### Cabinet

---

<b>Date of Meeting:</b>	4th February 2014
<b>Report of:</b>	Chief Operating Officer
<b>Subject/Title:</b>	Treasury Management Strategy and MRP Statement 2014/15
<b>Portfolio Holder:</b>	Councillor Peter Raynes (Finance)

---

#### 1.0 Report Summary

- 1.1 To present the 2014/15 Treasury Management Strategy Statement (TMSS), incorporating the Minimum Revenue Provision (MRP) Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2014/17, required under Part 1 of the Local Government Act 2003.

- 1.2 Treasury Management is defined as:-

The management of the Council's investment and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

- 1.3 Treasury Management is a key element in the overall financial health and resilience of Cheshire East Council. Strong financial management has strengthened the balance sheet, enabling the Council to continue its policy of utilising investment balances instead of taking out new external borrowing in order to finance capital expenditure. This has meant that the loans portfolio has not increased from the inherited position of the former County Council.

- 1.4 This along with a number of key decisions taken since 2009, including debt restructuring; repayment of prior year's debt using available reserves; rigorous daily investment decisions and the monitoring of available cash flows has enabled the Council's cash resources to be used to optimum benefit. The treasury management team work closely with the Council's advisors Arlingclose to gain the maximum benefit from their expertise and guidance, including benchmarking performance against other local authorities on a quarterly basis.

- 1.5 The Council remains committed to delivering appropriate levels of capital investment to support service improvement and local economic growth. The current strategy is to ensure that this is sustainable by controlling the consequential impact on the revenue account and council tax levels, ensuring good value for money to local businesses and residents.

- 1.6 The Council will therefore continue to minimise the net cost of borrowing by ensuring that the capital programme can be funded without the need for additional external borrowing. This requires maximisation of alternative funding sources (i.e., grants, developer contributions and capital receipts) and careful management of capital cash flows to ensure that any short term borrowing requirements can be met from internal resources.

## **2.0 Recommendation**

Cabinet is requested to recommend to Council the approval of the:

- Treasury Management Strategy and the MRP Statement for 2014/15 (Appendix A)

The Strategy includes the Department for Communities and Local Government (DCLG) reporting requirements in accordance with the Local Government Investments Guidance under Section 15(1) (a) of the Local Government Act 2003.

## **3.0 Reasons for Recommendation**

- 3.1 The Treasury Management Strategy details the activities of the Treasury Management function in the forthcoming year 2014/15. The Strategy for 2014/15 reflects the views on interest rates of leading market forecasts provided by Arlingclose, the Council's advisor on treasury matters. It also includes the Prudential Indicators relating to Treasury Management.
- 3.2 The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.

## **4 Wards Affected**

- 4.1 Not applicable

## **5.0 Local Ward Members**

- 5.1 Not applicable

## **6.0 Policy Implications**

- 6.1 Not applicable.

## **7.0 Financial Implications**

- 7.1 Effective Treasury Management provides support towards the achievement of service priorities, it ensures that the Council's capital investment programme delivers value for money by demonstrating that capital expenditure plans are affordable, external borrowing is prudent and sustainable and treasury decisions are taken in accordance with good practice.

## **8.0 Legal Implications**

- 8.1 It is a requirement of the CIPFA's Treasury Management in the Public Services: Code of Practice, that Council receives an Annual Report on its Treasury Strategy, that Council sets Prudential Indicators for the next three years and approves an Annual Investment Strategy and an Annual MRP Policy Statement. There are stringent legislative requirements in place which dictate the way that a local authority deals with financial administration.

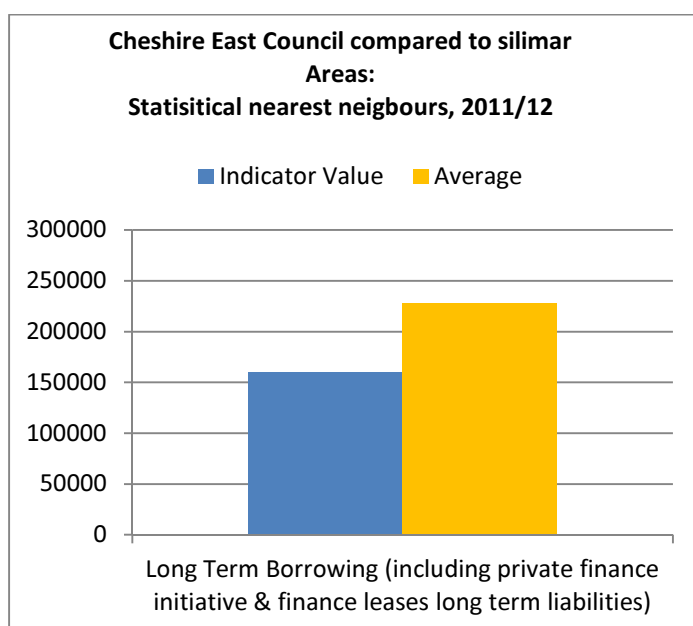
## **9.0 Risk Management**

- 9.1 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.
- 9.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.
- 9.3 To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.
- 9.4 The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

## **10.0 Background and Options**

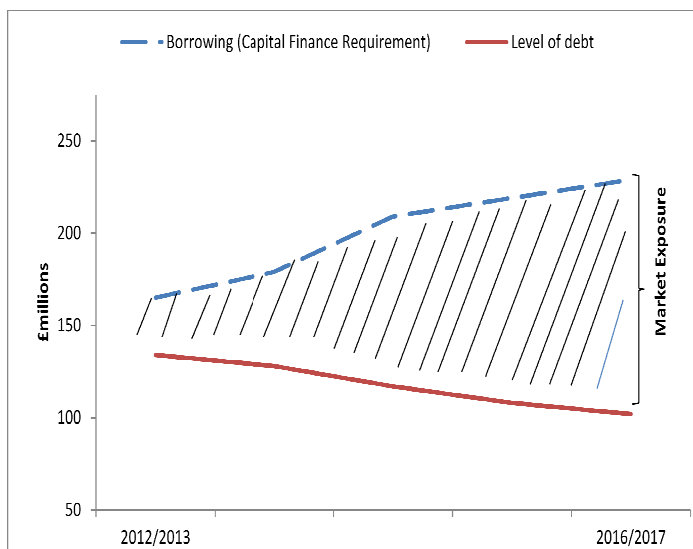
- 10.1 The Treasury Management Strategy set out in Appendix A is also reported to the Audit & Governance Committee for scrutiny before being presented to Full Council for approval on 27<sup>th</sup> February 2014.

- 10.2 The Treasury Management Strategy takes into account future borrowing requirements, based on the Council's three year capital spending plans, projected cash flow requirements and money market opportunities. The aim is to maintain control over borrowing activities, with particular regard for longer term affordability; but also to allow sufficient flexibility to respond to changes in the capital and money markets as they arise.
- 10.3 The capital programme for 2014/17 is intentionally aspirational, reflecting the Council's ambition to pursue additional external funding, private sector investment and capital receipts. Future capital receipts arising from the rationalisation of the asset base and the Engine of the North development programme will be utilised to fund new proposals, including infrastructure to generate local economic growth; investment in new service delivery models and improvements in the Council's asset base.
- 10.4 The priority is to ensure that expenditure plans are affordable over the medium term. The programme is designed to allow flexibility so that cash flows i.e., the timing of capital receipts and payments, can be monitored and managed to minimise the risks to the Council of forward funding capital expenditure in advance of realising grant income, developer contributions and proceeds of planned asset sales and disposals. Where temporary borrowing is required this will be funded from internal resources and repaid as soon as receipts allow.
- 10.5 The Council currently has external borrowing of £128m. The amount of interest paid on the Council's portfolio of long term loans is mainly at fixed rates of interest (circa 4.04%). Currently long term interest rates are around 4.3%.
- 10.6 Compared to our nearest neighbours, as demonstrated in the following graph the Council's levels of external borrowing is significantly below average.





- 10.7 Over the financial period covered by this strategy, a further £26m of PWLB loans are due to be repaid (see table 1 – Balance Sheet Summary and Forecast). This means the gap between the Capital Financing Requirement and actual borrowing is increasing, as demonstrated in the following graph.



- 10.8 This exposes the Council to interest rate risk in the future if cash balances were to fall and borrowing had to be taken at prevailing rates at the time. Therefore, to reduce exposure to interest rate risk and prevent excessive use of internal resources existing loans will be replaced as they mature, subject to market conditions.
- 10.9 Within the Treasury Management Strategy, the Council will continue to minimise additional borrowing by making use of internal balances. This not only minimises costs, but also reduces the credit risk associated with investments, as the amount being invested is reduced. Given the current low interest rate environment is expected to continue throughout 2014/15 and beyond, the interest rate risk associated with delayed borrowing is assessed to be low.
- 10.10 The rate of interest to be earned on the Council's cash balances that are temporarily invested pending their being used (estimated at £36 million) is budgeted to be 0.5%.
- 10.11 The capital financing budget remains at the very prudent level of £12.5m, 4.9% of the 2014/15 net revenue budget.

**Capital Financing Budget 2014-15**

Capital Financing Budget	2013/14 Original £m	2013/14 Revised £m	2014/15 £m
Repayment of Outstanding Debt	6.9	6.8	8.0
Contribution re: Schools TLC Schemes	-0.9	-0.9	-0.9
Direct Revenue Funding	0.4	0.4	0.4
Interest on Long Term Loans	5.7	5.3	5.2
Total Debt Repayment	12.1	11.6	12.7
Less: Interest Receivable on Cash Balances	-0.2	-0.3	-0.2
Net Capital Financing Budget	11.9	11.3	12.5

10.12 Cheshire East inherited investments of £4.6m made by the former Cheshire County Council with Heritable Bank, which went into administration in October 2008. The expectation was for around 88% of this to be recovered. In 2013/14 further amounts were repaid bringing the total amount recovered to 94%. There is expected to be one final receipt, the amount of which is dependent on current litigation. The additional receipt over and above the original estimated recovery rate of 88% will benefit the Councils revenue account in 2013/14 by £300,000.

10.13 The principal changes to the 2014/15 Treasury Strategy have been:

- In readiness for regulatory reform of banks and building societies leading to reduced Governmental support, the general maximum amounts to be invested with any one counterparty have been reduced from £15m to £10m. A consequence of this is that more counterparties are now actively being considered including foreign banks, unrated building societies and other sources of investment
- Removal of requirement for Money market funds to be AAA rated. This is due to changes in regulation of Money Market Funds which will lead to removal of, or changes to, ratings. The Council will however monitor the underlying ratings of the assets of each fund to determine suitability for investment purposes

The revision to the credit criteria, once approved by Council for use in 2014/15, will also apply to the residual period of 2013/14.

**Contract for banking services**

10.14 Following a retendering exercise for the contract for banking and merchant card services, banking services will now be provided by Barclays Bank for a five year period commencing in 2014/15. The contract for merchant card services has been extended with Global Payments Ltd for 12 months after an unsuccessful tender outcome. A

procurement exercise for merchant cards will now be undertaken in 2014/15 under a framework agreement.

#### **11.0 Access to Information**

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

Name:	Joanne Wilcox
Designation:	Corporate Finance Manager
Tel No:	01270 685869
Email:	<a href="mailto:joannewilcox@cheshireeast.gov.uk">joannewilcox@cheshireeast.gov.uk</a>

#### ***Appendices:***

*Appendix A – Treasury Management Strategy Statement & Investment Strategy  
2014/15 – 2016/17*

This page is intentionally left blank

## **Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17**



**Contents**

- 1. Background**
- 2. External Context**
- 3. Local Context**
- 4. Borrowing Strategy**
- 5. Investment Strategy**
- 6. Treasury Management Indicators**
- 7. Other Items**
- 8. Financial Implications**

**Annexes**

- A. Economic & Interest Rate Forecast (Section 2.6)**
- B. Existing Investment & Debt Portfolio Position (Section 3.1)**
- C. Prudential indicators**
- D. MRP Statement 2014/15**

## 1. Background

- 1.1. On 23<sup>rd</sup> February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.
- 1.2. In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
- 1.3. The report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.
- 1.4. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

## 2. External Context

- 2.1 **Economic Background:** The Bank of England's Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping policy rates low for an extended period using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates, subject to certain knock-outs. Unemployment was 7.7% in August 2013, but is not forecast to fall below the threshold until 2016, due to the UK's flexible workforce.
- 2.2 The flow of credit to households and businesses is slowly improving but is still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.7% in September 2013 will allow real wage increases (i.e. after inflation) to slowly turn positive and aid consumer spending.
- 2.3 Stronger growth data in 2013 (0.4% in Q1, 0.7% in Q2 and 0.8% in Q3) alongside a pick-up in property prices mainly stoked by government initiatives to boost mortgage lending have led markets to price in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, growth is likely to only be gradual. Arlingclose forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable.
- 2.4 In the US expectations for the slowing in the pace of asset purchases ('tapering') by the Federal Reserve and the end of further asset purchases will remain predominant drivers of the financial markets. The Fed did not taper in September and has talked down potential tapering in the near term. It now looks more likely to occur in early 2014 which will be supportive of bond and equity markets in the interim.
- 2.5 **Credit outlook:** The credit risk of banking failures has diminished, but not dissipated altogether. Regulatory changes are afoot in the UK, US and Europe to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. This is already manifest in relation to holders of subordinated debt issued by the Co-op which will suffer a haircut on its conversion bail-in to alternative securities and/or equity. There are also proposals for EU regulatory reforms to Money Market Funds which will, in all probability, result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper. Diversification of

investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

- 2.6 **Interest rate forecast:** Arlingclose's forecast is for the Bank Rate to remain flat until late 2016, the risk to the upside (i.e. rates being higher) are weighted more heavily towards the end of the forecast horizon, as the table below shows. Gilt yields are expected to rise over the forecast period with medium- and long-dated gilts expected to rise by between 0.7% and 1.1%.
- 2.7 A more detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at **Annex A**.
- 2.8 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.50%, and that new long-term loans will be borrowed at an average rate of 4.30%.
3. **Local Context**
- 3.1 The Authority currently has borrowings of £128m and investments of £82m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below

**Table 1: Balance Sheet Summary and Forecast**

	31.3.13 Actual £m	31.3.14 Estimate £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m
General Fund CFR	192	203	234	242	252
Less: Other long-term liabilities *	-27	-26	-24	-23	-22
<b>Borrowing CFR</b>	<b>165</b>	<b>177</b>	<b>210</b>	<b>219</b>	<b>230</b>
Less: External borrowing **	-134	-128	-117	-108	-102
<b>Internal (over) borrowing</b>	<b>31</b>	<b>49</b>	<b>93</b>	<b>111</b>	<b>128</b>
Less: Usable reserves	-53	-48	-46	-44	-42
Less: Working capital	-42	-40	-35	-30	-30
<b>Investments (or New borrowing)</b>	<b>64</b>	<b>39</b>	<b>(12)</b>	<b>(37)</b>	<b>(56)</b>

\* finance leases and PFI liabilities that form part of the Authority's debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum investment balance of around £20m for liquidity purposes.
- 3.3 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £50m over the forecast period.
- 3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2014/15.



#### 4. Borrowing Strategy

- 4.1 The Authority currently holds loans of £128m, a decrease of £6m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2014/15. The Authority may however borrow to refinance maturing debt.
- 4.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 4.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 4.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2014/15 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.5 In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.
- 4.6 The approved sources of long-term and short-term borrowing are:
  - Public Works Loan Board
  - UK local authorities
  - any institution approved for investments (see below)
  - any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
  - UK public and private sector pension funds (except Cheshire Pension Fund)
  - capital market bond investors
  - special purpose companies created to enable joint local authority bond issues.
- 4.7 The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.
- 4.8 The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2014/15, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

- 4.9 Short-term and variable rate loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.
- 4.10 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

## 5. Investment Strategy

- 5.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £62m and £118m. Slightly reduced levels are expected to be maintained in the forthcoming year.
- 5.2 Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.
- 5.3 The Authority may invest its surplus funds with any of the counterparties in table 2 below, subject to the cash and time limits shown.

Table 2: Approved Investment Counterparties

Counterparty		Cash limit	Time limit †
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£10m each	10 years*
	AA+		5 years*
	AA		4 years*
	AA-		3 years*
	A+		2 years
	A		1 year
	A-		
The Authority's current account bank (Barclays Bank) if it fails to meet the above criteria		£5m	next day
UK Central Government (irrespective of credit rating)		unlimited	50 years**
UK Local Authorities (irrespective of credit rating)		£10m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher		£10m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings		£10m each	5 years
UK Building Societies without credit ratings		£1m each	1 year
Money market funds		£10m each	n/a
Other pooled funds		£25m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser		£5m each	3 months
		£1m each	1 year
		£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

\* but no longer than 2 years in fixed-term deposits and other illiquid instruments

\*\* but no longer than 5 years in fixed-term deposits and other illiquid instruments

- 5.4 There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the *EU Bank Recovery and Resolution Directive* are implemented.
- 5.5 In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.
- 5.6 **Current Account Bank:** Following a competitive tender exercise held in 2013 and following the announcement by the Co-operative Bank that they will no longer be providing banking services to Local Authorities, the Authority's current accounts are being moved to Barclays Bank which is currently rated above the minimum A- rating in table 2. Should the credit ratings fall below A-, the Authority may continue to deposit surplus cash with Barclays Bank providing that investments that can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).
- 5.7 **Registered Providers:** Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Authority will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

- 5.8 **Building Societies:** The Authority takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Authority's deposits would be paid out in preference to retail depositors. The Authority will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.
- 5.9 **Money Market Funds:** These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 5.10 **Other Pooled Funds:** Table 1 above indicates that the Authority will have substantial cash balances available for investment over the medium term. It will therefore continue to use pooled bond, equity and property funds that offer enhanced returns over the longer term, but are potentially more volatile in the shorter term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly. The Council currently has investments valued at £20.4m in pooled funds managed by Investec.
- 5.11 **Other Organisations:** The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.
- 5.12 **Externally Managed Funds:** Although not currently used, this type of fund, which is managed on a discretionary basis by an appointed fund manager, is an option for future investments. The manager has scope to add value through the use of the investments listed in table 2 and must operate within the same limits. Performance is monitored and measured against the benchmark set for the fund, prevailing economic conditions and investment opportunities.
- 5.13 **Risk Assessment and Credit Ratings:** The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.14 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the

organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

- 5.15 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 5.16 **Specified Investments:** The CLG Guidance defines specified investments as those:
- denominated in pound sterling,
  - due to be repaid within 12 months of arrangement,
  - not defined as capital expenditure by legislation, and
  - invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".
- 5.17 The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.
- 5.18 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

**Table 3: Non-Specified Investment Limits**

	Maximum % of Total Investments	Cash limit
Total long-term investments	50%	£25m
Total investments without credit ratings or rated below A-	50%	£25m
Total investments in foreign countries rated below AA+	15%	£15m
Total non-specified investments	50%	£65m

- 5.19 **Investment Limits:** In order to minimise the Authority's exposure to counterparty risk, the maximum that will be lent to any one organisation (other than the UK Government) will be £15m. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes.

Limits will also be placed on investments in brokers' nominee accounts (*e.g. King & Shaxson*), foreign countries and industry sectors as below:

**Table 4: Investment Limits**

Type of Counterparty	Maximum % of Total Investments	Cash limit
Any single organisation, except the UK Central Government	10%	£10m each
UK Central Government	100%	unlimited
Any group of organisations under the same ownership	10%	£10m per group
Any group of pooled funds under the same management	50%	£25m per manager
Negotiable instruments held in a broker's nominee account	50%	£25m per broker
Foreign countries	20%	£10m per country
Registered Providers	20%	£15m in total
Building Societies	20%	£10m in each
Loans to small businesses	10%	£10m in total
Money Market Funds	50%	£10m in each

**5.20 Approved Instruments:** The Authority may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the Authority may demand repayment at any time (with or without notice),
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £15m in total,
- certificates of deposit,
- bonds, notes, bills, commercial paper and other marketable instruments, and
- shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

**5.21 Liquidity management:** The Authority maintains a cash flow forecasting model to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

## **6. Treasury Management Indicators**

**6.1** The Authority measures and manages its exposures to treasury management risks using the following indicators.

**6.2 Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2014/15	2015/16	2016/17
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

- 6.3 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	35%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

- 6.4 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£25m	£15m	£10m

## 7. Other Items

- 7.1 There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.
- 7.2 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 7.3 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative

counterparty will count against the counterparty credit limit and the relevant foreign country limit.

- 7.5 **Investment Advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by through regular meetings and periodic tendering for services.
- 7.6 **Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed every as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by our treasury management advisers, Arlingclose Limited and other relevant providers.
- 7.7 **Investment of Money Borrowed in Advance of Need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.
- 7.8 The total amount borrowed will not exceed the authorised borrowing limit of £[X] million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

## 8. Financial Implications

- 8.1 The budget for investment income in 2014/15 is £0.2 million, based on an average investment portfolio of £36 million at an interest rate of 0.50%. The budget for debt interest paid in 2014/15 is £5.7 million, based on an average debt portfolio of £128 million at an average interest rate of 4%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.



## Annex A - Arlingclose Economic & Interest Rate Forecast (December 2013)

### Underlying assumptions:

- Growth continues to strengthen with the second estimate for Q3 growth coming in at an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The unemployment rate has fallen to 7.6%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for November has fallen to 2.1%, a much more comfortable position for the MPC. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.
- The reduction in uncertainty and easing of credit conditions have begun to unlock demand, much of which has fed through to the housing market. In response to concerns over a house price bubble, the Bank of England announced a curtailment of the Funding for Lending Scheme, which will henceforth concentrate on business lending only.
- The MPC will not hesitate to use macro prudential and regulatory tools to deal with emerging risks (such as curtailing the FLS). Absent risks to either price stability or financial stability, the MPC will only tighten policy when it is convinced about the sustained durability of economic growth.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Tapering of asset purchases will begin in Q1 2014. The US political deadlock over the debt ceiling will need resolving in Q1 2014.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.
- China data has seen an improvement, easing markets fears. Chinese leaders have signalled possible monetary policy tightening.
- On-going regulatory reform and a focus on bail-in debt restructuring of is likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.

### Forecast:

- Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. The MPC will not raise rates until there is a sustained period of strong growth. However, upside risks weight more heavily at the end of our forecast horizon.
- We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
<b>Official Bank Rate</b>													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
<b>3-month LIBID rate</b>													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.90	0.95
Arlingclose Central Case	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.75	0.80	0.80	0.80
Downside risk			0.05	0.10	0.20	0.30	0.30	0.30	0.30	0.30	-0.35	-0.35	-0.35
<b>1-yr LIBID rate</b>													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
Arlingclose Central Case	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.85	1.95	2.10	2.30	2.50	2.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>10-yr gilt yield</b>													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50	3.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>20-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
<b>50-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80

## Annex B

## Existing Investment &amp; Debt Portfolio Position

	08/01/14 Actual Portfolio £m	08/01/14 Average Rate %
<b>External Borrowing:</b>		
PWLB - Fixed Rate	111	3.97%
PWLB - Variable Rate	0	-
Local Authorities	0	-
LOBO Loans	17	4.54%
<b>Total External Borrowing</b>	<b>128</b>	<b>4.04%</b>
<b>Other Long Term Liabilities:</b>		
PFI	21	-
Finance Leases	6	-
<b>Total Gross External Debt</b>	<b>155</b>	<b>-</b>
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term investments	62	0.61%
Long-term investments	0	-
<i>Managed externally</i>		
Pooled Funds	20	0.05%
<b>Total Investments</b>	<b>82</b>	<b>0.49%</b>
<b>Net Debt</b>	<b>73</b>	<b>-</b>

## Annex C

## Prudential Indicators revisions to 2013/14 and 2014/15 - 2016/17

## 1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

## 2. Gross Debt and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2013/14, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

## 3. Estimates of Capital Expenditure:

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
<b>Total</b>	<b>78.3</b>	<b>164.8</b>	<b>74.1</b>	<b>52.1</b>	<b>147.7</b>

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital receipts	11.3	36.4	22.3	27.9	50.5
Government Grants	42.9	71.8	19.0	19.9	85.3
External Contributions	3.1	16.6	11.5	2.8	11.9
Revenue Contributions	1.0	0.8	1.3	0.2	0
<b>Total Financing</b>	<b>58.3</b>	<b>125.6</b>	<b>54.1</b>	<b>50.8</b>	<b>147.7</b>
Prudential Borrowing	20.0	39.2	19.9	1.3	0
<b>Total Funding</b>	<b>20.0</b>	<b>39.2</b>	<b>19.9</b>	<b>1.3</b>	<b>0.0</b>
<b>Total Financing and Funding</b>	<b>78.3</b>	<b>164.8</b>	<b>74.0</b>	<b>52.1</b>	<b>147.7</b>

#### 4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	%	%	%	%
<b>Total</b>	<b>4.58</b>	<b>4.93</b>	<b>5.76</b>	<b>5.98</b>

#### 5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	£m	£m	£m	£m
<b>Total</b>	<b>203</b>	<b>234</b>	<b>242</b>	<b>252</b>

#### 6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2013		£m
Borrowing		134
Other Long-term Liabilities		27
<b>Total</b>		<b>161</b>

#### 7. Incremental Impact of Capital Investment Decisions:

7.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
	£	£	£
<b>Increase in Band D Council Tax</b>	<b>4.38</b>	<b>10.94</b>	<b>0</b>

## 8. Authorised Limit and Operational Boundary for External Debt:

- 8.1 The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.
- 8.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.
- 8.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).
- 8.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 8.5 The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	2013/2014 Estimate £m	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m
Authorised Limit for Borrowing	212	245	255	265
Authorised Limit for Other Long-Term Liabilities	26	24	23	22
<b>Authorised Limit for External Debt</b>	<b>238</b>	<b>269</b>	<b>278</b>	<b>287</b>
Operational Boundary for Borrowing	202	235	245	255
Operational Boundary for Other Long-Term Liabilities	26	24	23	22
<b>Operational Boundary for External Debt</b>	<b>228</b>	<b>259</b>	<b>268</b>	<b>277</b>

## 9. Adoption of the CIPFA Treasury Management Code:

- 9.1 This indicator demonstrates that the Authority has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 23rd February 2012

*The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.*

#### **10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:**

- 10.1 These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).
- 10.2 The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments

	Existing Level or (Benchmark level) at 07/01/2014	2013/2014 Approved	2014/2015 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/17 Estimate
	%	%	%	%	%	%
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0	100%	100%	100%	100%	100%

- 10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

#### **11. Maturity Structure of Fixed Rate borrowing:**

- 11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.
- 11.3 LOBOs are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs are can be called within 12 months the upper limit for borrowing maturing within 12 months is relatively high to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2014/15.

Maturity structure of fixed rate borrowing	Level as at 31st March 2014 (based on Current Borrowing) %	Lower Limit for 2014/2015 %	Upper Limit for 2014/2015 %
under 12 months	22%	0%	35%
12 months and within 24 months	7%	0%	25%
24 months and within 5 years	14%	0%	35%
5 years and within 10 years	9%	0%	50%
10 years and within 20 years	19%	0%	100%
20 years and within 30 years	8%	0%	100%
30 years and within 40 years	13%	0%	100%
40 years and within 50 years	8%	0%	100%
50 years and above	0%	0%	100%

## 12. Credit Risk:

12.1 The Authority considers security, liquidity and yield, in that order, when making investment decisions.

12.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.

12.3 The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

12.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.



## **Annex D - MRP Statement 2014/15**

The annual Minimum Revenue Provision (MRP) Statement sets out the Council's responsibility to ensure it makes adequate provision for funding the consequences of its capital investment decisions.

Capital expenditure is expenditure that provides ongoing benefits to the Council for a period of longer than 1 year. Accounting rules require that where this capital expenditure is not funded through external contributions, external grants, capital receipts or contributions from revenue budgets it must be charged against the Council's General Fund Balances. The period over which this charge is made should reflect the length of time that the expenditure will provide benefits to the Council.

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

Prior to 2010 the major proportion of MRP relates to the more historic debt liability that was outstanding at the time the Guidance was adopted. This will continue to be charged at the rate of 4%, in accordance with option 1 of the Guidance.

New capital expenditure for each subsequent year will in general be charged in accordance with Option 3 of the Guidance, which recommends that the annual charge should broadly equate to the anticipated life, or period of benefit, which is reflective of the nature of the expenditure. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Charges will commence in the year following the creation of the capital asset, i.e, in the assets first full year of operation.

In the case of long term debtors arising from loans or other types of capital expenditure made by the Council which will be repaid under separate arrangements, there will be no minimum revenue provision made.

For those types of capital expenditure incurred by the Council which are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

The MRP Statement will be submitted to Council before the start of the 2014/15 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

This page is intentionally left blank

## CHESHIRE EAST COUNCIL

### Cabinet

---

**Date of Meeting:** 4<sup>th</sup> February 2014  
**Report of:** Director of Adult Social Care and Independent Living, Brenda Smith  
**Subject/Title:** The Strategic Direction of Travel for Adult Social Care Services – Promoting Open Choice  
**Portfolio Holder:** Cllr. Janet Clowes, Health and Adult Care

---

#### 1.0 Report Summary

1.1 The briefing paper 'Strategic Direction of Travel for Adult Social Care Services – Promoting Open Choice' attached at Appendix 1 focuses on the strategic direction of travel and the market development of regulated social care services for older people in Cheshire East.

1.2 It explains how Adult Social Care and Independent Living will help to deliver the council outcomes identified within the three year plan:

Outcome 1: Our Local Communities are Strong and Supportive  
Outcome 2: Cheshire East has a Growing and Resilient Economy  
Outcome 5: Local People Live Well and for Longer

1.3 The number of people aged 65 and older in Cheshire East Growth is forecast to increase by 49% in the next 16 years. The demographic growth will not be matched by public funding. To respond to these challenges the council recognises that we need to change the way we commission services and work with social care providers. We also believe there are changes needed in the social care market to respond to the changing demographic and economic environment.

1.4 The briefing paper explains how by 'doing things differently' we will:

- do more for less to meet the forecast growth in demand. We will encourage innovation and find new ways of delivering services so that people receive quality services which meet their care needs and deliver outcomes for individuals and for the council.
- enable individuals to control their own care and support and make open choices about how and when they are supported to live their lives.
- increase opportunities for local businesses to compete in the market and ensure that people have a varied care and support market to purchase from.

- 1.5 We will do more for less by stimulating the market to encourage innovation and find new ways of delivering services. By focusing on prevention and early intervention we will help people to stay in their own home and through increased choice we will ensure that people receive personalised care. We will also ensure that our resources are targeted specifically to need and risk – those who are most in need will be prioritised in terms of budget and resources.
- 1.6 We will continue to work with our partners, such as health, housing, education and employment services, sharing our solutions and areas of focus to identify and meet service user needs and outcomes whilst ensuring that they are appropriately safeguarded. As we commission more services in partnership with partners, this will potentially open up wider funding streams for social care, presenting growth opportunities within the wider social care market. Demographic forecasts suggest that the number of people funding their own care will also increase.
- 1.7 Throughout the briefing paper we have chosen to describe the issues that we face rather than prescribe the solutions. This is because we believe that the residents of Cheshire East and the social care providers of Cheshire East know what works and what doesn't and will use their knowledge and expertise to innovate and evolve services to better serve our community. By focusing on new opportunities to deliver services in a different way we will improve outcomes for people at the same time as delivering efficiencies.

## **2.0 Recommendations**

- 2.1 That Cabinet endorse the strategic direction of travel for regulated social care services and authorise officers to take all necessary steps to develop the market of social care services for older people in Cheshire East.
- 2.2 That Cabinet support 'doing things differently'. By doing more for less, enabling individuals to control their own care and support and increasing opportunities for local businesses Cheshire East Council will improve outcomes for people at the same time as delivering efficiencies.

## **3.0 Reasons for Recommendations**

- 3.1 To ensure that individuals can control their own care and support and make open choices about how and when they are supported to live their lives.
- 3.2 To ensure that through market development that we provide opportunities for local businesses to compete and innovate so that people have a varied care and support market to purchase from.

- 3.3 To ensure that individuals receive quality care services which meet their needs and deliver on council outcomes.

#### **4.0 Wards Affected**

- 4.1 All

#### **5.0 Local Ward Members**

- 5.1 All

#### **6.0 Policy Implications**

- 6.1 The recommendations within this report support the delivery of the Cheshire East Council Three Year Plan

Outcome 1: Our Local Communities are Strong and Supportive

Outcome 2: Cheshire East has a Growing and Resilient Economy

Outcome 5: Local People Live Well and for Longer

#### **7.0 Financial Implications**

- 7.1 The recommendations within this report support the delivery of a balanced budget.

#### **8.0 Legal Implications**

- 8.1 As drafted within this report, the precise legal implications have yet to become clear, but are likely to include:

- Issues around personal budgets and the necessity for CEC to comply with public procurement requirements when directly commissioning services.
- Issues in respect of direct payments including the need to comply with legislation and have in place robust administration processes in respect of the same.
- CEC's public sector equality duty under s.149 Equality Act 2010.

Detailed legal advice will be provided in due course once specific measures are identified for consideration by officers.

#### **9.0 Risk Management**

- 9.1 A failure to adopt the proposed strategic direction of travel and support the market development of regulated social care services for older people in Cheshire East may mean that the council cannot meet its statutory duties within the resources available and the council outcomes identified within the three year plan will not be delivered.

- 9.2 The governance of any major change programmes necessary to meet this direction of travel will be managed through Cheshire East Council's Programme Management Office and the Major Change Programme.
- 9.3 People who access care and support services will need to be assured that the services they access are monitored to ensure compliance with agreed quality standards. Cheshire East Council is committing additional resources to develop a Quality Assurance Strategy, Quality Assurance Team and Quality Accreditation Scheme for all social care support and care services including in house direct provision.

## **10.0 Access to Information**

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

Name: Sarah Smith  
Designation: Corporate Commissioning Manager  
Tel No: 01270 371404  
Email: [sarah.smith@cheshireeast.gov.uk](mailto:sarah.smith@cheshireeast.gov.uk)

**Appendix 1** – Report on the Strategic Direction of Travel and Market Development for Adult Social Care Services– Promoting Open Choice

## **The Strategic Direction of Travel and Market Development for Adult Social Care Services – Promoting Open Choice**

### **Introduction**

This briefing paper focuses on the strategic commissioning and the market development of regulated social care services for people in Cheshire East. It explains how Adult Social Care and Independent Living will help to deliver the council outcomes identified within the three year plan:

Outcome 1: Our Local Communities are Strong and Supportive

Outcome 2: Cheshire East has a Growing and Resilient Economy

Outcome 5: Local People Live Well and for Longer

#### So what do we mean by the term strategic commissioning?

Whilst there is no one agreed definition of strategic commissioning essentially commissioning is the strategic activity of identifying need, allocating resources and securing provision to best meet that need, within available means.

#### What are regulated adult social care services?

Regulated adult social care services are the treatment, care and support services for adults in care homes and in people's own homes (both personal and nursing care) which are regulated by the government regulator, the Care Quality Commission (CQC) against the national standards.

#### Who are we commissioning these services for?

Under the Care Bill local authorities will take on new functions. The Care Bill requires the council to support a market that delivers a wide range of sustainable high-quality care and support services that will be available to our communities. This includes those assessed as having critical' or 'substantial' unmet needs under the 'Fair Access to Care' criteria (both those who are fully funded by the council and those who contribute to their care costs) and those who arrange care privately.

#### Why do we need to commission services differently?

To deliver the council outcomes identified within the three year plan the council recognises that we need to change the way we commission services and work with social care providers. The number of people aged 65 and older in Cheshire East Growth is forecast to increase by 49% in the next 16 years. The demographic growth will not be matched by public funding. We believe that there are changes needed in the social care market both to respond to the changing demographic and economic environment and to provide individuals with choice and control over the care that they receive.

- The paper explains how by 'doing things differently' we will do more for less to meet the growth in demand. We will encourage innovation and find new ways of delivering services so that people receive quality services which meet their care needs and deliver outcomes for individuals and for the council.
- The paper explains how by 'doing things differently' individuals will control their own care and support and make open choices about how and when they are supported to live their lives.

- The paper explains how by 'doing things differently' we will increase opportunities for local businesses to compete in the market and ensure that people have a varied care and support market to purchase from.

### **Principles of Commissioning**

It should be no surprise that our first priority, in line with our corporate objective, is that people live well and for longer. We want to support people to remain independent for as long as possible, delaying and in some cases avoiding the need for on going social care services. Encouraging people to stay healthy and supporting communities to be strong and supportive is essential as we know that poor health and social isolation are factors that lead people to require social care services.

The Council actively wants to engage with and listen to communities as equal partners to make a difference. By actively participating in finding solutions for how we make stronger communities now and in the future and by building on local working and existing networks and good practice we will help people to understand the role that they have to play in staying fit and healthy and reduce dependency on services which will be reflected in improving self reported wellbeing – satisfied with life (PHOI 2.23i).

Supporting family carers so that they can maintain their caring role is also critical. Universal services such as advice and information services, leisure and recreation play an important role in supporting people's independence. We believe that a proactive voluntary and community sector is key to supporting people in their communities. We also know that interventions such as telecare and assistive technology can provide the reassurance and support that enable people to retain their independence for longer.

Some older people will inevitably require on-going social care support. Again our priority is to support these people to regain or maintain their independence whenever possible. Services will need to focus on enabling people and move away from passive models of support that create dependencies. Reablement, through a focus on recovery, has delivered significant results helping people regain their independence and reducing demand for social care services. Enablement will be a key characteristic for all services we commission.

Our focus on prevention and enablement may seem contrary to our traditional way of working with the market where providers have been rewarded for the volume of care they provide, and not the outcomes they deliver. However we believe this is an area where the social care market can play a much greater role, and we will work with providers to share the benefits of people achieving greater independence and reducing their reliance on social care services.

Increasingly people who require on-going support are taking personal budgets as direct payments. Providers will need to consider how they will respond to the growing number of people managing their own care via direct payments in order to maximise the potential benefits from this growing market and faster method of receiving payment. We recognise that we will need to work with providers to ensure that people have the information to make informed open choices when arranging and purchasing services for themselves. Improved access to information will be supported by Council investment in a high speed broadband network for Cheshire. The Connecting Cheshire Partnership will ensure that 80,000 (96%) of rural homes and businesses will have access to high-speed broadband by 2016. For others there will still be a need for the council to arrange services on the person's behalf. The council believes that this role could also extend to people who fund their own care, so they can enjoy the same advice and support as those whose services are funded by the council.



We are also clear that personalised care and support is much wider than personal budgets. Personalisation is about how people experience the support they receive on a day to day basis, and the relationships they have with people. We believe that services and support still have further to go to deliver personalised services which are based on needs and aspirations of the individuals receiving them.

As commissioners we need to ensure that we make best use of the public money we have available to us, and we will work hard to achieve an appropriate balance between price and quality in our contractual arrangements with the market. We see this as being central to our vision of having a sustainable competitive social care market that encourages new and innovative ways of delivering support to meet our corporate objectives that People Live Well and For Longer and that Our Local Communities are Strong and Supportive.

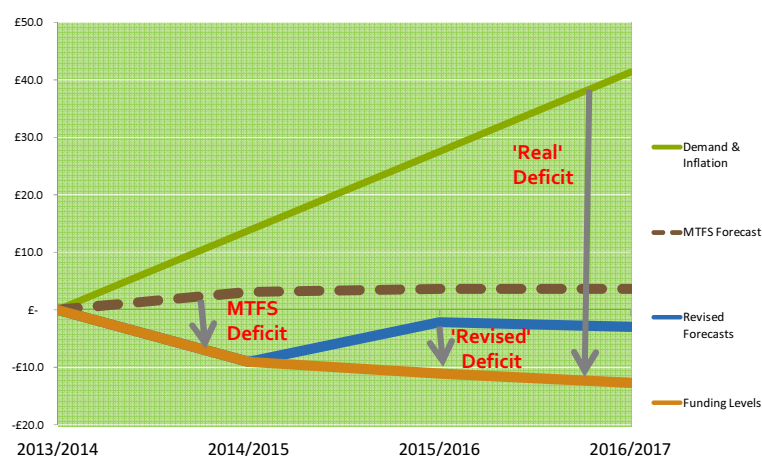
To meet the challenges that we face the future commissioning of all services will mean ‘**doing things differently**’ and will be underpinned by three key principles:

- 1) **Doing things differently – doing more for less** and find new ways of delivering services so that we do not have to reduce services and can where possible increase capacity within our resources to meet increased demand. Qualitative research has found many examples of personal budget users finding new innovative ways to meet their care needs. There are also a range of potential approaches to larger contracts including “gain share” arrangements (the council shares any benefits of package efficiencies with providers) and “payment by results” agreements (providers are rewarded for achieving an agreed set of outcomes) that we will explore with the market
- 2) **Doing things differently – encouraging personalisation** both for those who come through our door and those who arrange care privately. Personalisation means thinking about public services and social care in a different way – starting with the person and their individual circumstances rather than the service. Personalisation means recognising people as individuals who have strengths and preferences and putting them at the centre of their own care and support. The traditional service-led approach has often meant that people have not been able to shape the kind of support they need, or receive the right kind of help. Personalised approaches such as self-directed support and personal budgets involve enabling people to identify their own needs and make open choices about how and when they are supported to live their lives. We need individuals to be self-reliant and take personal responsibility for their quality of life within strong and supportive communities.
- 3) **Doing things differently – encouraging open choice for users** based on the development of a competitive provider market. This is normally seen when, as a result of market stimulation, new providers enter the market, poor performers are taken over or exit the market, and in product and service innovation. The local authority role is changing from one of delivering services directly or commissioning them to one of overseeing local care markets to ensure that they are delivering the required outcomes for individuals and the local population. We want to encourage new entrants, stimulate the development of new products, and promote competition so people have a varied care and support market to purchase from and the market is more dynamic – this will also help to ensure that Cheshire East has a strong and resilient economy. Whilst we will be looking towards competition as a means of controlling costs and improving the diversity of provision, we are also aware of the need to maintain and improve quality. People who access care and support services will need to be assured that the services they access are monitored to ensure compliance with agreed quality standards. Cheshire East Council is committing additional resources to develop a Quality Assurance Strategy, Quality Assurance Team and Quality Accreditation Scheme for all social care support and care services, including in house direct provision, to ensure that there is effective

monitoring and quality assurance of adult social care services for the people of Cheshire East.

## Challenges and Opportunities

As you will be aware the council is facing unprecedented challenges. Cheshire East Council receives lower levels of funding from central government than other comparable councils and the budget available to the council for social care is diminishing. At the same time we are forecasting growth of 49% in the number of people aged 65 and older in Cheshire East in the next 16 years. The demographic growth will not be matched by public funding meaning that the current pattern of services and investment is unsustainable. This challenge is illustrated in the graph below.



