

CHESHIRE EAST COUNCIL

REPORT TO: COUNCIL

Date of Meeting:	13 December 2012
Report of:	Director of Finance and Business Services
Subject/Title:	Capital Programme & Treasury Management Strategy Update
Portfolio Holders:	Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 This report brings forward Cabinet recommendations for amendments to the capital programme and Treasury Management Strategy contained within the 2012/13 Mid Year Review of Performance report for Council approval.

2.0 Decision Requested

- 2.1 Council is asked to note the revised capital programme. (**Appendix 4**)
- 2.2 Council is asked to approve the following:
- Reductions in the approved capital programme (**Appendix 1**)
 - Supplementary Capital Estimates and Virements (**Appendix 2**)
 - Amendments to the Treasury Management Strategy (**Appendix 3**)

3.0 Reasons for Recommendations

- 3.1 Finance Procedure Rules set out the requirements for financial approvals by Members, and relevant recommendations are contained in this report.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications including - Climate change, Health

- 6.1 As contained in the report.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 7.1 As contained in the report.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 As contained in the report.

9.0 Risk Management

9.1 Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required.

9.2 Performance and risk management are part of the key management processes of the Authority. Risks are captured both in terms of the risk of underperforming and the risk to the Council in not delivering its ambitions for the community of Cheshire East.

10.0 Background

10.1 On 12 November 2012, Cabinet received the Mid Year Review of Performance report for the 2012/13 financial year. This included updates on the Capital Programme and the Treasury Management Strategy. In accordance with Finance Procedure Rules, Cabinet resolved to ask Council to approve the revised Capital Programme and Treasury Management Strategy.

10.2 During September a series of meetings were held to review and challenge the capital programme. The sessions involving Portfolio Holders, Directors and Heads of Service set out to complete a comprehensive review of current schemes in the programme with the intention of making substantial savings and to release capacity in both financial and resources terms to enable new schemes to come forward.

10.3 Following the reduction in the capital programme it has been possible to use the additional financial capacity to provide new investment which has the highest priority for the Council. The highways structural maintenance programme is therefore to be increased in 2012/2013 by £3m funded by prudential borrowing, this will deliver the first phase of the Highways Asset Recovery Programme with a further £20m to be invested over the next two years.

10.4 The programme has now been revised to reflect the outcome of the challenge process and has reduced by £42.4m due to the following:

- Budget reductions totalling £24.2m, where schemes have been either been fully removed from the programme or are continuing with restricted resources.
- A budget reduction of £1.9m relating to the Devolved Formula Capital Budget to realign it with available resources and to correct a previous overstatement of the budget.
- Budget deferrals totalling £16.3m, where schemes have been removed from the programme and will require new business cases identifying

benefits and demonstrating future revenue savings in order for them to be considered for re-inclusion.

- 10.5 Details of the schemes removed from the programme are provided in **Appendix 1**.
- 10.6 A highways asset management model has been developed to give an accurate assessment of the condition of the network and the investment required to keep the network in good working order. This additional investment will seek to interrupt the current cycle of decline in the condition of our roads by early targeted investment aimed at restoring a number of roads now beyond their serviceable life.
- 10.7 Consideration will be given to the practicalities of programming substantial amounts of additional work, both in terms of the resources required and the disruption to the network which could arise in the remaining months of the year. The plan will be designed to deliver a number of key activities including tackling drainage problem hot spots, pre-patching areas in readiness for the surface dressing programme during the summer months and carriageway surfacing improvement works where more serious issues exist.
- 10.8 A number of Supplementary Capital Estimates have been included at mid-year and they are all funded by external resources with the exception of the highways asset recovery programme, which is to be funded from prudential borrowing, afforded from the savings in the Capital Programme. A SCE of £40.4m recognises the contributions from our partners that are required to fund the entire Superfast Broadband scheme. Details of supplementary capital estimates and virements are provided in **Appendix 2**.

Update to Treasury Management Strategy

- 10.9 Investments are made in accordance with the parameters set out in the Treasury Management Strategy Statement (TMSS) approved by Council on 23rd February 2012. This strategy sets out minimum credit rating criteria for any investment counterparty taking into account both long term and short term credit ratings. However, long term and short term ratings do not correlate precisely and can lead to inconsistencies in the application of ratings in determining credit worthiness. It is recommended that the minimum long term credit ratings are retained. However, Council is asked to approve that the short term credit rating criteria is removed from the TMSS. An amended extract from the TMSS is attached in **Appendix 3**. Any short term risk will continue to be managed by limiting the duration of any investments in accordance with advice received from our treasury management advisors enabling a swift reaction to any real or perceived changes to the credit worthiness of any counterparty. Removal of the short term credit rating criteria would enable the Council to lend to Royal Bank of Scotland which currently has short term credit ratings below that included in the TMSS but does have a sufficiently high enough long term credit rating.

11.0 Access to Information

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

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