Graph 1 – illustrates how demand from demographic growth will not be matched by public funding meaning that the current pattern of services and investment is unsustainable and must change

Basically unless things change dramatically the demographic change – more children, more older people – will soak up every penny the authority has with the council unable to provide any services except adult social care and children's services. No libraries, no parks, no leisure centres – not even bin collections. To effectively manage the forecast growth in demand in Cheshire East we will do more for less by stimulating the market to encourage innovation and find new ways of delivering services. By jointly developing services with the people that will use them we will increase choice and ensure that people receive personalised care. We will encourage individuals and communities to take responsibility for themselves where they can. By ensuring that people know how to stay well and healthy and where to go for early help and advice we will help people to stay in their own home. When services are needed we will ensure that these are available irrespective of whether we support people financially or if they are a self funder. We will ensure that our resources are targeted specifically to need and risk – those who are most in need will be prioritised in terms of budget and resources.

Although our budget may be decreasing, the wider social care market still presents considerable growth opportunities. We will continue to work with our partners, such as health, housing, education and employment services, sharing our solutions and areas of focus to identify and meet service user needs and outcomes whilst ensuring that they are appropriately safeguarded. As we commission more services in partnership with partners, we will coordinate our planning and activity to ensure that budgets are used in a coordinated way to make the collective pot go further and still achieve key outcomes. This will potentially open up wider funding streams for social care providers. Demographic forecasts suggest that the number of people funding and purchasing their own care will also increase. Throughout this document we have chosen to describe the issues that we face rather than

prescribe the solutions. This is because we believe that the residents of Cheshire East and the social care providers of Cheshire East know what works and what doesn't and will use their knowledge and expertise to innovate and evolve services to better serve our community. By focusing on new opportunities to deliver services in a different way we will improve outcomes for people at the same time as delivering efficiencies.

### **Current and Future Demand**

Cheshire East has a population of 372,000 and an area of 116,638 hectares. In addition to Cheshire West and Chester on the west, Cheshire East is bounded by the Manchester conurbation to the north and east, and Stoke-on Trent to the south. It contains the major towns of Crewe, Macclesfield, Congleton and the commuter town of Wilmslow (population above 20,000). There are also a number of other significant centres of population (over 10,000) in Sandbach, Poynton, Nantwich, Middlewich, Knutsford and Alsager. With few large conurbations the borough otherwise comprises a mixture of smaller market towns and more isolated rural villages. This mixture of rural/urban presents particular challenges in delivering cost-effective services close to individuals and their neighbourhoods.

In 2010 there were 83,300 older people aged 65+ in Cheshire East (Office for National Statistics indicative population estimates 2010). Estimates suggest that in 2012 5,234 (6%) older people were living with dementia and 33,154 (40%) with a limiting long term illness. The population of Cheshire East is forecast to grow modestly over the next 30 years rising from 362,700 in 2009 to 384,000 in 2029, however, the age structure of the population is forecast to change significantly with a 8% reduction in young people (0-15), a 12% reduction in working age people (16-59 Female, 16-64 Male) and a 42% increase in people of retirement age (60/65+), with the number of older people (85+) increasing by around 92%. As the prevalence of dementia increases with age, the number of older people with dementia is anticipated to increase by 28% by 2020. The significant changes in demographic in Cheshire East will have direct implications for adult social care.

Currently Cheshire East Council supports 5635 older people with social care needs. This is defined as people having difficulty with or requiring help with domestic or personal care tasks. There are estimated to be a further 3500 older people with care needs who are supported by family and friends, or who are privately funding their own care.

The financial circumstances of the older population will have an impact on the proportion of the social care market that is "council funded" and the proportion that people purchase themselves without council support. 11,130 of older people in Cheshire East were claiming pension credits (Department of Work and Pensions, May 2013). To be eligible for this additional benefit you must be a pensioner with an income of less than £145.40 for single people or £225.05 for couples. These residents are therefore more likely to be reliant on some form of council funding should they need social care services.

90.6% of retired residents in Cheshire East are estimated to be owner occupiers. There will be opportunities for local businesses to develop innovative, personalised, care services for this potential market as more people consider how they can utilise their assets to plan for their future care needs.

Social isolation is a key determinant in people requiring social care support and we estimate that 37% of those aged 65+ and 50% of those aged 75+ are living alone. Whilst living on your own does not necessarily equal social isolation it is an important factor alongside others. The community and voluntary sector has an important role in supporting people within their communities and tackling social isolation. The number of people living alone in large properties also presents opportunities to consider how these assets could be better utilised to support people who feel isolated – i.e. through moving to more communal living

environments. Local research tells us that widowhood is often a factor in people entering registered care as people struggle to take on the tasks their spouses used to undertake whilst also coping with their loss. We believe that there is an opportunity for providers to develop services to support people through this difficult period of their life.

Our research also suggests that there is a general lack of knowledge about the services and support available to older people, particularly at the critical stages of their lives. Information and advice needs to be tailored and available at the right time for people throughout their life and be available for all including those funding their own care, and the Council is actively engaged in commissioning such services.

### **Local Supply and Commissioning**

The Council spent £123 million (net) on social care services in 2012/13, of which 88% was spent on the direct provision of care services. This expenditure is similar to other comparable local authorities. £31 million (25%) was spent on residential and nursing care services for older people, £27 million (19%) on learning disability services, £17.5 million (14%) on Care4CE (in house provider services), £14.3 million (12%) on cash payments, £8.2 million (7%) on domiciliary care, £7.5 million (6%) on housing support services and £2.5 million (2%) on transport to and from services. In addition to this Cheshire East spent £3.4 million (3%) on early intervention and prevention services, with community and voluntary organisations in 2012/13. We would like to continue to shift this balance so that a greater proportion of the budget is spent on preventative services and through cash payments, and a smaller proportion is spent on registered care. We are moving into a time where increasing numbers of people are taking cash payments, and joining the substantial amount of “self funders” in Cheshire East to purchase services directly from the market. As a result we need to redefine our relationship encouraging a competitive market that offers greater open choice and control for consumers.

The Council undertook 3838 new assessments for older people during the year 2012/13. The average age on which a service user enters the social care system is 73. The number of older people Cheshire East is supporting has remained consistent over the last three years; however the needs of the people we are supporting appears to have changed with the proportion of people requiring care packages of more than 15 hours per week increasing.

#### **Telecare, equipment and adaptations**

- Telecare, equipment and adaptations are critical in supporting people to remain independent for as long as possible and reducing the need for on going care and support.
- 1624 older people received adaptations in 2012/13, of which 431 were self funded, whilst a further 1260 received equipment.
- 1250 customers currently receive telecare in Cheshire East and it is projected that there will be a steady increase to 2,250 customers by March 2016.

#### **Reablement**

- Cheshire East has also increased the use of reablement services to help people learn or relearn the skills necessary for daily living which may have been lost through deterioration in health and/or social abilities of daily living which has led to increased support needs.
- Reablement is our first response offer to individuals who access adult social care and is delivered for up to 6 weeks within the persons own home to restore people's ability to perform usual activities and improve their perceived quality of life.
- Over 1,123 older people completed a period of reablement in 2012/13, of which 40% achieved a positive outcome of either needing no support, or having reduced care needs on completion.

- We believe the success of telecare and reablement has contributed to the reduced demand for lower level home care services.

#### Domiciliary Care

- Cheshire East Council is committed to helping people to stay in their own homes and remain as active and independent as possible.
- Domiciliary Care is one of the range of care and support services provided in peoples own home to enable them to remain independent. These services can range from a short call to assist with medication up to 24 hour live-in care.
- In 2011/12 995,000 hours of domiciliary care were delivered to 764 service users at a cost of £16.5 million. 97% of these hours were provided by the independent sector.
- In response to customer demand the Council are committed to developing this type of care provision as an alternative to residential based care services.
- As at December 2013 2,464 older people are being supported by 71 domiciliary care providers.
- Of these the council directly commission the care for 1,414 older people
- A further 1,050 people currently receive cash payments to organise their own support, the majority of which are spending their personal budgets on traditional social care services, particularly domiciliary care.
- Having already removed the domiciliary care block contract arrangements and increased the uptake of domiciliary care through the current financial year the Council wants to make it easier for existing and new providers to enter the market and work with us via framework agreements.
- We also expect the amount Cheshire East spends via cash payments to increase together with the demand for a more personalised service offer as the market expands and expectations of future generations change and they move away from traditional care services.

#### Residential and Nursing Care

- There are 102 care homes with 4032 registered care beds available for older people in Cheshire East.
- This is more than double the rate per head of the population (21 beds per 1,000 people aged 65+) compared to the national average (45.2 beds per 1,000).
- The Council is commissioning 40% the available beds in the market in Cheshire East, and 60% are being commissioned by self funders or other authorities.
- This poses a risk to the authority with self-funders risk falling back on council provision if they run out of money, or if they make poorly informed decisions.
- Historically Cheshire East has had a comparably higher spend on residential and nursing care than the average for similar authorities but our expenditure on registered care is beginning to fall.
- Currently at December 2013 Cheshire East support 1319 older people in residential or nursing care.
- Spend on permanent admissions into registered care for older people has reduced by 3% from £31,910,195 in 2011/12 to £30,963,381 in 2012/13 and there has been a corresponding increase on spend on community services.
- The average age on admission into a registered care setting is 83.

The table below shows the distribution of all registered residential care placements for older people by the locality of the registered care home.

Lap Area	Total number of homes	Total number of beds	Total number of nursing beds	Total number of residential beds
Congleton	27	888	495	393
Crewe	16	591	440	151
Knutsford	7	491	451	40
Macclesfield	24	812	475	337
Nantwich	11	445	297	148
Poynton	10	439	244	195
Wilmslow	7	366	308	58

Table 2 - Distribution of all registered residential care placements for older people by the locality of the registered care home.

## Commissioning Intentions

Cheshire East Council is committed to facilitating people to live independent, healthier and more fulfilled lives

We will do this by:

**Increasing the percentage of people enabled to remain living independently in the community** - we will commission with health partners to prevent unnecessary admissions into hospital. The majority of older people who require intensive social care support have come to us via a hospital admission and we plan now to commission services to avoid this. As a result we will be commissioning many of these services jointly to prevent avoidable hospital admission and services that successfully maintain people in their own homes. We will also commission with health partners services and support that promote an earlier safe discharge from hospital including intermediate care and reablement services.

**Increasing the proportion of community-based service users able to stay in their own home** - in addition to providing reablement for people leaving hospital we will continue to provide community reablement for all appropriate new people requiring social care support. Over 1,123 older people completed a reablement package in 2012/13 and we are actively exploring how predicted increases in future demand for this service can be met. We have been successfully promoting assistive technology and are beginning to see that this is having an impact in improving independence and reducing the need for on-going services. We believe that providers should be incorporating assistive technology as part of their offering to service users and will seek provider views on how we can incentivise this approach. We will also continue to increase the proportion of council expenditure that is used to purchase Domiciliary Care, the range of care and support services provided in peoples own home to enable them to remain independent.

**Delivering home adaptations for older and/or disabled residents** - 1624 older people received adaptations in 2012/13, of which 431 were self funded. We will continue to deliver home adaptations for older and/or disabled residents to enable them to live independent, healthier and more fulfilled lives.

**Supporting people with dementia to retain their independence for as long as possible and enjoy a good quality of life** – The growth in people experiencing dementia presents probably the greatest challenge for health and social care services. Having a workforce with the skills and knowledge to support people with dementia is therefore a requirement for all providers working with older people. Supporting people in the familiar settings of their own homes can reduce the numbers prematurely entering long term care. Providers can play an important role working alongside health professionals to ensure the early identification of

dementia, and the provision of appropriate support to delay and minimise the impact of this condition. For people in the later stages of dementia, registered care settings play an important role in supporting people to live well and with dignity.

**Reducing the number of Council supported permanent admissions to residential and nursing care per 100,000 population (ASCOF 2A)** – The numbers of older people supported by Cheshire East in registered residential and nursing care has reduced by 3% since 2012, despite increased demographic pressures, with people being admitted later in life and staying for shorter periods. Whilst we do not believe that we need more residential care we may need to consider the models of care that is provided and how it is distributed throughout Cheshire East. We are unlikely to support planning applications for registered care homes in areas where we believe there is an already an over-supply unless the application is to remodel existing provision to make it more fit for purpose, or the proposed development will better meet specific unmet needs within the area. As part of our on-going engagement with the market we would welcome discussions with providers about their ideas for potential developments so that we can give an early indication about whether we are likely to support an application and hence avoid unnecessary costs to providers at a later stage. We will also seek to utilise residential and nursing care home capacity to provide respite breaks for carers, where this has been assessed as an eligible need through a carer's assessment, or short term placements to avert a crisis or provide a period of recuperation from hospital or illness.

**Supporting good quality registered nursing care is available for physically and mentally frail older people who need it** –the supply of nursing care will need to match the increasingly complex needs of people requiring registered care. We will look to commission this service in partnership with health colleagues wherever possible.

**Increasing the number of social care clients receiving self-directed support** - 1050 older people receiving on-going care services are receiving their personal budget via a direct payment and arranging their own care, however the majority of older people are using their money to purchase traditional domiciliary care services and we believe that there is an opportunity to work with the market to increase open choice and to develop a truly personalised offer to consumers. Improved access to information will be supported by Council investment in a high speed broadband network for Cheshire. The Connecting Cheshire Partnership will ensure that 80,000 (96%) of rural homes and businesses will have access to high-speed broadband by 2016.

**Increase alternatives to registered care by working jointly with Housing Authorities and the housing market** - the Local Plan sets out the overall vision and strategy for planning in the Borough. It outlines how Cheshire East will deliver 'Sustainable, Jobs-led Growth and Sustainable, Vibrant Communities' through the development of 27,000 new homes by 2030 and 20,000 jobs in the longer-term. We will ensure that the supply of homes which meet requirements of those who are physically frail or disabled whilst the Vulnerable Persons Housing Strategy outlines how we will meet the housing needs of specific client groups within Cheshire East.

**Improving self reported wellbeing – satisfied with life (PHOI 2.23i)** - It should be no surprise that our first priority, in line with our corporate objective, is that people live well and for longer. We want to support people to remain independent for as long as possible, delaying and in some cases avoiding the need for on going social care services. The Council actively wants to engage with and listen to communities as equal partners to make a difference. By actively participating in finding solutions for how we make stronger communities now and in the future and by building on local working and existing networks and good practice we will help people to understand the role that they have to play in staying

fit and healthy and reduce dependency on services. One way in which we will measure our success is through improved self reported wellbeing – satisfied with life (PHOI 2.23i)

**Improving Carer reported quality of life (ASCOF 1D)** - in 2012/2013 we assessed the needs of 2,912 carer. Of those who were assessed 2,252 cared for someone aged 65 and over. Carers tell us that they need a range of support from advice and information; practical help; support to enable them to continue with employment and learning; and breaks that allow them to sustain their caring role. In 2012/13 the Council spent £533,032.65 on carer's services in the voluntary and community sector which consisted of 17 direct access schemes focused exclusively on supporting carers. The Council will also seek to increase the use of carer direct payments. The impact of these measures will be reported in improved Carer reported quality of life.

**Improve Public Protection and Safeguarding** - between April 2013 and March 2016, 90% of safeguarding indicators will be in the top 50% of England.

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

Name: Sarah Smith  
Designation: Corporate Commissioning Manager  
Tel No: 01270 371404  
Email: [sarah.smith@cheshireeast.gov.uk](mailto:sarah.smith@cheshireeast.gov.uk)



## CHESHIRE EAST COUNCIL

### Cabinet

---

**Date of Meeting:** 4<sup>th</sup> February 2014  
**Report of:** Director of Adult Social Care and Independent Living, Brenda Smith  
**Subject/Title:** Adult Social Care – Strategic Direction of Travel – Informal Support to Address Prevention and Early Intervention  
**Portfolio Holders:** Cllr Janet Clowes, Health and Adult Care

---

#### 1.0 Report Summary

##### **The Direction of Travel for Informal Support to Prevention and Early Intervention**

- 1.1 The vision for the future is for the Council and partners to enable adults to be self-reliant and healthy for as much of their lives as possible. The goal is to make Cheshire East a place where strong empowered communities, including businesses, create that self-reliance.
- 1.2 In this context the informal support for vulnerable adults and their carers needs to change to maximise the opportunities for self-reliance, independence, and healthy lives. This report summarises the proposed strategic direction of travel for informal support to address prevention and early intervention for people with social care eligible needs.
- 1.3 The recommendations within this report support the delivery of the Cheshire East Council Three Year Plan:
  - Outcome 1: Our Local Communities are Strong and Supportive
  - Outcome 2: Cheshire East has a Growing and Resilient Economy
  - Outcome 5: Local People Live Well and for Longer
- 1.4 Quality informal support is needed that meets the objectives of:
  - encouraging prevention of ill-health or dependency
  - accessing early help and advice to maintain or regain health and independence
  - promoting self-reliance and community inclusion to increase well-being
  - personalisation and promoting open choice
- 1.5 This paper seeks endorsement of the strategic the direction of travel for this informal support to ensure its contribution to these objectives. Changes are

needed to the ethos and objectives of informal support to help more citizens to avoid or delay a loss of independence. It will also enhance well-being both physical and emotional. The majority of vulnerable adults express a wish to be as independent as possible. This requires:

A substantially increased range of options in a diverse market that enable self-help, self-reliance and healthy lives

A wide range of options so that personalised open choices can be made

An ethos that positively promotes self-reliance and healthy lives

Access to quality, timely, information and advice to encourage effective and personalised open choices

Personalised budgets – so that individuals with eligible social care needs can buy what they prefer to meet those needs

Commissioning with or seeking alignment from a range of partners and service areas who can also refocus (redesign) their resources to contribute to the self-reliance and healthy lives objectives. This must maximise all of the assets in Cheshire East including commercial enterprises as well as public, voluntary and faith sectors.

- 1.6 To deliver on the direction of travel strategic commissioning capacity will focus on developing:-

A wider range of appropriate support options in all localities, for different needs and preferences and using all potential providers/contributors in a diverse market

Personalised budgets

Accessible, quality advice and information

- 1.7 Market development needs to maximise all potential routes for support including for example existing commercial businesses, new businesses, social enterprises (and similar), voluntary groups, faith groups, interest groups, tenant groups, civic societies, town and parish councils etc.
- 1.8 It is well-established that prevention and early intervention is the best means of contributing to healthy lives. The wider determinants of health include transport, noise, violence, housing, fuel poverty and use of outdoor space. In addition social isolation is recognised as a factor that will increase the likelihood of a need for support. The market developments will ensure all these factors are addressed within the informal support system.
- 1.9 The principles of personalisation as reiterated in the Care Bill enable the right options to be available to meet the individual's needs and preferences thus increasing the achievement of good outcomes. Those principles include:-

Personal budgets so that people can choose support that helps them meet the outcomes they want to achieve

A wide range of choices for support to ensure real choice and tailoring to an individual

Less services that are for 'a group', more that are individualised

- 1.10 The Care Bill includes specific responsibilities for Local Authorities in respect of Prevention and Early Intervention which this direction of travel will address.

Specifically the Care Bill requires that Local Authorities:

ensure services are available to prevent care needs becoming more serious

ensure people can access information to make decisions about care and support

ensure people have a good range of providers to choose from

## **2.0 Recommendations**

- 2.1 That Cabinet full endorse and support the implementation of this clear strategic direction of travel for informal support. This addresses prevention and early intervention for adults with social care needs and delivers Council Plan outcomes.
- 2.2 That officers are authorised to take all necessary steps to implement the proposed strategic direction of travel.

## **3.0 Reasons for Recommendations**

The Current Informal Support Market Position – High Level Assessment  
General Support for All Vulnerable Adults

### **3.1 Advice and Information**

Some good advice and information is available but overall this support is patchy, duplicative, silo-based and not universally accessible. It has not been subject to a strategic commissioning approach. The result is that some vulnerable people and their carers may be missing opportunities to increase independence and well-being.

### **3.2 Community Inclusion and Diverse Social Networks**

All vulnerable adults need opportunities to participate in the community and enjoy supportive and diverse social contacts. Adults who may require social

care can sometimes be isolated from these opportunities because of the way that support is designed. Support can tend to group people based on their vulnerability rather than exploring ways to engage in the community.

### **3.3 Older People**

- 3.3.1 There is a generally traditional set of options available that individuals are 'fitted into' in groups rather than options that are tailored to the individual. Often these options are designed for doing things for people rather than helping them to do themselves, this can encourage further loss of capacity and diminishing self-reliance.
- 3.3.2 There are only a small number of options that actively promote self-help and self-reliance, early intervention/prevention and healthy ageing.
- 3.3.3 There is some activity dedicated to ensuring the contribution of older people in communities is valued and that individuals can fully participate and are not socially isolated. However this is an area that needs to be expanded.

### **3.2 Learning Disability**

- 3.2.1 Activity that increases social inclusion and community support is under-developed, but there are good examples where individuals are being supported in the community informally.
- 3.2.2 There are good examples of a more tailored approach using personal budgets for people with learning disability but these are relatively limited at present.
- 3.2.3 Individuals who could be more self-reliant, for example cooking for themselves, can instead receive care that does things for them rather than teaches them how to do for themselves. Informal support can provide new skills and learning to increase independence and well-being.
- 3.2.4 Assistive technologies have not yet been fully exploited to enable adults with learning disability to gain greater independence and self-reliance. A pilot of assistive technology use for these adults is about to commence. Occupational opportunities and supported employment offers some individuals the option of work-based day activity.

### **3.3 Mental Health**

- 3.3.1 The informal support options for people with mental health needs are under-developed. One of the key strengths locally is the use of a recovery model of intervention. However for recovery to sustain people need to then access

ways of building up their skills and capacity for example so that they can gain employment. It is this type of support that could be enhanced in the new direction of travel.

#### **4.0 Wards Affected**

4.1 All

#### **5.0 Local Ward Members**

5.1 All

#### **6.0 Policy Implications**

6.1 The recommendations within this report support the delivery of the Cheshire East Council Three Year Plan:

Outcome 1: Our Local Communities are Strong and Supportive

Outcome 2: Cheshire East has a Growing and Resilient Economy

Outcome 5: Local People Live Well and for Longer

#### **7.0 Financial Implications**

The Adult Social Care departments of all Councils face the same dilemma of how to cope with increasing demand with reduced resources. Increasing self reliance and ensuring people remain healthy for longer contributes towards solving this funding problem. The direction of travel is therefore closely aligned with the financial direction of travel.

#### **8.0 Legal Implications**

8.1 'As drafted within this report, the precise legal implications have yet to be crystallized, but will likely include:

1. Issues around personal budgets and the necessity for CEC to comply with public procurement requirements when directly commissioning services.
2. Issues in respect of direct payments including the need to comply with legislation and have in place robust administration processes in respect of the same.
3. CEC's public sector equality duty under s.149 Equality Act 2010.

Detailed legal advice will be provided in due course once specific measures are identified for consideration by officers.'

## **9.0 Risk Management**

- 9.1 The direction of travel proposed seeks to strongly contribute to the Council 3 year plan outcomes. There is a risk that these outcomes would not be fully achieved without this change to the adult social care direction of travel.
- 9.2 The implementation of any major change programmes necessary to meet this direction of travel will be managed through the Council's TEG and EMB project management processes.

## **10 Access to Information**

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

Name: Ann Riley  
Designation: Corporate Commissioning Manager  
Tel No: 01270 371406  
Email: [ann.riley@cheshireeast.gov.uk](mailto:ann.riley@cheshireeast.gov.uk)

Appendix 1 – Background report on the direction of travel proposed.

Appendix 1 - Cabinet Report – Unregulated and Informal Support – Strategic  
Direction of Travel and Market Development - Adult Social Care

OUTCOME 1: OUR LOCAL COMMUNITIES ARE STRONG AND SUPPORTIVE

OUTCOME 2: CHESHIRE EAST HAS A GROWING AND RESILIENT ECONOMY

OUTCOME 5: LOCAL PEOPLE LIVE WELL AND FOR LONGER

**1. Adult Social Care – Delivering on Council Outcomes  
- The Direction of Travel for Non-Regulated, Informal Support**

The blue print for the future is for the Council and partners to enable adults to be self-reliant and healthy for as much of their lives as possible. The goal is to make Cheshire East a place where strong communities, including businesses, create that self-reliance.

In this context the informal and unregulated support for vulnerable adults and their carers needs to change to maximise the opportunities for self-reliance, independence, and healthy lives. This report summarises the proposed strategic direction of travel for non-regulated, informal support for people with social care eligible needs.

Quality informal support is needed that meets the objectives of:

- encouraging prevention of ill-health or dependency
- accessing early help to maintain or regain health and independence
- promoting self-reliance and community inclusion to increase well-being
- personalisation and open choice

This paper outlines the direction of travel for this informal support to ensure its contribution to these objectives. Changes are needed to the ethos and objectives of informal support to help more citizens to avoid or delay a loss of independence. It will also enhance well-being both physical and emotional. The majority of vulnerable adults express a wish to be as independent as possible.

This requires:

- A substantially increased range of options in a diverse market that enable self-help, self-reliance and healthy lives
- A wide range of options so that personalised open choices can be made
- An ethos that positively promotes self-reliance and healthy lives

- Access to quality, timely, information and advice to encourage effective and personalised open choices
- Personalised budgets – so that individuals with eligible social care needs can buy what they prefer to meet those needs
- Commissioning with or seeking alignment from a range of partners and service areas who can also refocus (redesign) their resources to contribute to the self-reliance and healthy lives objectives. This must maximise all of the assets in Cheshire East including commercial enterprises as well as public, voluntary and faith sectors.

## **2. Strategic Commissioning Intentions – To Fit the Direction of Travel**

To deliver on the direction of travel strategic commissioning capacity will focus on developing:-

- A wider range of appropriate support options in all localities, for different needs and preferences and using all potential providers/contributors
- Personalised budgets
- Accessible, quality advice and information

Market development needs to maximise all potential routes for support including for example existing commercial businesses, new businesses, social enterprises (and similar), voluntary groups, faith groups, interest groups, tenant groups, civic societies, town and parish councils etc.

An illustration would be encouraging local pubs, restaurants, hotels, social clubs, leisure facilities etc. to tailor new 'offers' to vulnerable people and interest groups to provide daytime activity opportunities that people specifically want. Individuals can pay for those activities with personal budgets. This helps local businesses and community facilities to thrive and grow at the same time as providing personalisation and open choice. There are local examples of this but currently they are a very small part of the market for support. Growing new examples or expanding good examples has not been a commissioning priority; this will be prioritised in future to deliver on the direction of travel.

It is well-established that prevention and early intervention is the best means of contributing to healthy lives. The wider determinants of health include transport, noise, violence, housing, fuel poverty and use of outdoor space. In addition social isolation is recognised as a factor that will increase the likelihood of a need for support. The market developments will ensure all these factors are addressed within the informal support system.



### **3. The Current Informal Support Market Position – High Level Assessment**

#### **General Support for All Vulnerable Adults**

##### **3.1 Advice and Information**

Some good advice and information is available but overall this support is patchy, duplicative, silo-based and not universally accessible. It has not been subject to a strategic commissioning approach. The result is that some vulnerable people and their carers may be missing (not having) opportunities to increase independence and well-being.

##### **3.2 Community Inclusion and Diverse Social Networks**

All vulnerable adults need opportunities to participate in the community and enjoy supportive and diverse social contacts. Adults who may require social care can sometimes be isolated from these opportunities because of the way that support is designed. Support can tend to group people based on their vulnerability rather than exploring ways to engage in the community.

##### **3.3 Older People**

There is a generally traditional set of options available that individuals are 'fitted into' in groups rather than options that are tailored to the individual. Often these options are designed for doing things for people rather than helping them to do themselves, this can encourage further loss of capacity and diminishing self-reliance.

There are only a small number of options that actively promote self-help and self-reliance, early intervention/prevention and healthy ageing.

There is little activity dedicated to ensuring the contribution of older people in communities is valued and that individuals can fully participate and are not socially isolated.

##### **3.2 Learning Disability**

Activity that increases social inclusion and community support is under-developed, but there are good examples where individuals are being supported in the community informally.

There are good examples of a more tailored approach using personal budgets for people with learning disability but these are relatively limited at present.

Individuals who could be more self-reliant, for example cooking for themselves, can instead receive care that does things for them rather than teaches them how to do for themselves. Informal support can provide new skills and learning to increase independence and well-being.

Assistive technologies have not yet been fully exploited to enable adults with learning disability to gain greater independence and self-reliance. A pilot of assistive technology use for these adults is about to commence. Occupational opportunities and supported employment offers some individuals the option of work-based day activity.

### **3.3 Mental Health**

The informal support options for people with mental health needs are under-developed. One of the key strengths locally is the use of a recovery model of intervention. However for recovery to sustain people need to then access ways of building up their skills and capacity for example so that they can gain employment. It is this type of support that could be enhanced in the new direction of travel.

## **4. ProgressTo Date on Developing the Informal Support Market that Could Meet the Direction of Travel**

There are a number of key changes that have already been made that can support the future direction of travel, for example:

- There has been a tendering process to move investment in informal support into a more coherent and commissioned network; historically grants had been given. This has created some of the market shaping needed to deliver on the direction of travel but is only a small portion of the assets in Cheshire East. There is a current further retendering of that support to continue to ensure that the support is developing in the right ways. Currently these support options are provided through the voluntary sector.
- Adult Social Care staff provide a 'matching' service between an individual and informal support opportunities. This provides a personalised approach tailored to what the person wants to achieve. This staff capacity is limited but very effective. This tested model could be expanded, by remodelling of investments, to further deliver on the new direction of travel.

- There has been an increase in the numbers of people with personal budgets over the last three years. This has laid good foundations for expanding a personalised approach that offers open choice.

## **5. Commissioning - Next Steps**

### **Developing an Informal System of Support that Builds Self-reliance, Independence, and Healthy Lives**

This will be an on-going piece of commissioning work over the next two years to implement the direction of travel changes across all vulnerable groups. The current informal support assets in Cheshire East will be included in a review to provide a detailed position statement. Businesses, communities, voluntary and faith and all public agencies will be considered for their contribution to the objectives. This will then inform a detailed commissioning plan to develop the future informal support market to meet the objectives of self-reliance, independence and healthy lives.

Some of the key elements of the support needed are outlined below.

#### **5.1 Advice and Information**

A coherent advice and information system will be commissioned, ideally across the public, voluntary and business sectors. The system needs to be resourced to provide regularly updated and localised information. This should include the range of informal support options and how they can enable self-reliance, independence, and healthy lives.

#### **5.2 Community Inclusion and Diverse Social Networks**

All vulnerable adults need opportunities to participate in the community and enjoy supportive and diverse social contacts. Adults who may require social care can sometimes be isolated from these opportunities because of the way that support is designed. Support can tend to group people based on their vulnerability rather than exploring ways to engage in the community.

#### **5.3 Older People**

- Attitudes/culture  
Building support and culture that is 'asset' based i.e. focusing on what older people can do and the informal support they can access
- A substantially increased range of options, in a diverse market, that enable self-help, self-reliance and healthy lives and provide for personalised open

choices. These options will address a range of needs for example (not exhaustive):-

Dementia

- dementia friendly communities
- piloting preventative interventions

Physical health and well-being

- Physical activity and daily tasks to maintain strength and capacity to be self-reliant/independent
- Healthy eating

Emotional well-being

- Countering the risk of social isolation
- Enabling open choice and control
- Enabling independence

## 5.4 Learning Disability

The Learning Disability Lifecourse Review will produce ideas for informal support options that can be developed or enhanced to meet the direction of travel.

Key areas for development:

- Attitudes/culture
  - Building support and culture that is 'asset' based i.e. focusing on what people with Learning Disability can do and the informal support they can access
- A substantially increased range of options, in a diverse market, that enable self-help, self-reliance and healthy lives and provide for personalised open choices. These will address a range of needs for example (not exhaustive):-

Physical health and well-being

- Physical activity and daily living skills to build self-reliant/independent lives
- Healthy eating

Emotional well-being

- Community inclusion
- Enabling open choice and control
- Enabling independence
- Using assistive technologies to increase independence

## **5.5 Mental Health**

Promoting good mental health is a priority for the Health and Well-being Strategy and for Public Health Outcomes. For those people who need social care support the ability to access more informal help to integrate and be successful in the community through work for example is critical to sustaining recovery.

Key areas for development:

Creating a diverse market of informal support options to provide pathways to help people fully integrate into all aspects of community life.

This page is intentionally left blank

## CHESHIRE EAST COUNCIL

### Cabinet

---

**Date of Meeting:** 4<sup>th</sup> February 2014  
**Report of:** Head of People and Organisational Development  
**Subject/Title:** Pay Policy Statement 2014/15  
**Portfolio Holder:** Councillor Barry Moran, Performance

---

#### **1.0 Report Summary**

- 1.1 Section 38 of the Localism Act 2011 requires local authorities to produce a Pay Policy Statement by 31 March on an annual basis. Regard is to be given to any guidance from the Secretary of State in producing this statement.
- 1.2 The *draft* Pay Policy Statement for 2014/15, which reflects the position as at 1<sup>st</sup> April 2014, is attached at Appendix 1. For information the current Pay Policy Statement for 2013/14 is also attached at Appendix 2.

#### **2.0 Recommendation for Cabinet**

- 2.1 That the recommendations made by Staffing Committee on Thursday 16<sup>th</sup> January 2014 be considered and the draft Pay Policy Statement for 2014/15 be recommended to Council for approval on the 27<sup>th</sup> February 2014.

#### **3.0 Reasons for Recommendation**

- 3.1 A Pay Policy Statement is required to be produced annually from 2012/2013 under Section 38 of the Localism Act. Local Authorities must have their Pay Policy Statement approved by full Council and published on their web site no later than the 31st March prior to the financial year to which they relate.

#### **4.0 Wards Affected**

- 4.1 Not applicable.

#### **5.0 Local Ward Members**

- 5.1 Not applicable.

## **6.0 Policy Implications**

- 6.1 Any decisions relating to the pay and remuneration of Chief Officers must comply with the Pay Policy Statement in place at the time for that financial year and, whilst the Statement can be amended in year should the need arise, changes must be subject to the approval of full Council.

## **7.0 Financial Implications**

- 7.1 There are no direct financial implications associated with approving the updated Pay Policy Statement 2014/15 and no budgetary adjustments are proposed specifically in relation to this report. Changes to the Senior Management Structure have been taken into account in setting the budget for 2014/15.

## **8.0 Legal Implications**

- 8.1 The Council is required to produce and publish a Pay Policy Statement, agreed by Council each year, under Section 38 of the Localism Act.
- 8.2 This report and accompanying draft Pay Policy Statement, once approved and adopted, ensures that the Council complies with this requirement.

## **9.0 Risk Management**

- 9.1 None.

## **10.0 Draft Pay Policy Statement 2014 – Updates**

- 10.1 The draft Pay Policy Statement for 2014/15 has been updated to reflect the changes following the Senior Management Review. These changes are detailed below:
- 10.1.1 The job titles of the Council's Senior Managers (defined as Chief Officers and Deputy Chief Officers for the purposes of the Pay Policy Statement) have been updated in Section 1 (pages 5 – 6).
- 10.1.2 The Council's Senior Management Structure following the Senior Management Review, is included at Appendix 2 of the Pay Policy Report (Page 24).
- 10.1.3 Section 3, Senior Manager Pay (pages 7 – 8) has been updated to reflect the move to spot salaries (achieving rate pay) and the introduction of a performance related pay (Exceeding rate pay). Appendix 1 of the Pay Policy Statement (page 22) provides detail of the pay rates at each level.
- 10.1.4 Following the Senior Management Review, the number of bands / grades has reduced significantly and this is reflected in Table 1 on page 8.



10.2 Additional changes to the draft Pay Policy Statement have also been made as follows:

10.2.1 In Section 6 (pages 12 - 13), reference has been made to changes in the Local Government Pension Scheme, which reflects the work that has been completed under the Automatic Enrolment Regulations 2012 and changes to pension bandings and actuarial rate, effective from 1 April 2014.

10.2.3 Section 8 (page 18) has been updated to reflect the latest advice and guidance from Central Government about the requirements regarding transparency and the requirement to publish data on Senior Pay. The commitments in this section comply with the new guidance. Staffing Committee has made a recommendation to update this section, as per the note below.

10.2.4 Section 9 (page 19) has updated pay multiples. These reflect a change to the number of Chief Officers along with the move to spot salaries. They also reflect the 1% nationally agreed pay rise for NJC staff in 2013 and an increase to the National Minimum Wage rates effective from October 2013. Our multipliers continue to be consistent with the 'mean' multiplier rate across Local Government.

10.2.5 Section 10 (pages 20) has been simplified and confirms that recruitment and selection of Corporate Leadership Board members is undertaken by Staffing Committee.

10.3 For information, Appendix 3 of this report is a summary of the content and information a Pay Policy Statement should include.

## **11.0 Recommendations from Staffing Committee:**

11.1 Staffing Committee recommended two minor amendments to the draft Pay Policy Report as follows:

i. Section 8 – Publication and Access to Information

In the interests of openness and transparency, that the Council commit to publishing on its web site **all** posts in the structure with salaries of £50,000 and above, rather than adhering to the criteria provided (see page 18 the Pay Policy Statement at Appendix 1).

ii. Section 12 –Re-employment / re-engagement of former Employees

The removal of the word 'truly' when referring to the exceptional circumstances in which the Council may wish to reemploy / reengage employees (See page 21 of the Pay Policy Statement at Appendix 1).

## **11.0 Recommendations**

11.2 Cabinet are requested to consider the recommendations made by Staffing Committee and agree amendments to the Pay Policy Statement for approval by Council.

11.3 There is no formal requirement to consult the Trade Unions but the policy has been shared with them and no significant concerns have been raised.

## **12.0 Access to Information**

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

Name: Julie Davies, Head of People of and Organisational Development

Tel No: 01270 686320

Email: [Julie.s.davies@cheshireeast.gov.uk](mailto:Julie.s.davies@cheshireeast.gov.uk)

## **Appendix 1: DRAFT Pay Policy Statement 2014/2015**



### **PAY POLICY STATEMENT 2014/2015**

#### **1. INTRODUCTION AND PURPOSE**

Under Section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011.

The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its senior employees (excluding teaching staff and employees working in local authority schools) by identifying:

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior employees i.e. ‘Chief Officers’, as defined by the relevant legislation;
- the Committee responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

“Remuneration” for the purposes of this statement includes three elements - basic salary, pension and all other allowances arising from employment.

Additionally, the definition of “Chief Officers”, as defined by the Local Government and Housing Act 1989, for the purposes of this statement and in line with recommendations from the Secretary of State, includes the Head of Paid Service and Statutory Officers as well as those who report directly to them (non-statutory Chief Officers) and their direct reports.

Under this definition, the Council regards the following as its “Chief Officers”:

#### **Head of Paid Service**

Chief Executive (also Returning Officer)

#### **Statutory Chief Officers**

Chief Operating Officer (151 Officer)

Director of Public Health

Director of Adult Social Care and Independent Living

Director of Children’s Services

Monitoring Officer and Head of Legal Services

**Non-Statutory Chief Officers**

Director of Strategic Commissioning

Director of Economic Growth and Prosperity

**Deputy Chief Officers**

Head of Early Intervention and Prevention

Head of Environmental Protection and Enhancement

Head of Public Protection and Enforcement

Head of Democratic Services and Governance

Head of Local Communities

Head of Integrated Safeguarding

Head of Corporate Resources and Stewardship (Deputy Sec 151 Officer)

Media manager

Head of Human Resources (currently seconded)

Head of People and Organisational Development

The senior management structure and relevant grades for these posts (including any vacancies) is attached at Appendix 1.

Once approved by the full Council, this policy statement will come into effect from 1 April 2014 and will be subject to review on a minimum of an annual basis, the policy for the next financial year being approved by 31 March each year.

Any decision under powers delegated in the Council's Constitution with regard to remuneration to be taken during 2014/15 will be bound by and must comply with this Statement.

The Chief Executive and the Head of People and Organisational Development must be consulted prior to any decision impacting on remuneration where there is any question regarding compliance with the Statement.

## **2. OTHER LEGISLATION RELEVANT TO PAY AND REMUNERATION**

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, Fixed Term Workers Regulations 2002 and, where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. The Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms and the application of key criteria, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

### 3. PAY STRUCTURE

#### 3.1 Principles

There are a number of overriding principles which govern the Council's senior management reward policy:

- The policy will be affordable, with reward will now be commensurate with individual and corporate performance.
- Reward policy for senior post-holders will be transparent, clearly defined and readily understood.
- The policy will offer the flexibility to reward for job size, capability, performance (objectives and behaviour), and market rates (where relevant, with evidence).
- Reward for senior roles will be fair and proportionate to reward for the wider workforce.

#### 3.2 Reward Components

Reward will comprise basic salary, an annual incentive and a range of benefits. The components are described as follows:

**Basic salary:** this is guaranteed fixed cash remuneration, paid monthly. The level of basic salary is contractual.

**'Exceeding' Performance Related Pay:** this is paid monthly with basic salary for the previous year's performance. After the year it is withdrawn unless re-earned. This element is pensionable.

**Benefits:** the Council provides a range of benefits, many of which are guaranteed and form a part of the contract of employment. The principal benefits are holidays and pension scheme membership.

#### 3.3 Job Evaluation and Banding

The Council uses the Hay Group Job Evaluation to position roles into the new Cheshire East Senior Management bands. The new bands are linked to Hay Job Evaluation points ranges which have been determined as part of the new operating model.

There are fewer grades than before, reflecting broader pay bands and a reduction in the number of management layers in the new operating model:

**Table 1**

<b>Previous Grading Structure</b>	<b>Cheshire East 2014/15 *</b>
Grade 13	Manager
Grade 14	Senior Manager
Grade 15	Director
Grade 16	Executive Director
Grade 17	
Grade 18	
Director 1	
Director 2	
Director 3	
Director 4	
CE	

*\*Please note these are not equivalent grades*

This defined pay structure determines the salaries of senior managers on NJC (National Joint Council for Local Government Services). All other jobs are evaluated under the national Job Evaluation Scheme and the evaluated job scores will equate to a pay band on the Council's salary scale which is attached at Annex 1.

### **3.4 Pay Structure**

Each grade within the senior management population has a range of pay, within which each role.

#### **Achieving Rate**

The principal spot salary for each role will be referred to as the achieving rate, where an employee will need to demonstrate that they are performing all aspects of the role. The achieving rate reflects the rate for the job, relative to the grade, as determined by job evaluation and are set based on a number of considerations set out in the Pay Policy.

The achieving rate will be set within the parameters for each grade as set out in Table 1 in Appendix 1.

#### **Exceeding rate (performance pay)**

The exceeding rate, which has been introduced to reflect and reward performance above the normal high expectations for posts at this level, will only be paid to individuals who take on significant additional responsibilities (including statutory responsibilities), or those that can clearly demonstrate exceptional performance e.g. through the achievement of stretch objectives in relation to particular major projects or initiatives. This additional payment, over and above the substantive spot salary for the role, will be non-consolidated and must be reviewed each year (in other words it is not a permanent salary

addition, and must be earned). Where it is agreed and awarded, it will be paid in 12 monthly instalments as part of regular salary and will be pensionable.

***Any changes to existing posts or additional posts created, with an achieving salary above £100,000 and/or where the post holder is on JNC Chief Officer conditions and reports directly to the Chief Executive, will be subject to a vote by full Council prior to appointment / confirmation.***

Employees outside of this pay and grading structure include the following groups of employees:

The Director of Public Health whose salary is negotiated by the British Medical Association.

Soulbury - Education Psychologists and Advisers. Their pay is determined by the National Soulbury Committee.

NHS - Occupational Health Nurses & Public Health Officers. Their pay is determined in accordance with NHS Agenda for Change Pay Bands

Craft - Electricians, Mechanics etc. Their pay is determined by the Joint Negotiating Committee for Local Authority Craft & Associated Employees.

The Council adopts the national pay bargaining arrangements in respect of cost of living adjustments as negotiated with joint trade unions.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery.

Where the Council is unable to recruit Chief Officers, or there is a need for interim support to provide cover for a substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under a 'contract for service', particularly where this relates to a statutory post. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In assessing such it should be noted that in respect of such engagements the Council is not required to make either pension or national insurance contributions for such individuals.

#### **4. RECRUITMENT OF CHIEF OFFICERS**

The Council's policy and procedures with regard to recruitment of Chief Officers are set out within the ***Recruitment Policy and Procedure*** and as set out in the Staff Employment Procedure Rules in Part 4.

When recruiting to all posts the Council will take full and proper account of all provisions of relevant employment law and its own ***Recruitment Policy and Procedure, Disability at Work Commitment, Mindful Employer, Redeployment Policy and Procedure*** and ***Equality in Employment Policy***.

The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment and in line with this Pay Policy Statement. New appointments will normally be made at the developing rate for the grade, although this can be varied on an exceptional basis where necessary to secure the best candidate and will take into account the appointee's existing pay and their relevant experience and qualifications taking account of equal pay within the Council.

From time to time it may be necessary to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate. Any such payments will be reviewed at regular intervals to ensure their ongoing suitability and appropriateness.

## **5. ADDITIONS TO SALARY OF CHIEF OFFICERS**

### **5.1 Fee for acting as the Returning Officer and Deputy Returning Officer(s)**

Cheshire East Council is required to appoint a Returning Officer by virtue of section 35 of the Representation of the People Act 1983. In Cheshire East the Chief Executive has been appointed as the Returning Officer. This is a personal appointment, separate from their other duties. In this capacity he is the Returning Officer for elections to the Council and to Parish Councils within this Borough. For Borough and Parish Council elections, the Returning Officer fee is calculated in accordance with an agreed Scale of Fees. The Scale of Fees is agreed between and used by the four Cheshire Authorities.

The Returning Officer fee is payable for the substantial additional duties undertaken, and leadership required of the Returning Officer in planning, delivering and undertaking the elections and recognises the personal nature and personal responsibility of the role of the Returning Officer. The agreed scale of fees is used to determine the fees of the Deputy Returning officers, who are appointed from time to time and other elections employees.

The Returning Officer for Cheshire East Leads the electoral process for the Authority.

There are no scheduled Borough or Parish Elections during the 2014/15 financial year.

For each election the scale of fees are set by the Government and the Returning Officer is directly accountable in law to the Government in regards to their electoral duties.



## 5.2 Travel Allowances and Expenses

The current rates (which were last increased in April 2009) for use of private vehicles on Council business for all employees are:

	Engine Size	Engine Size
REGULAR USERS	451 -999cc	1000cc+
Lump Sum	£846	£963
Per mile first 8,500	36.9p	40.9p
Per mile after 8,500	13.7p	14.4p

	Engine size	Engine Size
OCCASIONAL USERS	451 -999cc	1000cc+
Per mile first 8,500	46.9p	52.2p
Per mile after 8,500	13.7p	14.4p

The Council has a small number of employees who are assessed as regular car users and receive a lump sum payment (payable monthly) with a reduced mileage rate. Assessment criteria are used to determine eligibility for all employees (including Chief Officers). Currently no Chief Officers are in receipt of the regular user lump sum.

## 5.3 'Green' Salary Sacrifice Lease Car Scheme

The Council has a 'green' salary sacrifice lease car scheme. This is an employee benefit, born out of the Government's introduction of a lower banding for benefit in kind taxation on low emission vehicles. The scheme enables employees to drive a new, fully maintained and insured car, but at a significantly reduced cost and offers savings in tax (employee only) and national insurance for both the employer and the employee. As such, it is a very attractive proposition for both.

The Green Car Scheme is underpinned by a salary sacrifice arrangement. Salary sacrifice is a contractual arrangement whereby an employee gives up the right to receive part of their cash remuneration, usually in return for their employer's agreement to provide some form of non-cash benefit, in this case a car.

Whilst the scheme operates at no cost to the employer, in fact generating a saving overall, because it is being provided as a benefit by the Council it attracts a 'Benefit in Kind' (BiK) tax for employees on the scheme.

The scheme is open to all employees of the Council, subject to meeting the criteria set out in the scheme rules.

The level of CO2 emissions on the car chosen is important as it determines the benefit in kind tax to pay on the car (the non-cash benefit). The more environmentally friendly the car is, the greater the savings will be.

#### **5.4 Relocation Expenses**

Where it is necessary for a newly appointed employee to relocate to take up appointment the Council may make a contribution towards relocation expenses, in accordance with the Relocation Expenses Policy (Annex 3). Under this policy, the Chief Executive, or their nominee, has discretion to agree relocation financial assistance for any external candidate appointed, up to a maximum of £10,000. The details of any such payment must be agreed at the time of making a job offer/during initial appointment. The relocation must bring the employee nearer to their workbase and, as such, support will not normally be given to employees who already live within 30 miles of the workbase. This discretion covers all items for which assistance may be given, which must be directly related to a home relocation within two years of appointment, for example removal expenses, legal and estate agents fees.

Travel Assistance may also be agreed for expenditure arising from a move from temporary accommodation to permanent home, (as well as for the initial move to temporary accommodation), normally provided that the second move takes place within the maximum two year period. Both sets of assistance are subject to the overall limit of £10,000 and the policy is very clear that an employee must not make a net financial gain from the assistance.

An employee who leaves the Council's employment within one year of appointment will be required to repay all of the assistance given. If they leave during the second year, the assistance must still be repaid but the amount will be reduced by one twelfth for each completed month of employment in that year.

The same policy applies to Chief Executive, Chief Officers and other employees.

#### **5.5 Professional Fees and Subscriptions**

The Council will reimburse professional fees only for those employees where it is a legal requirement of their employment (subject to the employee paying the first £50) or, where employees are undertaking a training course and the membership of a professional body it is a requirement of the course. In those circumstances it will be paid for the period of study only. The Council has one policy and does not differentiate between Chief Officers and other employees.

### **6. LOCAL GOVERNMENT PENSION SCHEME**

The Local Government Pension Scheme and policy with regard to the exercise of discretions in Pension provision is an important part of the remuneration package.

All employees under the age of 75 and who have a contract of employment which is for 3 months or more are entitled to join the statutory Local Government Pension Scheme (LGPS). There are no restrictions on the minimum number of hours an employee must work to be entitled to join.

From 1 March 2013 (the staging date) Cheshire East Council has complied with the new pensions duties under the Automatic Enrolment Regulations 2012 as follows:

- All new Cheshire East employees from 1 March 2013 have automatically been entered into Scheme membership, and have to elect to opt out if they wish;
- All existing eligible employees who have previously opted out of scheme membership will be automatically re-enrolled into the scheme with effect from 1 October 2017, at the end of the allowed transitional period. They will retain the right to opt out again if they wish;
- All existing employees who fall into the non eligible category have been monitored from 1 March 2013 and will be automatically enrolled into scheme membership at the point that they meet the earnings and age threshold. They will retain the right to opt out if they wish;
- The Automatic Enrolment exercise will be repeated on a three yearly basis following the initial staging date.

Contribution bands are determined on full time equivalent pay on 1 April each year. The bands are shown below.

Annual Rate of Pay	Rate of Employee Contributions
More than £150,000	12.5%
100,01 – 150,000	11.4%
85,001 – 100,000	10.5%
60,001 – 85,000	9.9%
43,001 – 60,000	8.5%
34,001 – 43,000	6.8%
£21,001 – 34,000	6.5%
£13,501 – 21,000	5.8%
Up to £13,501	5.5%

This is the banding rate applicable at 1st April 2014. These rates will go up in line with the Consumer Price Index (CPI) each April.

Where employees have exercised their statutory right to become members of the Local Government Pension Scheme, the Council must make a contribution

to the scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The rate of contribution is set by Actuaries advising the Cheshire Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate is set at 22.3% however there has been a shift in the way future employer contributions are expressed, so that we now have a certified rate for the future service contributions (16.4%) and an certified monetary amount which needs to be paid to the Fund to cover the past service deficit. This effectively means that there is no real equivalent to the 22.3% rate set at the last valuation, although the notional equivalent (based on the Actuary's assumed pensionable payroll) would be 24.3%, rising to 28.3% by 2017.

For more comprehensive details of the Local Government Pension Scheme and Cheshire Pensions Fund see <http://www.cheshirepensionfund.org/>

Neither the Scheme nor the Council adopt different policies with regard to benefits for any category of employee: the same terms apply to the Chief Executive, Chief Officers and other employees alike.

The Scheme also provides for the exercise of discretions that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that its usual policy is not to enhance benefits unless early release of pensions is agreed on compassionate grounds. However, the Council has agreed to adopt the provision to enable redundant employees to purchase additional service with the non statutory part of their redundancy payment (additional redundancy payment) if employees are in receipt of such a non statutory payment.

The ***Pensions Discretions Policy*** details the Council's agreed Pensions Discretions and applies equally to the Chief Executive, Chief Officers and other employees.

The Pension Scheme also provides for flexible retirement. In applying the flexible retirement provision no distinction is made between the Chief Executive, Chief Officers and other employees. Employees aged 55 and above may apply to have their hours and/or their pay grade reduced and to seek agreement to early release to some or their entire pension.

The request can be considered if;

Either

- their substantive grade reduces by a minimum of 2 grades (e.g. Grade 6 to Grade 4)

And / Or

- their contract hours reduce by a minimum of 1/5

And

- At the same time, the employee can request early release of their accrued pension benefits in full or some of their accrued rights. Employees can now choose to take:
- All or none of their pre April 2008 rights; and
- All, some or none of their post March 2008 rights.

Any consequential fund strain payments to the pension fund are recoverable in three years with the discretion to extend the three years in exceptional circumstances. The Council's Staffing Committee will consider requests from the Chief Executive or a Chief Officer in respect of other employees.

## **7. REDUNDANCY PAYMENTS AND PAYMENTS ON TERMINATION**

### **7.1 Redundancy**

Where an employee is made compulsorily redundant, they will receive a redundancy payment in accordance with the State formula based on the employee's actual week's pay, plus any payment in lieu of notice where applicable and, payment for any annual leave for employees leaving the Council's employment with accrued leave which, by agreement is untaken at the date of leaving.

The Council also has a voluntary redundancy scheme in place which is applicable to all employees whose applications for voluntary redundancy are accepted as being in the interests of the Council. Employees who leave on grounds of voluntary redundancy will normally be entitled to receive a redundancy payment in accordance with the statutory formula but based on the employee's actual week's pay plus an additional severance payment of 0.8 times the statutory payment, bringing the total payment to 1.80 times the statutory formula and up to a maximum of 50 weeks pay. This will be reviewed in May 2014. The Council reserves the right to change all discretionary elements.

When considering applications for voluntary redundancy the Council considers: -

- The need for the competency and skill set to meet current commitments
- The uniqueness of that competency and skill set in the organisation compared to the expected demand
- The likely need for that competency and skill set to meet future needs
- The likely timescale of future needs, comparing the cost of retention with the cost of VR and future re-recruitment
- The opportunity to cross skill or retrain remaining staff to fill the gap, and the cost and timescale to achieve this
- The cost of VR

The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to reaching normal

retirement age, is set out within the **Redundancy Policy and Procedure** and for those eligible for retirement, in the **Retirement and Severance Policy** (Annex 3) and are in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006.

All payments under this section are subject to the approval process set out in the **Redundancy Policy and Procedure**.

## **7.2 Severance and Retirement on Grounds of Efficiency**

In line with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, the Council also operates a voluntary scheme to facilitate early retirement or severance on grounds of efficiency to enable the Council to continue to achieve effective use of resources and provide value for money.

In all efficiency cases, employees may be considered for a lump sum payment upon termination, based on the merits of each individual case but up to a maximum of the same amount that would be permitted under the Council's voluntary redundancy scheme.

Factors to be taken into account in awarding compensation would include:

- Overall reasonableness, including benefits to the Council tax payer by the employee leaving the Council's service.
- Direct financial savings to be incurred by the employee leaving the Council's service.
- Employee relations considerations.

Subject to requirements set out in the Policy, employees' aged 55 or above and in the LGPS with at least three months membership (or with transferred service) will also be entitled to access to their accrued LGPS pension on an unreduced basis.

In relation to pension enhancement, the Council's policy as set out above will apply to all employees aged over 55 only. The Council will consider each case on its merits but has determined that its usual policy is not to enhance benefits unless early release of pensions is agreed on compassionate grounds. However, the Council has agreed to adopt the provision to enable redundant employees to purchase additional service with the non statutory part of their redundancy payment (additional redundancy payment) if employees are in receipt of such a non statutory payment.

## **7.3 Settlement Agreements**

The Council uses settlement agreements as a matter of course for all voluntary redundancies/severances and this applies to all employees, including Chief Officers. The use of standard settlement agreements on this basis minimises any risk of future claims against the Council and can ensure

that any threatened or pending legal proceedings and their associated legal costs can be avoided. .

A settlement agreement will take into account any outstanding contractual entitlement which the individual has to notice and will be in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 regulations. The settlement agreement will also take into account:

- The individual circumstances of the departure
- Value for Money for the authority
- The age and proximity to retirement of the individual,
- The risk and value of a potential claim against the authority
- The need for a speedy departure / 'opportunity lost' cost
- Any other material factors that may be considered

The final decision and approval for any termination payment and approval for the terms of a settlement agreement in relation all employees up to Deputy Chief Officer level (as defined in this Pay Policy Statement) rests with the Chief Executive. For all of the following posts (below), the final decision and approval will be with the Chief Executive in agreement with the Leader of the Council and the Chairman of Staffing Committee.

All Chief Officers (Statutory, non Statutory),

All officers earning above £100,000 and

All officers on JNC Chief Officer conditions and reporting directly to the Chief Executive.

Termination payments in addition to a payment in relation to contractual notice pay (and including any outstanding holiday pay) for the Chief Executive and the terms of any associated compromise agreement will be subject to approval by the Staffing Committee and reported to the next meeting of full Council, with an indicative sum/cost, for noting.

This will only apply where a termination payment is agreed with a Chief Executive on a consensual basis. The dismissal of a Chief Executive or a Statutory Officer is the subject of a designated statutory process and decision by the full Council.

## **8. PUBLICATION AND ACCESS TO INFORMATION**

Upon approval by full Council, this statement will be published on the Council's Website. In addition, in line with Code of Practice and Accounts & Audit Regulations, salary, allowances and bonus compensation and employer's pension contributions will be published for:

- a) Senior employees whose salary is £150,000 or more (who will also be identified by name)
- b) Senior employees whose salary is £50,000 who meet the following criteria:- statutory officers and any person having responsibility for the

management of the Council, to the extent that the person has power to direct or control the major activities of the Council.

Those included in this are therefore the Chief Executive, who is named, together with CLB and their direct reports. The publishing of individual names will be subject to individual consent for senior employees earning below £150,000.

An organisation chart of the Council's management structure, including salary bands and details of vacant posts is also published. The current chart is attached at Appendix 2 for information.

Further information about the Council's commitment to transparency can be found at the attached link.

[http://www.cheshireeast.gov.uk/council\\_and\\_democracy/council\\_information/transparency.aspx](http://www.cheshireeast.gov.uk/council_and_democracy/council_information/transparency.aspx)

## **9. PAY MULTIPLES**

The figures below exclude schools based employees and teachers as the Localism Act does not apply to local authority schools. They also exclude casual employees.

The lowest paid persons employed under a contract of employment with the Council are employed on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1<sup>st</sup> October 2013, this was £12,435 per annum, Grade 1 Spinal Column Point (SCP 5). There are 116 employees / 36.36 FTE (excluding casuals) on this grade and SCP currently.

Separate to the Council's pay and grading structure, we offer one year apprenticeship placements. The Council operates this scheme in line with the National Minimum Wage and the apprenticeship rate guidelines as follows.

There are different levels of National Minimum Wage, depending on your age and whether you are an apprentice. The current rates (from 1 October 2013) are:-

- £6.31 - the main rate for placements aged 21 and over
- £5.03 - the 18-20 rate (equivalent to Spinal Column Point 3 –£ 9608)
- £3.72 - the 16-17 rate for placements above school leaving age but under 18

Apprentice Specific Pay: £2.68 - the apprentice rate, for apprentices under 19 or 19 or over and in the first year of their apprenticeship.

Additionally, there are a number of employees on other pay and conditions, as noted above, such as Craft, NHS and Soulbury employees on different pay structures, but none fall below the £12,435 FTE salary at SCP 5



The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement (section 3, Pay Structure).

The current pay levels within the Council define the multiple between the average / mean full time equivalent earnings (£22,037.35) and the highest paid Chief Officer, the Chief Executive (£150,000) as 6.81.

Additionally, the multiple between the lowest paid employee (£12,435) and average Chief Officer salary (£86,881.11) is 6.99.

The Council does not explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples cannot capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required.

The pay multiples have increased slightly this year and, as such, the Council will be extra vigilant in monitoring these during the year to ensure they remain acceptable. As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

## **10. ACCOUNTABILITY AND DECISION MAKING**

In accordance with the Constitution of the Council, the following arrangements are in place in relation to the recruitment, pay, terms and conditions and severance arrangements for employees of the Council, including Chief Officers.

Recruitment of Corporate Leadership Board (CLB) members shall be undertaken only via **Staffing Committee**, including the approval of job descriptions and person specifications.

Once a candidate has been selected and agreed, this is then communicated to Cabinet.

**Cabinet** then have the opportunity to put forward any material or well founded objection to the proposed appointment of the successful candidate, prior to it being recommended to Council.

For all Statutory posts and those with salaries above £100,000, Full Council then vote on the appointment of the successful candidate, following the recommendation made by Staffing Committee.

CLB Members comprise of:

Head of Paid Service  
Chief Executive

Statutory Chief Officers

Chief Operating Officer (151 Officer)  
Director of Public Health  
Director of Adult Social Care and Independent Living  
Director of Children's Services  
Monitoring Officer and Head of Legal Services

Non-Statutory Chief Officers

Director of Strategic Commissioning  
Director of Economic Growth and Prosperity  
Head of People and Organisational Development / Head of HR & OD

**All posts below CLB level**

CLB Members are authorised to deal with the full range of employment and staff management issues, below CLB level including but not limited to appointments, terms and conditions (other than those negotiated nationally).

**11. RE-EMPLOYMENT/RE-ENGAGEMENT OF EMPLOYEES IN RECEIPT OF A LOCAL GOVERNMENT PENSION (INCLUDING CHIEF OFFICERS)**

Any decision to re-employ an individual (including Chief Officers) already in receipt of a Local Government Pension (with same or another local authority) will be made on merit, taking into account the use of public money and the exigencies of the council.

**12. RE-EMPLOYMENT/RE-ENGAGEMENT OF FORMER EMPLOYEES (INCLUDING CHIEF OFFICERS)**

Former Cheshire East/ Legacy Authority employees who left their employment on grounds of voluntary retirement or severance will not be re-employed or re-engaged in any capacity, except in truly exceptional circumstances and subject to the agreement of the Head of People and Organisational Development in consultation with the Leader and the relevant portfolio holder. Re-engagement includes all types of contractual relationships whether they be a contract of employment, contract of service, etc and whether the individual is appointed as an employee or engaged as an interim, direct consultancy or via an agency or other supplier.

Prepared by:	Head of People and Organisational Development
Date:	January 2014
Review Date:	January 2015

## Appendix 1 –

Table 1 – Senior Manager Pay

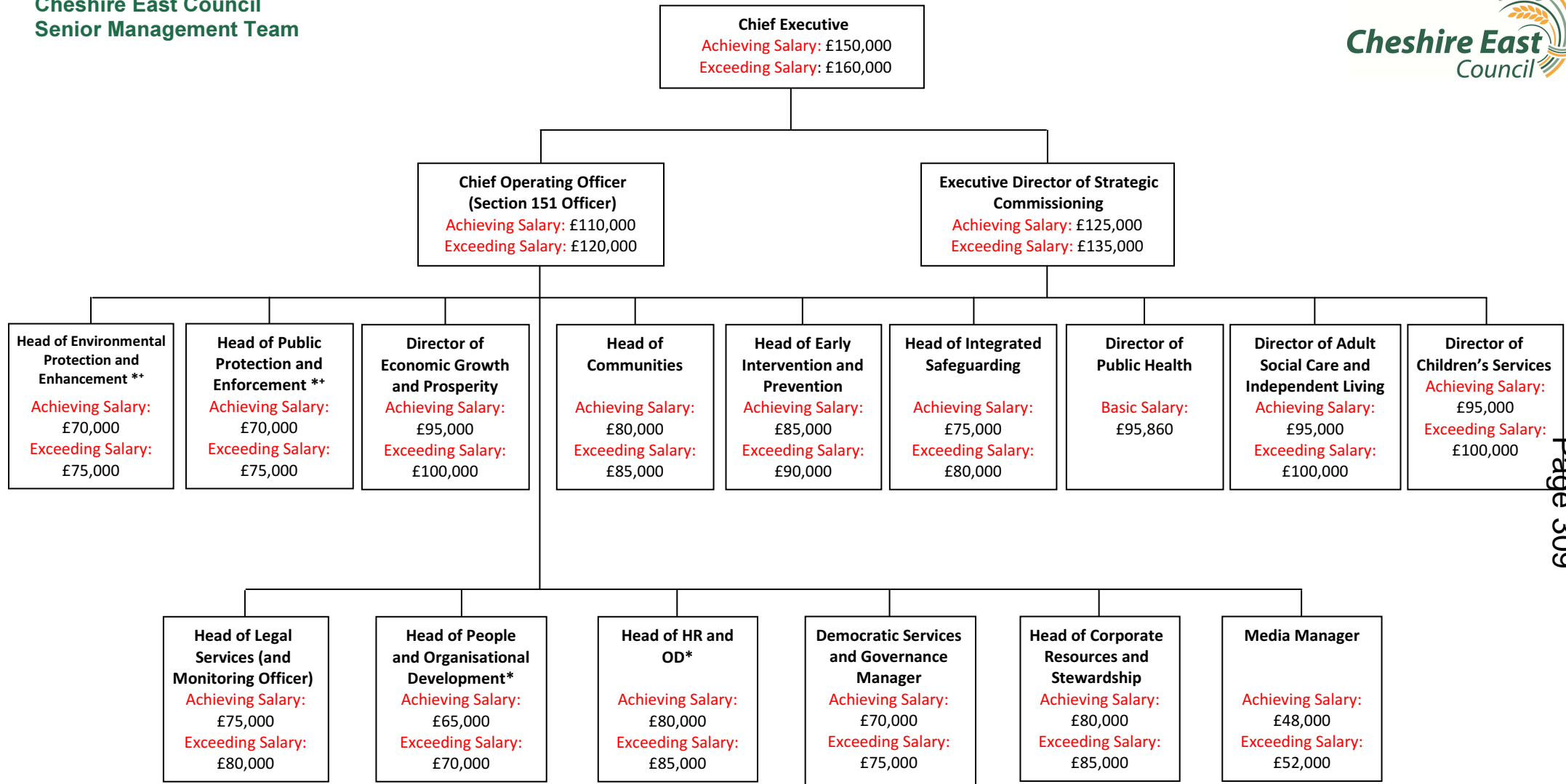
<b>Cheshire East 2013</b>	<b>Achieving Rate set between</b>	<b>Exceeding rate opportunity set at</b>
Manager	£48,000 - £58,000	Achieving rate plus £4000
Senior Manager	£55,000 - £70,000	Achieving rate plus £5000
Director	£75,000 - £95,000	Achieving rate plus £5000
Executive Director	£110,000 - £125,000  (Chief Executive salary set separately)	Achieving rate plus £10,000

## Cheshire East Pay and Grading Structure (NJC and JNC)

GRADE	SCP	SALARY			
1	4	12145	11	41	36182
	5	12312		42	37263
	6	12489		43	38342
				44	39544
2	6	12489		45	40741
	7	12787		46	42014
	8	13189		46	42014
	9	13589		47	43294
3	9	13589	12	48	44771
	10	13874		49	46251
	11	14733		50	47227
	12	15039		51	48200
	13	15444			
4	13	15444			
	14	15725			
	15	16054			
	16	16440			
5	17	16830			
	17	16830			
	18	17161			
	19	17802			
	20	18453			
6	21	19126			
	21	19126			
	22	19621			
	23	20198			
7	24	20858			
	25	21519			
	25	21519			
	26	22221			
8	27	22958			
	28	23708			
	29	24646			
	29	24646			
	30	25472			
9	31	26276			
	32	27052			
	33	27849			
	34	28636			
	33	27849			
10	34	28636			
	35	29236			
	36	30011			
	37	30851			
	37	30851			
	38	32012			
	39	33167			
	40	34501			

## Annex 2 - Senior Management Team (12<sup>th</sup> Jan 2013)

### Cheshire East Council Senior Management Team



\*: Head of HR and OD assigned to lead HR and OD matters for new Alternative Service Delivery Vehicles with Head of People and Organisational Development now supporting remaining organisation.

\*\* : Subject to review in line with the ASDV programme.

### Annex 3

All of the relevant policies and procedures as referred to in the Pay Policy Statement can be found on the Staffing Committee Share Point site.

<http://mycheshireteams.ourcheshire.cccusers.com/sites/cecstaffcomm/default.aspx>

#### **Intranet links to the relevant policies and procedures:**

[Payment of Market Supplements](#)

[Pay and Allowances Policy](#)

[Pensions Discretions Policy](#)

[Redundancy Policy \*\*and\*\* Procedure](#)

[Retirement and Severance Policy](#)

[Recruitment Policy \*\*and\*\* Procedure](#)

[Disability at Work Commitment](#)

[Mindful Employer](#)

[Redeployment Policy \*\*and\*\* Procedure](#)

[Equality in Employment Policy](#)

[Relocation Expenses Policy](#)

For those trying to access copies of policies via [www.cheshireeast.gov.uk](http://www.cheshireeast.gov.uk) please contact [HREnquiries@cheshireeast.gov.uk](mailto:HREnquiries@cheshireeast.gov.uk) to request copies of the policies.

## **Appendix 2: Pay Policy Statement 2013/2014**



### **PAY POLICY STATEMENT 2013/2014**

#### **1. INTRODUCTION AND PURPOSE**

Under Section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011.

The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees (excluding teaching staff and employees working in local authority schools) by identifying:

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior employees i.e. ‘Chief Officers’, as defined by the relevant legislation;
- the Committee responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

“Remuneration” for the purposes of this statement includes three elements - basic salary, pension and all other allowances arising from employment.

Additionally, the definition of “Chief Officers”, for the purposes of this statement and in line with recommendations from the Secretary of State, includes the Head of Paid Service and Statutory Officers as well as those who report directly to them (non-statutory Chief Officers) and their direct reports.

Under this definition, the Council regards the following as its “Chief Officers”:

#### **Head of Paid Service**

Chief Executive

#### **Statutory Chief Officers**

Director of Finance and Business Services (151 Officer)

Strategic Director (Children, Families and Adults)  
Borough Solicitor and Monitoring Officer (also Returning Officer) (Vacant)

**Non-Statutory Chief Officers**

Strategic Director (Places and Organisational Capacity) (Vacant)  
Head of HR and Organisational Development

**Deputy Chief Officers**

Deputy Director of Children's Services (Lead Early Intervention and Prevention)  
Head of Service - Strategy Planning and Performance  
Head of Service – Children's Social Care  
Principal Manager Safeguarding & Specialist Services  
Head of Care4CE  
Head of Integrated Strategic Commissioning  
Head of Individual Commissioning & Personalisation for Adult Social Care  
Head of Business Management & Challenge  
Head of Development  
Head of Community Services  
Head of Performance, Customer Services and Capacity  
Head of Highways and Transport  
Waste & Recycling Manager  
Streetscape & Bereavement Services Manager  
HR Strategy & Organisational Development Manager  
HR Delivery Manager  
ICT Manager  
Finance Manager  
Shared Services and Procurement Manager  
Internal Audit Manager (Vacant)  
Democratic & Registration Services Manager  
Head of Health Improvement

The senior management structure and relevant grades for these posts (including any vacancies) is attached at Annex 2.

In addition, the Council will employ a number of Officers from the Public Health Service with effect from 1 April 2013. It is anticipated that some of these Officers will fall into the categories of Chief Officers or Deputy Chief Officers.

Once approved by the full Council, this policy statement will come into effect from 1 April 2013 and will be subject to review on a minimum of an annual basis, the policy for the next financial year being approved by 31 March each year.

Any decision under powers delegated in the Council's Constitution with regard to remuneration to be taken during 2013/14 will be bound by and must comply with this Statement.



The Head of Human Resources and Organisational Development must be consulted prior to any decision impacting on remuneration where there is any question regarding compliance with the Statement.

## **2. OTHER LEGISLATION RELEVANT TO PAY AND REMUNERATION**

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, Fixed Term Workers Regulations 2002 and, where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. The Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

## **3. PAY STRUCTURE**

The Council evaluates all Chief Officer roles, including the Chief Executive, using the HAY evaluation scheme. This ensures that different jobs having the same value are paid at the same rate i.e. the rate or pay scale linked to the “job score”. Up to Grade 18 (SCP 73) there is provision for progression by annual increments until the top of the pay scale is reached and most pay scales have 5 increments. However, incremental progression has been temporarily frozen for all employees (excluding Soulbury) until November 2013. This commenced in November 2011.

The Council uses the nationally negotiated pay spine(s) i.e. a defined list of salary points, as the basis for its local pay structure up to Spinal Column Point 38. The Council then deviates from the nationally negotiated pay spine and determines salary points locally up to SCP 73 / Grade 18 in order to provide flexibility to attract and appoint the best candidates taking into account local market conditions..

This defined pay structure then determines the salaries of all employees on NJC (National Joint Council for Local Government Services) and JNC (Joint Negotiating Committee for Chief Officers) terms and conditions, including Chief Officers, up to SCP 73 / Grade 18.

The Chief Executive and Chief Officers above Grade 18 (SCP 73), are paid a fixed spot salary with no provision for incremental progression. These posts are detailed below and the salaries for each grade are detailed in Annex 1:

- Chief Executive

Director 3:

- Strategic Director Places and Organisational Capacity

Director 2:

- Strategic Director (Children, Families and Adults)

Director 1:

- Director of Finance and Business Services (151 Officer)
- Head of Human Resources and Organisational Development

For these posts, the Council will normally use external advisers such as the Hay Group and the North West Employers Organisation when determining salary. The external advisor(s) would then provide information and advice as to the appropriate level at which to pitch the salary to be successful in recruiting. This statement and future benchmarking would also inform part of the process by which these salaries are reviewed.

Employees outside of this local pay and grading structure include the following groups of employees:

Soulbury - Education Psychologists and Advisers. Their pay is determined by the National Soulbury Committee.

NHS - Occupational Health Nurses & Public Health Officers. Their pay is determined in accordance with NHS Agenda for Change Pay Bands

Craft - Electricians, Mechanics etc. Their pay is determined by the Joint Negotiating Committee for Local Authority Craft & Associated Employees

In addition, there will from time to time be employees that have TUPE transferred into the authority on different pay and conditions.

The Council adopts the national pay bargaining arrangements in respect of the establishment and revision of the national and local pay spine, for example through any agreed annual pay increases negotiated with joint trade unions.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery.

In determining its grading structure and setting remuneration levels for any posts which fall outside its scope, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

In addition, progression through the incremental scale of the relevant grade for NJC and JNC employees (including Chief Officers) is subject to completing

satisfactory service, which is reviewed on an annual basis. However, (as noted above), incremental progression has been temporarily frozen until November 2013. This commenced in November 2011.

Where the Council is unable to recruit Chief Officers, or there is a need for interim support to provide cover for a substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under a 'contract for service', particularly where this relates to a statutory post. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In assessing such it should be noted that in respect of such engagements the Council is not required to make either pension or national insurance contributions for such individuals.

#### 4. RECRUITMENT OF CHIEF OFFICERS

The Council's policy and procedures with regard to recruitment of Chief Officers are set out within the ***Recruitment Policy and Procedure*** (Annex 3) and as set out in the Staff Employment Procedure Rules in Part 4.

When recruiting to all posts the Council will take full and proper account of all provisions of relevant employment law and its own ***Recruitment Policy and Procedure, Disability at Work Commitment, Mindful Employer, Redeployment Policy and Procedure*** and ***Equality in Employment Policy*** (Annex 3).

The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment and in line with this Pay Policy Statement. New appointments will normally be made at the minimum of the relevant pay scale for the grade, although this can be varied on an exceptional basis where necessary to secure the best candidate. Where the appointment salary is above the minimum point of the pay scale and is not affected by other council policies, for example promotion, redeployment or flexible retirement, this is approved in accordance with the ***Pay and Allowances Policy*** and will take into account the appointee's existing pay and their relevant experience and qualifications taking account of equal pay within the Council.

From time to time it may be necessary to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate. Any such payments will be reviewed at regular intervals to ensure their ongoing suitability and appropriateness.

Any temporary supplement to the salary scale for the grade is approved in accordance with the guidance document ***Payment of Market Supplements*** as a recruitment/retention incentive (Annex 3)

Currently two Chief Officers receive a market supplement:

- Deputy Director of Children's Services (Lead Early Intervention and Prevention) – supplement of £11,760. To be reviewed 16 April 2013.
- Head of Service, Children's Social Care – supplement of £7,000. To be reviewed 15 October 2013.

## 5. CHIEF OFFICER REMUNERATION

With the exception of progression through the incremental scale of the relevant grade being subject to satisfactory service, which is reviewed on an annual basis, currently, the level of remuneration is not variable dependent upon the achievement of defined targets. However, the Council expects high levels of performance from its employees and is currently exploring the possibility of linking pay to performance at some point in the future.

To meet specific operational requirements it may be necessary for an individual to temporarily take on additional duties to their identified role. The Council's arrangements for authorising any additional remuneration relating to temporary additional duties are set out in Section 10 of the Pay and Allowances Policy (Annex 3). Where the full duties and responsibilities of a higher graded post are being undertaken, the payment will be the salary in the higher job that would apply were the employee acting-up to be promoted to that job. If the full duties and responsibilities are not being undertaken or if they are undertaken by more than one employee, the amount of payment should be calculated with reference to the salary of the higher graded post by the Head of Service in consultation with HR. It may consist of a monthly addition to salary or one or more lump sums to be paid at the end of, or during, the acting-up period.

Any changes to existing posts or additional posts created, with a salary above £100,000 and/or where the postholder is on JNC Chief Officer conditions and reports directly to the Chief Executive, will be subject to a vote by full Council prior to appointment / confirmation.

If the need arises to provide agency or interim cover the policy is to seek to cap the cost of that appointment at no more than that of the permanent appointment taking into account additional employment costs – pension contributions, national insurance, paid leave etc. However, where necessary a higher "market rate" will be paid to secure a suitable individual and market rate will be established by reference to soft market testing, external advice and dialogue with peer authorities.

## 6. ADDITIONS TO SALARY OF CHIEF OFFICERS

- **Fee for acting as the Returning Officer and Deputy Returning Officer(s)**

Cheshire East Council is required to appoint a Returning Officer by virtue of section 35 of the Representation of the People Act 1983. In Cheshire East the Borough Solicitor & Monitoring Officer has been appointed as the Returning Officer. This is a personal appointment, separate from their other duties. In this capacity they are the Returning Officer for elections to the Council and to Parish Councils within this Borough. For Borough and Parish Council elections, the Returning Officer fee is calculated in accordance with an agreed Scale of Fees. The Scale of Fees is agreed between and used by the four Cheshire Authorities.

The Returning Officer fee is payable for the substantial additional duties undertaken, and leadership required of the Returning Officer in planning, delivering and undertaking the elections and recognises the personal nature and personal responsibility of the role of the Returning Officer. The agreed scale of fees is used to determine the fees of the Deputy Returning officers, who are appointed from time to time and other elections employees.

The Returning Officer for Cheshire East is very involved in the electoral process and exceeds the Performance Standard set by the Electoral Commission for “skills and knowledge of the Returning Officer”. There are no scheduled Borough or Parish elections during the 2013/14 financial year.

For each election the scale of fees are set by the Government and the Returning Officer is directly accountable in law to the Government in regards to their electoral duties.

- **Travel Allowances and Expenses**

The current rates (which were last increased in April 2009) for use of private vehicles on Council business for all employees are:

	Engine Size	Engine Size
REGULAR USERS	451 -999cc	1000cc+
Lump Sum	£846	£963
Per mile first 8,500	36.9p	40.9p
Per mile after 8,500	13.7p	14.4p

	Engine size	Engine Size
OCCASIONAL USERS	451 -999cc	1000cc+
Per mile first 8,500	46.9p	52.2p
Per mile after 8,500	13.7p	14.4p

The Council has a small number of employees who are assessed as regular car users and receive a lump sum payment (payable monthly) with a reduced mileage rate. Assessment criteria are used to determine eligibility for all employees (including Chief Officers). Currently no Chief Officers are in receipt of the regular user lump sum.

- **‘Green’ Salary Sacrifice Lease Car Scheme**

The Council has a ‘green’ salary sacrifice lease car scheme. This is an employee benefit, born out of the Government’s introduction of a 10% band for benefit in kind taxation on low emission vehicles. The scheme enables employees to drive a new, fully maintained and insured car, but at a significantly reduced cost and offers savings in tax (employee only) and national insurance for both the employer and the employee. As such, it is a very attractive proposition for both.

The Green Car Scheme is underpinned by a salary sacrifice arrangement. Salary sacrifice is a contractual arrangement whereby an employee gives up the right to receive part of their cash remuneration, usually in return for their employer’s agreement to provide some form of non-cash benefit, in this case a car.

Whilst the scheme operates at no cost to the employer, in fact generating a saving overall, because it is being provided as a benefit by the Council it attracts a ‘Benefit in Kind’ (BiK) tax for employees on the scheme.

The scheme is open to all employees of the Council, subject to meeting the criteria set out in the scheme rules.

The level of CO2 emissions on the car chosen is important as it determines the benefit in kind tax to pay on the car (the non-cash benefit). The more environmentally friendly the car is, the greater the savings will be.

- **Relocation Expenses**

Where it is necessary for a newly appointed employee to relocate to take up appointment the Council may make a contribution towards relocation expenses, in accordance with the Relocation Expenses Policy (Annex 3). Under this policy, the Chief Executive, or their nominee, has discretion to agree relocation financial assistance for any external candidate appointed, up to a maximum of £10,000. The details of any such payment must be agreed at the time of making a job offer/during initial appointment. The relocation must bring the employee nearer to their workbase and, as such, support will not normally be given to employees who already live within 30 miles of the workbase. This discretion covers all items for which assistance may be given, which must be directly related to a home relocation within two years of appointment, for example removal expenses, legal and estate agents fees.

Travel Assistance may also be agreed for expenditure arising from a move from temporary accommodation to permanent home, (as well as for the initial move to temporary accommodation), normally provided that the second move takes place within the maximum two year period. Both sets of assistance are subject to the overall limit of £10,000 and the policy is very clear that an employee must not make a net financial gain from the assistance.

An employee who leaves the Council's employment within one year of appointment will be required to repay all of the assistance given. If they leave during the second year, the assistance must still be repaid but the amount will be reduced by one twelfth for each completed month of employment in that year.

The same policy applies to Chief Executive, Chief Officers and other employees.

- **Professional Fees and Subscriptions**

The Council will reimburse professional fees only for those employees where it is a legal requirement of their employment (subject to the employee paying the first £50) or, where employees are undertaking a training course and the membership of a professional body it is a requirement of the course. In those circumstances it will be paid for the period of study only. The Council has one policy and does not differentiate between Chief Officers and other employees.

## **7. LOCAL GOVERNMENT PENSION SCHEME**

The Local Government Pension Scheme and policy with regard to the exercise of discretions in Pension provision is an important part of the remuneration package.

All employees under the age of 75 and who have a contract of employment which is for 3 months or more are entitled to join the statutory Local Government Pension Scheme (LGPS). There are no restrictions on the minimum number of hours an employee must work to be entitled to join.

From 1 March 2013 (the staging date) Cheshire East Council will comply with the new pensions duties under the Automatic Enrolment Regulations 2012 as follows:

- All new Cheshire East employees from 1 March 2013 will be automatically entered into Scheme membership, and have to elect to opt out if they wish;
- All existing eligible employees who have previously opted out of scheme membership will be automatically re-enrolled into the scheme with effect from 1 October 2017, at the end of the allowed transitional period. They will retain the right to opt out again if they wish;

- All existing employees who fall into the non eligible category will be monitored from 1 March 2013 and will be automatically enrolled into scheme membership at the point that they meet the earnings and age threshold. They will retain the right to opt out if they wish;
- The Automatic Enrolment exercise will be repeated on a three yearly basis following the initial staging date.

Contribution bands are determined on full time equivalent pay on 1 April each year. The bands are shown below.

Annual Rate of Pay	Rate of Contributions
More than £85,300	7.5%
More than £45,500 and up to £85,300	7.2%
More than £34,000 and up to 45,500	6.8%
More than £20,400 and up to £34,000	6.5%
More than £15,800 and up to £20,400	5.9%
More than £13,500 and up to £15,800	5.8%
Up to £13,500	5.5%

This is the banding rate applicable at 1st April 2012. The increase applied is based on the Consumer Price Index (CPI) figure of September 2011 which stood at 5.2% and these rates will go up in line with the Consumer Price Index (CPI) each April.

Where employees have exercised their statutory right to become members of the Local Government Pension Scheme, the Council must make a contribution to the scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The rate of contribution is set by Actuaries advising the Cheshire Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate is set at 21.8% and this will increase to 22.30% with effect from 1 April 2013. These rates were set following the 2010 triennial valuation.

For more comprehensive details of the Local Government Pension Scheme and Cheshire Pensions Fund see <http://www.cheshirepensionfund.org/>

Neither the Scheme nor the Council adopt different policies with regard to benefits for any category of employee: the same terms apply to the Chief Executive, Chief Officers and other employees alike.

The Scheme also provides for the exercise of discretions that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that its usual policy is not to enhance benefits



unless early release of pensions is agreed on compassionate grounds. However, the Council has agreed to adopt the provision to enable redundant employees to purchase additional service with the non statutory part of their redundancy payment (additional redundancy payment) if employees are in receipt of such a non statutory payment.

The ***Pensions Discretions Policy*** (Annex 3) details the Council's agreed Pensions Discretions and applies equally to the Chief Executive, Chief Officers and other employees.

The Pension Scheme also provides for flexible retirement. In applying the flexible retirement provision no distinction is made between the Chief Executive, Chief Officers and other employees. Employees aged 55 and above may apply to have their hours and/or their pay grade reduced and to seek agreement to early release to some or their entire pension.

The request can be considered if;

Either

- their substantive grade reduces by a minimum of 2 grades (e.g. Grade 6 to Grade 4)

And / Or

- their contract hours reduce by a minimum of 1/5

And

- at the same time, the employee can request early release of their accrued pension benefits in full or some of their accrued rights. Employees can now choose to take:
  - All or none of their pre April 2008 rights; and
  - All, some or none of their post March 2008 rights.

Any consequential fund strain payments to the pension fund are recoverable in three years with the discretion to extend the three years in exceptional circumstances. The Council's Staffing Committee will consider requests from the Chief Executive or a Chief Officer in respect of other employees.

## **8. REDUNDANCY PAYMENTS AND PAYMENTS ON TERMINATION**

- **Redundancy**

Where an employee is made compulsorily redundant, they will receive a redundancy payment in accordance with the State formula based on the employee's actual week's pay, plus any payment in lieu of notice where applicable and, payment for any annual leave for employees leaving the Council's employment with accrued leave which, by agreement is untaken at the date of leaving.

The Council also has a voluntary redundancy scheme in place which is applicable to all employees whose applications for voluntary redundancy are accepted as being in the interests of the Council. Employees who leave on grounds of voluntary redundancy will normally be entitled to receive a redundancy payment in accordance with the statutory formula but based on the employee's actual week's pay plus an additional severance payment of 0.8 times the statutory payment, bringing the total payment to 1.80 times the statutory formula and up to a maximum of 50 weeks pay. This will be reviewed in August 2013. The Council reserves the right to change all discretionary elements.

When considering applications for voluntary redundancy the Council considers: -

- The need for the competency and skill set to meet current commitments
- The uniqueness of that competency and skill set in the organisation compared to the expected demand
- The likely need for that competency and skill set to meet future needs
- The likely timescale of future needs, comparing the cost of retention with the cost of VR and future re-recruitment
- The opportunity to cross skill or retrain remaining staff to fill the gap, and the cost and timescale to achieve this
- The cost of VR

The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within the ***Redundancy Policy and Procedure*** and for those eligible for retirement, in the ***Retirement and Severance Policy*** (Annex 3) and are in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006.

All payments under this section are subject to the approval process set out in the ***Redundancy Policy and Procedure***.

- **Severance and Retirement on Grounds of Efficiency**

In line with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, the Council also operates a voluntary scheme to facilitate early retirement or severance on grounds of efficiency to enable the Council to continue to achieve effective use of resources and provide value for money.

In all efficiency cases, employees may be considered for a lump sum payment upon termination, based on the merits of each individual case but up to a maximum of the same amount that would be permitted under the Council's voluntary redundancy scheme.

Factors to be taken into account in awarding compensation would include:

- Overall reasonableness, including benefits to the Council tax payer by the employee leaving the Council's service.
- Direct financial savings to be incurred by the employee leaving the Council's service.
- Employee relations considerations.

Subject to requirements set out in the Policy, employees' aged 55 or above and in the LGPS with at least three months membership (or with transferred service) will also be entitled to access to their accrued LGPS pension on an unreduced basis.

In relation to pension enhancement, the Council's policy as set out above will apply to all employees aged over 55 only. The Council will consider each case on its merits but has determined that its usual policy is not to enhance benefits unless early release of pensions is agreed on compassionate grounds. However, the Council has agreed to adopt the provision to enable redundant employees to purchase additional service with the non statutory part of their redundancy payment (additional redundancy payment) if employees are in receipt of such a non statutory payment.

All payments under this efficiency policy are subject to Cabinet approval.

- **Compromise Agreements**

The Council uses compromise agreements as a matter of course for all voluntary redundancies/severances and this applies to all employees, including Chief Officers. The use of standard compromise agreements on this basis minimises any risk of future claims against the Council and can ensure that any threatened or pending legal proceedings and their associated legal costs can be avoided. .

A compromise agreement will take into account any outstanding contractual entitlement which the individual has to notice and will be in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 regulations. The compromise agreement will also take into account:

- The individual circumstances of the departure
- Value for Money for the authority
- The age and proximity to retirement of the individual,
- The risk and value of a potential claim against the authority
- The need for a speedy departure / 'opportunity lost' cost
- Any other material factors that may be considered

The final decision and approval for any termination payment and approval for the terms of a compromise agreement in relation all employees up to Deputy Chief Officer level (as defined in this Pay Policy Statement) rests with the Chief Executive. For all of the following posts (below), the final decision and approval will be with the Chief Executive in agreement with the Leader of the Council and the Chairman of Staffing Committee.

All Chief Officers (Statutory, non Statutory),  
All officers earning above £100,000 and  
All officers on JNC Chief Officer conditions and reporting directly to the Chief Executive,

Termination payments in addition to a payment in relation to contractual notice pay (and including any outstanding holiday pay) for the Chief Executive and the terms of any associated compromise agreement will be subject to approval by the Staffing Committee and reported to the next meeting of full Council, with an indicative sum/cost, for noting.

This will only apply where a termination payment is agreed with a Chief Executive on a consensual basis. The dismissal of a Chief Executive or a Statutory Officer is the subject of a designated statutory process and decision by the full Council.

## **9. PUBLICATION AND ACCESS TO INFORMATION**

Upon approval by full Council, this statement will be published on the Council's Website. Additionally, individual data (including names and job titles) relating to employees with a full time equivalent salary of £56,000 and above, will also be published on the Council's website. The publishing of names will be subject to individual consent for senior employees earning below £150,000.

An organisation chart of the Council's management structure, including salary bands and details of vacant posts is also published. The current chart is attached at Annex 2 for information.

Further information about the Council's commitment to transparency can be found at the attached link.

[http://www.cheshireeast.gov.uk/council\\_and\\_democracy/council\\_information/transparency.aspx](http://www.cheshireeast.gov.uk/council_and_democracy/council_information/transparency.aspx)

## **10. PAY MULTIPLES**

The figures below exclude schools based employees and teachers as the Localism Act does not apply to local authority schools. They also exclude casual employees.

The lowest paid persons employed under a contract of employment with the Council are employed on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1<sup>st</sup> April 2013, this is £12,145 per annum, Grade 1 Spinal Column Point (SPC) 4. There are 102 employees / 32.79 FTE (excluding casuals) on this grade and SCP currently.

Separate to the Council's pay and grading structure, we offer one year apprenticeship placements. The Council operates this scheme in line with the National Minimum Wage and the apprenticeship rate guidelines as follows.

There are different levels of National Minimum Wage, depending on your age and whether you are an apprentice. The current rates (from 1 October 2012) are:

- £6.19 - the main rate for placements aged 21 and over
- £4.98 - the 18-20 rate (equivalent to Spinal Column Point 3 –£ 9608)
- £3.68 - the 16-17 rate for placements above school leaving age but under 18

Apprentice Specific Pay: £2.65 - the apprentice rate, for apprentices under 19 or 19 or over and in the first year of their apprenticeship.

Additionally, there are a number of employees on other pay and conditions, as noted above, such as Craft, NHS and Soulbury employees on different pay structures, but none fall below the £12,145 FTE salary at SCP04.

The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement (section 3, Pay Structure).

The current pay levels within the Council define the multiple between the average / mean full time equivalent earnings (£21,525.15) and the highest paid Chief Officer, the Chief Executive (£140,000) as 6.50.

Additionally, the multiple between the lowest paid employee (£12,145) and average Chief Officer salary (£77,314.86) is 6.37.

The Council does not explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples cannot capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required.

The Council is satisfied with its current pay multiples but as part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. In addition, upon the annual review of this statement, the

Council will also monitor any changes in the relevant 'pay multiples' and may benchmark against other comparable Local Authorities.

## 11. ACCOUNTABILITY AND DECISION MAKING

In accordance with the Constitution of the Council, the following arrangements are in place in relation to the recruitment, pay, terms and conditions and severance arrangements for employees of the Council, including Chief Officers.

<p><b>Posts:</b> Head of Paid Service</p> <p>Statutory Officers (including 151 and Monitoring Officer)</p> <p>Chief Officers with salaries over £100,000 which are currently:</p> <p style="padding-left: 40px;">Strategic Director Places and Organisational Capacity</p> <p style="padding-left: 40px;">Strategic Director (Children, Families and Adults)</p> <p>Plus any other officers on JNC Chief Officer conditions reporting directly to the Chief executive.</p>	<p><b>Staffing Committee</b> oversee the arrangements for filling the vacancy, including the final selection process. Once a candidate has been selected and agreed, this is then communicated to Cabinet.</p> <p><b>Cabinet</b> then have the opportunity to put forward any material or well founded objection to the proposed appointment of the successful candidate, prior to it being recommended to Council.</p> <p>Full Council then vote on the appointment of the successful candidate, following the recommendation made by Staffing Committee.</p>
<p>Non Statutory Chief Officers and any Chief Officers / Deputy Chief Officers not included above.</p>	<p><b>Staffing Committee</b> oversee the arrangements for filling the vacancy, including the final selection process. Once a candidate has been selected and agreed, this is then communicated to Cabinet.</p> <p><b>Cabinet</b> then have the opportunity to put forward any material or well founded objection to the proposed appointment of the successful candidate, prior to it being recommended to Council.</p>

	Subject to no material or well founded objection being put forward, the appointment is then confirmed.
All other posts	The Chief Executive has the power to appoint all other staff but this authority is usually delegated to the relevant Director / Head of Service.

The Council's Constitution sets out the fuller roles and responsibilities of these groups.

## **12. RE-EMPLOYMENT/RE-ENGAGEMENT OF EMPLOYEES IN RECEIPT OF A LOCAL GOVERNMENT PENSION (INCLUDING CHIEF OFFICERS)**

Any decision to re-employ an individual (including Chief Officers) already in receipt of a Local Government Pension (with same or another local authority) will be made on merit, taking into account the use of public money and the exigencies of the council.

## **13. RE-EMPLOYMENT/RE-ENGAGEMENT OF FORMER EMPLOYEES (INCLUDING CHIEF OFFICERS)**

Former Cheshire East/ Legacy Authority employees who left their employment on grounds of voluntary retirement or severance will not be re-employed or re-engaged in any capacity, except in truly exceptional circumstances and subject to the agreement of the Head of Human Resources and Organisational Development in consultation with the Leader and the relevant portfolio holder. Re-engagement includes all types of contractual relationships whether they be a contract of employment, contract of service, etc and whether the individual is appointed as an employee or engaged as an interim, direct consultancy or via an agency or other supplier.

Prepared by: HR Strategy and Policy Team  
 Date: 11 January 2013  
 Review Date: January 2014

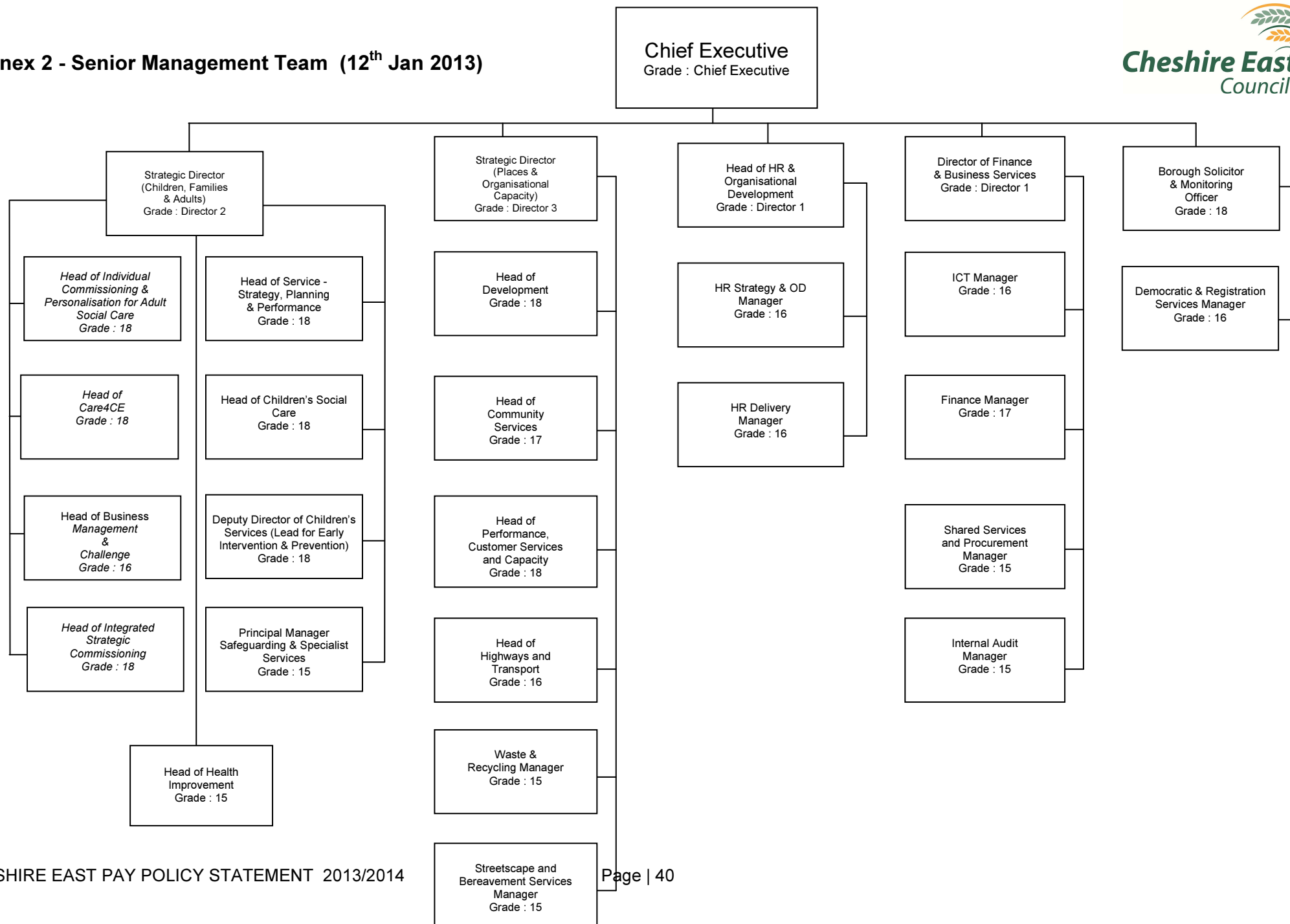
## Annex 1 – Cheshire East Pay and Grading Structure (NJC and JNC)

GRADE	SCP	SALARY			
1	4	12145	11	41	36182
	5	12312		42	37263
	6	12489		43	38342
				44	39544
2	6	12489		45	40741
	7	12787		46	42014
	8	13189		46	42014
	9	13589		47	43294
3	9	13589	12	48	44771
	10	13874		49	46251
	11	14733		50	47227
	12	15039		51	48200
	13	15444			
4	13	15444	<b>JNC Chief Officers</b>		
	14	15725	13	49	46251
	15	16054		50	47227
	16	16440		51	48200
	17	16830		52	48598
5	17	16830	14	53	49631
	18	17161		53	49631
	19	17802		54	50888
	20	18453		55	52144
	21	19126		56	53606
6	21	19126	15	57	55067
	22	19621		57	55067
	23	20198		58	56494
	24	20858		59	57924
	25	21519		60	59508
7	25	21519	16	61	61098
	26	22221		61	61098
	27	22958		62	62695
	28	23708		63	64299
	29	24646		64	66040
8	29	24646	17	65	67782
	30	25472		65	67782
	31	26276		66	69495
	32	27052		67	71212
	33	27849		68	73118
	34	28636		69	75023
9	33	27849	18	69	75023
	34	28636		70	76962
	35	29236		71	78906
	36	30011		72	81073
	37	30851		73	83240
10	37	30851			
	38	32012			
	39	33167			
	40	34501			
	41	36182			



Director 1	90320
Director 2	120000
Director 3	122000
Chief Executive	140000

## Annex 2 - Senior Management Team (12<sup>th</sup> Jan 2013)



### Annex 3

All of the relevant policies and procedures as referred to in the Pay Policy Statement can be found on the Staffing Committee Share Point site.

<http://mycheshireteams.ourcheshire.cccusers.com/sites/cecstaffcomm/default.aspx>

#### **Intranet links to the relevant policies and procedures:**

[Payment of Market Supplements](#)

[Pay and Allowances Policy](#)

[Pensions Discretions Policy](#)

[Redundancy Policy \*and\* Procedure](#)

[Retirement and Severance Policy](#)

[Recruitment Policy \*and\* Procedure](#)

[Disability at Work Commitment](#)

[Mindful Employer](#)

[Redeployment Policy \*and\* Procedure](#)

[Equality in Employment Policy](#)

[Relocation Expenses Policy](#)

For those trying to access copies of policies via [www.cheshireeast.gov.uk](http://www.cheshireeast.gov.uk) please contact [HREnquiries@cheshireeast.gov.uk](mailto:HREnquiries@cheshireeast.gov.uk) to request copies of the policies.

### **Appendix 3 – Guidance on what must be included in a Pay Policy Statement**

A pay policy statement must set out the Authority's policies for the financial year relating to:

- The level and elements of remuneration for each Chief Officer
- Remuneration of Chief Officers on recruitment
- Increases and additions to remuneration for each Chief Officer
- The use of performance related pay for Chief Officers
- The use of bonuses for Chief Officers
- The remuneration of the lowest paid employees
- The relationship between Chief Officer's remuneration and that of other Officers.
- The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the Authority, and
- The publication of and access to information relating to remuneration of Chief Officers.

For clarity, the term 'remuneration' includes the following:

- Basic salary or, in the case of Chief Officers engaged by the Authority under a contract for services, payments made by the Authority to the chief officers for those services
- Any bonuses payable by the authority to the Chief Officers
- Any charges, fees or allowances payable by the Authority to the Chief Officers
- Any benefits in kind to which the Chief Officers are entitled as a result of the Chief Officer's office or employment
- Any increase in or enhancement of the Chief Officer's pension entitlement where the increase or enhancement is as a result of a resolution of the Authority, and
- Any amounts payable by the Authority to the Chief Officers on the Chief Officers ceasing to hold office under or be employed by the authority, other than amounts that may be payable by virtue of any enactment.

A pay policy statement must also set the Authority's policies for the financial year relating to the other terms and conditions applying to the Chief Officers.

The policy should explain the severance payment(s) to Chief Officers as part of a decision to terminate a contract for any reason as well as the Council's approach towards the reward of employees previously employed by the authority who, on ceasing to be employed, are in receipt of a severance or redundancy payment from that authority.

## CHESHIRE EAST COUNCIL

### Cabinet

---

**Date of Meeting:** 4<sup>th</sup> February 2014

**Report of:** Chief Operating Officer

**Subject/Title:** Business Cases for Alternative Service Delivery Vehicles

**Portfolio Holder:** To be confirmed

---

#### 1.0 Purpose of the report

- 1.1 In February 2013 the Council set out its three year plan to becoming a strategic commissioning council. This consisted of 29 major change programmes covering 8 key priorities. The plan sets out the core purpose of the council, and identifies the need to redefine its role in core place-based services.
- 1.2 The move to a strategic commissioning model ensures a measured approach to achieving the Council's ambitions. It provides a platform for the Council to redefine and reinvent services avoiding 'salami' slicing and to sustain quality services to residents and businesses.
- 1.3 The intention to become a strategic commissioning council is supported by a clear strategic framework. This framework establishes the key principles of achieving the Councils required financial savings, providing opportunities to deliver qualitative benefits and ensuring residents receive excellent services which meet the changing needs and aspirations of modern life.
- 1.4 The Council already has two successful wholly owned companies in place – Engine of the North and Tatton Park Enterprises. This report updates Cabinet on progress towards become a strategic commissioning council and seeks their approval of the formal business cases for change in the three areas that have been under development during 2013/14.

#### 2.0 Recommendations

Cabinet is asked to:

- Note the progress being made towards becoming a strategic commissioning Council;
- Approve the business cases for change appended to this report for the following Council services to trade as wholly owned companies:
  - Ansa Environmental Services Limited; and
  - Orbitas Bereavement Services Limited.

And to;

- Approve Everybody Sport and Recreation Services (ESAR) Limited to trade as a wholly owned company of Cheshire East Council, if necessary. This is

a precautionary measure as we expect ESAR to become a registered charity before it takes up any trading activity.

### 3.0 Background

- 3.1 All Council's find themselves in difficult financial times aligned with high demand for services and high public expectations. Many have responded to these pressures by reducing services – closing libraries and leisure centres and stopping some services altogether. Cheshire East Council have not done this.
- 3.2 Instead Cheshire East Council has seized the opportunity to think differently about how it can deliver services which better meet the needs of the residents, businesses and customers of Cheshire East. This new approach will require robust corporate leadership, innovation and for the Council and its partners to deliver more with less.
- 3.3 The Council has grasped this opportunity and in February 2013 it produced a report “**Becoming a Strategic Council**” it laid out how the Council will deliver better sustainable services through its new operating model. In summary, this focused on identifying and prioritising local needs, meeting those needs in a cost-effective way by stimulating and managing a diverse local market of high quality local providers. Importantly the new “Strategic Council” will be able to capture, leverage and disperse all available local funds and resources in line with its strategic ambitions and goals for its local communities, as part of its “place shaping” role. The report also set out a strengthened role for elected Members, beginning and ending with councillors’ democratic relationship with local residents, who should have a stronger voice and input into commissioning decisions in the future.
- 3.4 It is clear that change is inevitable. Strategic Commissioning is about achieving even greater value for money, by doing things differently and using innovative new approaches to the way in which services are delivered, that achieve the outcomes desired by local people. It is not about simply reducing costs through arranging cheaper provision or about traditional outsourcing, as the new approach will be used to get the best from in-house services, from joint ventures between the Council and other providers, and from new delivery vehicles such as Social Enterprises or Staff Mutuals.
- 3.5 The Council completed an analysis of each service area to consider the various delivery options. The guiding principle in this assessment was the desire to create a more effective, efficient and locally responsive service. Delivering these outcomes is more important than the question of who actually delivers them.
- 3.6 The case for delivering services through Alternative Service Delivery Vehicles (ASDVs) is that they tend to lead to improved customer service for residents and business and will operate in a competitive, commercial environment, ensuring an engaged workforce, increased productivity and better value for money.

- 3.7 The rest of this report summarises our progress for developing these models. The detailed business cases for change are attached as appendices:
- environmental services, (Ansa, appendix A);
  - bereavement services, (Orbitas, appendix B); and
  - leisure and sports development services, (Everybody Sport and Recreation, appendix C).
- 3.8 Under the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2004, local authorities must prepare a detailed business case before embarking to trade under the powers and to have the business case approved by the Executive, where they are operating under the executive model.
- 3.9 Each business case has been prepared in line with statutory guidance and the principles of the Council's own strategic framework. Through this process we have demonstrated that there is a sound financial case for creating each wholly owned company and allowing them to begin trading.
- 3.10 The business cases were considered in detail by the Technical Enabling Group on 13 December. They were also discussed, by the Executive Monitoring Board (EMB) on 16 December 2013. EMB endorsed the business cases subject to the need to respond to TEG feedback - this included reflecting the case for change and further understanding of risks between the Council and the companies.
- 3.11 To offer further assurance, the Chief Operating Officer engaged Price Waterhouse Cooper (PwC) to undertake a high level review of the business cases during early January. PwC conclude that the business case for change has been made in each case. They are satisfied that the key financial assumptions underpinning the business cases are reasonable and prudent and in line with similar documents reviewed elsewhere.
- 3.12 PwC recognise the scale of the Council's change programme and the significant amount of preparatory work already done or in hand. They highlight a number of areas where further work would help to minimise risk and optimise the successful implementation of the new organisations. PwC also recommended that the Council develop ambitious business plans to take full advantage of the business opportunities set out at a high level in the business cases.
- 3.13 PwC acknowledge the Council's clear focus on the development, implementation and mobilisation of the leisure trust. PwC highlight the need to maintain this focus given that the Council will – though its direct ownership - be able to continue to develop the arrangements for Ansa and Orbitas beyond the 'go live' date.
- 3.14 PwC are also undertaking further financial analysis for the Council. This will particularly focus on VAT issues relating to the leisure trust to ensure that the optimum tax structure is implemented and hence all possible savings are fully realised.
- 3.15 The Executive Summary of the PwC review is attached at Appendix D.

#### **4.0 Business Case – Ansa Environmental Services Ltd**

- 4.1 In June 2013, Cabinet approved the formation of a Wholly Owned Company, limited by shares, as its preferred model to deliver existing Environmental Operations. The company includes Waste, Recycling, Fleet and Streetscape services. Ansa Environmental Services Limited and its nominated Directors are now registered at Companies House.
- 4.2 Ansa Environmental Services Ltd will deliver waste management, elements of streetscape and fleet management services on behalf of Cheshire East Council. In doing so, the Company can take full advantage of the Teckal exemption in its business activities for the benefit of the Council and residents of Cheshire East. The key driver in this has been the Council's move towards a commissioning model for the delivery of its services to tackle the inevitable financial and cultural challenges that it faces over the next few years.
- 4.3 The main benefits of operating through the company are that operational and procurement costs can be reduced, greater entrepreneurial activity can take place to increase revenue streams and the Council's reputation will be enhanced through more transparent services that are focussed on local needs. The Council will determine how any benefits generated by the company will be used. For example such benefits could be retained by the Council or the company through reinvestment in services or dividends. There will also be opportunities for shared delivery with other public bodies.
- 4.4 The successful culture of delivery within the company will see improvements for residents and businesses alike. In real terms, there will be opportunities to make investments in infrastructure whilst the company is geared towards saving 10% of its current budget over the next 5 years. Over the same timeframe a culture of reward for enterprise, creativity and effort will support the company's aspirational target of creating new income streams (worth an additional 2.5% of its current budget). This has to be achieved without any dilution of focus on delivering high quality services to residents and businesses of Cheshire East.
- 4.5 The detailed business case to create a wholly owned company to manage environmental services is attached at appendix A.

#### **5.0 Business Case – Orbitas (bereavement services)**

- 5.1 In September 2013 the Council's Policy Development Group considered a report setting out the options for bereavement services. The group supported the creation of a 'Wholly Owned Company' believing it would offer one of the safest and most sustainable ways of delivering change for residents of Cheshire East, promoting cost efficiencies and effectiveness whilst retaining control of a sensitive service area and managing the reputational risks associated with service delivery. Additionally it was thought it would improve the speed of decision making and allow staff to develop and implement their entrepreneurial skills.
- 5.2 In October 2013, Cabinet agreed to the formation of a wholly owned Company, limited by shares, to deliver Bereavement Services for the Council. This work



has now been completed. Orbitas, Bereavement Services Limited and its nominated Directors are now registered at Companies House as a wholly owned company of Cheshire East Council (the Council own 100% of the shares in the company).

- 5.3 The financial case for Orbitas is sound. Even with the anticipated increase in market competition the company can be financially viable as a stand-alone entity by reducing operating costs and increasing income. The company provides real opportunity for the 'Orbitas' team to shape how the service is delivered, designed and provided. This increased level of involvement in running the service, coupled with the ability to act promptly on decisions is undoubtedly a key way of engaging and motivating the team. This has already been confirmed by staff during the consultation and stakeholder meetings.
- 5.4 With the ability to offer a broad range of services, to introduce incentivised performance management and to act quickly it is likely that Orbitas will offer a better and more responsive service for users. Improved service levels and quick fixes to facility issues will arrest some of the concerns funeral directors have expressed in the service.
- 5.5 Orbitas will also enable the Council to respond positively to the construction of new private crematoriums in Northwich and Lach Dennis. For example, a refurbishment scheme for Crewe Crematorium will ensure a similar standard of customer service is provided across the area. A high level business case has been completed for this scheme and it is also being considered by TEG and EMB as part of the ongoing review of new project proposals and potential incorporation into the 2014/15 capital programme.
- 5.6 The detailed business case to create a wholly owned company to manage bereavement services is attached at appendix B.

## **6.0 Business Case – ESAR(leisure and sports development services)**

- 6.1 In June 2013, Cabinet agreed to the formation of a Charitable Trust to deliver leisure services on behalf of the Council. This work has now been completed. Everybody Sport and Recreation (ESAR) Limited, and it's nominated Directors, are registered at Companies House as a wholly owned company of Cheshire East Council (the Council own 100% of the shares in the company). The next step is to register ESAR as an independent charity. The creation of the charitable trust will improve the quality of service for local people.
- 6.2 ESAR links directly into the Council's three year plan in seeking to improve services for local people. In particular, outcome 5 - people live well and for longer; local people have healthy lifestyles and access to good cultural, leisure and recreational facilities.
- 6.3 The Council will only need to grant ESAR power to trade if it has not been registered with the charities commission by 1 April 2014.
- 6.4 The remit for the review of leisure, play and sport development services was to consider alternative management vehicles that could manage the variety of facilities and services currently provided by the Council; the benefit of this is that it will enable the Council to focus its delivery of leisure services through an independent charitable company, which will deliver an improved and enhanced

service. At the same time, the Trust will have access to financial and other resources (e.g. grants) to enhance service delivery which are not available to the Council,

- 6.5 A further benefit of a charitable trust is that it allows the benefits of NNDR and VAT relief to be fully realised creating a significant financial benefit to the current operation of the Councils' current in-house leisure, play and development services.
- 6.6 A detailed contract and performance specification is currently being produced, that will protect the Council's interest and ensure that the significant investment in Everybody Sport and Recreation will play an important role in the achievement of the council's key strategic outcomes moving forward.
- 6.7 The specification is an important document as it helps define the clear benefits and outcomes expected by the Council and Local residents from the new Trust. These will align with the charitable article of the new organisation and will include key performance measures around participation; target key demographic groups and areas of health inequalities and deprivation.
- 6.8 To protect the Council further the freehold of the assets will remain with CEC and a lease to operate will be given to the trust, maximum caps on such things as pricing will form a key element of the specification, but it is also important the Trust is given sufficient flexibility to manage and best utilise the assets under its control in order that it can have the maximum impact on the lives and in particular the health and wellbeing of the residents of CEC.
- 6.9 The detailed business case to create a charitable trust to manage leisure, play and sport development services is attached at appendix C.

## **7.0 Wards and Local Ward Affected**

- 7.1 All wards are affected by this decision.

## **8.0 Policy Implications**

- 8.1 The recommendations are in accordance with the Council's plan to become a strategic commissioning council.

## **9.0 Financial Implications**

- 9.1 The detailed financial implications for the organisations are detailed in the appended business cases.

## **10.0 Legal Implications**

- 10.1 **ESAR:** External solicitors have been engaged to support the company in being established as a charity. A detailed examination of the legal implications of deciding to establish a wholly owned company and to carry out trading through that company was reported to Cabinet in May 2013.

## **10.2 Orbitas and Ansa**

- 10.2.1 As stated at paragraph 3.7, under the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2004, local authorities must prepare a detailed business case before embarking to trade under the powers and to have the business case approved by the Executive, where they are operating under the executive model.
- 10.2.2 A detailed examination of the legal implications of deciding to establish Orbitas and Ansa as wholly owned companies and to carry out trading through those companies was contained in the reports to Cabinet in October and June 2013. The companies are wholly owned and controlled by the Council and because they will do more than 80% of their business for the public sector, they both qualify for the 'Teckal' exemption. This means the Council can award contracts to the companies without the need to carry out procurement exercises under the Public Contracts Regulations 2006.
- 10.2.3 In regards to Orbitas, it is also worth highlighting that, in order to qualify for the Teckal exemption it has been necessary to structure the company so it acts as the Council's agent for the provision of bereavement services. In that sense the service will continue to be provided by the Council.

## **11.0 Risk Management**

- 11.1 The risks within the ASDV programme are identified and managed at 3 levels: Project, Programme and Corporate.
- 11.2 The project risks for each of the new companies are detailed within the appended business cases. The respective project boards in managing the risks have established appropriate mitigating actions and monitor each risk on a regular basis in accordance with the Council's project management methodology.
- 11.3 Programme risks are those that are common to more than one ASDV project. These risks together with other risks generated by the impact of the overall ASDV programme are identified, managed and monitored by the ASDV Steering Group. There are currently 20 risks and one opportunity captured on the programme risk register.
- 11.4 Corporate risks are those that have the potential to cause corporate concern. These have been identified from the programme risk register and escalated to the corporate Risk Management Group for consideration, monitoring and inclusion on the Corporate Risk Register. The Corporate Leadership Board ensures that actions and recommendations within the Corporate Risk Register are implemented.
- 11.5 The Audit and Governance Committee is responsible for keeping under review the effectiveness of the risk management, control and governance arrangements. Audit and Governance Committee receives a quarterly update on the Corporate Risk Register and considers any changes to the corporate

risks and their ratings. Cabinet also receives quarterly monitoring reports and an annual report on the Corporate Risk Management.

## **12.0 Other considerations**

- 12.1 Following Cabinet's approval of each business case work will continue to develop the more detailed business plans and draft contracts for the new companies. The headline commercial and contractual arrangements will be set out in a further report to Cabinet in March.

## **13.0 Supporting information**

June 2013: Cabinet Report - Determine Future Delivery Model for Waste Management Services:

<http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s23790/14-Future%20Delivery%20Model%20for%20Waste%20Management%20-%20report%20Part%201.pdf>

October 2013: Cabinet report - Environmental Operations Change Programme:

<http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s25634/Environmental%20Operations%20Change%20Programme%20-%20report%20final.pdf>

June 2013 Cabinet report – Future Delivery Model for Bereavement Services

<http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s25616/Bereavement%20Services%20-%20report%20final.pdf>

October 2013: Cabinet report - Preferred Delivery Model for Leisure, Sport, Play and Development Services:

<http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s23782/09-Leisure%20Delivery%20Options%20-%20report.pdf>

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

Name: Paul Bradshaw  
Designation: Head of HR & OD  
Tel No: 01270 686027  
Email: paul.bradshaw@cheshireeast.gov.uk

**Business Case**

---

---

**PROJECT INITIATION DOCUMENTATION****DETAILED BUSINESS CASE**

Completed By:	Ray Skipp	Project Name	Alternative Service Delivery Model for Environmental Operations
Programme Name	Environmental Operations	Portfolio Holder:	Cllr David Topping
Project Reference Allocated		Service:	Environmental Operations
Senior Responsible Owner (SRO):	Kevin Melling	Project Manager	Michelle Sherlock
Date endorsed at Gate 1	January 2013	Major Change project number	6.4

## Contents

Executive Summary .....	
1. Background.....	
1.1 Service background .....	
1.2 Options Appraisal.....	
1.3 Impact of 3 year plan on the options appraisal.....	
1.4 Initiation of Environmental Operations Change Programme including WOC .....	<b>Error! Bookmark not defined.</b>
1.5 Key parameters for WOC .....	
1.6 Current Service Scope.....	<b>Error! Bookmark not defined.</b>
1.7 Performance Measures & Standards .....	<b>Error! Bookmark not defined.</b>
1.8 Summary.....	
2. Why the project is needed.....	
3. Vision Statement.....	
3.1 Parks Management.....	
3.2 Fleet Management .....	
3.3 Waste Management.....	
3.4 Street Cleansing .....	<b>Error! Bookmark not defined..</b>
3.5 Grounds Maintenance.....	<b>Error! Bookmark not defined..</b>
3.6 Integrated Solutions .....	<b>Error! Bookmark not defined..</b>
3.7 Teckal Contracting .....	<b>Error! Bookmark not defined..</b>
3.8 Sponsorship Opportunities.....	<b>Error! Bookmark not defined..</b>
Summary.....	<b>Error! Bookmark not defined..</b>
4. Proposed Solution.....	
4.2 Management Arrangements.....	<b>Error! Bookmark not defined..</b>
4.2.1 Governance .....	<b>Error! Bookmark not defined..</b>
4.2.3 Contractual arrangements.....	
4.2.4 Constraints and Dependencies .....	<b>Error! Bookmark not defined..</b>
4.2.5 Business Planning .....	
5. SWOT Analysis.....	
6. Benefits.....	
6.1 Flexible and Innovative: .....	
6.2 Alignment to Charging and Trading Strategy: .....	
6.3 Efficiency: .....	
6.4 Culture change: .....	
6.5 New business opportunities: .....	<b>Error! Bookmark not defined..</b>
6.6 Diversification: .....	<b>Error! Bookmark not defined..</b>
6.7 Council retention of benefits: .....	
6.8 Shared delivery model: .....	<b>Error! Bookmark not defined..</b>
7. Risk.....	
7.1 Business risks and their significance .....	
The biggest threats to future success .....	
7.3 Opportunity .....	
8. PESTLE Analysis.....	
9. Project and Investment Appraisal Cost of project and Investment Appraisal .....	
-9.1 Budget Forecast .....	<b>Error! Bookmark not defined..</b>

**Business Case**

---

9.2 Financial Benefit .....	<b>Error! Bookmark not defined..</b>
9.3 Cost of Investment .....	
9.4 Corporate core costs .....	
9.5 Financial Management.....	
9.6 Financial assumptions.....	
10. Equality Impact Assessments .....	
11. Review Monitoring & Evaluation .....	
12. Exit Strategy.....	

## Executive Summary

**Purpose:** This document provides a detailed business case for setting up Ansa Environmental Services Ltd and making use of the Teckal exemption to deliver environmental operations services to it from the Council without going through a costly and lengthy OJEU procurement exercise.

**Scope:** In scope for the proposed Wholly Owned Company (WOC) are the Waste and Recycling Management Service, the Fleet Service and the Streetscape Service.

**Drivers:** The primary drivers for change are based upon the need by the council to sustain the full range of high quality services currently provided and to avoid the tendency to apply "Salami like slices" from a range of services similar to the approach being taken by other Councils. Whilst at the same time pursuing the Council's own stated objective to move to becoming a commissioning authority. The council faces unprecedented fiscal and cultural challenges over the next three years and we need to change accordingly both in terms of our key service offerings and the way in which they are delivered.

**Expected benefits:** The formation of a series of new vehicles like this one will allow the enhanced delivery of services to residents, whilst providing a reduction of core council cost and staffing. They will also allow us greater fiscal flexibility whilst enhancing the reputation of the council through transparency and locally led services. Linking the new vehicles to performance related pay would also increase the responsiveness of our services as officers are rewarded for enterprise, creativity and effort as well as potentially greater investment in facilities.

The council will be able to utilise these vehicles to enhance revenue by greater entrepreneurial effort by officers and members in expanding services



or service offerings. Officers and members will work together with an emphasis on a culture of delivery.

From day one of the new arrangement, the new organisation will be focussed upon continuing to deliver high quality services for the residents of Cheshire East. The culture of the vehicles will lead to becoming more entrepreneurial as their processes become more customer focused and the costs of the new vehicles will decrease as vehicles are able to procure as they choose, within EU regulations. This will be achieved by having the freedom to purchase outside existing CEC contracts. Efficiencies will also be generated by more focused, disciplined endeavour. Revenues will increase as a result of their entrepreneurial spirit being channelled into the pursuit of new opportunities with charges set at commercial levels.

**Success criteria:** Maintaining and improving services for residents and business community within Cheshire East. Through culture change, service transformation and new business opportunities, the WOC will deliver major efficiency savings of around 10% of its current budget over the next 5 years while also setting itself an aspirational target of creating new income streams worth an additional 2.5% of its current budget. Some of the measures to determine success will be:

- High levels of Resident satisfaction;
- Continued reduction in waste disposed at landfill sites and an increase in materials processed for recycling;
- Maintaining the high levels of community engagement when undertaking street cleansing works within the community
- Maintaining and increasing the quality of our parks and open spaces, measured independently from external award success.

---

**Business Case**

---

**Primary objectives:**

1. To maintain the high quality standards achieved as an in-house service for the residents of Cheshire East and the elected members who represent them;
2. To contribute as necessary to enhancing the environment;
3. Supporting existing businesses in a sustainable way;
4. Contributing to economic growth within the Cheshire East Business Community;
5. Achieving best value for the Council in the provision of Waste Management, Street Cleansing, Grounds Maintenance and Fleet services that the Council directly provides;
6. Encourage growth in the business with the benefits being re-invested within the Cheshire East Community;

**Planned outcomes**

- a. Maintain a high Quality Service for the residents of Cheshire East;
- b. Creation of a viable and sustainable Wholly Owned Company (WOC);
- c. Secure the financial savings as identified within the Council's Financial Plan and reducing the council's core costs;
- d. TUPE Transfer approx 400 employees from the Council to the new Provider;
- e. Become self financing and less dependent upon the Council's core support services;
- f. Secure new business opportunities that result in improved returns to the Council.

**Added value benefits:**

- a. Create a commercial environment with greater autonomy for the services offered;
- b. Increased investment in the local economy - Retention of jobs;
- c. Improved service delivery by the service with benefits retained by Council or WOC not shared with the private sector;

**Business Case**

---

- d. Opportunities for co-ownership with other Councils and a Teckal exempt model will provide opportunities for shared delivery;
- e. Ability to generate surpluses to reinvest in the growth of the business or pass back to the council as dividends;
- f. Ability to influence and drive the direction of the service and attract partners.

## 1. Background

### 1.1 Service background

Following the formation of Cheshire East in 2009, the newly formed Council inherited the different frontline services from the former legacy boroughs. In many cases these had been delivered in distinctly different ways and using quite different approaches in terms of delivery, management and operation. Of particular note within the waste service were the three different waste services which ranged from kerbside sort to co-mingled collection in a variety of containers.

A programme of change was undertaken to harmonise and rationalise these services which resulted in a complete re-organisation of collection rounds, methods of collecting and management. This created a vastly more efficient and effective set of waste management services. At the same time, a considerable amount of work was carried out to harmonise and align contractual arrangements to coincide with the termination of current joint disposal arrangements between Cheshire East and Cheshire West & Chester Councils.

This work culminated in all waste collection services being harmonised and rationalised by the end of 2011 and a default, three bin system being introduced.

Grounds maintenance and street cleansing are some of the most highly visible services for the 370,000 residents of Cheshire East. Although some services are discretionary, all are vital in determining how people judge the suitability of an area to live, work and visit. They contribute directly to the Council's corporate priorities and overall vision. There is a key focus on continuous improvement and innovation within these services which aim to

deliver services in an economically and socially sustainable manner, developing a community sense of local pride and ownership. This is based on the understanding that our residents have differing needs and aspirations and require accessible and responsive services, which are tailored to meet the needs of local communities.

In September 2012, the decision was taken through Cabinet to externalise the Streetscape service to Ringway Jacobs<sup>1</sup>. The activities being considered were predominantly within the highway boundaries or similar in nature to cyclical and routine activities already undertaken within the scope of the Highways Services Contract. The report explained the benefits and risks of extending the scope of the contract in respect of both the financial and service delivery aspects. The proposals were complimentary to the Council's localism agenda which was one of its key objectives and Ringway Jacobs, the contract holders, were committed to working closely with the Council to achieve localised devolution opportunities and in engaging Town and Parish Councils to form part of the decision making process.

It was resolved that;

- subject to no challenge being received during the VEAT notice period, approval be given to extending the scope of the Highways Services Contract to include Streetscape activities;
- approval be given to the publication of a procurement VEAT Notice;
- approval be given to the development of a detailed activity programme that will engage with elected members, existing employees and their Trade Union representatives and;
- It be noted that extending the scope of the Highways Services Contract will trigger the automatic application of the TUPE Regulations.

---

<sup>1</sup> <http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=241&MId=4285&Ver=4>

## 1.2 Options Appraisal

In Autumn 2012 a business case review was undertaken by AMEC Environment & Infrastructure UK Ltd to examine the existing recycling and waste service and identify potential future service delivery options<sup>2</sup>. The review assessed four options to procure contracts and deliver services that would generate savings of at least £2m from the service's annual operating budget. Those options were;

1. Outsource the service through an integrated contract;
2. Outsource the service through separate or combined contracts;
3. Create and arms length company to deliver services and manage contracts and;
4. Retain the services and operations in-house.

In carrying out this assessment of options some assumptions were made around the costs of residual waste treatment, processing contracts, bulking costs, the income from the sale of recyclables, and productivity rates. Each option was also explored in relation to the appropriate procurement route and timescale, contract duration, market appeal, management implications, infrastructure, the impact on human resources and cost estimates. Risks and benefits were also identified.

Initially Cabinet was minded to pursue the outsourced solution (as indicated above – option 1), but following further engagement with employees and more detailed independent reviews focussed upon the benefits of creating a wholly owned company (WOC) it was decided that the Council would pursue the development of the WOC approach to service delivery and re-consider the full scope of services that could be included.

---

<sup>2</sup> [Dec 2012 Cabinet](#)

---

**Business Case**

---

By way of background, In September 2012, Cabinet approved to expand the scope of activities included within the Highway Services Contract (managed by Ringway Jacobs), to include Streetscape activities. This decision was subject to a call-in that was referred to the Environment and Prosperity Scrutiny Committee (and subsequently managed by the Environment and Prosperity PDG). In February 2013, Cabinet approved the PDG recommendations. The PDG report concluded that synergies existed between Mechanical Sweeping and Highway related activities and recommended to Cabinet for the inclusion of Mechanical Sweeping activities within the scope for the Highways Contract, whilst acknowledging further consideration needed to be given to the future of all other Streetscape activities. As the WOC concept has evolved, engaging more widely with employees and their Trade Union Representatives along with PDG and the wider community within Cheshire East, it was realised that by keeping the Mechanical Sweeper activities within the Cheshire East family of service activities, greater service resilience could be achieved. Furthermore, it is acknowledged that the current high standards achieved by the service would be further enhanced by this approach with increased sustainability over the longer term for the benefit of Cheshire East Residents and Business Users.

Cabinet took a decision in principle in June 2013 to further develop the already outstanding Waste and Recycling Management Service by the creation of a wholly owned company (WOC) in pursuance of continuous progress for the residents of Cheshire East. As the project has progressed and in consultation with the Portfolio Holder for Environment and engagement with the Environment and Prosperity Policy Development Group (PDG), it was recognised that other operational services needed to be considered for inclusion within the scope of activities for the proposed WOC. These include Fleet and Streetscape Services (Street Cleansing and Grounds Maintenance activities).

Therefore, as the Council moves closer to achieving its objective of becoming a Commissioning Council, clear synergies have been identified between a number of its operational services and in particular those front line services that are depot based. As a consequence of this, it is acknowledged that operational similarities exist between the waste collection, fleet, street cleansing (mechanical and manual) and grounds maintenance (operational and technical teams) activities that when combined into one Environmental Operations WOC will generate future benefits for the residents and business community of Cheshire East.

In support of the quantitative analysis, an exercise was undertaken with Members and key officers to identify financial, strategic, political and environmental criteria against which each option could be ranked in order to help identify a preferred service delivery option. A prioritisation exercise was carried out to score the relative importance of these criteria and each of the four service delivery options was then assessed against each criterion to measure the level of applicability.

The culmination of this work showed that Option 1 was the preferred option and recommendations were made to commence work on procurement objectives and strategy, tender documentation and any short term procurement activity to ensure continuity of service.

The business case review was taken through Cabinet on 10 December 2012<sup>3</sup> where it was resolved that Options 1 and 2 were the preferred way forward and that procurement activity should commence immediately. It was also resolved that the outcome of the procurement exercise would need to come back to Cabinet in due course and seek authority to proceed with contract award.

---

<sup>3</sup> [Dec 2012 Cabinet](#)



### 1.3 Impact of 3 year plan on the options appraisal

Following on from Cabinet, in early January 2013 the service was instructed to halt the procurement process and take no further action as alternative options were to be sought and explored in detail. These options were closely aligned with the Council's decision to be more resident focused, choosing an alternative approach to the "salami-slicing" approach to service reduction that most other Council's are currently pursuing. The Council created its 3 year plan at the start of 2013; this involved the formation of a set of 29 major change programmes, covering 8 key priorities and identified the core purpose of the council and its desire to redefine "the council's role in core place-based services".

This period marked a fundamental shift in the way that frontline services were to be designed, structured and delivered in the future. It reflected new legislation, government policy and changing market conditions. It clearly set out the intention to become a strategic commissioning council, supported by a clear strategic framework. The framework establishes the key principles of achieving the Council's required financial savings, providing opportunities to deliver qualitative benefits and ensuring residents receive excellent services which meet the changing needs and aspirations of modern life. A clear objective of the plan is to develop a new operating model for Environmental Services.

### 1.4 Initiation of Environmental Operations Change Programme including WOC

At the beginning of 2013, the Council became shareholders in iESE (innovation and Excellence Social Enterprise), a not for profit organisation and through them, carried out an extensive review and investigation into a variety of different areas within the service including, operational efficiencies, procurement and, alternative service delivery models.

The results of this review and investigation resulted in a Cabinet report on 24 June 2013<sup>4</sup> which identified the inter-dependencies of these 4 projects within the Major Change Programme for Environmental Operations and the need for them to be delivered together to generate service improvements, standards and aspirations e.g. moving away from landfill as a disposal method, maintaining current levels of customer satisfaction and achieving substantial service budget reductions of £2.5m by 2015/16. Of key importance, it also identified that the most appropriate future service delivery model was that of a wholly owned company encompassing an in-house collection service.

The Cabinet on 24 June 2013 resolved to implement the efficiency review, to move forward with the improvements needed at facilities in the south of the borough and the requirement for new facilities in the north and, the procurement of interim waste contracts. Crucially, it also approved;

- the formation of a company shell and the further work required to identify the most appropriate legal form of company;
- the establishment of a shadow board of directors for the company and;
- delegated authority to key officers and the Portfolio Holder for Environment, reporting back to Cabinet for endorsement of the new company in October 2013.

Following on from the June Cabinet, a considerable amount of work was undertaken to create the company shell, register it and start the work on back office systems and procedures needed to support the company. Alongside this technical work, vital activity on branding and stakeholder engagement was undertaken including focus groups, staff briefings and the production of a newsletter. This has extended to stakeholder group sessions of late which are designed to help derive the values that the company needs in developing its own identity and philosophy of operation.

---

<sup>4</sup> [June 2013 Cabinet](#)

A further report to Cabinet was made in October 2013<sup>5</sup> that considered the work that had been carried out to further define and scope out the overall Environmental Operations Change Programme and the five major project strands within it. This included the cost of investment and capital investment required to deliver the overall programme. The report also clarified the scope of the proposed alternative delivery vehicle.

An amendment to the report was circulated at the meeting which set out the background to the inclusion of Fleet and Streetscape Services within the scope of activities of the wholly-owned company.

### 1.5 Key parameters for WOC

#### 1.5.1 Cabinet confirmed a broad range of approvals but of particular note, it confirmed that the future service delivery model;

- Would be a Teckal exempt, wholly-owned company limited by shares;
- That the wholly-owned company formed in October 2013 included the defined scope and the transfer delivery of the Waste and Recycling Management Service, the Fleet Service and the Streetscape Service with an effective operational target date of January 2014 subject to internal and external dependencies (subsequently changed to 1 April 2014) and;
- That delegated authority was given to the Portfolio Holder for Environment to commence the detailed implementation of the Environmental Operations Change Programme.

#### 1.5.2 In line with the Framework Agreement the Company will:

- Contribute to the economic growth and prosperity of Cheshire East
- Foster a more commercial approach

---

<sup>5</sup> [Oct 2013 Cabinet](#)

---

**Business Case**

---

- Introduce and promote a culture of innovation and enterprise
- Adhere to Council's existing Charging and Trading Strategy
- Provide the Council with a return on its investment in the medium to long term. This will be set out in its Business Plan which will be signed off by its Board and the Shareholder Committee
- Deliver cost efficient services
- Enable new revenue streams to be exploited
- Be tax efficient

**1.5.3 Primary objectives:**

- a. To maintain the high quality standards achieved as an in-house service for the residents of Cheshire East;
- b. To contribute as necessary to enhancing the environment;
- c. Supporting existing businesses in a sustainable way;
- d. Contributing to economic growth within the Cheshire East Business Community;
- e. Achieving best value for the Council in the provision of Waste Management, Street Cleansing, Grounds Maintenance and Fleet services that the Council directly provides;
- f. Encourage growth in the business with the benefits being re-invested within the Cheshire East Community;
- g. Increasing, year-on-year the return to the shareholder (Cheshire East).

**1.5.4 Planned outcomes**

- a. Maintain a high Quality Service for the residents of Cheshire East;
- b. Creation of a viable and sustainable Wholly Owned Company (WOC);
- c. Secure the financial savings as identified within the Council's Financial Plan;
- d. Transfer approx 400 employees from the Council to the new

---

**Business Case**

---

Provider;

- e. Become self financing and less dependent upon the Council's core support services;
- f. Secure new business opportunities that result in improved returns to the Council

**1.5.5 Added value benefits:**

- a. Create a commercial environment with greater autonomy for the services offered;
- b. Increased investment in the local economy - Retention of jobs;
- c. Improved service delivery by the service with benefits retained by Council or WOC not shared with the private sector;
- d. Opportunities for co-ownership with other Councils and a Teckal exempt model will provide opportunities for shared delivery;
- e. Ability to generate surpluses to reinvest in the growth of the business or pass back to the council as dividends;
- f. Ability to influence and drive the direction of the service and attract partners.

**1.6 Current Service Scope**

The Environmental Operations service areas covered by this business case include waste management, fleet management, streetscape services and parks operations. In total the service area has a net annual budget in excess of £30m.

In terms of resources, the service areas have approximately 400 staff, operate roughly 200 vehicles ranging from large refuse collection vehicles to small ride-on mowers and operate from a number of depots/bases, the largest of which are Pym's Lane in Crewe and Commercial Road in Macclesfield.

The due diligence process will identify employees whose roles are wholly or mainly to be delivered through the WOC and those people will be in scope to

transfer to Ansa under these proposals. The transfer would be carried out in compliance with 'The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). TUPE regulations protect existing terms and conditions and assumptions have been included in the financial business case to cover this. This proposed transfer would only take place following full consultation with staff, unions and members.

The scale of environmental operations is vast. In Waste, collections are made from approximately 165,000 households every week and during a typical year we will collect 70,000 tonnes of residual waste, 40,000 tonnes of garden waste and a further 40,000 tonnes of recyclables from the kerbside. In addition, we collect just under 8,500 tonnes of residual, over 30,000 tonnes of recyclables and about 6,700 tonnes of garden waste each year from our network of household waste recycling centres (HWRCs). Our recycling rate is approximately 54% which puts us in 7<sup>th</sup> place of all 91 unitary authorities and 39<sup>th</sup> out of all 351 authorities across the UK.

Our Street Cleansing operation covers 2,722 kilometres of road through manual and mechanical means, manages 186,000m<sup>3</sup> of litter, and empties 2,400 litter bins plus 900 dog bins. Grounds maintenance covers 3,000 sites including 16 formal parks, 85 sports pitches, and over 230 sports and play facilities. They also maintain over 7 million trees across Cheshire East and deal with graffiti, fly-tipping and the removal of hazardous waste. They also offer operational support to Bereavement Services during busy periods and maintain 11 closed churchyards.

The Fleet Management Service serves all Council fleet and plant needs and has over 700 different vehicles, plant and equipment to deal with. It provides and maintains 64 refuse collection vehicles for the waste service which is its biggest single customer by far, accounting for over 60% of its annual spend.

### 1.7 Performance Measures & Standards

All services have attained significantly high standards including both documented satisfaction rates by the public and in attaining national recognition for a variety of high profile awards. For example, in Waste the Citizens Panel in the autumn of 2012 identified that 92% of residents were satisfied that collections were made as scheduled and overall, approximately 83% of residents were satisfied with the waste service in its entirety.

In Streetscape, a key focus for the service is the maintenance, protection and enhancement of Cheshire East's local environment and the outcomes of this are highly visible to all. To benchmark this performance and identify continual improvements a number of local indicators have been adopted to measure performance and standards, including:

- Green Flag Inspections/Awards (The Moor, Congleton Park, Bollington Recreation Ground and Sandbach Cemetery)
- 'Code of Practice' for Street Cleansing
- Achievement of 'Customer Service Excellence' Standards
- Consultation with Community Groups (including In Bloom Groups / Clean Teams / Friends of Groups and Environmental Groups)
- Consultation with partners (including Cheshire FA / Probation Service / Youth Offending Service and Town and Parish Councils)
- Annual Public Consultation across all the towns in Cheshire East
- Monitoring and Recording Compliments and Complaints
- Published Service Standards
- Play Area Inspections
- Recording of Fly tips on the National Flycapture database

### 1.8 Summary

The purpose of the project is to set up and have a fully operational wholly owned company (WOC), Ansa Environmental Services Ltd (ANSA) by 1 April 2014 so that it can deliver a range of statutory and non-statutory services on behalf of the Cheshire East Council. The services initially will be limited to

waste collection, treatment and disposal, fleet management, street cleansing, grounds maintenance and parks operations. However, the future for ANSA would be to develop these current services and to identify and take advantage of any commercial opportunities that may currently sit outside of its service delivery.

## **2. Why the project is needed**

Within the Council's three year plan 2013-16, Outcome 4 states that "Cheshire East is a green and sustainable place" and that "Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies". The sustainable management of municipal waste, its sensitive maintenance of streets and open spaces and the way in which it manages and sources its own fleet and plant clearly impacts on this outcome and as such, is intrinsically linked. This project to create a wholly owned company and deliver key services through it will enable the outcomes to be achieved in the most effective way.

One of the key principles within the three year plan is to "invest in innovative new ways of providing services" and this is supported by a clearly stated priority within the three year plan e.g. "Redefining the Council's role in core place-based services". Furthermore, one of the key change programmes is "6.4 Determine future delivery model for waste management services"

This project is focused on identifying an alternative service delivery model that will fit within the Council's new commissioning approach but at the same time deliver statutory and non-statutory front line services in an efficient and effective manner, offering greater flexibility and scope in delivery and increased entrepreneurial activity. The WOC model allows the council to retain sufficient control of what is a sensitive service balanced by the opportunity to develop new revenue streams to help offset the significant budget reductions that are challenging local authorities across the nation,



including Cheshire East Council. If the Council does not take the opportunity now to deliver its services in a more innovative and flexible way, and develop new income streams, current projections indicate that in the near future, the whole of the Council's future budget could be swallowed up by delivering Social Services activities alone. It is therefore imperative that the Council acts now to secure the future of a service that is so valued by its residents.

The project will allow the creation and operation of a WOC to deliver the Council's environmental operations, free from many of the constraints of operating directly within the Council's policies and processes and importantly, with greater freedom to develop services and business opportunities than is currently available when operating as part of a local authority.

The WOC will be a 'Teckal' exempt company and as such, it will enable other local authorities to award work directly to the WOC without the need for lengthy and expensive procurement. Potential business from other local authorities and public bodies are expected to form the main target market for the WOC.

### **3. Vision Statement**

Ansa will be a commercial environmental services company based on public sector customer relationship principles. By virtue of its origins, Ansa brings together award-leading parks and event management, grounds maintenance, waste collection, treatment and disposal, street cleansing, training and fleet management services to offer cross-cutting, competitive, responsive and flexible solutions to a range of challenges.

Successful, thriving and prosperous communities are characterised by streets, parks and open spaces that are clean, safe and attractive. The quality of these spaces are consistently ranked amongst the highest of public priorities and are a measure for how people judge the suitability of an area to live, work and visit.

Ansa is in a strong position to offer stand alone and integrated services to community organisations, commercial enterprises, educational establishments, hospital grounds, retail and business parks, private estates and residential premises.

The company will also be able to use its public service ethos to strengthen its relationships with community organisations including other councils (including Town and Parish Councils), within and outside of Cheshire East boundaries, as a means of creating economies of scale/critical mass and additional income streams.

A number of commercial and growth opportunities have been identified across the business units and these are summarised below.

### **3.1 Parks Management**

Having well-tended and inspiring green spaces engenders a sense of pride among communities and shows that they are treated with the care they deserve. Neat and professionally maintained green areas – whether they are the parks and gardens around historic buildings, libraries, offices, residential homes or school playing fields – make our communities happier and healthier places in which to live, work and learn. Growth opportunities include:

- The expansion of the use of parks for cultural, entertainment and sporting events (for example) that appeal to the whole community;
- The development of facilities to increase parks usage and attractiveness; and
- Licensing of the commercial use of the parks (for example fitness boot camps etc.) to ensure fair usage of facilities.

### **3.2 Fleet Management**

As an operator of a diverse fleet (vans, road sweepers large and small, refuse collection vehicles, skips wagons, ride-on mowers etc) Ansa will operate its

own maintenance and repair facilities. These provide us with the opportunity to open up our vehicle servicing and repair facilities to LGV and PSV vehicles, taxis, minibuses and cars. Additionally we intend to extend the hours we offer MOT testing to be more flexible for customers.

### 3.3 Waste Management

There are around 165,000 households in Cheshire East and these each receive a waste collection of some description on a weekly basis. This service generates significant quantities of materials that can be recycled and composted for the benefit of industry, agriculture and the economy. These services can be extended to other users and we can make better use of our waste-related assets. We can;

- Introduce the collection of commercial waste generated by the Borough's businesses offering services that are flexible, attractive to both SMEs and larger organisations alike. We will collect dry recycling and non-recyclable waste, investigate the opportunities to expand services to include commercial food waste; and
- Open up our waste transfer stations to commercial enterprises for the legal, responsible, environmentally focused and cost effective disposal of their waste.

### 3.4 Street Cleansing

The cleanliness of our local environments is very important firstly to residents, visitors and local businesses. Ansa will be helping CEC meet its clean and green aspirations as well developing services to help other organisations such as offering;

- Routine and ad hoc litter picking of private land (through Ansa's own staff and community groups;
- Sweeping (mechanical and manual) of private land; and
- The servicing of litter and dog waste bins on privately owned parks and estates.

### 3.5 Grounds Maintenance

The specialist Landscaping Development Team will be able to carry out a wide range of hard and soft landscaping for local authority customers, schools and the private sector. The team is also skilled in sports facility construction, such as new bowling greens and sports fields.

Opportunities for the business unit include;

- The provision of advice on, and the scheduled and ad hoc maintenance and upkeep of, green environments such as business and retail parks, educational campuses, hospital grounds, social landlord premises;
- Winter maintenance – gritting and snow clearance;
- All aspects of grass and vegetation management including design and implementation;
- Arboriculture – provide advice and guidance in all areas of tree work carried out to British Standard;
- Sport facility management;
- Hard landscaping – installation of fencing, paths, street furniture, dropped kerbs and play equipment; and
- Land drainage schemes to residential house problems.

### 3.6 Integrated Solutions

As a single entity, Ansa will have greater flexibility to develop and offer cross-cutting services to a broad range of customers such as;

- Site management support packages to organisers of events (for example concerts, fairs and specialist shows at venues such as Tatton Park, Capesthorne, Cholmondeley Castle etc.) including waste/recycling collections and litter picking during and following events and;
- Providing hard and soft landscape management services for facilities such as hospital grounds, social landlord premises, educational campuses and retails and business parks including waste/recycling collection, plant management and maintenance, mechanical sweeping, litter picking, winter gritting, snow clearance and emergency response.

### 3.7 Teckal Contracting

The Teckal exemption from public procurement rules offers Ansa the opportunity to work on behalf of other local authorities which will provide revenue generating opportunities and deliver benefits to the other party without the need to enter into a costly and protracted procurement exercise. This would be through a share ownership arrangement. This is likely to be more acceptable to elected politicians and employees in the target market as it is likely to be seen as a collaborative approach rather than a takeover or full outsourcing.

### 3.8 Sponsorship Opportunities

Subject to the approval of CEC Ansa will seek opportunities to increase income from the sponsorship of bins, vehicles, parks, events, roundabouts, floral displays etc.

### Summary

The development of Ansa generates a number of commercial opportunities that were not necessarily available to CEC. Capitalising on these opportunities will create a commercially successful organisation returning a dividend to its shareholder, Cheshire East Council.

## 4. Proposed Solution

### 4.1 Options Appraisal

The initial assessment of options was performed in Autumn 2012 through a business case review was undertaken by AMEC Environment & Infrastructure UK Ltd to examine the existing service and identify potential future service delivery options, as follows;

1. Outsource the service through an integrated contract;
2. Outsource the service through separate or combined contracts;

**Business Case**

---

3. Create and arms length company to deliver services and manage contracts and;
4. Retain the services and operations in-house.

Following on from the cultural change that the Council was going through with the creation of the 3 year plan at the start of 2013 and its move to a commissioning model, further work was carried out on service delivery options through iESE. The subsequent Cabinet report in June 2013 identified that the most appropriate future service delivery model was that of a wholly owned company encompassing an in-house collection service.

Further details are given in the Background section and the relevant appendices to this detailed business case.

## **4.2 Management Arrangements**

### **4.2.1 Governance**

The WOC will be directly accountable to a board of directors which will include 3 appointed members. There will also be a nominated officer representation on the board. There will be no private interests.

The Board will primarily focus on the strategic management of the business and will be supported by an internal 'Intelligent client' team within the WOC who would manage the delivery of agreed objectives.

### **4.2.2 Proposed Governance Board Membership:**

<b>ROLE</b>	<b>COMPOSITION</b>
<b>CHAIRMAN (Non-Exec Position)</b>	<b>MEMBER</b>
<b>DIRECTOR (Non-Exec Position)</b>	<b>MEMBER</b>

**Business Case**

---

<b>DIRECTOR (Non-Exec Position)</b>	<b>MEMBER</b>
<b>MANAGING DIRECTOR</b>	<b>Executive Officer</b>

The governance function is still being clarified and it is critical that these roles and responsibilities are defined in a way which allows for clear and robust arrangements which values and recognises the contribution of both organisations.

These responsibilities will clearly be set out in the 'Articles of Association' which will define the type and amount of influence that the authority will have with the WOC and may cover key issues such as:

- Financial responsibilities
- Management of Risk
- Business Planning
- Service Standards

It should be noted that the on-going viability of the project will continue to be monitored by the Board of Directors and Project Board Team.

#### **4.2.3 Contractual arrangements**

The WOC will have a strategic contract, a tailored element to the contract, a detailed method statement and a set of outcome based Key Performance Indicators. To oversee the delivery of this it is acknowledged that CEC will need to develop its own 'intelligent client' function to manage the contracts and contractual relationships in addition to any 'key account management' role within the WOC. The client role will include the relevant contract monitoring and management, general client relationship and any specific management requirements.

#### **4.2.4 Constraints and Dependencies**

Environmental Operations Services within ANSA are currently reliant on a number of support services provided by CEC directly. These are critical in allowing the service to perform and would need reflecting through service level agreements.

- Existing Central Support Services: Includes IT, Finance, HR support, Legal and physical assets.
- Asset Management: The development, infrastructure maintenance and cleansing of premises and sites.

Likewise, there are a number of services outside of the core Environmental Operations for Waste & Recycling & Streetscape functions that CEC will in future be directly reliant on from ANSA. Again these will need reflecting through service level agreements with CEC.

- Bereavement Services Support: emptying of skips and bins, completion of arboricultural works, maintenance of closed churchyards, provision and maintenance of fleet.
- Provision & Maintenance of fleet: for all other none environmental services clients.

#### **4.2.5 Business Planning**

This Business Case is intended to provide a framework for planning, managing and defining the proposed business change. A separate business plan will need to be prepared and agreed which defines business goals, the rationale behind them, and the plan to achieve them.



**Business Case****5. SWOT Analysis**

Strengths	<ul style="list-style-type: none"> <li>Aligns with the Council's shift to a commissioning Council and the cultural change required by that shift</li> <li>Benefits of improvements are retained in full by the WOC and Council rather than diluted through a private sector service provider.</li> <li>Ability to influence and drive the direction of the service and attract new partners.</li> <li>The ability to deliver dividends to the Council.</li> <li>Higher and more focused engagement of staff enabling the company to be driven forward with a shared purpose, culminating in higher service standards and a resilience to external pressures.</li> <li>The company will be free from local authority bureaucracy and be able to manage its internal affairs more efficiently and effectively.</li> <li>The Council will have less day-to-day control over the direction of the service.</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>The newly formed company will have little credibility in the commercial environment, making it difficult to compete effectively from the outset.</li> <li>The Council retains the statutory duties to deliver the services through the company. The Council cannot delegate its legal responsibility.</li> <li>Commercial acumen within the company may not be sufficient at the outset and this may hinder the initial development of commercial activity.</li> <li>The Teckal exempt model will place limitations on the nature and extent of commercial activity unless a subsidiary company is set up to take commercial activity forward.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Ability to operate under commercial terms and make the most of greater autonomy for services, resources, staff and assets.</li> <li>Opportunities for partnership working and shared delivery with other local authorities through the Teckal exempt model.</li> <li>The ability to generate surpluses that can be re-invested in the company or shared back with the Council.</li> <li>Less reliance on Council corporate services after a reasonable period of time will enable the company to 'shop around' for the best service at a price it deems appropriate.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>Insufficient budgets from the outset make it impossible for the company to deliver services as required and in accordance with the contract specification.</li> </ul>

- |  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>• External competition or lack of public sector interest in collaborative working makes it more difficult than anticipated to break into the wider market.</li> </ul> |
|--|--|

## 6. Benefits

**Success criteria:** Maintaining and improving services for residents and business community within Cheshire East. Through culture change, service transformation and new business opportunities, the WOC will deliver major efficiency savings of around 10% of its current budget over the next 5 years while also setting itself an aspirational target of creating new income streams worth an additional 2.5% of its current budget.

The graph below contrasts the benefits of creating the WOC compared with continuing the service delivery in-house. It incorporates planned efficiency savings as well as new business.

The benefits of this project are that a WOC closely aligns to the needs of the Council in its new commissioning role whilst remaining flexible enough for the Council to take full advantage of future innovative service improvements.

Specifically:

- Flexible and Innovative
- Alignment to charge and trading strategy
- Efficiency
- Culture change
- New business opportunities
- Diversification
- Council retention of benefits
- Shared delivery model.

### 6.1 Flexible and Innovative:

The creation of the WOC aligns with the Council's objective and ambition to invest in innovative ways to deliver services and to be a commissioning organisation. The benefit will be immediately realised once the WOC is fully operational which is currently estimated to be 1 April 2014. The formation of

the WOC is being managed through a dedicated project team consisting of stakeholders from all service support areas e.g. Legal, Finance, HR, Communications etc and is being steered by a Project Manager, Programme Manager, Senior Responsible Officers (at Project and Programme levels) and is adhering to the Council's project management guidelines. The ASDV Steering Group are also providing support and direction and seeking to ensure lessons and key documentation are shared thus helping to mitigate risks and reduce duplication of effort.

### **6.2 Alignment to Charging and Trading Strategy:**

The formation of a WOC aligns with the Council's Charging and Trading Strategy, the principles of which are to make appropriate charges for discretionary services (balanced by Council priorities), engage in trading for profit where it is possible to support the delivery of local priorities without minimising the risk to public finances and, to allow the Council to take advantage of greater freedoms and a more commercially orientated approach to operations. Again, the benefit will start to be realised once the WOC is operational on 1 April 2014 and is controlled, threats reduced or weaknesses corrected by the project management arrangements in place. There is a recognition that it may take some time for the WOC to become fully established and be ready to trade more widely so the financial benefits associated with wider trading opportunities may not start to show themselves until at least year two.

### **6.3 Efficiency:**

Savings of approximately £2m have been identified through the efficiency project and procurement activity, as part of the major change programme in Environmental Operations. Specific timescales for these projects are detailed within the associated Project Initiation Documents and again, are controlled, threats reduced or weaknesses corrected by the project management arrangements in place.

#### **6.4 Culture change:**

The WOC will enable service standards to be maintained as a minimum and improved where necessary, or as guided by the waste strategy to be adopted and implemented by the Council in 2014. Linked with service standards is the underlying cultural change that will be fostered by the creation of the WOC through a fully engaged workforce which will encourage and engender discretionary effort from all of its workforce and promote creativity in decision making and problem resolution. The amalgamation and integration of currently separated services will move away from silo-working, crucially building capacity and resilience within the workforce to combat service issues, economic variations, technological change and legislative pressures. Greater commitment from staff through share opportunities or performance related pay will be evident, creating higher service standards and a more responsive workforce. These benefits will start to be realised within the first year of operation and again, will be monitored, controlled and augmented through the company Board and assisted by a wider stakeholder group. The Stakeholder Working Group recently set up includes a wide range of individuals from all service areas, and representative from the unions and this group will play a major role in developing company values and philosophy.

#### **6.5 New business opportunities:**

One of the key benefits of the WOC will be that it is a flexible organisation that can respond to opportunities quickly and effectively without the need to adhere to lengthy policies and procedures, as is currently the case within the local authority environment. It can proactively seek out business opportunities and take advantage of local knowledge and contacts. It is likely that this proactive business approach will not be realistic within the first year of operation as the company will need to ensure that business as usual is unaffected. However, by the second year of operation, it is expected that the WOC will be proactively seeking commercial opportunities. The WOC Board will be the method of ensuring the benefits are realised and that threats are reduced or controlled.

### 6.6 Diversification:

The WOC will have the ability to operate under commercial terms and have greater autonomy for the services it provides. This is clearly linked with the benefits around discretionary effort, avoiding silo working, integration of service areas etc as described previously. However, on a practical note it will provide greater flexibility to make on-ground changes to the services to increase service efficiency and effectiveness and therefore, to generate surpluses to re-invest in the growth of the business. A by-product of this autonomy will be the benefit of expanding the training and development of staff more readily to suit real service needs in a timely fashion. This will also allow the company to set up an accredited training centre for example, for Fleet related matters or arboricultural services, and again, attract customers from outside of its current sphere of influence. There will also be options to provide services through apprenticeship schemes; work with the 3<sup>rd</sup> sector more fully than at present; liaise and work with community groups in vital activities and, engage in social responsibility programmes. This benefit will start to be realised by the second year of operation and again, the WOC Board will be the method of ensuring the benefits are realised and that threats are reduced or controlled.

### 6.7 Council retention of benefits:

Any improvements to services or profits generated will be retained by the Council and/or the WOC rather than a separately owned commercial company (as would be the case if the services were outsourced). This translates into the retention of full benefits from any efficiency measures; profits accrued and therefore promotes the ability to re-invest in services and staff. It is expected that the generation of profits will not materialise until year 3 or 4 of operation but it will be governed through the WOC Board.

### 6.8 Shared delivery model:

The WOC will provide opportunities for co-ownership with other Councils and a Teckal exempt model will provide opportunities for shared delivery. This will increase opportunities to trade for partner councils and have a direct benefit to

the WOC (and by default, the Council) such as, a greater opportunity to spread overheads, the creation of a wider income base and hence create growth over a wider service area; in turn, this will create greater stability and a more robust and resilient company and spread any financial risk. The WOC will have the ability to influence and drive the direction of the services and potentially attract partners and create additional efficiencies. The benefit can be realised within the first five years, depending on opportunities that surface and that are explored by the WOC Board and senior management team within the company.

## 7. Risk

### 7.1 Business risks and their significance

The risks associated with permitting Ansa to trade are summarised below and have been subject to scrutiny by EMB. Some of these risks are currently high which reflects the fact that mitigation activities are in progress but are not yet fully delivered. All of the risks identified have a schedule of mitigating controls and once fully implemented will mitigate the risk to an acceptable level.

Reference	Risk Summary
6.4BRWOC 1	Opportunity to create fit for purpose operating model
6.4BRWOC 2	Future proofing / capacity
6.4BRWOC 3	Business continuity – Insufficient Assets or Supplier Failure
6.4BRWOC 4	Challenge to legal validity of set up
6.4BRWOC 5	Business plan and long term viability <ul style="list-style-type: none"> <li>• Lack of control of key assets and infrastructure</li> <li>• Open ended Assets liabilities</li> <li>• Under capitalisation of the WOC</li> </ul> Resources / Capability
6.4 BR WOC 6 1-15	General trading risks <ul style="list-style-type: none"> <li>• Service Disruption</li> <li>• Supply chain risks</li> <li>• Exit strategy</li> <li>• Big society risk – eg social enterprise challenge to</li> </ul>

**Business Case**

	award of contract <ul style="list-style-type: none"> <li>• Inadequate specification / contract arrangements /client function</li> <li>• Statutory duties / legal compliance</li> <li>• Fraud/Bribery/Breach of Conduct policy</li> <li>• Poor financial control/business planning</li> <li>• Governance – too much or too little control</li> <li>• Fleet risks</li> <li>• Reputation</li> <li>• Communication – stakeholders and customers</li> <li>• Corporate manslaughter risk and wider Health and Safety risks</li> <li>• Insolvency – self or suppliers</li> </ul>
6.4BR WOC 7	Capability
6.4BR WOC 8	Economies of Scale
6.4BR WOC 9	Scope

## 7.2 The biggest threats to future success

7.2.1 Set up with insufficient assets. This is an existing service risk which is being mitigated by projects within the Environmental Operations Change Programme.

7.2.2 Supplier failure. This is an existing service risk which is being mitigated by the Procurement Project within the Environmental Operations Change Programme.

7.2.3 Any inability to novate large scale contracts could delay implementation by 6-9 months to allow for OJEU procurement and increase costs of set up.

7.2.4 In addition, Ansa will face the usual trading risks faced by any business with both the additional complexity and the benefit of operating as a Wholly Owned Company of the Council.

### 7.3 Opportunity

Opportunities will exist for the 'Ansa' team to shape how the service is delivered, designed and provided. This increased level of involvement in running the service, coupled with the ability to act promptly on decisions is undoubtedly a key way of engaging and motivating the team. This has already been confirmed through focus groups with Staff, Residents and Members as well as wider staff consultation.

## 10. Project and Investment Appraisal Cost of project and Investment Appraisal

### 10.1 Budget Forecast

Table 1 - Current Cost of Service, Forecast Trading Position Years 1-4 and impact of implementing growth proposals (Cumulative Presentation)

Expenditure	Service budget	Current cost of deliver y	Year 1	Year 2	Year 3	Year 4	(Saving ) or Growth **
Year	2013-14	2013-14	14-15	15-16	16-17	17-18	4 year cumul
	£000	£000	£000	£000	£000	£000	£000
Employees	9,876	9,766	9,248	8,557	8,617	8,617	(928)
Premises	789	666	789	789	789	789	0
Transport	6,390	5,825	6,089	6,193	6,359	6,359	0
Supplies & Services (incl. accounting adjustments)	878	981	930	940	960	960	(76)
3rd Party Payments	12,594	13,295	13,433	13,813	13,483	13,483	0
Transfer Payments	0	0	0	0	0	0	0
Support Services	2,458	2,458	2,458	2,335	2,212	2,089	(738)



**Business Case**

<b>Capital Financing costs</b>	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>32,985</b>	<b>32,991</b>	<b>32,947</b>	<b>32,627</b>	<b>32,420</b>	<b>32,297</b>	<b>(1,742)</b>
<b>Income</b>	£000	£000	£000	£000	£000	£000	£000
<b>Fees &amp; Charges</b>	(782)	(793)	(874)	(882)	(882)	(882)	0
<b>Grants</b>	0	0	0	0	0	0	0
<b>Other Income</b>	(1,235)	(858)	(1,285)	(1,315)	(1,315)	(1,315)	0
<b>Recharges</b>	0	(70)	0	0	0	0	0
<b>Total Income</b>	<b>(2,017)</b>	<b>(1,721)</b>	<b>(2,159)</b>	<b>(2,197)</b>	<b>(2,197)</b>	<b>(2,197)</b>	<b>0</b>
<b>Net cost of service</b>	<b>30,968</b>	<b>31,270</b>	<b>30,788</b>	<b>30,430</b>	<b>30,223</b>	<b>30,100</b>	<b>(1,742)</b>
<b>Efficiency Savings / New Business - Trading Opportunities*</b>	0	0	(109)	(395)	(805)	(1,215)	<b>(2,524)</b>
<b>Additional 2.5% New business turnover (based on 8% return)</b>	0	0	(7)	(14)	(27)	(57)	<b>(105)</b>
<b>Proposed Net cost of service</b>	<b>30,968</b>	<b>31,270</b>	<b>30,672</b>	<b>30,021</b>	<b>29,391</b>	<b>28,828</b>	<b>(4,371)</b>

\* Efficiency / New Business - Trading Opportunities position above reflects an aspirational target for the new company based on a 2.5% growth in income/ 8% return over 4 years

\*\* Refer to General Comment within assumptions (See Appendix A2).

Please see Appendix A2 for detailed assumptions regarding the budget forecast.

## 10.2 Financial Benefit

The financial case for the establishment of a WOC is based primarily on the delivery of major efficiency savings of £2.5m (10% of its current budget) over the next 5 years, plus a further aspirational target of creating new income streams worth an additional 2.5% of its current budget relative to the vision statement set out in section 3.

---

**Business Case**

---

Of the £2.5m efficiency savings to be delivered through the WOC (as also referred to in the Council's business planning process), in the above table, £1.297m (4%) has been reflected as business as usual activity as this is linked to the following and therefore isn't captured in the cumulative growth/savings column:

- Elements of the efficiency plan that are already in progress/planned for delivery in 14/15 & 15/16, and
- Procurement/interim contract savings, again already in progress and planned for completion by 31<sup>st</sup> March 14 for delivery of full year savings in 2014/15.

The remaining 6% of further efficiency savings (£1.765m) is reflected in the table above, £550k in the main table linked to the specific benefits in table 1 above with a further £1.215m reflect beneath the main table as further efficiency savings/new business opportunities.

Expanding the business and changing the income profile will have significant implications for the WOC and these would need to be fully considered as part of the Business Plan and during the early years of the WOC's establishment. Whilst, emphasis in the early years (years 1-3) will be set against delivery of the planned efficiency savings the development / focus on new income streams will be targeted mainly for delivery from year 3 onwards however some earlier trading savings are forecast but of a lower value.

In addition, the business case assumes an ongoing reduction of £369k (15%) in support service costs by the end of year 4 (note that this is currently based on the indicative 12-13 support costs totalling £2.4m). Whilst it is acknowledged that through growing the commercial nature of the business, also during this time period, that this may give rise to an increase in certain areas of support service cost. However, this is balanced by the assumption that the impact of the efficiency measures, particularly around resource levels (key support cost drivers) mitigate such growth.

### 10.3 Cost of Investment

It is recognised that there are certain specific costs attributable to setting up the new company, these have been itemised in Appendix A2 and in total are currently forecast as £110k in 2013/2014 funded through existing cost of investment monies approved in the 2013/14 budget.

In addition to these specific one off Ansa costs it is recognised that there are further corporately funded costs which are supporting the whole programme of ASDV's and are estimated at approx £600k, including the following:

- Oracle system build to deliver financial separation of accounts
- External audit of the business case
- Actuarial and legal advice on general pension issues including the potential decision to close the LGPS to new entrants in all wholly controlled ASDVs.
- Additional legal costs of dealing with generic ASDV issues such as governance and standard contracts.

### 10.4 Corporate core costs

Corporate core costs are still being fully evaluated. It has been confirmed that there will be an incubation period for this transition where support services will continue to be used for a period up to 3 years. After this period there is the potential to further enhance financial viability by achieving savings on the back of reduced 'back office' support costs and corporate overheads. In 2012/13 the recharge to the service for corporate support costs was £2.4m, (excluding the capital charges)

### 10.5 Financial Management

Ansa will operate a separate bank account and all existing income streams will be paid directly to Ansa's Bank account, as such, it will be liable to Corporation Tax. Currently, the budget for external income stands at approx £2m (pre-trading) whereas gross operating costs (including indicative support costs) are £30.9m; therefore the forecast management fee is likely to be in the order of £28.9m.

As current income is relatively low compared to gross costs, arrangements will have to be made to ensure the Company has sufficient financial resources to operate and to prevent cash flow issues.

A key principle of establishing the WOC is that it will be challenged to generate new income streams and as such the trading vehicle which will be subject to Corporation Tax. As the WOC is 'wholly owned' it is still to be decided how future profits would be divided in a way which satisfies the Council, as the shareholder, and allows for the WOC to invest and develop the service and offer real incentives for staff.

### 10.6 Financial assumptions

- It is assumed that capital expenditure is incurred by Cheshire East Council (CEC) to ensure the South Depot infrastructure project and fleet replacements are replaced during 2014-15 and that the North Depot/WTS Infrastructure project is also taken forward by close of 2015-16.
- The management fee involved (including support costs) will be approximately £31m. This includes Waste & Recycling, Streetscape (excluding Devolution), both including fleet costs, some of the budgets held in Assets for premises related costs and repairs and maintenance and also includes the buyback of corporate support functions which could be approximately £2.4m. Note that this figure is approximate and is subject to agreement on where costs/budgets should reside.
- The financial business case assumes there is a retained cost for the Council to manage the 'client' relationship (including that also for the Bereavement Company Orbitas).
- If the WOC is established and a TUPE Transfer takes place, pension provision will be provided by the WOC as either designated or admitted body status. This means that employee's pensions will continue to be provided through existing arrangements. As yet there have been no assumptions made in the business case with regard to pensions in terms of additional costs or savings.

**See Appendix A2 for further details.**

### **11. Equality Impact Assessments**

**See Appendix A3.**

### **12. Review Monitoring & Evaluation**

There is a statutory requirement that a business case is prepared and approved by the Council before the Council may trade through a company. In addition to the Company Board, the business once operational will be monitored through the Shareholder Committee which will evaluate business performance and through the Client Function within the Council which will monitor performance outputs of the service. It will be required to supply Annual Business Plans to the Shareholder Committee for any future development. It should be noted that, in future, the Council and the directors of the company will need to have regard to statutory guidance issued by the (then) ODPM which, amongst other things advises that the business case is further developed into a business plan for the company, amended to reflect the then current trading environment.

### **13. Exit Strategy**

It is anticipated that the real trading opportunities will not be fully known until the WOC formally commences trading. There is recognition that culture change, efficiency savings and new business opportunities are the three main drivers for change through which we aspire to achieve a step change in the way Ansa Environmental Services Ltd will deliver the services commissioned by the Council. In the event that sufficient trading potential has not been realised within a 5 year window or costs begin to spiral, the Shareholder Board will have the power subject to Cabinet approval to review the on-going viability of the WOC and what steps if any it needs to take in the way the WOC is governed and/or managed to achieve the required benefits. Given that the Council is the sole shareholder, it potentially has the power to bring

**Business Case**

---

the service back in-house or to conduct a formal outsourcing exercise or indeed to sell the WOC subject to any agreed processes or relevant legislation. It should be noted that the sale of the company or of any part of it, to the private sector will remove the *Teckal* exemption and all contracts then held by the company in reliance on the *Teckal* exemption would have to be re-procured.

## Appendix A2 Ansa Financial Data and Assumptions

## Cost of Investment

## Revenue Expenditure and Income

(use to reflect the revenue expenditure incurred to realise the project, any funding received and who will incur the net cost)

Expenditure (List)	2013-14 Forecast £000	Cost falls to (CEC/ADSV/ Other)
Legal Costs: In-house Legal Property Support to Project	0	ASDV
Legal Costs: Property Costs (Expenses) search and title disbursements, SDLT and Land Registry fees for registering the new 25 year leases	4,000	ASDV
SDLT - If there is neither a premium nor a rent taken from Ansa (Tessa Leonard assumption) then market value lease premia are assumed and SDLT is payable accordingly.	0	ASDV
Land Registry fees depend on the quantum of rents/ market values too. Market Values not known at this stage	2,000	ASDV
Assets Costs: Condition Surveys, Searches, Title Deeds, Certificates. £1,500 per site	9,000	ASDV
Legal Company / Contract Costs (Consultant)	20,000	ASDV
Legal Pension Advice (Consultant)	25,000	ASDV
HR / Staffing / TUPE advice (HR)	0	ASDV
ICT Cost	10,000	ASDV
Procurement & Strategy Advisors (2 days per week from Oct 2013)	0	ASDV
Oracle Development (Centrally funded)	0	CEC
Actuarial Report £5,000	5,000	ASDV
External Audit £5,000 of Business Case (Centrally funded)	0	CEC
Officers & Directors Insurance	5,930	ASDV
Transfer of Payroll Benefits (Green Car Scheme/Bike Scheme) £1,000	1,000	ASDV
Branding / Comms - Design Costs (Comms) - £2,500 Brand Design & Logo; £3,500 Web Domain	6,000	ASDV
WOC Focus Group (Comms)	3,000	ASDV
PPE (Branding)	7,000	ASDV
Depot Signage	2,000	ASDV
External Consultant - WOC Support	10,000	ASDV
<b>TOTAL Expenditure</b>	<b>109,930</b>	<b>0</b>
Funding (List)		
Project budget - Currently earmarked funding through approved Cost of Investment monies in 2013/2014 budget	109,930	
External funding	0	
<b>TOTAL Funding</b>	<b>109,930</b>	<b>0</b>

## Budget Forecast - Detailed Assumptions

### General Comments re the format of the Table

Current cost of delivery 2013-14 relates to forecast out-turn position for services in scope for the Environmental Operations WOC (ANSA). This position therefore reflects any in year issues such as contract tonnage shortfalls and other in year pressures that have been proposed for correction/revision through growth in the 2014-15 business planning process. Likewise, any efficiency savings that are being delivered early in 13-14 are equally reflected in this column. The full year effect of these efficiencies, mainly affecting employee and transport costs, have equally been fully reflected in the 2014-15 business planning process. In order to correctly reflect the forecast 2014-15 Year 1 ASDV budget for ANSA, the base budget position for 14-15 has been used, amended for any core service business planning changes (growth & savings) before the proposed ASDV changes as described below have been included. The total savings/growth assumptions in the far right column have equally been presented reflecting the impact of other business planning changes to ensure consistency.

### Employees:

- Includes additional costs associated with shortfall in proposed Client budget/structure as yet not stripped out of total budget.
- Includes costs for remuneration of new chairman & vicechair & director @£30k.
- Includes specific company related costs: Companies house, filing accounts, corporate costs re board meetings etc
- Includes costs for proposed Operational Manager/Head of Operations
- Assumes initially that role of company secretary will be undertaken by CEC through buyback arrangement from Legal Services.
- Includes £500k savings, profiled £300k in 14/15 and £200k in 15/16 relating to Service operational reviews

### Premises:

- Currently only shows premises running costs and indicative R&M costs for two main depots and smaller depot sites deemed to transfer.
- Does not yet incorporate any inflationary element linked to forecast energy, water & rates increases.

### Transport:

- Currently excludes any assumption re Fleet Replacement for Streetscape (currently being worked on) but likely to be a growth requirement

### Support Services & Supplies:

£2.458m reflects the indicative support services costs based on the 2012-13 out-turn corporate costs recharged to the services included within the ASDV. The table above assumes 5% saving per annum starting in year 2 £123k, increasing by 5% until year 4, £369k i.e 15% in year 4 and then plateaus, with approx £90k for supplies.

The above position is subject to ongoing refinement/review of support costs model and ongoing discussions with corporate/shared service re buy back of services within the incubation period.

May need to consider removing these reductions until further clarity known and instead denote as subject to future business planning proposal.



**Income:**

- The income analysis is restated where currently income that is treated as Internal Recharges will in future be treated as external income within the ASDV budget.
- Assumes that corporation tax from growth in trading activity, that will be going through the ASDV trading company, will be offset by costs of main company

**New Business - Trading Opportunities:**

- Assumes additional efficiency and new business growth assumptions as referred to in the main business case.

This page is intentionally left blank

## Appendix A3 EQUALITY IMPACT ASSESSMENT FORM

Equality impact assessment is a requirement for all strategies, plans, functions, policies, procedures and services under the Equalities Act 2010. We are also required to publish assessments so that we can demonstrate how we have considered the impact of proposals.

### Section 1: Description

Department	Environmental Operations		Lead officer responsible for assessment		Project Manager	
Service	Environmental Protection and Enhancement		Other members of team undertaking assessment			
Date	06/12/13 Updated		Version		1.0	
Type of document (mark as appropriate)	Strategy	Plan	Function	Policy	Procedure	Service
Is this a new/existing/revision of an existing document (mark as appropriate)	New		Existing		Revision	
<p>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)</p> <p>Please attach a copy of the strategy/plan/function/policy/procedure/service</p>	<p>Future Delivery Model for Waste, Recycling and Streetscape</p> <p>To create a wholly owned company which benefits from Teckal exemption and is limited by shares to deliver environmental operations and fleet services.</p> <p>The company will have its own board of trustees and management structure – but the council will continue to exercise significant control as part of meeting the Teckal exemption criteria – however this is likely to be through directorships and the agreement of the 3 year business plan and contractual relationship between the two parties.</p> <p>The new wholly owned company is proposed to be fully operational by April 2014.</p> <p>The ‘person on the street’ shouldn’t see any change and as result there should be minimal to no impact on service users. The wholly owned company will be paid a management fee to provide commissioned services on behalf of the council and as such the service should not be affected.</p>					
Who are the main stakeholders? (eg general public, employees, Councillors, partners, specific audiences)	Employees, general public, partners, suppliers and Councillors					

**Section 2: Initial screening**

<b>Who is affected?</b> (This may or may not include the stakeholders listed above)	<b>Employees, general public, partners, suppliers and Councillors</b>										
<b>Who is intended to benefit and how?</b>	The council will benefit in financial terms through improved efficiency and reduced costs. There may be an opportunity to join with other authorities and bid for their work on a teckal exempt basis which could help provide future economies of scale and additional financial benefits. There may be other future trading opportunities which could help secure employment.										
<b>Could there be a different impact or outcome for some groups?</b>	Unlikely										
<b>Does it include making decisions based on individual characteristics, needs or circumstances?</b>	No - Expect to transfer over similar employment and working practices so no negative equalities impact is anticipated										
<b>Are relations between different groups or communities likely to be affected?</b> (eg will it favour one particular group or deny opportunities for others?)	No - Expect to transfer over similar employment and working practices so no negative equalities impact is anticipated										
<b>Is there any specific targeted action to promote equality? Is there a history of unequal outcomes (do you have enough evidence to prove otherwise)?</b>	No - Expect to transfer over similar employment and working practices so no negative equalities impact is anticipated										
<b>Is there an actual or potential negative impact on these specific characteristics? (Please tick)</b>											
<b>Age</b>	Y	N	<b>Marriage &amp; civil partnership</b>	Y	N	<b>Religion &amp; belief</b>	Y	N	<b>Carers</b>	Y	N
<b>Disability</b>	Y	N	<b>Pregnancy &amp; maternity</b>	Y	N	<b>Sex</b>	Y	N	<b>Socio-economic status</b>	Y	N

# Appendix A3 EQUALITY IMPACT ASSESSMENT FORM

Gender reassignment	Y	N	Race	Y	N	Sexual orientation	Y	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											
Disability	For any staff off sick, special arrangements may need to be made to support the consultation process to ensure that they are appropriately included. Similarly if anyone had a disability, disability adjustments might need to be considered in the normal way.										
Gender reassignment											
Marriage & civil partnership											
Pregnancy & maternity	For any staff on maternity leave, special arrangements may need to be made to support the consultation process to ensure that they are appropriately included.										
Race											
Religion & belief											
Sex											
Sexual orientation											
Carers											
Socio-economic status											

Appendix A3 EQUALITY IMPACT ASSESSMENT FORM

Proceed to full impact assessment? (Please tick)	Yes	No	Date 07092013

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

# Appendix A3 EQUALITY IMPACT ASSESSMENT FORM

## 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 <b>High:</b> Significant potential impact; history of complaints; no mitigating measures in place; need for consultation <b>Medium:</b> Some potential impact; some mitigating measures in place, lack of evidence to show effectiveness of measures <b>Low:</b> Little/no identified impacts; heavily legislation-led; limited public facing aspect	Further action (only an outline needs to be included here. A full action plan can be included at Section 4)
Age	n/a			
Disability	n/a			
Gender reassignment	n/a			
Marriage & civil partnership	n/a			

# Appendix A3 EQUALITY IMPACT ASSESSMENT FORM

Pregnancy and maternity	n/a			
Race	n/a			
Religion & belief	n/a			
Sex	n/a			
Sexual orientation	n/a			
Carers	n/a			
Socio-economics	n/a			
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)				



# Appendix A3 EQUALITY IMPACT ASSESSMENT FORM

## Section 4: Review and conclusion

Summary: provide a brief overview including impact, changes, improvement, any gaps in evidence and additional data that is needed			
Specific actions to be taken to reduce, justify or remove any adverse impacts	How will this be monitored?	Officer responsible	Target date
Please provide details and link to full action plan for actions			
When will this assessment be reviewed?			
Are there any additional assessments that need to be undertaken in relation to this assessment?			
Lead officer signoff	Michelle Sherlock	Date	06/12/13
Head of service signoff	Kevin Melling, Senior Responsible Owner	Date	6/12/13

Please publish this completed EIA form on your website

This page is intentionally left blank

**PROJECT INITIATION DOCUMENTATION****DETAILED BUSINESS CASE**

Completed By:	Gareth Edwards	Project Name	Alternative Delivery Vehicle for Bereavement Service
Programme Name	Redefining the Council's role in core place-based services	Portfolio Holder:	Cllr David Topping
Project Reference Allocated		Service:	Streetscape & Sustainable Environment
Senior Responsible Owner (SRO):	Kevin Melling	Project Manager	Hamish Pringle
Date endorsed at Gate 1	January 2013	Major Change project number	6.2

## Table of Contents

1. Executive Summary .....	3
2. Background .....	4
What Is the Council Trying To Achieve .....	4
Bereavement Service Scope.....	5
Responsibilities .....	5
Key Service Responsibilities: .....	5
Key Service Activities: .....	5
Performance Measures and Standards.....	6
Staffing Resource Implications.....	6
Bereavement Services Staff Profile:.....	7
Bereavement Service Budget.....	7
Future Scope.....	7
3. Why is the Project needed? .....	8
Drivers for Service Change .....	8
4. Proposed Solution.....	9
Management Arrangements.....	9
Governance.....	9
Constraints and Dependencies .....	11
Legal Implications.....	11
Business Planning.....	12
Performance Outcomes .....	12
5. SWOT Analysis .....	14
6. Benefits and Benefit Realisation .....	15
Success Criteria: .....	15
Ensuring Financial Viability .....	16
Summary Financial Business Case.....	16
Detailed Financial Business Case.....	17
Financial Benefit.....	18
Corporate core costs .....	19
Financial Management.....	19
Financial assumptions.....	19
Service Quality Benefits .....	20
Innovation and Growth Benefits .....	20
New Services .....	21
Key Benefits Summary.....	22
7. Risk Management .....	23
Risk Summary .....	23
8. Equality Impact Assessments .....	23
9. Review Monitoring & Evaluation.....	23
10. Exit Strategy .....	23

## 1. Executive Summary

The landscape in which frontline services are designed, structured and delivered is changing rapidly in response to new legislation, government policy and changing market conditions. Cheshire East Council (CEC) is responding to these pressures and on February 2013, the Council announced its three year plan to becoming a strategic commissioning council. This consisted of 29 major change programmes covering 8 key priorities. The plan identifies the core purpose of the council, and identifies the need to redefine “the council’s role in core place-based services”. This approach is based upon the need by the council to sustain the full range of high quality services currently provided and to avoid the tendency to apply "Salami like slices" from a range of services similar to the approach being taken by other Councils.

The intention to become a commissioning council is supported by a clear strategic framework. This framework establishes the key principles of achieving the Councils required financial savings, providing opportunities to deliver qualitative benefits and ensuring residents receive excellent services which meet the changing needs and aspirations of modern life. A clear objective of the plan is to develop a new operating model for operating Bereavement Services.

To achieve this ambition a review of the service has been completed, identifying and reviewing the differing operating models which could be used to provide ‘bereavement services’ for residents. A guiding principle of this review has been the desire to create a more effective, efficient and locally responsive service, acknowledging that these outcomes are more important than the question of who actually delivers them.

In October Cabinet approved the decision to create a Wholly Owned Company (Orbitas) limited by shares to act as the Council’s agent in managing the provision of Bereavement Services for the Council. This Business Case has subsequently been prepared in line with statutory guidance, notably, ‘The Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009.

The Business Case demonstrates a sound financial case. Even with the anticipated increase in market competition, it is demonstrated that Orbitas can be financially robust as a stand-alone entity. With the ability to offer a broad range of services, to introduce incentivised performance management and to act quickly it is likely that Orbitas will offer a better and more responsive service for users.

## 2. Background

### What Is the Council Trying To Achieve

The landscape in which frontline services are designed, structured and delivered is changing rapidly in response to new legislation, government policy and changing market conditions. Cheshire East Council (CEC) is responding to these pressures and on February 2013, the Council announced its three year plan to becoming a strategic commissioning council. This consisted of 29 major change programmes covering 8 key priorities. The plan identifies the core purpose of the council, and identifies the need to redefine 'the council's role in core place-based services.

The intention to become a strategic commissioning council is supported by a clear strategic framework. This framework establishes the key principles of achieving the Councils required financial savings, providing opportunities to deliver qualitative benefits and ensuring residents receive excellent services which meet the changing needs and aspirations of modern life. A clear objective of the plan is to develop a new operating model for operating Bereavement Services.

To achieve this ambition a review of the service has been completed, identifying and reviewing the differing operating models which could be used to provide 'bereavement services' for residents. A guiding principle of this review has been the desire to create a more effective, efficient and locally responsive service, acknowledging that these outcomes are more important than the question of who actually delivers them.

The purpose of this business case is to summarise the findings of the review and demonstrate how the implementation of a Wholly Owned Company (WOC) best meets the Councils objectives. As such it is a dynamic document and will be revised

and updated at appropriate points, incorporating new feedback on proposals from staff, unions, members and service users.

## **Bereavement Service Scope**

The Bereavement Service provides a highly, sensitive and visible services for the 370,000 residents of Cheshire East and all its visitors. Currently, these services are self delivered by the Council in a tailored manner which reflects the differing needs and aspirations of local communities and residents.

### **Responsibilities**

The service is responsible for two crematoria sited at Macclesfield and Crewe, and eleven cemeteries located within the boundaries of Cheshire East.

The service operates Monday to Friday. The Book of Remembrance Rooms and the cemeteries are opened 365 days per year, with opening and closing times varying to reflect seasonal usage.

### **Key Service Responsibilities:**

- The provision of a dignified bereavement service facilitated by 2 crematoria, 11 cemeteries. This includes preparing for and facilitating over 3,500 cremation and burial services.
- To provide help, excellent customer service, working in partnership with communities, dealing with diverse cultural requirements, tackling changes in technological advancements, and dealing with bereavement services issues of the day.
- Maintaining the wide variety of natural landscapes and bio diverse habitats, within the 135 acres of land across the Borough's 11 cemeteries.
- Providing a rapid response service for emergency and pandemic situations including, flooding, extreme weather situations and public order demands.

### **Key Service Activities:**

- Burial and Cremation Service
- Grounds Maintenance Service
- Development and Management of Bereavement Sites

- Contract Delivery and Management
- Emergency Response Service

### **Performance Measures and Standards**

To benchmark performance a number of local indicators have been adopted to measure performance and standards. These include:

- Green Flag Inspection/Award (Sandbach Cemetery)
- Adherence to the Federation of Burial and Cremation Authorities Code of Practice.
- Achievement of 'Customer Service Excellence' standard.
- Attaining Gold in the Institute of Cemetery and Crematorium Management Performance Ranking tables.
- Monitoring and recording Compliments and Complaints
- Customer Satisfaction Questionnaires

### **Staffing Resource Implications**

The service has 28 core established posts. These members of staff are wholly dedicated to the Bereavement Service and responsible for providing a dignified, efficient and sensitive service. This includes a dedicated team to maintain the cemeteries, to provide a professional grave digging service and to carry out memorial inspections and standard repairs.

All staff currently delivering the service as their primary role will transfer to the WOC under these proposals. The transfer would be carried out in compliance with 'The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). TUPE regulations protect existing terms and conditions and assumptions have been included in the financial business case to cover this. This proposed transfer would only take place following full consultation with staff, unions and members.

Any known risks that may affect employees have already been recorded and included in this business case and in the developing project plan. Both formal and informal consultation and engagement activities are already underway with staff and unions. This valuable process will continually be used to promote staff involvement and engagement with feedback used to inform decisions and project planning



**Bereavement Services Staff Profile:**

The table below sets out the core cost and staffing data for the service.

STAFFING GROUP	STAFF NUMBERS
Permanent	28
Total	28

**Bereavement Service Budget**

The table below summaries the current service budget

COST/INCOME CATEGORY	TOTAL £K
Employees	690
Premises	0
Transport	65
Supplies & Services	283
Accounting Adjustments	1
Gross Expenditure	1,039
Income	(2,405)
Net Expenditure	(1,366)

**Future Scope**

In The Councils three year strategic plan there is a clear prioritised framework to becoming a commissioning council. This recognises the necessity to phase the creation of alternate service delivery vehicles, allowing for resources to be allocated, to be prioritised and for lessons to be learnt.

Bereavement is in the second phase of this plan and will soon be followed by a much broader review of Council Services. As this review progresses the Council is seeking

to identify improved delivery vehicles for all services. As the Council provides a range of customer focused services it may be advantageous for the Council to extend the remit and responsibilities of the proposed WOC to include other, suitable services.

### 3. Why is the Project needed?

#### **Drivers for Service Change**

The Council has realised the need to change the way future services are provided in order to create opportunities for innovation and provide service efficiencies. As a result the Council has determined to take a more commissioning role. This aspiration to redefine its role in core place-based services is set out in the Councils Three Year Plan. The Council is determined to maintain and sustain the full range of high quality services currently provided and to avoid the tendency to apply "Salami like slices" from a range of services similar to the approach being taken by other Councils.

A key priority identified in the plan is to develop a new delivery model for Bereavement Services and this is incorporated in the Councils major change programme.

The existing Bereavement Service Operating model has historically proved effective although the changing nature of service delivery and increased levels of customer expectations mean constraints do exist which can hamper performance and innovation.

Whilst the in-house provision is well regarded, due to organisational constraints and proportionately high corporate overheads, the service cannot currently compete on an equal footing with private commercial operators.

Without intervention, it is anticipated that service standards may be directly affected by financial and operating constraints.

In response the Council has allocated additional resources to support improvements but unless the whole service offering is enhanced and a sustainable operating model established, it is accepted that standards cannot continue to improve.

#### 4. Proposed Solution

The continuing provision of a dignified and sensitive Bereavement Service remains a key priority for Cheshire East Council as it moves to becoming a Commissioning Authority. To consider how this can best be achieved an options appraisal exercise has been completed to review alternate delivery models for running the service.

To ensure the service is best placed to meet current and future challenges the review has focused on identifying ways of delivering the service which can create greater flexibility, are more commercially focused and yet still retain and enhance existing relationships with local communities /voluntary and charitable groups. A guiding principle of this review has been acknowledging these outcomes are more important than the question of who actually delivers them.

During this exercise consideration has been given to the following operating models:

- a) Continuing In House provision
- b) External Tender
- c) Joint Venture Company (with other independent organisations or partners)
- d) Local Authority Wholly Owned Company

The options appraisal concluded that the 'Bereavement Service's transferred to an external provider, with the most appropriate model being a Wholly Owned Company.

This appraisal and recommendation was subsequently submitted to, and reviewed by, the Councils 'Policy Development Group' for Environment on 12th July 2013 and subsequently supported on 6<sup>th</sup> September 2013. A cabinet paper followed, reflecting comments from the 'Policy Development Group'. This report was formally endorsed by Cabinet on 15<sup>th</sup> October 2013.

## Management Arrangements

### Governance

The WOC will be directly accountable to a board of directors which will include 3 appointed members who will represent the interests of the Council, as the sole

shareholder for the WOC. There will also be a nominated officer representation on the board. There will be no private interests.

The Board will primarily focus on the strategic management of the business and will be supported by an internal commissioning team who would manage the delivery of agreed objectives.

#### **Proposed Governance Board Membership:**

ROLE	COMPOSITION
CHAIRMAN (Non Exec Role)	MEMBER
DIRECTOR (Non Exec Role)	MEMBER
DIRECTOR (Non Exec Role)	MEMBER
MANAGING DIRECTOR	EXECUTIVE OFFICER

The governance function is still being clarified and it is critical that these roles and responsibilities are defined in a way which allows for clear and robust arrangements which values and recognises the contribution of both organisations.

These responsibilities will clearly be set out in the 'Articles of Association' which will define the type and amount of influence that the authority will have with the WOC and may cover key issues such as:

- Financial responsibilities
- Management of Risk
- Business Planning
- Service Standards

It should be noted that the on-going viability of the project will continue to be monitored by the Board of Directors and Project Board Team.

## Constraints and Dependencies

The Bereavement Service is currently reliant on a number of support services provided by CEC directly. These are critical in allowing the service to perform and would need reflecting through service level agreements. These include (although not exclusively);

- Existing Central Support Services – Includes IT, Finance, HR support, Legal etc;
- Environment Services - Emptying of skips and bins, completion of arboricultural works, maintenance of closed churchyards, provision and maintenance of fleet
- Asset Management – The development, infrastructure maintenance and cleansing of premises and sites

## Legal Implications

Legal advice has been sought with opinion concluding that the Council can lawfully establish a Wholly Owned Company to deliver Bereavement Services. If the company is progressed formal contracts and agreements would be prepared and approved by the Councils Legal team.

- The services provided by the bereavement service are Part B services for the purposes of the Public Contracts Regulations 2006. A contract to provide such services does not have to comply with the full public procurement regime required by those regulations. However, case law has established that the Council would still be liable to ensure that the so-called treaty obligations (e.g. transparency and non-discrimination) are complied with. It is generally felt that the best way of ensuring that those duties are discharged is to carry out a full public procurement exercise. Were the Council to carry out a full public procurement exercise, then unless the Company was able to take advantage of the Teckal exemption, the Council could only award a contract to the Company if the Company was the successful tenderer.
- To qualify for the Teckal exemption, the Company must have no private sector ownership and provide at least 80% of its services to the public sector.

- If the Council were to transfer the provision of the service to the Company this would result in the Company providing services to funeral directors and members of the public; thereby losing the Teckal exemption.
- Were the Council to award the Company a contract to manage/operate the facilities on behalf of the Council (such that, for example, fees were payable to the Council and not to the Company) such a contract could be structured to be Teckal exempt.
- The award of such a contract would trigger a TUPE transfer and both the Council and the Company would need to be mindful of the need to inform and consult those engaged in providing the service as to the manner in which they would be affected by the transfer.
- The Council has power to award such a contract under statute including Part 1 Chapter 1 the Localism Act 2011 and s111 Local Government Act 1972

## Business Planning

This Business Case is intended to provide a framework for planning, managing and defining the proposed business change. A separate business plan will need to be prepared and agreed which defines business goals, the rationale behind them, and the plan to achieve them.

A performance framework has been prepared by CEC which represents the expected outcomes for the WOC. These are detailed below and would need to be reflected in the Company's business plan.

## Performance Outcomes

<b>Orbitas Bereavement Services</b>	<b>Primary objectives:</b> <ul style="list-style-type: none"> <li>• To maintain the high quality standards achieved as an in-</li> </ul>
---	--

	<p>house bereavement service for the residents of Cheshire East and the elected members who represent them;</p> <ul style="list-style-type: none"> <li>• Achieving best value for the Council in the provision of Bereavement Services;</li> <li>• Increasing, year-on-year the return to the shareholder (Cheshire East).</li> </ul> <p><b>Outcomes</b></p> <ul style="list-style-type: none"> <li>• Maintain the high quality dignified standards already achieved as an in-house service for the residents of Cheshire East;</li> <li>• Creation of a viable and sustainable Wholly Owned Company (WOC);</li> <li>• Secure the financial savings as identified within the Council's Financial Plan;</li> <li>• Transfer approx 28 employees from the Council to the new Provider;</li> <li>• Become self financing and less dependent upon the Council's core support services;</li> <li>• Create a new identity for the service that enhances the user experience;</li> <li>• Increase the range of services provided.</li> </ul> <p><b>Added value benefits:</b></p> <ul style="list-style-type: none"> <li>• Create a commercial environment with greater autonomy for the services offered;</li> <li>• Increased investment in the local economy - Retention of jobs;</li> <li>• Improved service delivery by the service with benefits retained by Council or WOC not shared with private sector;</li> <li>• Opportunities for co-ownership with other Councils and a Teckal exempt model will provide opportunities for shared delivery;</li> <li>• Ability to generate surpluses to reinvest in the growth of the</li> </ul>
--	--

	<p>business or pass back to the council as dividends;</p> <ul style="list-style-type: none"> <li>• Ability to influence and drive the direction of the service and attract partners;</li> <li>• Offer a broader and more comprehensive range of services.</li> </ul> <p>Typically these could include:</p> <ul style="list-style-type: none"> <li>○ Enhanced commemoration offering – services, furniture; family plots, memorial walls</li> </ul>
--	--

## 5. SWOT Analysis

The table below identifies the relative strengths, weaknesses, opportunities and threats to the Council. These are reflected throughout this Business Case and will be revisited and updated as the project develops.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Aligns with the Council's ambition to become a commissioning Council</li> <li>• Company 'Wholly Owned' by local authority providing clarity and transparency in ongoing service delivery and clear governance arrangements.</li> <li>• Council retains assets and income –all benefits are retained in full by the Council rather than 'shared' with another partner</li> <li>• Ability to tailor service, products, approach and systems to meet changing demands</li> <li>• Reduction in bureaucracy will lead to improved service responsiveness, effectiveness and flexibility</li> <li>• Reduced reliance on the corporate centre</li> <li>• Core Council work can legitimately be devolved without a lengthy procurement exercise being required</li> </ul>	<ul style="list-style-type: none"> <li>• Council retains statutory responsibility for service provision</li> <li>• Acting as an 'agent' of the Council places limitations on how the company can operate</li> <li>• Limited scope to act commercially unless a subsidiary company is set up for this purpose</li> <li>• Initially difficult to expand commercially whilst credibility and experience are established</li> <li>• Potential impact on Council corporate services if not providing a service to the WOC</li> <li>• Council's Reputation linked to Company performance</li> <li>• Dependant on Council for funding and workload (altering could affect company viability)</li> </ul>



OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Ability to act in a commercial way and attract/generate new income streams</li> <li>• Able to develop a new brand and service culture that better meets the Councils changing needs</li> <li>• Opportunities for partnership working and shared delivery with other local authorities</li> <li>• Opportunities for staff incentivisation /self determination and reward Promoting innovation and a more entrepreneurial culture</li> <li>• Opportunities to reduce the core cost of the service once established</li> <li>• Provides a vehicle which could run additional services on behalf of the Council</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient budget provision would reduce standards, service delivery and ability to generate income</li> <li>• Lack of investment in the refurbishment of Crewe Crematorium would lead to loss of service users and income reducing our ability to offer a good service to Cheshire East residents.</li> <li>• Increased commercial competition</li> </ul>

## 6. Benefits and Benefit Realisation

In assessing the suitability of creating a WOC to deliver bereavement services the following criteria have been considered by officers and members.

### Success Criteria:

SUCCESS CRITERIA	BENEFIT TYPE	DESCRIPTION
1.Maintaining or Improving Service Quality	Non Financial	<ul style="list-style-type: none"> <li>• Maintain or improve the quality of service standards</li> <li>• Customer at the heart of all decisions</li> <li>• Quickly able to respond to service requirements</li> </ul>
2.Ensuring Financial Viability	Financial	<ul style="list-style-type: none"> <li>• Financial viability within a competitive environment</li> <li>• Reduced corporate overhead costs</li> <li>• Reduction in costs to the Council for the longer term</li> <li>•</li> </ul>
3.Innovation and Growth	Financial/Non Financial	<ul style="list-style-type: none"> <li>• In the future, potential</li> </ul>

		for additional new business and income generation <ul style="list-style-type: none"> <li>• Flexibility and the ability to quickly respond to the changing market</li> <li>• Potential to increase customer choice</li> </ul>
--	--	--

## Ensuring Financial Viability

In considering the financial viability of a WOC consideration has been given to the potential financial benefits for both the Council and the WOC. A high-level summary of the business case is provided below followed by a more detailed appraisal (**Table 2**)

### Summary Financial Business Case

**Table 1 - Summary**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
	2014/15	2015/16	2016/17	2017/18	2018/19	5 years
	£k	£k	£k	£k	£k	£k
<b>Total Costs</b>	(90)	(125)	(307)	(315)	(322)	(1,159)
<b>Total Benefits</b>	0	143	334	351	359	1,188
<b>Net</b>	(90)	18	27	36	37	29

**Table 1a – Summary**

<b>1. Payback period</b>	4.9 years
<b>2. Net Present Value (Discount rate 5%)</b>	£13k
<b>3. Internal Rate of Return</b>	11%

### Definitions

1. Payback shows time taken to earn benefits to offset initial costs of project.
  2. Net Present Value (NPV) shows total value of net benefits of 5 year project as at today.
  3. Internal Rate of Return (IRR) shows discount rate that makes the net present value of all cash flow zero.
- Does not incorporate inflation / interest rates.

### Detailed Financial Business Case

The table below illustrates the potential benefits of creating a WOC.

**Table 2 – Detailed Financial Business Case**

COSTS/ BENEFITS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
	2014/15	2015/16	2016/17	2017/18	2018/19	5 years
<b>Costs</b>	£k	£k	£k	£k	£k	£k
Insurance		(2)	(2)	(2)	(2)	(8)
Additional finance / audit resource	(45)	(45)	(45)	(45)	(45)	(225)
Cost of memoria		(18)	(24)	(30)	(36)	(108)
Fleet replacement	(20)	(20)	(20)	(20)	(20)	(100)
Refurbishment costs – 10 – 20 years			(175)	(175)	(175)	(525)
Costs associated with income growth (40% of leakage) (10% of income)		(9)	(9)	(9)	(9)	(36)
Costs associated with boundary growth (10% of income)		(2)	(2)	(2)	(2)	(8)
Marketing / Advertising	(25)	(25)	(25)	(25)	(25)	(125)
VAT of new business		(4)	(5)	(7)	(8)	(24)
<b>Benefits</b>						

<b>Growth associated with income (40% of leakage)</b>		93	93	93	93	372
<b>Boundary growth</b>		18	18	18	18	73
<b>Income from Environment abatement fund</b>			175	175	175	525
<b>New business stream – memoria</b>		24	32	40	48	144
<b>Corporate support savings</b>		8	16	25	25	74
<b>Total costs</b>	(90)	(125)	(307)	(315)	(322)	(1,159)
<b>Total benefits</b>	0	143	334	351	359	1,188
<b>Net</b>	(90)	18	27	36	37	29

## Financial Benefit

There is a financial case for the establishment of a WOC. This is based on confirmation that the service can be financially viable as a stand-alone entity.

The business case assumes an ongoing reduction of £25k (15%) in support service costs by the end of year 4 if the existing numbers of cremations and burials is maintained. This is helped by the WOC potentially being able to use CEC frameworks where beneficial, and establishing its own where not.

It should also be noted that the WOC would have the opportunity to generate new and additional income streams through activities such as the sale of additional goods and services. The sale of memoria has been factored into the financial forecast from year 2 in terms of modest levels of additional income returned, but other income streams are yet to be explored which could further benefit the Council and further support the business case.

Expanding the business and changing the income profile will have significant implications for the WOC and these would need to be fully considered as the WOC matures.

Typically existing operating models indicate that savings may define the former years whilst energies are focused on developing new income streams during the latter years.

### **Corporate core costs**

Corporate core costs are still being fully evaluated. It has been confirmed that there will be an incubation period for this transition where support services will continue to be used for a period up to 3 years. After this period there is the potential to further enhance financial viability by achieving savings on the back of reduced ‘back office’ support costs and corporate overheads.

### **Financial Management**

A key component of the proposal is to establish a WOC which acts as an agent for the Council. In this setting although the company would have a separate bank account all existing income will continue to be paid directly into a Cheshire East Bank account, and as such, is exempt from Corporation Tax. As all income would be directly returned to the Council, arrangements will have to be made to ensure the Company has sufficient financial resources to operate and to prevent cash flow issues.

### **Financial assumptions**

- The Business Case assumes that capital expenditure is incurred by Cheshire East Council (CEC) to ensure the cremators are replaced during 2013-14 and that the Crewe Crematorium Refurbishment scheme is taken forward.
- The budget transfer involved will be approximately £1.0m - £1.2m. This includes staffing costs of £0.7m, some of the budgets held in Assets for premises related costs and the buyback of corporate support functions which could be approximately £0.1m - £0.2m. Note that this figure is approximate and is subject to agreement on where costs/budgets should reside.

- T  
he financial business case assumes there is no retained cost for the Council to manage the ‘client’ relationship as this capacity has already been covered in the development of the Environmental WOC which will oversee both operations.

## **Service Quality Benefits**

The current service is of good quality and generally well regarded by service users. This quality derives from the experience, affiliation and in depth knowledge of the current team who exhibit a genuine motivation to provide high levels of service and care for the bereaved. The staff delivering the service would TUPE transfer into the WOC ensuring their skills and abilities are retained.

Furthermore real opportunities will exist for the team to shape how the service is delivered, designed and provided. This increased level of involvement in running the service, coupled with the ability to act promptly on decisions is undoubtedly a key way of engaging and motivating the team and has been acknowledged by staff during the consultation and stakeholder meetings.

With the ability to offer a broad range of services it is likely a WOC would offer a better and more responsive service for users.

Continued or enhanced take up of the service would create the potential for additional revenue streams to be established. This could be used to reduce unsustainable costs, to provide a source of new investment to improve the service and/or to provide a tangible means of financially rewarding staff for good performance.

## **Innovation and Growth Benefits**

The review of service delivery options concluded that a WOC can offer one of the quickest means of delivering change, promoting cost efficiencies and effectiveness whilst managing the reputational risks associated with service delivery.

Whilst this may take time to develop, there will clearly be opportunities for employees to develop and implement their entrepreneurial skills without being constrained by the red tape found in larger organisations. Already ideas have emerged during the consultation process and through the stakeholder meetings of new ways to expand the type of services offered and their scope.

There is also the possibility of incorporating the WOC, as a subsidiary within a larger group structure as well as possibilities for the WOC to expand its own operations and areas of responsibility. This could allow the Council to incorporate further service areas in an established WOC at a later date.

## **New Services**

There is an expectation that from year 2 the WOC will be able to create new and additional income streams. At the consultation and staff stakeholder meetings there has been a consensus that by becoming a WOC, service levels would improve through quicker decision making and greater flexibility to enhance the services provided.

From the existing meetings held already the following ideas have already been suggested:

- Working more closely with Funeral Directors to further improve relationships
- Introduce new technology to improve services
- Increasing the type and range of memoria provided
- Expanding awareness and the profile of the service in the Community
- Increasing Community activity and participation on sites.
- Tailored training approach to enhance staff skill sets.

It would of course be important for the WOC to assess the viability of new initiatives, and constantly monitor the market place it operates in. This would be a key part of business planning for the WOC and ideas would have to be fully assessed, and comply with the established governance structures and regulations.

## Key Benefits Summary

The Following table provides a collective summary of the financial and non financial benefits anticipated from delivering the service via a Wholly Owned Company.

KEY BENEFIT	METHOD ASSUMPTION	MEASUREMENT
<b>Maintaining or Improving the quality of services provided</b>	More responsive, flexible service that can work in a tailored way for customers	Customer Satisfaction
<b>Services are financially viable within a competitive environment</b>	Operating commercially, tailoring approach to, specialist /niche customer needs. Flexibility to adapt to market pressures	Balance Sheet, market comparisons
<b>Savings generated through reduced corporate and support costs</b>	Freedom to purchase better value for money and better suited support services	Outturn information showing percentage of total support service costs
<b>Flexibility and ability to respond to a changing market</b>	Ability to be smarter and quicker in delivering change and responding to new demands and pressures	Customer Satisfaction, take up of WOC services, activity data
<b>A workforce that can co-produce the design and delivery of services</b>	Improved efficiency, service and levels of motivations	Customer Satisfaction, Outturn information showing percentage of total support service costs
<b>Increase income and additional income streams</b>	Flexibility to respond to market, to business develop and to reinvest profits into staff/service enhancements,	Financially sustainable
<b>Alignment with Commission Council priorities</b>	Freeing up management and support staff to enabling focus on strategic improvement and commissioning	Quality of strategy and commissioning



## 7. Risk Management

### Risk Summary

Identified risks have been subject to scrutiny by the Councils Cabinet, The Executive Monitoring Board (EMB) and the Technical Enablers Group (TEG).

As the Council intends to rely on the Teckal exemption to establish the WOC the relevant controls required to manage specific risks will be provided by the governance function. Ultimately as the sole shareholder the risk remains with the Council and in the unlikely event of failure the service can be brought back in house without any contractual complications.

It is recognised that predicting future needs, demand, user responses and financial viability is an evolutionary process and the process of identifying risks and preparing suitable responses and mitigation, is a continual activity which will be a key part of the Business Case and subsequent Business Plans.

## 8. Equality Impact Assessments

There is no anticipated adverse impact on any protected groups either within or external to the organisation. See Appendix B1 for further details.

## 9. Review Monitoring & Evaluation

There is a statutory requirement that a business case is prepared and approved by the Council before the Council may trade through a company. Thereafter the Council is required to have regard to guidance issued by the (then) ODPM, which advises that the business case, once approved is used as the basis of developing a business plan to be used by the company in future years.

## 12. Exit Strategy

It is anticipated that the real trading opportunities will not be fully known until the WOC formally commences trading. There is a recognition that culture change, efficiency savings and new business opportunities are the three main drivers for change through which we aspire to achieve a step change in the way Orbitas,

Bereavement Services Ltd will deliver the services to the Council. In the event that sufficient trading potential has not been realised within a 5 year window or costs begin to spiral, the Shareholder Committee will have the power subject to Cabinet approval to review the on-going viability of the WOC and what steps if any it needs to take in the way the WOC is governed and/or managed to achieve the required benefits. Given that the Council is the sole shareholder, it potentially has the power to bring the service back in-house or to conduct a formal outsourcing exercise or indeed to sell the WOC subject to any agreed processes or relevant legislation. It should be noted that the sale of the company, or of any part of it, to the private sector will remove the Teckal exemption and all contracts then held by the company in reliance on the Teckal exemption would have to be re-procured.

## Appendix B1: Orbitas 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

Department	Environmental Protection and Enhancement		Lead officer responsible for assessment		Bereavement Services Manager	
Service	Streetscape and Sustainable Environment		Other members of team undertaking assessment			
Date	17 September 2013		Version		1.1	
Type of document (mark as appropriate)	Strategy	Plan	Function	Policy	Procedure	Service
Is this a new/existing/revision of an existing document (mark as appropriate)	New		Existing		Revision	
<p>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)</p> <p>Please attach a copy of the strategy/plan/function/policy/procedure/service</p>	<p><b>Equality Impact Assessment on a consideration of Bereavement Services to become an Arms Length External Organisation</b></p> <p>As Cheshire East reviews its services and considers option that may better meet the needs of service users and offer improved value for money, one of the options being looked at is to set up an (ALEO) for Bereavement Services. The main aim of forming such an organisation is to reduce costs, make services more accessible and have the freedom to expand into new service areas, eg pet cemetery, memorials. Whilst the (ALEO) will take on the responsibility for service delivery the Council will remain accountable for the funds used to deliver the service. The Council staff currently working in the relevant services would be entitled to transfer to the trading company under TUPE. It is expected that this proposal will allow Bereavement Services to sustain and grow its existing business, which will lead to an increase in local jobs.</p>					
Who are the main stakeholders? (eg general public, employees, Councillors, partners, specific audiences)	<p>The main stakeholders are:-</p> <ul style="list-style-type: none"> <li>• Council</li> <li>• Cabinet</li> <li>• Audit and Governance Committee</li> <li>• Scrutiny Committee</li> </ul>					

## Appendix B1: Orbitas EQUALITY IMPACT ASSESSMENT FORM

	<ul style="list-style-type: none"> <li>• Members</li> <li>• Corporate Risk Management Group</li> <li>• Officers / Employees</li> <li>• Partners</li> <li>• Public</li> </ul>
--	--

### Section 2: Initial screening

<b>Who is affected?</b> (This may or may not include the stakeholders listed above)	<ul style="list-style-type: none"> <li>• Council</li> <li>• Cabinet</li> <li>• Audit and Governance Committee</li> <li>• Scrutiny Committee</li> <li>• Members</li> <li>• Corporate Risk Management Group</li> <li>• Officers / Employees</li> <li>• Partners</li> <li>• Public</li> </ul>
<b>Who is intended to benefit and how?</b>	All of the above. Good risk management increases the probability of success, and reduces both the probability of failure and uncertainty of achieving Cheshire East Council's overall objectives.
<b>Could there be a different impact or outcome for some groups?</b>	No – this is about improving processes to achieve objectives.
<b>Does it include making decisions based on individual characteristics, needs or circumstances?</b>	No.
<b>Are relations between different groups or communities likely to be affected?</b> (eg will it favour one particular group or deny opportunities for others?)	No.

# Appendix B1: Orbitas EQUALITY IMPACT ASSESSMENT FORM

Is there any specific targeted action to promote equality? Is there a history of unequal outcomes (do you have enough evidence to prove otherwise)?			No.								
Is there an actual or potential negative impact on these specific characteristics? (Please tick)											
Age	Y	N✓	Marriage & civil partnership	Y	N✓	Religion & belief	Y	N✓	Carers	Y	N✓
Disability	Y	N✓	Pregnancy & maternity	Y	N✓	Sex	Y	N✓	Socio-economic status	Y	N✓
Gender reassignment	Y	N✓	Race	Y	N✓	Sexual orientation	Y	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			No – this is about improving processes to achieve objectives.							✓	
Disability			No – this is about improving processes to achieve objectives.							✓	
Gender reassignment			No – this is about improving processes to achieve objectives.							✓	
Marriage & civil partnership			No – this is about improving processes to achieve objectives.							✓	
Pregnancy & maternity			No – this is about improving processes to achieve objectives.							✓	
Race			No – this is about improving processes to achieve objectives.							✓	
Religion & belief			No – this is about improving processes to achieve objectives.							✓	

# Appendix B1: Orbitas EQUALITY IMPACT ASSESSMENT FORM

<b>Sex</b>	No – this is about improving processes to achieve objectives.			✓
<b>Sexual orientation</b>	No – this is about improving processes to achieve objectives.			✓
<b>Carers</b>	No – this is about improving processes to achieve objectives.			✓
<b>Socio-economic status</b>	No – this is about improving processes to achieve objectives.			✓
<b>Proceed to full impact assessment? (Please tick)</b>	<b>Yes</b>	<b>No</b> ✓	<b>Date 28/01/13</b>	

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

# Appendix B1: Orbitas EQUALITY IMPACT ASSESSMENT FORM

## 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 <b>High:</b> Significant potential impact; history of complaints; no mitigating measures in place; need for consultation <b>Medium:</b> Some potential impact; some mitigating measures in place, lack of evidence to show effectiveness of measures <b>Low:</b> Little/no identified impacts; heavily legislation-led; limited public facing aspect	Further action (only an outline needs to be included here. A full action plan can be included at Section 4)
Age				
Disability				
Gender reassignment				
Marriage & civil partnership				

# Appendix B1: Orbitas EQUALITY IMPACT ASSESSMENT FORM

Pregnancy and maternity				
Race				
Religion & belief				
Sex				
Sexual orientation				
Carers				
Socio-economics				
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)				



## Section 4: Review and conclusion

<b>Summary: provide a brief overview including impact, changes, improvement, any gaps in evidence and additional data that is needed</b>  As above			
<b>Specific actions to be taken to reduce, justify or remove any adverse impacts</b>	<b>How will this be monitored?</b>	<b>Officer responsible</b>	<b>Target date</b>
None			
<b>Please provide details and link to full action plan for actions</b>			
<b>When will this assessment be reviewed?</b>	Annually		
<b>Are there any additional assessments that need to be undertaken in relation to this assessment?</b>	None		

**Appendix B1: Orbitas EQUALITY IMPACT ASSESSMENT FORM**

<b>Lead officer signoff</b>	M Slinn	<b>Date</b>	17/09/13
<b>Head of service signoff</b>	G Edwards	<b>Date</b>	17/09/13

**Please publish this completed EIA form on your website**




---

**PROJECT INITIATION DOCUMENTATION**
**DETAILED BUSINESS CASE**

<b>Completed By:</b>	Chris Allman	<b>Project Name</b>	Future Delivery Models for Leisure.
<b>Programme Name</b>		<b>Portfolio Holder:</b>	Cllr Janet Clowes
		<b>Service:</b>	
<b>Senior Responsible Owner (SRO):</b>	Peter Hartwell	<b>Project Manager</b>	Chris Allman
<b>Date endorsed at Gate 1</b>	15.01.13- Gate 1 14.04.13 – Gate 2	<b>Version Number</b>	0.01
<b>Major Change project number</b>			

**Background**

All Council's find themselves in difficult financial times aligned with high demand for services and high public expectations. Many have responded to these pressures by reducing services – closing libraries and leisure centres and stopping some services altogether. Cheshire East Council have not done this. Instead the Council has seized the opportunity to think differently about how it can deliver services which better meet the needs of the residents, businesses and customers of Cheshire East.

This business case is focused on the trust delivery model that has been previously approved at Cabinet in June 2013 and went through the Council's project management gateway process (TEG and EMB) in December and the clarification required for endorsement have been action within this report. as the preferred delivery model

This business case is being present as a purely precautionary measure in the event that charitable trust status has not been awarded by the proposed transfer date of 1<sup>st</sup> April, so that the registered company (Everybody Sport and Recreation Ltd) will have the authority to trade.

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, however at that time the project did not proceed.

In line with the need to deliver efficiencies in future service provision FMG consultants were commissioned to undertake an options appraisal to consider the future delivery models available to the Leisure service.

This further advice has indicated, in financial terms, that a transfer of leisure facilities, to a new trust, will provide the greatest potential for savings. However this is not the primary reason for the established of a trust. The council's leisure and play development services are not a statutory function but are highly valued by residents of CEC. It is clear that 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 and protect this vital and well used service.

There is a need to achieve Best Value for the services that the Council directly commissions and provides, and to reduce net operating costs wherever possible. At the same time the Council is maintaining the best possible service for its residents in line with its agreed three year plan.

The plan identifies efficiency savings linked to Leisure Services:

- **Outcome 5 states:- People live well and for longer**

"local people have healthy lifestyles and access to good cultural, leisure and recreational Facilities".

- **Outcome 6 states :- Redefining the Council's role in core place-based services**

"Develop new delivery model for leisure operations."

The Council's leisure facilities are currently delivered 'in-house' employing 350 contracted staff and approximately 350 casual staff. There are 15 Leisure centre sites, 7 linked directly to CEC school sites.

Currently the Council invests £ 8.53m in Leisure services annually (excl capital charges but including support services).

---

**Why the project is needed**

The Council's three year plan places residents first. The Council is committed to promoting and supporting residents to live well and for longer thorough better management of their own health and daily life. It will not achieve this by choosing to reduce services or close them completely in response to financial pressures.

Instead the Council has chosen to transfer leisure facilities to a new trust. The charitable trust will deliver an improved and enhanced service to the residents of Cheshire East. the Trust will have access to financial and other resources (e.g. grants) to enhance service delivery which are not available to the Council,

The trust option also allows the benefits of NNDR and VAT relief to be fully realised creating a significant financial benefit to the operation of the Councils' current in-house leisure, play and development services.

The establishment of the trust is a proactive action taken by CEC that will result in the safeguarding of the current assets within the Leisure services and will secure the ongoing employment of those people. This is very positive news given the challenging financial situation faced by all local authorities.

Further benefits of this option are it allows the Council to focus its delivery of leisure services through an independent charitable company. This will enable the company's management and staff to have a single focus free from the distractions of the Council's 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.

The physical assets (which will include all land and areas of public open space that are integral to the running of the facility) that were included in the review and are in scope for the project are detailed below:

- Crewe Swimming Pool
- Nantwich Swimming Pool;
- Barony Sports Complex, Nantwich;
- Shavington Leisure Centre;
- Sir William Stanier Leisure Centre (although the building is not in scope the trust will still the run the service from it);
- Victoria Community Centre, Crewe; including Cumberland Arena
- Middlewich Leisure Centre; (as with Sir William Stanier leisure Centre above)
- 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

**The overarching vision for the council being:**

*“To Create a Charitable trust (limited by way of guarantee) to manage on behalf of the council its Leisure, play and sport development services.*

*The trust will have its own board of trustees and Management structure which will operate independently of the council. The purpose of the trust will be to delivery theses service to a high standard whilst significantly reducing the subsidy that is currently provided by the council.*

**Objectives of the Project**

- A trust that is fully sustainable and provides a high class services that meets the needs of local community and the diverse population of CEC by April 2024.
- A trust that is clear and transparent and provides clear value for money whilst reducing the contribution from the residents of Cheshire East with effect from the 1<sup>st</sup> April 2017.
- The trust will manage the assets on a lease hold basis and will be responsible for the day to day maintenance, whilst the council will retain the responsibility for major structural work and retain the freehold of the assets again the trust will be effective from the 1<sup>st</sup> April 2014
- A trust that in the long term strives to be self sufficient,  
Providing a modern and flexible operation with the ability to take on additional services such as parks and football pitches within 12-18 months of the transfer date.
- Create a highly motivated and resilient workforce, that flex to the demands of a commercially run organization.

**Key Deliverables of the project:**

- The setup and registration of a company limited by way of guarantee by Oct 2013
- A shadow board that is acting on behalf of the new organisation by Oct 2014
- Registered as charitable organisation by 1<sup>st</sup> April 2014

- 
- A detailed service specification and contract (to include all assets and maintenance issue) and performance measures by 1<sup>st</sup> March 2014
  - Detailed TUPE consultation with all staff completed by 15<sup>th</sup> March 2014
  - Formal agreement received from the company's Board to accept the contract by 15<sup>th</sup> March 2014
  - Formal transfer of staff and assets on the 1<sup>st</sup> April 2014

### **Proposed Solution**

#### **Scope**

An extensive option appraisal was undertaken, the purpose of which was to determine the future delivery model which will include leisure, sports and play development services; future phases could also include elements of arts, culture, green spaces and country side

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);

### **Recommendation**

The consultant's review has recommended that the most appropriate model which gives maximum flexibility to the Council, whilst at the same time reducing the investment for the service from the Council Tax payer is that of a new Charitable Trust.

#### **Current Service activities:**

- The services employs in the region of 700 staff
- Service costs are attached in the financial appendix
- The current service is of high quality and very well regarded by service user. This quality derives from the experience, commitment and knowledge of the current staff team of whom exhibit a genuine motivation to provide high levels of service; all facilities have gained and maintain QUEST accreditation.
- Current service use:.

**Total Attendance**

Actual to Date		1.4.13 to 31.10.13	1,629,561
<i>Compared with:</i>		<b>Variance</b>	<b>% Variance</b>
Target to Date	<b>1,602,712</b>	<b>+26,849</b>	<b>+2%</b>
Actual to Date 2012/13	<b>1,586,844</b>	<b>+42,717</b>	<b>+3%</b>

**Total Participation in Sport and Active Recreation**

Actual to Date		1.4.13 to 31.10.13	1,329,488
<i>Compared with:</i>		<b>Variance</b>	<b>% Variance</b>
Target to Date	<b>1,306,128</b>	<b>+23,360</b>	<b>+2%</b>
Actual to Date 2012/13	<b>1,293,196</b>	<b>+36,292</b>	<b>+3%</b>

**Everybody Membership Sales**

	<b>Oct-12</b>	<b>Oct-13</b>	<b>% Variance</b>	
<b>Alsager</b>	488	519	<b>6%</b>	
<b>Barony</b>	337	358	<b>6%</b>	
<b>Congleton</b>	688	677	<b>-2%</b>	
<b>Crewe</b>	729	805	<b>10%</b>	<i>Fitness Suite refurbished July 2012</i>
<b>Holmes Chapel</b>	84	89	<b>6%</b>	
<b>Knutsford</b>	505	741	<b>47%</b>	<i>Fitness Suite refurbished June 2011</i>
<b>Macclesfield</b>	1085	1099	<b>1%</b>	<i>Fitness Suite refurbished November 2012</i>
<b>Middlewich</b>	34	54	<b>59%</b>	
<b>Nantwich</b>	673	859	<b>28%</b>	<i>Facility refurbished Dec-12 to Aug-13</i>
<b>Poynton</b>	325	365	<b>12%</b>	
<b>Sandbach</b>	477	589	<b>23%</b>	



<b>Shavington</b>	891	1153	<b>29%</b>	<i>Fitness Suite refurbished August 2012</i>
<b>VCC</b>	51	60	<b>18%</b>	<i>Membership sales commenced July 2011</i>
<b>Wilmslow</b>	631	811	<b>29%</b>	<i>Fitness Suite refurbished September 2012</i>
<b>Monthly Total</b>	<b>6998</b>	<b>8179</b>	<b>17%</b>	

**Management of the Trust**

The Trust will have its own governance arrangements and approval process for appointing people as Trustees. The only representation on the Trust Board the Council is permitted is 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.

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 and required service levels.

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

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, in turn, this enables the Trust to potentially have a flexible pricing policy that targets increased public participation in key areas.

**TUPE**

Transferring the service delivery to a Trust will trigger a TUPE transfer of current Council staff who are working in or for the leisure service immediately before the transfer.

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.

**SWOT Analysis**

<p><b><u>Strengths</u></b></p> <p>Financial savings from NNDR relief and VAT;</p> <p>Greater financial and managerial autonomy, which should result in improved quality of services and pricing in line with market levels;</p> <p>Single issue focus</p> <p>Transfer to a trust will maintain the link between sports development and facilities management.</p> <p>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</p>	<p><b><u>Weakness</u></b></p> <p>May not have the influence that the In House operation has currently with partners and funders – the current operation is very well respected and linked, which would need to be protected.</p> <p>Focus of the NPDO may be on facilities rather than the sports development service, meaning that some of the wider health &amp; wellbeing targets may become less important compared to generating activity in the facilities</p> <p>Working to a contract / specification is necessarily less flexible, making it more difficult to mould services to changing Council/ Partner priorities</p> <p>Capital finance can be more expensive than that provided by the public sector</p>
<p><b><u>Opportunities</u></b></p> <p>Access to external grant funding associated with charitable status;</p> <p>The trust can evolve over time to incorporate other assets and services;</p> <p>Involvement of partners in the trust Board, thus promoting partnership working and coordinated service delivery (for example in relation to health and wellbeing);</p> <p>Opportunity for community and staff involvement in the management of services;</p> <p>The trust can evolve over time to incorporate other assets and services;</p> <p>Involvement of external expertise in the trust Board, promoting sustainability and providing access to required commercial acumen;</p>	<p><b><u>Threats</u></b></p> <p>If the trust gets into financial difficulty, the Council would review the future delivery of the service. This could range from working with the Trust to secure changes to bringing the service back in house.</p>

**Benefits**

The highlevel benefits of the formation of Charitable trust are outlined below: ( A detailed benefits realisation is being finalised which will include how the benfits will be monitored and measured)

Name of Benefit	Type	Comments	Date Benefit expected to be achieved
<b>Financial savings from NNDR relief and VAT;</b>	Financial	The Savings associated with the savings are anticipated at £700k PA	2014 – 2015. Onwards
<b>Access to external grant funding associated with charitable status;</b>	Financial	As part of the trusts business plan they will explore all grants and funding opportunities in order to increase the quality of the service.	To be reviewed April 2015
<b>Involvement of partners in the trust Board, thus promoting partnership working and coordinated service delivery (for example in relation to health and wellbeing);</b>	Process improvement Service standards	The skills of the board will be utilised in order to drive forward process improvement and enhance the quality of the service further.	Ongoing monitoring of board members and if further skills are needed they will be sourced through recruitment of more Directors
<b>Involvement of external expertise in the trust Board, promoting sustainability and providing access to required commercial acumen;</b>	Process improvement Service standards	As above	As above
<b>Greater financial and managerial autonomy, which should result in improved quality of services and pricing in line with market levels;</b>	Process improvement Service standards Financial	Greater focus and scrutiny of figures will result in service improvement, a baseline measurement will be made at the point of transfer and analyzed.	Ongoing from April 2014.
<b>Opportunity for community and staff involvement in</b>	Process improvement Service standards	The number of volunteers will be measured against the	April 2015

the management of services;		current baseline and measured at year end	
<b>Benefits of having a single issue focus;</b>	Process improvement Service standards	A greater focus on Leisure will enable the service to operator in a commercial way without encumbrance of wider Council issues.	April 2015 based on % increase in new business
<b>The trust can evolve over time to incorporate other assets and services</b>	Service standards	There is the potential for other services to be included such as Greenspaces and Countryside	Number of new assets/services added each year.
<b>Flexibility and ability to respond to a changing market</b>	Process improvement Service standards	Ability to be smarter and quicker in delivering change and responding to new demands and pressures	Customer Satisfaction, take up of services, activity data present as part of the performance monitoring

**Risk**

Please see attached risk register

**Project and Investment Appraisal Cost of project and Investment Appraisal**

The trust will continue to provide leisure, sports and play development services to the residents of Cheshire East. Whilst delivering improved efficiencies, enabling the exploitation of tax reliefs in place for Charities and ultimately becoming financially independent of any Council contribution.

Financial data and all assumptions behind the figures stated are included in the attached tables.

**Equality Impact Assessments**

A full EIA must be undertaken before the project can start. Please refer to the following link [EIA](#))

**Resource requirements to deliver the project**

The table must be completed and the relevant enabler service must be made aware prior to the submission (table 9 high level business case)

(This should include where the resource is being sourced from, if it is dedicated or part time and any training requirements for people working on the project)

<i>Resource</i>	<i>Estimate of number of days required</i>	<i>Source of Resource (corporate/service/Shared Service/external)</i>	<i>Comment from Service Manager (for example: require additional expertise, can manage within existing capacity)</i>
<b>Project Management</b>	<b>250</b>	Corporate	Chris Allman – manage within capacity
<b>ICT</b>	<b>100</b>	Corporate	Lydia Rafferty manage within capacity
<b>HR</b>	<b>200</b>	Corporate	Alan Brown and Tom Barton (manage within capacity)
<b>Communications</b>	<b>90</b>	Corporate	Jon Winkle also corporate comms team engaged. manage within capacity
<b>Planning</b>	<b>Nil</b>	NA	NA
<b>Procurement</b>	<b>100</b>	Corporate	Sam Clements manage within capacity
<b>Legal</b>	<b>170</b>	Corporate	Jayne McLaughlin (contracts) Suzanne Antrobus(HR) External Advice has also been commissioned
<b>Assets</b>	<b>100</b>	Corporate	Denise Griffiths and Barry Pitt manage within capacity
<b>Finance</b>	<b>200</b>	Corporate	Helen McGourlay / Brendan Meenan Team manage within capacity
<b>Risk Management</b>	<b>20</b>	Corporate	Risk Logs and Risk appetite statement have been produced.
<b>Other:- please specify</b>	<b>60</b>	External	External legal advisors have been appointed to act on behalf of the trust.

---

**Review Monitoring & Evaluation**

It is the responsibility of the project SRO to define how the business case will be monitored and evaluated and to ensure all new relevant information is reflected. The business case should be reviewed and refreshed for new information and where this has a material effect on any of the proposals for the project it will require resubmission through the Council's approval process.

This document will be independently reviewed to ensure compliance with the legal requirements of establishing a trading company. Throughout the period up to go live on the 1.4.14 it will be refreshed and revised as required subject to any change or new information which will effect the viability of the Trust. It will be regularly reviewed by the Project Manager and SRO will agree any required revisions.

A detailed service specification will be drawn up that clearly defines the Council's outputs and outcomes that will be required to be delivered by the new trust, this will also include penalties for non-performance.

**Exit Strategy**

Exit Strategy: Outline planned exit strategy for the project. Any material changes that will result in failure to deliver reduction in costs or improvements in outcomes or sustainability.

The project would only be stopped if there was a change in government legislation or if the Business plan for the trust does not achieve a workable budget.

In both circumstances the council would need to reinstate the forecast saving of £1.4m in order to compensate for the financial savings that wouldn't be incurred, or consider the future of the service and look at different vehicle to deliver the service.

**Current Cost of Service, Forecast Trading Position Year 1 and impact of implementing growth proposals**

Detailed expansion of table 6 high level business case

(Add extra columns if required to demonstrate savings achieved in future years)

Expenditure Year	Service budget 14-15	Current cost of delivery 13-14	Year 1 14-15	Year 2 15-16	Year 3 16-17	(Saving) or Growth 3 year
	£000	£000	£000	£000	£000	£000
Employees	6107	6,928	7,035	7,035	7,035	321
Premises	3246	3,625	2,771	2,771	2,771	-2,562
Transport	42	52	71	71	71	57
Supplies & Services	1173	1,230	1,314	1,264	1,239	127
3rd Party Payments	12	12	209	209	209	591
Transfer Payments	23	23				-69
Support Services	3219	3,219	3,219	3,219	3,219	0
Capital Financing const	0		81	81	81	243
Contribution to reserves				100	150	250
<b>Total Expenditure</b>	<b>13,822</b>	<b>15,089</b>	<b>14,700</b>	<b>14,750</b>	<b>14,775</b>	<b>-1,042</b>
<b>Income</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees & Charges	5,981	5,861	7,554	7,604	7,629	5,204
Grants	499	499				-1,497
Other Income	0	0				0
Recharges	196	196				-588
<b>Total Income</b>	<b>6,676</b>	<b>6,556</b>	<b>7,554</b>	<b>7,604</b>	<b>7,629</b>	<b>3,119</b>
<b>Net cost of service (profit/(loss))</b>	<b>7,146</b>	<b>8,533</b>	<b>7,146</b>	<b>7,146</b>	<b>7,146</b>	<b>-4,161</b>

Total attributed savings over 3 year

Please give details about assumptions made above relating to current costs, anticipated variations to expenditure and income in Year 1 of ASDV and what is included in expenditure and income in respect of growth. Please also include any adverse impacts that may occur such as corporation tax/VAT and any impact on the trading position that may occur if the ASDV is not established.  
Include any savings anticipated from the new arrangements

- 1 - The 2014-15 budgets include approved 2013-14 current budgets, less temporary COI budgets of £164k and less Phase 1 and 2 Vacancy Management budget savings of £143k. Further budget reductions from Phase 3 have not been included yet as they are unconfirmed, as is the same for any further Cross Cutting budgets reductions that may be applied. The net £80k growth bid for 2014-15 has been included, as has an additional £120k (reduced from the requested £370k) for savings that are no longer able to happen.
- 2 - Current Premises budgets and "Cost of Delivery" assume an amount of £698k in respect of Repairs & Maintenance which is financed from a separate aggregated budget within Assets which is not specifically identified for specific Services
- 3 - Support Costs are not budgeted for against Services but have been included as per the amounts charged to Leisure in 2012-13. No reduction in future years have been included as these costs will be outside of the direct control of Everybody Sport and Recreation
- 4 - Capital Financing represents the financing elements of leasing charges, other capital charges are not recorded as it is understood that these will remain with the Council
- 5 - Year 1 Employee costs assume all current senior officers are subject to TUPE and/or will be assimilated into equivalent senior positions within the company and that an equivalent budget value will also be transferred. Any senior posts that are not subject to a transfer of funding will create a financial pressure.
- 6 - Third party Payments represent £209k of payments made to a "Joint Use" school, primarily consisting of shared utility costs and an income sharing arrangement
- 7 - No inflation costs have been included in the above table for expenditure, neither have any procurement savings that may be realised
- 8 - Increased costs in respect of employees is not factored into the above summary as this will be contained within the total service provision cost
- 9 - Reduced expenditure of £500k is anticipated in respect of NNDR due to mandatory relief of 80% being received
- 10 - Net additional income from a change of VAT treatment on income and expenditure is included of approx £409k
- 11 - Fees and Charges are included as having been increased by 4% in year 2014-15
- 12 - £150k savings in respect of Middlewich Leisure centre transfer have not been reflected in the above figures as any reduction in net expenditure will be offset against a reduction of the Management Fee

**Capital Expenditure and Funding (table 7 high level business case)**

(To be used where there is capital investment as part of the project)

Expand year columns if required

Expenditure	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Land/Building Purchase				0
Professional Fees (External)				0
Contracted Services				0
ICT Hardware				0
Software Licences				0
Furniture, Plant , Equipment				0
Capitalized Staffing Costs				0
Grants & Loans (Given)				0
Other Costs				0
<b>Total Expenditure</b>	0	0	0	0
<b>Income</b>				
Grants				0
Developer & Other Contributions				0
Revenue Contribution				0
External funding				0
<b>Total Income</b>	0	0	0	0
Capital Receipts				
Prudential Borrowing				0
<b>Total Funding</b>	0	0	0	0

**Revenue Expenditure and Income**

(use to reflect the revenue expenditure incurred to realise the project, any funding received and who will incur the net cost)

Expenditure (List)	£000	Cost falls to (CEC/ADSV/ Other)
External Legal Fees	7	CEC
Leisure Consultant Fees	16	CEC
Insurance Fees	5	CEC
<b>TOTAL Expenditure</b>	28	0
<b>Funding (List)</b>		
Project budget	150	
External funding		
<b>TOTAL Funding</b>	150	0



Risk Ref	Risk Description	Project Objectives Ref	Agreed Risk Owner	Gross Score (without controls)			Existing Controls & Evidence	Net Score (as it is now)			Planned Actions	Planned Action Lead	Planned Action Due Date
				Likelihood	Impact	Total Score		Likelihood	Impact	Total Score			
				L	I	LxI		L	I	LxI			
1	Risk of non compliance with EU procurement legislation causes legal challenge on the formation of the trust resulting in project delays, significant costs and the Trust being aborted.	Creation of a charitable trust	SRO	4	4	16	External Legal Advice on the risk has been sought and has concluded: where the Council concludes that there is not sufficient cross-border interest in the leisure service, simply vest the leisure services in the leisure trust. This approach of citing a lack of cross border interest as a basis for allowing direct transfer of local authority leisure services to NPDO organisations appears to be an accepted practice amongst many local authorities	1	4	4	no further planned actions	n/a	n/a
2	Poor quality facilities and lack of investment in the facilities may result in unplanned for significant expenditure to maintain or replace equipment such that the Trust becomes unviable.	Creation of a charitable trust	SRO	3	3	9	Condition surveys are being carried out at each leisure centre to quantify the condition of the assets - this includes fabric of the buildings, structure, condition of boilers, plant and equipment.	3	3	9	The results of the survey will inform costings for the Trust Business Case and Business Plan and negotiations between the Council and the Trust for the Management Agreement (contract).	SRO Council / CEO Trust	Dec-13
3	Risk that poor engagement with trade unions and the existing workforce results in dissatisfaction leading to industrial action and delays to the formation of the Trust.	Workforce	SRO	3	3	9	The first phase of staff awareness and Union briefings on the proposals have taken place. Further briefings and face to face consultation has also taken place.	2	3	6	Phase 2 consultation with Senior Mgt of the Trust and incoming staff.	SRO Council / CEO Trust	Jan-14
4	Insufficient skills knowledge and expertise of new Trust Mgt Structure result in unrealistic business case (and business plan) such that the Council decides to terminate the formation of the Trust.	Creation of a charitable trust	SRO	4	4	16	Shadow Board for the Trust appointed by the Leader of the Council. A formal recruitment process has been undertaken to appoint a broad skills and knowledge range of non-exec Directors. The Board has met twice and is in the process of recruiting staff to produce the Business Plan.	3	4	12	Senior management appointments and future decisions of the Board will include sign off of the Business Plan. Dedicated lawyers that specialise in the formation of charties have been appointed.	SRO Council / CEO Trust	Dec-13
5	<b>Programme delivery resource</b> Insufficient dedicated resource to fully resource the project delivery may result in delays and incur additional costs such that the Project does not meet the planned efficiency savings.	Efficiency savings	SRO	4	4	16	Project manager and admin support identified - however the project interdependencies rely on a number of significant internal decisions and resource (e.g. Shared services)	3	4	12	further resources will be needed to support trust board meeting and the new directors	SRO Council / CEO Trust	Nov-13
6	<b>Management of relationships with Supply Chain</b> (e.g. Schools) Lack of clarity on the responsibilities and lack of agreement on the split of cost on joint use with schools could result in the Council being unable to reduce the Management Fee for the Trust	Efficiency savings	CEC Client officer	3	4	12	The legal agreement will be between CEC and the School through existing joint use contracts. The Council will therefore be unable to reduce the management fee for the Trust until the end of these contracts - which is 2022.	3	4	12	- when these contracts are due to expire, joint conversations will take place between all 3 parties (i.e. CEC, School and Trust) Notice to be given at the termination date by CEC and the relevant school- joint negotiations then to held between CEC-School-Trust and in some instances the Town Council	Client officer Council/SRO trust	TBC
7	Charity Commission does not accept that the trust is independent resulting in the refusal of registration resulting in not being able to create chartable trust	Creation of a charitable trust		4	4	16	Consideration on make up of Trustee Board, formal recruitment process, No formal decisions being undertaken that effects the trust until the shadow board in place- articles of associations correctly filled out and accepted by charities commission	2	4	8	Recruitment of or possible TUPE of CEO, Senior Mgt structure, formal appointment of Board Members, further 3 trustees to be recruited that compliment the existing skills of the board	Client officer Council/SRO trust	Nov-13
8	Poor engagement with the Cheshire Pension Fund prevents the timely inclusion of adequate pension transfer arrangements leading to staff dissatisfaction and potential legal challenge	Efficiency savings	SRO	3	3	9	Cheshire pension fund has been kept informed and the pension actuary has been commised to under take a detailed analysis of the fund	2	2	4	Detailed figures are due to be received form the pension services by the end of the Nov 2013 and following this the cost of the prefer scheme will be included in the business case and business plan	SRO Council / CEO Trust	Dec-13
9	Shared services cannot deliver the infrastructure to support the new Trust in time for the Go Live date, causes of this may be insufficient time to build and test the finance system (Oracle). This would cause the Project to either be delayed or run the risk of not being a completely separate entity at the Go Live date such that it cannot be recognised as a Charitable Body resulting in legal challenge, additional VAT costs and is unable to reduce the contribution from the residents of Cheshire East.	Creation of a charitable trust	SRO	3	3	9	Regularly oracle team meetings are held- a member of the project team is acting as the liaison between the Leisure project and shared services. Shared services project plan indicates that the transfer date is achievable	2	3	6	User acceptance testing to take place prior to go live.	PM	Jan/feb-14
10	Formation of the chartable aims and objectives is delayed by either changing political climate, TEG queries or Trustee concerns meaning that insufficient time is remaining to take all necessary preparatory steps, governance arrangements and consultations within the planned timescales leading to delayed implementation and delivery of benefits	Creation of a charitable trust	SRO	3	3	9	The project has been through the councils project mgt gateway process and has received endoresement at Gate 1 and 2- is also has cabinet approval.	2	2	4	A full detailed business case which complies with DDPM guidance is to be formally approved by Cabinet	PM/SRO	Jan-14
12	Overpricing of CEC back office services provided during the incubation period overburdens the formative Trust resulting in financial failure	Efficiency savings	SRO	3	3	9	N/A	3	3	9	Prior to agreement being reached as to which services will be bought back from CEC a SLA will need to be provided and approved by the trust board which will quantify the cost and cap the trust liability.	SRO Council / CEO Trust	Jan-14

Risk Ref	Risk Description	Project Objectives Ref	Agreed Risk Owner	Gross Score (without controls)			Existing Controls & Evidence	Net Score (as it is now)			Planned Actions	Planned Action Lead	Planned Action Due Date
				Likelihood	Impact	Total Score		Likelihood	Impact	Total Score			
				L	I	LxI		L	I	LxI			
13	There is a risk that information sharing protocols are not agreed between CEC, the Trust and any other stakeholders or that these are breached leading to legal challenge and possible financial penalties which negatively impact to ongoing commercial viability of the Trust and have a negative reputational impact on the Council	Creation of a chartiable trust	SRO	3	3	9	None in place at the moment	3	3	9	Full information sharing protocols are to be drawn up, which will clearly distinguishes who is responsible for which information, the Trust will also register with information commissionaire	SRO Council / CEO Trust	Feb-14
14	Risk that SLA/Contract Management arrangements have not been appropriately agreed and documented, including details of all specific areas to be managed and reported including risk and performance management, that responsibility has not been assigned for these arrangements, including defining the roles and responsibilities of both the Trust and the Council.	Creation of a chartiable trust	SRO	4	4	16	N/A			0	Draft contract will be developed based on Sports England tempate, Local PI's and outcomes being discussed . Client contarctor split proposals agreed just awaiting confirmation		
15	Risk that consideration is not given as to whether there are any systems that the Council will retain but that the Trust will process information on/need access to including licences for software and that arrangements for the transfer, storage and processing of 3rd party information held by the Trust in relation to its own business but stored on Council owned or operated equipment and whether systems are capable of being split or shared and the costs involved to achieve this.	Creation of a chartiable trust	SRO	2	2	4	A full ICT audit is being undertaken that will identify which systems are currently being used, if they can split and at what cost.	2	2	4	The conculsioin of the work will be presented to the trust board for formal approval.	SRO Council/CEO Trust	Feb-14

---

# ***Cheshire East Council***

## **Executive Summary for the review of Business Cases for Alternative Service Delivery Vehicles – Leisure, Environmental & Bereavement Services**

Executive Summary  
23 January 2014



# *Executive summary*

## *Introduction*

- As part of the wider vision and move towards a more “commissioned based” approach, the Council’s strategic objective is to improve service delivery in a way which puts the residents of Cheshire East first. To this end the Council is seeking to establish a series of Alternative Service Delivery Vehicles (ASDVs) with the aim of facilitating a more entrepreneurial culture and the ability to trade across a wider range of activities in the longer term.
- We recognise that a great deal of work has already been undertaken by the Council in order to progress the Business Cases and that project management arrangements have been put in place across all three service areas to deal with the detailed Business Planning phase. (Detailed review of the business planning stage and supporting project plans is outside the scope of this business case review.)
- Whilst a significant amount of work is ongoing to be delivered as part of the Business Planning stage, we recognise that in respect of many of the actions highlighted in our report, the Council is aware of these and detailed project plans have been or are in the process of being prepared to incorporate these areas.

## *Strategic case*

- We have reviewed the strategic case for establishing the three ASDVs and acknowledge the Council’s rationale for establishing each ASDV in the three specific service areas.
- We have not challenged the options appraisal as to the types of company which are being created as this was not part of our scope of work. We recognise, however, that the creation of a Leisure (Charitable) Trust Company and Local Authority Trading Companies (LATCs) are both well tried and tested routes as ASDVs.
- The Council recognises that a significant amount of work needs to be done to produce the management agreements (or “service contracts”) between the Council and the ASDVs and we understand plans are in place to achieve this. In our view the amount of effort required to achieve this should not be underestimated and additional priority and resource needs to be given to this at the Business Planning Stage.

## *Financial case*

- Our review does not constitute an audit, however we have reviewed the financial models in respect of the three service areas and overall we are satisfied that the underpinning key financial assumptions documented are reasonable and prudent based on similar business cases reviewed elsewhere. To increase the robustness of these models, we recommend that further work needs to be undertaken in support of the income proposals (e.g. bereavement and trade waste) and this is acknowledged by the Council.
- The financial benefits of establishing the Leisure Trust in terms of business rates and VAT have been reviewed and we estimate there is a net benefit but that further work is required at the detailed Business Planning stage to clarify the VAT liability on corporate support and premises costs. There is an indirect benefit to the Council of establishing the Environmental Services LATC in that it will increase the value of the Council’s partial exemption limit for VAT purposes.

- The business case for change has been made and to build on the work done to date the Council needs to progress with its plans to produce detailed business plans for the three vehicles and we recommend that these cover the following areas:
- The Council needs to create projected balance sheets and cashflow statements for each of the new companies as part of the Business Planning stage. The Council should also determine its position on cashflow arrangements with the three ASDVs.
- More detailed customer and market analysis is required for potential new services that the new entities may in the future get involved in, this is especially relevant for the Bereavement and Environmental Services Business Cases in the medium term. This should be backed up by a detailed sensitivity analysis to “stress test” the likely scenarios.
- The cost of any new senior management posts needs to be factored into the detailed Business Plans at the next stage.
- Alongside the development of detailed Business Plans the Council needs to:
  - put in place arrangements to monitor the new companies against the current 10% limit set for additional income as part of the Teckal exemption;
  - consider the corporate support services projections. Experience elsewhere suggests that the cost of corporate support services may increase in the short term at both the Business Planning and implementation stages, and may extend into the first year(s) of operation. The Council recognises the need to develop a clear strategy for dealing with any cost pressures in certain areas and in our experience savings in other areas could help to mitigate or minimise this risk. Arrangements could be put in place to mitigate any increase in costs, for example ASDVs could continue with the existing arrangements and seek to purchase Finance and HR support from the Council;
  - further consider the information received from actuaries on the potential increases or decreases in contributions to the Council’s pension scheme for the new entities. This needs to be built into the financial projections at the Business Planning stage; and
  - ensure the proposed split of landlord / tenant responsibilities and the associated liability are reviewed in order to ensure an optimal VAT position is achieved for the Council and Leisure Trust.

## ***Project management and assurance***

- An implementation date of 1<sup>st</sup> April 2014 is ambitious and given the proposal is to establish an independent Charitable (Leisure) Trust as one of the three ASDVs. we would suggest that the Business Plan for Leisure should be given more of a priority if the Council is to achieve this timetable.
- The successful delivery of the implementation plans will require the full and active engagement of all relevant disciplines (e.g. property and facilities management). We would also suggest that specialist internal audit resource is brought in to carry out a review role at the Business Planning stage to ensure appropriate actions are being taken to mitigate, minimise and manage risk appropriately. This should include the ongoing assurance requirements of both the council and the ASDVs post go-live as well as the specific project risks. The work planned to produce management agreement(s) (or “service contracts”) needs to be prioritised to ensure the agreements reflect the priorities of the Council. We understand heads of terms for the management agreement(s) (or “service contracts”) are in the process of being drafted. We would advise that this should include the need to determine a commercial position on risk and income sharing.
- We would advise the Council review the proposal to offer 25 year contract terms to the ASDVs. Whilst we understand the rationale for a 25 year lease for the Leisure Trust in order to satisfy the Charity Commission and attract future external funding (e.g. National Lottery) we see no real benefit of offering 25 year contracts (and typically see contracts of no longer than 10 years being put in place), and provided

service performance was deemed satisfactory then we understand the Council could offer contract extensions and/or subject to further legal advice the Council could seek to rely on the “Teckal” exemption again in the future.

- The client side (Council) arrangements and management structures for the new ASDVs also need to be agreed and documented as part of the Business Plans.
- In our experience an accepted route for seeking Cabinet approval is to make available to all members copies of the Business Cases prior to the Cabinet meeting. The officers could then present an overall management paper to the Cabinet which summarises the Business Case, proposals and our findings.

## **Conclusion**

The Council has made good progress in support of the feasibility work to establish the three ASDVs. The scale of the task to achieve the implementation date of 1 April 2014 will be a challenge, and the Council will need to give additional priority to both the management agreements and specifically to Leisure Services at the next Business Planning stage.

*This report has been prepared by PricewaterhouseCoopers LLP (“PwC”) for Cheshire East Council in connection with the review of the Business Cases for Alternative Service Delivery Vehicles under the terms of the Council’s engagement letter with PwC dated 19 December 2013 (the “Engagement”) and its contents are strictly confidential.*

*This report contains information obtained or derived from a variety of sources. PwC has not sought to establish the reliability of those sources or verified the information so provided. Accordingly no representation or warranty of any kind (whether express or implied) is given by PwC to any person (except to Cheshire East Council under the relevant terms of the Engagement) as to the accuracy or completeness of the report. Moreover the report is not intended to form the basis of any investment decisions and does not absolve any third party from conducting its own due diligence in order to verify its contents. For the avoidance of doubt this Engagement is not an assurance engagement and PwC is not providing assurance nor are the services being performed in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000).*

*PwC accepts no duty of care to any person (except to Cheshire East Council under the relevant terms of the Engagement) for the preparation of the report. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind and disclaims all responsibility for the consequences of any person (other than Cheshire East Council on the above basis) acting or refraining to act in reliance on the report or for any decisions made or not made which are based upon such report.*

*In the event that, pursuant to a request which Cheshire East Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), Cheshire East Council is required to disclose any information contained in this report, it will notify PwC promptly and will consult with PwC prior to disclosing such report. Cheshire East Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Cheshire East Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

This page is intentionally left blank



## CHESHIRE EAST COUNCIL

### Cabinet

---

**Date of Meeting:** 4<sup>th</sup> February 2014  
**Report of:** Director of Adult Social Care and Independent Living, Brenda Smith; Director of Public Health, Heather Grimbaldston; Director of Children's Services, Tony Crane.  
**Subject/Title:** Strategic Joint Commissioning for Improved Outcomes and Value for Money  
**Portfolio Holders:** Cllr Janet Clowes, Health and Adult Care and Cllr Rachel Bailey, Children and Family Services and Rural Affairs

---

#### 1 Report Summary

- 1.1 Cheshire East Council is at a key point in its development as a leading Commissioning Council working for the longer term benefit of citizens and businesses. The Council's stated intention is to focus skills and capacity on ambitious transformation of the use of the public purse to improve outcomes for citizens and local business and improve value for money. Improvements in health and well-being outcomes for children and adults will be achieved by developing new approaches that result in positive behaviour and attitudinal changes. Achieving a substantial increase in the numbers of citizens who make healthy lifestyle choices or who improve their educational and vocational attainment will require earlier and different interventions.
- 1.2 The longer term benefits of these redesigns will manifest in better outcomes being achieved for an overall lower cost. As prevention and early intervention begins to improve population health and improve economic success for local citizens and businesses less demand on specialist high cost support should result. Efficiencies will be made by joining up currently separate spends then redesigning jointly to eradicate duplication or ineffective interventions.
- 1.3 In this context the Council's strategy is to de-prioritise or stop activity that does not meet its agreed outcomes, in order that capacity is focussed on that transformation. There is a key opportunity to realise that strategy, for Directors to work jointly and begin to design transformation of services. This joint proposal from adults, children's and Public Health is that a group of existing contracts will not be re-tendered until there has been a whole system redesign across public health, adult social care, children's services, CCGs and other partners. Contracts for social care and health will be awarded without competition to current providers.

- 1.4 The contracts values to total as follows:
- Adult Social Care £4,837,017 p.a.
  - Public Health £10,204,759 p.a.
  - Children's Services £1,648,385 p.a.
- 1.5 Changes to commissioning operation over the last 12 months and the inheritance of NHS Service contracts that were procured under different rules, has led to a number of contracts/areas of spend having been found to be historically non-compliant with Council Procurement Rules. This paper outlines a new approach to ensure this is not repeated in future. To deliver this approach and ensure that Council resources are being utilised appropriately and efficiently to meet outcomes, additional commissioning capacity is likely to be needed. Robust commissioning reviews on all areas of spend in this report will be required.
- 1.6 This approach will require a waiver from the Council's Contract Procurement Rules as detailed in the decisions requested and as outlined in the legal implications below as contracts will be extended with current providers without a competitive tender for a limited and defined period of time.
- 1.7 There will be a planned programme of whole system commissioning reviews across groups of interrelated existing service contracts. These will be prioritised in line with key criteria:
- Value of the spend
  - Scale of the potential to make cashable efficiencies as part of negotiated extension
  - Alignment with the existing commissioning plans
- 1.8 A proposed timetable for these reviews has been developed and as commissioning reviews are completed to that timetable further reports will come to Cabinet with recommendations.
- 1.9 These redesigns will produce creative new service specifications based on outcomes and improved value for money. Redesign will be complex, challenging for existing service providers and will require substantial development of local markets. During this period the local market will be stimulated so that local enterprises can emerge or grow that are able to compete for new outcome driven services.
- 1.10 To enable this, sufficient time and capacity must be allocated to ensure redesigns are realised. Contracts due to end in the next 2 years will be extended for a period of up to two years without formal tendering. This will

avoid a waste of capacity on tenders that replicate existing services which will not be fit for the future.

- 1.11 Before these contracts are extended negotiations with existing providers will seek challenging efficiencies, to be realised as a condition of extensions and within the extended period. In addition opportunities will be taken to agree service realignments where this will enhance outcomes. This will ensure that the Council and partners achieve continuous improvement and value for money during the redesign period. There will be no fundamental changes to the service scopes or outcomes during the extension periods. There will be no negative impact or change for the users of these services.
- 1.12 Should the commissioning reviews indicate that a particular service should cease that will be the recommended action.

## **2 Recommendations**

- 2.1 That there is a waiver from following Contract Procurement Rules for the group of contracts that fulfil the spend areas listed.
- 2.2 That the decisions relating to said contracts are delegated to the relevant Directors in consultation with relevant portfolio holder.
- 2.3 That officers are authorised to take all necessary steps to implement the proposal.

## **3 Reasons for Recommendations**

- 3.1 A number of current contract service specifications will not be fit for the Council's vision of the future. Continuing to tender for those services without radical whole system redesign will delay the transformation required to meet that vision.
- 3.2 The Council's ambition is to increase the positive impact on outcomes for citizens in collaboration with partners such as Health. Resources in communities, public sector and businesses need to be brought together to achieve outcomes and increase value for money for the public purse. This is not how the system currently functions; services are designed separately. Using joint commissioning reviews to achieve better outcomes for all sectors at lower cost has not yet been capitalised on in Cheshire East, other Councils have started to demonstrate the value of this.
- 3.3 Re-design will increase the health and self-reliance of citizens to improve their outcomes. As a corollary the need for specialist high cost services will be reduced to achieve a sustainable future across all the public sector

resource. New joint commissions must focus on prevention and early intervention to achieve that sustainable future.

### 3.4 Opportunities:

- There is an opportunity to develop a joint commissioned approach but that will require capacity to be invested over the next 18 months in order to achieve new whole system designs
- Commissioners need to articulate how outcomes can be achieved differently and jointly create incentives that will drive innovations in a new direction. New ways of supporting citizens that enable self-help, promote healthy living and prevent or minimise the need for costly specialist services need to be specified.
- The Council has demonstrated an ability to redesign for better outcomes; this is an opportunity to exploit that capacity on a larger scale.
- The market needs to be developed that can maximise that opportunity with new ways of working, innovation and agility. This will be a challenge for many existing providers so new providers need to be encouraged into the local market. Sufficient time periods and market management capacity is required to achieve this.
- To prepare the current providers for a competitive and innovative future negotiation we now need to include an expectation that substantial efficiencies will be realised over the two years as a condition of awarding these contracts without competition.
- Services will be realigned to better meet outcomes as a condition of awarding contract; this will not result in material changes to the specifications.
- All other contracts already in place will also be considered in the commissioning reviews to ensure all resources are aligned effectively.
- Many other Councils are embarking on the same journey and learning can be shared.

### 3.5 Transformation is not a quick process as it requires new styles of whole system leadership, creativity, market development and excellence in commissioning capacity. This is whole system redesign, whereas often the current system design has been fragmented.

### 3.6 Market Development and Shaping

Providers need to develop creative solutions to meet the new commissioning ambitions. This will require active market shaping from strategic commissioners; this is resource intensive in both time and skills. New providers may need to be encouraged into the local market to provide suitable alternatives where existing providers cannot meet those ambitions. This market development work cannot be done quickly, a period of two years is recommended to achieve innovative new options.

- 3.7 During this two year period existing and potential providers are challenged and informed by a new set of commissioning intentions that articulate the future vision. For that new set of commissioning intentions to be developed the Council and its partners need to make time and space to work together on the redesign. In addition programmes of cultural change will be required in all agencies and with the public by public services to revise expectations and achieve the behavioural changes needed for success.

## 4 Wards Affected

- 4.1 All

## 5 Local Ward Members

- 5.1 All

## 6 Policy Implications

- 6.1 None

## 7. Financial Implications

There is currently sufficient budget to fund the contract extensions included in report. There is a risk that as the budget is reviewed over the medium term that there is insufficient budget. The intention is to negotiate with providers who have the contract extension awarded to ensure that the council is achieving value for money. It is recommended that as part of this negotiation the service benchmark against the market and considers reviewing what other councils are paying for services to ensure that value for money is maintained.

- 7.2 The proposed contract extensions will allow the service time and opportunity to develop and tender contracts in a managed way that will deliver value for money for the council and will reflect the services that the council wants to commission in the longer term. It is recommended that the progress of the

contracts commissioning review is regularly reviewed and monitored by the Strategic Commissioning Leadership Team.

## **8 Legal Implications**

The Council's Contract Procedure Rules cannot be waived if the exception will breach National or EU legal requirements. The primary legislation governing public procurement in the UK is the Public Contract Regulations 2006 (the Regulations). The Council is a Contracting Authority for the purpose of the Regulations. If aggregated spend with a supplier exceeds the applicable threshold for public service contracts (currently £172,514) then the contract is subject to the Regulations. The Regulations categorise two types of service contracts. Part B services are the non-priority services of limited cross-border interest that are set out in Part B of the Regulations. Educational and vocational health and health and social services are defined as Part B.

The Regulations (including the provisions requiring competitive tendering) largely do not apply to the award of Part B services contracts but the Regulations do provide that in letting Part B services Contracting Authorities;

- must comply with the detailed requirements relating to technical specifications set out in the Regulations.
- must ensure that a contract award notice is published in the OJEU no later than 48 days after a contract award.
- should ensure that details of procurements of Part B services are included in any reports that contracting authorities must submit to the Cabinet Office.
- must act in a transparent way and treat all potential providers equally and in a non-discriminatory way.

A right to take court action for financial loss against a contracting authority is granted to third parties if there is any failure to comply with the requirements of the Regulations. The Council cannot waive the requirements to adhere to these provisions because to do so would breach National law.

The award of Part B services contracts may also be governed by the principles contained in the Treaty on the Functioning of the European Union (TFEU) which provides for free movement of goods, people and provision of services and capital. This means the contracting authority must comply with the following key principles when awarding public contracts:

- Proportionality
- Mutual recognition.
- Transparency.
- Non-discrimination.
- Equal treatment.

The European Court of Justice (ECJ) has held that the principles of equal treatment and non-discrimination both require transparency in the procurement process. This necessitates a degree of advertising sufficient to enable the market to be opened up to competition. The Commission provides guidance to Contracting Authorities on the requirement to advertise contracts for Part B services and other contracts that fall outside the remit of the procurement directives:

"The standards derived from the TFEU apply only to contract awards having a sufficient connection with the functioning of the Internal Market. In this regard, the ECJ considered that in individual cases 'because of special circumstances, such as a very modest economic interest at stake; a contract award would be of no interest to economic operators located in other Member States. In such a case, 'the effects on the fundamental freedoms are ... to be regarded as too uncertain and indirect' to warrant the application of standards derived from primary Community law.

It is for Council to assess if a contract might be of interest to contractors in other EU member states based on the circumstances, including subject matter, value, specifics of the sector concerned and the place of performance. If it is concluded that the contracts would not be of interest to contractors in other EU member states there is no requirement to advertise the contracts. It is important that the Council is able to evidence the factors taken into consideration; the following are a non-exhaustive list of factors to consider when determining whether there may be cross-border interest in a contract:

- What is the value of the contract?
- What is the nature of the market for these services? (Any market testing exercise will be crucial in determining how international the provision of such services is.)
- Are any providers based in other member states currently offering similar services to other contracting authorities or private buyers in or near the authority's region?
- If other contracting authorities have competitively tendered similar services in the past, did they receive any expressions of interest from providers based or operating in other member states?
- Can the services be provided remotely or is a local presence necessary? How easy would it be for an outside organisation to establish a local presence? Is there enough value in the contract to make such an establishment worthwhile?
- Is the contract for services which are highly prestigious or specialised?

The main sources of challenge for a failure to competitively tender a Part B services contract to which the TFEU principles apply will be the European Commission and an aggrieved supplier. The Commission has failed in two

recent attempts to challenge a direct award of an excluded contract. The Commission has also confirmed that “Infringement proceedings under Article 226 EC Treaty will be opened only in cases where this appears appropriate in view of the gravity of the infringement and its impact on the Internal Market.”

## **9 Risk Management**

### **9.1 EU procurement law and regulations**

The relevant contracts are all Part B services which means commissioners can judge for themselves whether there would be any interest in other EU countries in competing for these services. On this basis the Council has taken the view that none would be of interest and thus they will not be advertised in the EU. There is a low risk that this view could be challenged by a potential provider.

### **9.2 There is a precedent of other Councils extending their current contracting arrangements for Public Health Services for defined periods examples of this can be seen within - CwaC, Doncaster, North Yorkshire, East Riding, and Greater Manchester. From a regional Commissioning & Procurement meetings the general view is that more time is needed to fully investigate current services and then determine and design services for the future.**

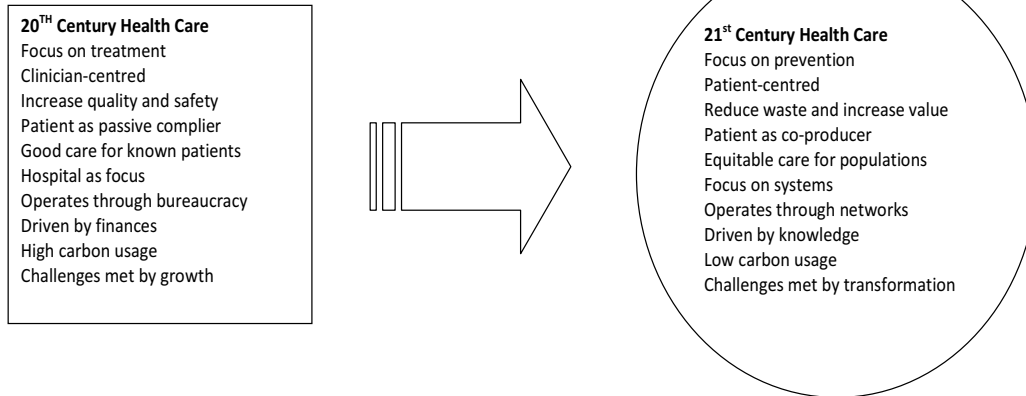
### **9.3 The Director of Public Health’s recent report supports the approach proposed within this report:**

‘Changing both unhealthy behaviours and breaking the link between poor health and social conditions will not be easy. It will require different groups who previously may not have needed to work together to do so. It will need professionals such as architects, designers and planners who may not have considered health as part of their remit before to become part of the wider public health workforce; it demands a new era of collaboration and cooperation between statutory, voluntary and business sectors. The recent reorganisation of public health delivery and its move to the Council can provide a catalyst for this to occur. Local Authorities now carry a statutory responsibility for improving health. Bringing together the expertise of Public Health practitioners with the Council’s long standing local responsibilities for tackling the wider determinants of health, such as air quality, education, road accidents, transport, noise, violence, housing, fuel poverty and use of outdoor space means a unified approach can be taken against these causes of ill health. The Cheshire East Health and Wellbeing Board and emerging sub-regional structures will drive and support this work with other commissioners (e.g. NHS, Police and Fire) and partners. These are long term aspirations that require a different approach by all. Figure 1 shows the component changes required to enable this to occur. Sir Muir Grey has described this as a ‘paradigm shift’.



**Figure 1: The New Paradigm**

THE NEW PARADIGM



Source: Sir Muir Grey, Personal Communication

## 10 Access to Information

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

Name: Ann Riley  
 Designation: Corporate Commissioning Manager  
 Tel No: 01270 371406  
 Email: [ann.riley@cheshireeast.gov.uk](mailto:ann.riley@cheshireeast.gov.uk)

This page is intentionally left blank

## CHESHIRE EAST COUNCIL

### Cabinet

---

**Date of Meeting:** 4<sup>th</sup> February 2014  
**Report of:** Sharon Alldread-Education and Catering Manager  
**Subject/Title:** Re –Procurement of Fresh Produce  
**Portfolio Holder:** Cllr. Rachel Bailey, Children and Family Services and Rural Affairs

---

#### 1.0 Report Summary

- 1.1 Cheshire East Catering currently spends circa £460,000 per annum on Fresh Fruit, Vegetables, Milk, Dairy and Bread Products. These items are used primarily in schools in the preparation of school meals.
- 1.2 The Catering service currently holds a Bronze, Soil Association accreditation for the food served in schools; this means the produce is Seasonal, Organic, Sustainable, Free Range, Traceable and Healthy.
- 1.3 Currently the provision is provided via a framework agreement which ends at the end of February 2014.
- 1.4 The proposal is to run a Cheshire East 'own tender' procurement exercise separating the region into "Lots", to enable smaller businesses to show an interest in tendering for this provision, supporting the Local economy. The contract term is proposed to run from March 1<sup>st</sup> 2014 for three years with options to extend for two 12 month periods.
- 1.5 The Corporate Procurement Unit have researched the procurement options available but to manage the timescales there is currently not a framework agreement available for us to join, which can supply the range of products required.
- 1.6 This procurement exercise would help support the Councils 3 year plan- Outcome 2; Cheshire East has a strong resilient economy. Outcome 5- People live well and for longer.

#### 2.0 Recommendations

- 2.1 It is recommended that Cabinet approve the procurement route proposed.
- 2.2 It is recommended that Cabinet delegate authority to the Chief Operating Officer in consultation with the Portfolio Holder, to award a single or multiple contracts to the highest scoring bidder for each Lot.

### **3.0 Reasons for Recommendations**

- 3.1 To ensure that the council obtains maximum value for money and to ensure a robust, compliant procurement procedure is undertaken.
- 3.3 To ensure that future procurement and contracts for these services comply with the Public Contracts Regulations 2006 and the Council's Finance and Contract Procedure Rules.

### **4.0 Wards Affected**

- 4.1 All

### **5.0 Local Ward Members**

- 5.1 All

### **6.0 Policy Implications**

- 6.1 The recommendations within this report support the Council in its general operational activity. By ensuring multiple products are delivered together, this helps with the councils Carbon Reduction levels and supports the School Food Plan in relation to reducing food miles
- 6.2 The new contract will be for use by Council Catering dept. and any associated companies whom are legally able to use these arrangements.

### **7.0 Financial Implications**

- 7.1 Cheshire East Catering purchase on behalf of the schools, as required for school meals.
- 7.2 The annual approx spend is £460,000 across all the Lots, funded from service level agreement charges to schools. Invoices are paid retrospectively

### **8.0 Legal Implications**

- 8.1 The existing contracts for Fresh Produce will expire on 28th February 2014 and cannot be extended.
- 8.2 Given the contract value for the new contract, the council will need to re-procure in accordance with the Public Contract Regulations 2006 and the Councils own Finance and Contract Procedure Rules.
- 8.3 The contract value will be in the region of £2.3 million over the 5 years. The Public Contracts Regulations 2006 provide that an above threshold

goods contracts should be tendered in compliance with the open or restricted procedure

## **9.0 Risk Management**

- 9.1 Failure to re-procure a new contract for these supplies by end January 2014 would potentially breach Public Contract Regulations 2006 and the Councils Finance and Contract Procedure Rules.

## **10.0 Background**

- 10.1 Cheshire East Catering (CE Catering) currently spends circa £460,000 per annum on Fresh Produce.
- 10.2 CE Catering wish to encourage locally based provider to supply Fresh Produce, this is in line with the Governments School Food Plan and Local First aims of Cheshire East Council.
- 10.3 It is proposed a new contract term be procured for a period of three years with two extension periods both of 12 months. In total the proposed contract value is estimated to be in the region of £2.3m.
- 10.5 The Corporate Procurement Unit have researched the procurement options available for the re-procurement of Fresh Produce. The most expedient route to achieve the desired outcome is to run the procurement exercise ourselves on the Chest system.

## **11.0 Access to Information**

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

Name: Sharon Alldread  
Designation: Education and Catering Manager  
Tel No: 01606 271606  
Email: [sharon.alldread@cheshireeast.gov.uk](mailto:sharon.alldread@cheshireeast.gov.uk)

This page is intentionally left blank

## CHESHIRE EAST COUNCIL

### Cabinet

---

<b>Date of Meeting:</b>	4 February 2014
<b>Report of:</b>	Lorraine Butcher, Executive Director of Strategic Commissioning
<b>Subject/Title:</b>	English National Concessionary Travel Scheme 2014 - 2016
<b>Portfolio Holder:</b>	Cllr D Topping, Environment

---

#### 1.0 Report Summary

- 1.1 The English National Concessionary Travel Scheme provides free travel on local bus services to qualifying concessionaires. Local bus services that operate must by law offer free travel to a qualifying person. In return, local authorities must reimburse local bus operators so that they are left financially no better or no worse off from the concession.
- 1.2 Cheshire East Council – being the travel concession authority for the area – is responsible for accepting applications for concessionary passes, issuing such passes, and ensuring bus operators are reimbursed for the journeys they undertake free at the point of use.
- 1.3 In addition to local bus services, Cheshire East residents also have the opportunity to make use of the Flexible Demand Responsive Transport Service available in both the North and South of the borough. Passengers on this pre-bookable service are also entitled to travel within the concessionary fare scheme as a discretionary enhancement offered by Cheshire East.
- 1.4 The current reimbursement scheme is due to expire on 31 March 2014. By law, a scheme must be published in advance of the date of implementation setting out the way that the TCA intends to reimburse operators. This reports sets out the recommendation of officers to adopt a revised scheme for the period 1 April 2014 – 31 March 2016.
- 1.5 The reimbursement rate for operators is 62% in Cheshire East. This is based on a calculation of the average adult fare foregone through the free concession. Recent analysis has shown this to be excessive and a more realistic rate is 53% -

this also being more in line with reimbursement rates known nationally.

## **2.0 Recommendations**

That Cabinet:

- 2.1 Agree the revised reimbursement calculation for 2014-2016, which is likely to deliver an annual reduction of around £400,000 gross in annual reimbursement to bus companies;
- 2.2 Note the likely impact on bus services and individual bus companies that may result from the changes in reimbursement calculation;
- 2.3 Delegate to the Transport Manager, in consultation with the Portfolio Holders for Environment and Finance, the detailed arrangements for scheme publication and administration, with day to day operation delivered on behalf of the council by Cheshire West and Chester Council;
- 2.4 Delegate to the Portfolio Holder for Environment the authority to approve changes to expenditure on local bus support in light of any deregistrations of local bus services that may result.

## **3.0 Reasons for Recommendations**

- 3.1 The ENCTS is a statutory scheme that all TCAs are required to fund. There are a variety of other statutory requirements relating to concessionary travel, including scheme publication arrangements.
- 3.2 The council must guard against unlawful state aid that may result from “over-reimbursing” bus operators who accept the concessionary pass and provide journeys free at the point of use.
- 3.3 It is likely – although not inevitable – that the level of reduction in reimbursement will lead to de-registrations of local bus routes in some areas. Some of these deregistrations may be for highly valued services, and the council may wish to retain these services through entering into tendered contracts.

## **4.0 Wards Affected**

- 4.1 All



## **5.0 Local Ward Members**

### **5.1 All**

## **6.0 Policy Implications**

- 6.1 Cheshire East Council has adopted rural proofing as a means of ensuring access to services for residents in our rural areas. In all decisions concerning transport availability rural proofing will be positively considered.

## **7.0 Financial Implications**

- 7.1 Current expenditure on concessionary reimbursement is estimated to be £3.50m in 2013/14. In the absence of any other actions, it is likely this will increase in line with fare changes and volume increases.
- 7.2 The current proposed scheme would reimbursement by approximately £400,000 a year once the impact of the change on “minimum subsidy” contracted bus routes is taken into account. It is not known whether the reduction in concessionary reimbursement will result in deregistrations of commercially operated routes. It is therefore impossible to accurately project the final saving that will result since the costs of restoring bus services that are deemed necessary to support are not known. However, it is likely that the net reduction in overall expenditure will be of the order of £300,000 a year.

## **8.0 Legal Implications**

- 8.1 The Council in its capacity as a TCA has a statutory duty to administer and fund the ENCTS under the Transport Act 2000 as amended by the Concessionary Bus Travel Act 2010. Eligibility for mandatory concessionary travel is dependent on age (this is tied to the pensionable age of women) or to 7 categories of disability set out section 146 of the Transport Act 2000. It is a statutory requirement that mandatory concessionary travel is allowed at any time on Saturdays, Sundays and Bank Holidays and between the hours of 9.30am and 11pm on all other days.
- 8.2 TCA's are required to reimburse transport operators for carrying concessionary travel schemes, on the principle that the operators are “no better or no worse off” by taking part in the concessionary travel schemes. The aim is not to subsidise bus operators (this has state aid implications) but to pay for any increased costs that they have incurred. Articles

11 and 12 of Regulation 1191/69 details how compensation for operating a compulsory travel concession should be calculated.

- 8.3 In the event of a disagreement between the transport operator and the TCA as to the reimbursement arrangements there is a mechanism provided under section 98(2) and 99(2) of the 1985 Act and section 150(3) of the 2000 Act by which the transport operator can apply to the Secretary of State for Transport for cancellation, variation or modification of the arrangements.
- 8.4 The ENCTS affects both disabled and older people and therefore engages the public sector equality duty (PSED) under s.149 Equality Act 2010. A failure to consider this duty when considering making changes to this scheme would constitute maladministration and arguably leaves the resulting decision open to challenge via Judicial Review on the basis of procedural impropriety. The Council is required to have 'due regard' to the PSED before and at the time a particular policy is under consideration/ decisions are being taken. The Council must be able to demonstrate due regard to its s.149 duty in respect of this cabinet report.
- 8.5 In addition to the Transport Act 2000 the Council is able to make use of other powers provided by the Transport Act 1985 to offer discretionary travel benefits to locals who are not eligible for the ENCTS. The Council offers discretionary travel benefits that this Report recommends continue. In the event that the Council makes any changes or amendments to the benefits it must keep stakeholders suitably informed and be mindful of the any impact that removal will have on local residents and other stakeholders.

## **9.0 Risk Management**

- 9.1 None

## **10.0 Background and Options**

- 10.1 All travel concession authorities (broadly, all local authorities in England) are required to issue a smartcard pass to persons of pensionable age or who have one or more of nine listed disabilities. The concession allows free travel on any registered local bus service in England from 09.30 to 23.00 on weekdays and unlimited on weekends and bank holidays. TCAs are given discretion to enhance the national minimum concession with locally agreed enhancements, such as free or discounted travel before 09.30.

- 10.2 The government has decided to increase the qualifying age in phases until 2020 so that only those aged 65 and over will be entitled to the concession on age grounds. This will help moderate the impact of demographic change and the increasing numbers of older residents within Cheshire East. Nevertheless, there is continuing pressure on the concessionary budget as it is demand led, is affected by fare changes implemented by bus operators and the council has no option but to reimburse operators to put them in a position where they are no better/no worse off.
- 10.3 Cheshire East forms a part of a consortium with Cheshire West and Chester, Halton and Warrington Councils. The most recent scheme entered into by this consortium is due to expire on 31 March 2014, and a replacement must be published in accordance with statutory timetables. Over the last 5 months, significant analytical work has been undertaken by the four councils to establish whether operators are no better / no worse off.
- 10.4 The Department for Transport has published revised guidance for local authorities in the life of the current scheme (November 2011). By reviewing this guidance, it is apparent that the 4 authorities could significantly reduce the average level of reimbursement. Members should note that the cost of reimbursement in Cheshire East is already one of the lowest in England, and that if the recommendations are adopted the cost per capita would fall to around £8.63 per person per year. This would ensure that Cheshire East Council remains in the lowest expenditure quartile of all English authorities.
- 10.5 Generated journeys are those that take place solely because of the concession. To ensure the operator is no better off, reimbursement is calculated on the basis of revenue foregone from non-generated journeys. Currently, the rate of reimbursement is set at 62% of the average adult fare foregone through the free concession. The most recent calculations show that this is excessive, and that a rate of 53% is more appropriate.
- 10.6 After protracted discussions with bus industry leaders across Cheshire, the council consortium's calculations have been broadly accepted. Whilst it is fair to say that the industry does not welcome the reduction in the rate of reimbursement, they have suggested that the rate would not see a significant number of appeals to the Secretary of State. Cabinet should note that this is not a binding commitment and that operators may yet decide to submit appeals. Should this arise, it is

clear that the council has a robust defence to such appeals and would be able to withstand challenge.

- 10.7 Cabinet should be aware that reimbursement of operators for concessionary travel can represent a significant element of income on individual routes. By reducing the reimbursement, there is a risk that routes that are only marginally profitable to operate may become unprofitable. Clearly, unprofitable routes cannot be sustained indefinitely and there may be amalgamations, route / timetable changes or even route deregistrations. Should any of these changes occur, clearly there will be public pressure to restore the loss of service, in turn putting strain on the public transport support budget. For this reason, it is proposed that Cabinet authorise the transport manager (in consultation with the Portfolio Holder for Environment) to consider the impact of any route changes over the coming twelve months and where necessary tender services where thought appropriate.
- 10.8 Concessionary travel schemes must be appropriately publicised, including the discretionary enhancements to the national scheme that each TCA desire to implement. In Cheshire East, there are three key discretionary enhancements:
- 50% discount to full fare for travel before 09.30
  - People qualifying for a concessionary pass on the grounds of blindness can travel for free at all times
  - Travel with a significant amenity element is authorised in some circumstances, notably demand-responsive flexible transport
- 10.9 Having reviewed these discretionary enhancements, Cabinet are advised to continue to offer them in the next scheme period. The pre-09.30 concession – if withdrawn – would be likely to see a fall in the number of people paying the reduced fare, and instead an increase in the number of passengers delaying travel until after 09.30. This would reduce the cash fares paid, and increase the overall concessionary reimbursement. The ability to use a concessionary pass on demand responsive transport is highly valued by users and has previously been considered and agreed by Cabinet.
- 10.10 The concession for blind people to travel free at any time is currently of uncertain sustainability. A local authority has received a challenge that suggests it is inequitable that only blind people can travel at all times, but that other disabled people cannot. Whilst the local authority in question is challenging the assertion that it is unfair, clearly Cheshire

East would need to abide by any court ruling should it be the subject of formal proceedings.

#### **11.0 Access to Information**

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

Name:	Chris Williams
Designation:	Transport Manager
Tel No:	01270 371494
Email:	<a href="mailto:chris.williams@cheshireeast.gov.uk">chris.williams@cheshireeast.gov.uk</a>

This page is intentionally left blank

## CHESHIRE EAST COUNCIL

### Cabinet

---

<b>Date of Meeting:</b>	4 <sup>th</sup> February 2014
<b>Report of:</b>	Guy Kilminster, Corporate Manager Health Improvement
<b>Subject/Title:</b>	Proposed amendment to Smoke Free Policy
<b>Portfolio Holder:</b>	Councillors Janet Clowes, Health and Adult Care, and Barry Moran, Performance

---

#### 1.0 Report Summary

- 1.1 The Smoke Free Policy was adopted in November 2009. Following consultation it is proposed that the current Council Smoke Free Policy be amended to include electronic cigarettes. The use of these 'e-cigarettes' has now been noted in Council offices and other locations, and this is causing some concern amongst staff. The lack of reference to e-cigarettes in the current Policy is leading to a lack of clarity as to the acceptability of their use. It is proposed that the indoor use of e-cigarettes be banned in all Council premises and vehicles. It is proposed to update the Policy at the same time, removing references to the Primary Care Trust.

#### 2.0 Recommendation

- 2.1 That an amendment be made to the Smoke Free Policy to include reference to e-cigarettes and ban their use from all council premises;
- 2.2 That references to the 'Primary Care Trust' in the Policy be removed and replaced as appropriate;
- 2.3 That the Policy be reviewed in 2016 when e-cigarettes are licensed.

#### 3.0 Reasons for Recommendations

- 3.1 In June 2013 Jeremy Mean of The Medicines and Healthcare Products Regulatory Agency (MHRA) said the government had concluded that **e-cigarettes currently on the market do not meet appropriate standards of safety**, quality and efficacy. He said "**levels of contamination**" had been **found** in the products and some were poorly manufactured. There will be no compulsory licensing of the products until 2016 but until then **they are not recommended for use**.
- 3.2 The use of e-cigarettes has divided staff but the majority who responded to the consultation are in favour of a ban.
- 3.3 The Primary Care Trust was abolished in March 2013.

#### **4.0 Wards Affected**

4.1 All

#### **5.0 Local Ward Members**

5.1 All

#### **6.0 Policy Implications**

- 6.1 The Council recognises that there is an overwhelming medical evidence base that proves that the inhalation of tobacco smoke and breathing in second hand tobacco smoke can cause serious damage to public health and can result in death. Second hand smoke is the smoke people breathe in from other people's tobacco smoke and it can cause lung cancer, heart disease and many other illnesses in non-smokers.
- 6.2 The Council considers that all employees, elected members, visitors, clients and contractors have a right to be in a totally smoke free environment when in or on any of its grounds or premises.
- 6.3 The evidence base for e-cigarettes is less robust, but the production and sale of e-cigarettes is currently unlicensed and safety concerns regarding their use have been expressed by the Government.

#### **7.0 Financial Implications**

7.1 None

#### **8.0 Legal Implications**

- 8.1 From 1<sup>st</sup> July 2007, virtually all enclosed public places and workplaces in England became smoke-free by the requirements of the Health Act 2006.
- 8.2 The Council also has a legal requirement under Section 2 of the Health and Safety at Work etc. Act 1974 placed on it as an employer to provide and maintain a working environment that is "safe, without risk to health"
- 8.3 The Health Act does not ban e-cigarettes from enclosed public places and workplaces. However, they are currently unlicensed and safety concerns have been expressed. Since the council has a duty to maintain a safe working environment, it can assess the risk such e-cigarettes may pose and may decide on that basis to include them within the Council's Smoke Free Workplace Policy and to ban them from all council premises and vehicles.



## **9.0 Risk Management**

- 9.1 The Council recognises that there is overwhelming medical evidence base that proves that the inhalation of tobacco smoke and breathing in second hand tobacco smoke can cause serious damage to public health and can result in death. Second hand smoke is the smoke people breathe in from other people's tobacco smoke and it can cause lung cancer, heart disease and many other illnesses in non smokers.
- 9.2 The evidence base for e-cigarettes is less robust, but the production and sale of e-cigarettes is not currently licensed and will not be until 2016. Safety concerns have been expressed by Government.
- 9.3 From a health and safety perspective there is anecdotal evidence of e-cigarettes overheating and exploding. The fluid itself may fall under the 'Control of Chemicals Hazardous to Health Regulations' although more guidance is awaited from the Health and Safety Executive. There was also a well reported incident on a coach on the M6 when e-cigarette vapour was mistaken as smoke from an incendiary device leading to a major terrorist alert. Until the e-cigarette industry is regulated and a hazard free product is robustly evidenced, it is prudent to extend the policy to include electronic cigarettes.
- 9.4 There may be some adverse staff reaction to the decision from those currently using electronic cigarettes, but the staff consultation has demonstrated support for the amendment to be made. Consultation with the Unions and through HR has been ongoing. Advice regarding alternative means of reducing nicotine consumption can be offered to members of staff who wish to reduce or quit.

## **10.0 Background and Options**

- 10.1 Cheshire East Council's Smoke Free Workplace Policy was written and approved in November 2009. This policy recognised that employees, elected members, visitors, clients and contractors had a right to a totally smoke free environment under Health and Safety legislation and is in line with the national legislation introduced in England in July 2007 which controls where people cannot smoke in public places and workplaces (indoors and vehicles).
- 10.2 Since this policy was introduced there has been increasing use of electronic cigarettes and there has been increasing concern about their use in the workplace. The World Health Organisation is advising that consumers should not use e-cigarettes until they are deemed safe by a competent regulatory body. The British Medical Association has called for a ban on public "vaping" in the same way that public smoking was banned in 2007.
- 10.3 Under new regulations electronic cigarettes are to be licensed as a medicine in the UK from 2016. However in June 2013 Jeremy Mean of The Medicines and Healthcare Products Regulatory Agency (MHRA)

said the government had concluded that **e-cigarettes currently on the market do not meet appropriate standards of safety**, quality and efficacy. He said "**levels of contamination**" had been found in the products and some were poorly manufactured. There will be no compulsory licensing of the products until 2016 but until then **they are not recommended for use**, he said.

(Source: <http://www.bbc.co.uk/news/health-22870301>)

- 10.4 As part of Cheshire East Council's Workplace Health Initiative to encourage and support employees to give up smoking, the national campaign of "Stoptober" was promoted in October 2013. However Council employees started to contact the Health Improvement Team expressing concern about their colleagues who were using e-cigarettes in the workplace in an attempt to give up smoking.
- 10.5 Investigations into the complaints revealed that the existing Smoke Free Workplace Policy needed to include an amendment to control the use of e-cigarettes in the workplace. The proposed amendment would state that electronic cigarettes would not be allowed to be used in any indoor space in the workplace or inside any Council vehicle. The use of electronic cigarettes outside would **not** be restricted to designated smoking areas where tobacco users are expected to smoke. This amendment would be included until such time that respected research proved that e-cigarettes (or similar electronic nicotine devices-ENDs) were harmless to the user and the passive population around the user. If sufficient evidence is provided that the use of e-cigarettes is harmless then the amendment would be removed from the Smoke free Workplace Policy
- 10.6 During November 2013 a consultation with staff and Union representatives at Cheshire East Council took place through the Social Message Board, Team Talk newsletter, The People's Panel and the Corporate Trade Union Meeting. The 44 responses received during the consultation have been collated by the Health Improvement Team and they indicate that 75% (33 replies) are against the use of electronic cigarettes in the workplace. 25% (11 replies) are in favour of using electronic cigarettes in the workplace.
- 10.7 This suggests that the majority of respondents are in favour of an amendment to the existing Smoke Free Workplace Policy at Cheshire East Council to include the control of the use of electronic cigarettes in the workplace.
- 10.8 The opportunity will also be taken to update the Policy where it refers to the former Primary Care Trust.
- 10.9 The existing Policy requires 12 weeks notice to be given for any agreed amendment. It would therefore be proposed to introduce the new Policy on 1<sup>st</sup> June 2014.

## **11.0 Access to Information**

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

Name: Guy Kilminster

Designation: Corporate Manager Health Improvement

Tel No: 01270 686560

Email: [guy.kilminster@cheshireeast.gov.uk](mailto:guy.kilminster@cheshireeast.gov.uk)

This page is intentionally left blank

**A Smoke Free Policy for Cheshire East Council**

**Date of Issue: June 2014**

**Contents**

1.0 Introduction

2.0 The policy

3.0 General Principles for Staff

4.0 Vehicle Policy

5.0 Informing staff of the policy

6.0 General Principles for Visitors and Temporary Staff

7.0 Signage and environment

8.0 Help for those who smoke

9.0 Enforcement of this policy

10.0 Implementation of this policy

11.0 Monitoring this policy

12.0 Changes to this policy

## **Smoke Free Policy for Cheshire East Council**

Cheshire East Council is committed to complying with national smoke free legislation. The purpose of this document is to clearly state the Council's policy regarding smoking in the workplace and how the smoke free policy is to be implemented.

This policy also applies to the use of electronic cigarettes and similar electronic nicotine delivery systems.

The use of electronic cigarettes is prohibited wherever smoking is prohibited inside premises or vehicles. E-cigarettes may be used outside of work premises and vehicles provided that their emissions will not come in to contact with non-smokers. This is further clarified in item 3.3.

This policy will include electronic cigarettes until such time that they are regulated by legislation and proved not to be a hazard to health.

### **1.0 Introduction**

1.1 From 1<sup>st</sup> July 2007, virtually all enclosed public places and workplaces in England became smoke-free by the requirements of the Health Act 2006.

1.2 The Council also has a legal requirement placed on it as an employer to provide and maintain a safe working environment for employees that is "safe, without risk to health" under section 2 of the Health and Safety at Work etc. Act 1974.

1.3 The Council recognises that there is overwhelming medical evidence base that proves that the inhalation of tobacco smoke and breathing in second hand tobacco smoke can cause serious damage to public health and can result in death. Second hand smoke is the smoke people breathe in from other people's tobacco smoke and it can cause lung cancer, heart disease and many other illnesses in non-smokers.

1.4 The Council considers that all employees, elected members, visitors, clients and contractors have a right to be in a totally smoke free environment when in or on any of its grounds or premises.

### **2.0 The Policy**

2.1 This policy applies to all employees of the Council, Elected Members, service users, visitors and contractors working in Council buildings, and to the public hire of buildings and rooms belonging to the Council.

2.2 This policy has been developed in full consultation with all the employees who are concerned with health and safety in this Council. It has the support of the relevant representatives.

### **3.0 General Principles for Staff**

3.1 This smoke free policy seeks to guarantee people who do not smoke the right to work in air which is free of tobacco smoke, whilst taking account of the needs of those who smoke.

3.2 Smoking will not be allowed in any Council premises, including work areas, buildings, vehicles or depots owned by the Council.

3.3 Staff, elected members, service users, visitors, contractors and the public may only smoke in designated smoking areas which are provided where appropriate. People using electronic cigarettes outside do not have to use the designated smoking areas used by smokers. This recognises that people using electronic cigarettes may not wish to breath in tobacco smoke.

3.4 Staff should only smoke outside of working hours.

3.5 Cigarette butts/waste should not be dropped on Council owned land. Staff and visitors are reminded that a fixed penalty notice can be administered for the offence of littering.

3.6 Staff located in any Council owned buildings must abide by the local management arrangements in place for the particular building to avoid smoking in or near to entrances and exits. These need to be kept clear for emergencies and access.

3.7 For staff working in the community much of their work will take place within the clients' own homes resulting in the possibility of working in an environment that will expose them to second hand smoke. Staff will be given the option to refuse to enter a home where they will be exposed to second hand smoke. Clients/customers are asked to provide a room which has been smoke free for at least 30 minutes prior to a planned visit, and also to remain smoke free for the duration of the visit.

### **4.0 Vehicle policy**

4.1 The regulations under the Health Act 2006 state that smoking will not be permitted in enclosed public places and company vehicles. Where a vehicle is used as a workplace by more than one person, regardless of whether they are in the vehicle at the same time, the vehicle will be required to be smoke free at all times.

4.2 Smoking will not be permitted in any vehicle owned by Cheshire East Council.

4.3 If staff use their own vehicle for work purposes, then smoking will not be permitted if a member of staff who does not smoke accompanies them for work purposes.

## **5.0 Informing staff of the policy**

5.1 Cheshire East Council will inform all staff, elected members and members of the public of the requirements of this smoke free policy.

5.2 If Staff would like to have support in giving up smoking they will be directed towards the smoking cessation co-ordinators at the local NHS service. Some courses will be run at Council owned premises in staff time.

5.3 All job advertisements, job descriptions and interviews will include reference to this policy. All new members of staff will be given a copy of this policy on their appointment or during their induction.

## **6.0 General Principles for Visitors and Temporary Staff**

6.1 Visitors, temporary staff and members of the public will be expected to abide by the terms of this smoke free policy.

## **7.0 Signage and Environment**

7.1 To comply with the requirements of The Health Act 2006 Cheshire East Council will ensure that regulatory signage is displayed at every public entrance to Council buildings.

7.2 All Council vehicles will display the appropriate and sufficient signage in accordance with the national legislation.

7.3 The Council will keep the grounds free from cigarette ends and provide sufficient bins for cigarette waste.

7.4 The sale of tobacco products or electronic cigarettes is not permitted on Council premises.



## **8.0 Help for those who smoke**

8.1 This policy recognises that second hand smoke adversely affects the health of all employees. It is not concerned with whether people smoke but it is concerned with where they smoke and the effect it will have on employees who do not smoke.

8.2 It is recognised that this policy will have an impact on smokers during their work time, therefore in an effort to help employees adjust to this change the following help is being provided:

- Allowed up to 6 hours off to attend any course that will help them to give up smoking
- Smoking cessation support will be available from the local NHS service

## **9.0 Enforcement of this policy**

9.1 Breaches of this policy will be subject to the normal disciplinary procedures.

## **10.0 Implementation of this policy**

10.1 Responsibility for the implementing and monitoring of this policy will be included in the role of the senior managers. If a member of staff is known to be in breach of this policy their manager will need to report them to the personnel manager.

10.2 Failure to comply with this policy could result in action being taken under the Council's normal disciplinary procedure. However, this would be introduced only as a final measure when discussion, counselling or other informal persuasive means have been exhausted.

10.3 If an elected member or a member of the public is seen to breach this policy the person must be advised to stop smoking immediately or asked to leave the premises.

## **11.0 Monitoring this policy**

11.1 The policy will be monitored at twelve monthly intervals.

## **12.0 Changes to this policy**

12.1 Twelve weeks notice will be given of any changes made to this policy. Union and Health & Safety representatives will be consulted about any proposed changes

This page is intentionally left blank