



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

**August 2013**



# 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 3 Year Plan (2013 to 2016) during the period April to June 2013.

Details are included of the Council's financial and non-financial performance and the report also seeks Member approval for Supplementary Estimates 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 5 Outcomes in the Council's 3 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, potentially as a result of delays in implementing change, 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 Supplementary Estimates 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.

A principle underpinning the Council's budget is to give real value for money. The impact of improvements in this area were noted in the Audit letter issued in autumn 2012 and are visible in the improved control of finances seen in the quarterly outturn reports for 2012/2013 from November 2012 onwards. In particular monitoring of the capital programme has been subject to more rigorous review from both Officers and Cabinet Members through a new project management system and a Gateway Approval system.

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

Appendices are provided as follows:-

- **Appendix 1** shows the 3 year Council Plan.
- **Appendix 2** explains changes to the Revenue Budget since the Budget was approved by Council in February 2013 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** lists reductions to the total approved budgets of projects within the Capital programme.
- **Appendices 6a to 6c** list requests for Supplementary Capital Estimates and Virements.
- **Appendix 7** provides details of Treasury Management investments.
- **Appendices 8a and 8b** list requests for Supplementary Revenue estimates.
- **Appendix 9** analyses the position on Outstanding Debt.
- **Appendix 10** details progress against Indicators.
- **Appendix 11** provides the updated Reserves Strategy.



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## 2013/2014 Outturn Forecast at First Quarter Year Review

### Financial Position

2013/2014 First Quarter Year Review	Revised Net Budget  £m	Emerging Pressures  £m	Remedial Actions Identified to Date £m	Current Forecast Over / (Underspend) £m	For further information please see the following section
Children & Families	59.4	1.4	-1.5	-0.1	Section 1 - Paragraphs 40-43
Adults	101.2	2.8	-1.6	1.2	Section 1 - Paragraphs 54-55
Public Health	0.0	0.0	-0.3	-0.3	Section 1 - Paragraph 74
Waste, Recycling & Streetscape	27.2	0.5	-0.2	0.3	Section 1 - Paragraphs 57-70
Highways & Transport	17.3	0.2	-0.1	0.1	Section 1 - Paragraphs 57-70
Community Services	0.3	1.5	-0.3	1.2	Section 1 - Paragraphs 7 and 84
Development	22.8	1.1	-0.3	0.8	Section 1 - Paragraph 28-32 and 59
Performance, Customer Services & Capacity	10.6	-0.2	0.0	-0.2	
Finance & Business Services	18.1	0.3	0.0	0.3	Section 2 - Paragraph 94
HR & OD	3.7	-0.2	0.0	-0.2	Section 2 - Paragraph 94
Borough Solicitor	5.5	0.1	0.0	0.1	Section 1 - Paragraph 5
Cross Cutting	-0.6			0.0	
<b>TOTAL: Services</b>	<b>265.5</b>	<b>7.5</b>	<b>-4.3</b>	<b>3.2</b>	
<b>CENTRAL BUDGETS</b>					
Specific Grants	-21.7	-1.3		-1.3	Section 2 - Paragraphs 99 - 103
Capital Financing	11.9	0.0		0.0	Section 2 - Paragraph 130
Contingencies	4.9	0.0		0.0	Section 2 - Paragraphs 134 - 135
LGO Pay Award (1%) estimate		1.0		1.0	Section 2 - Paragraph 138
Relocation costs repayment		0.5		0.5	Section 2 - Paragraph 135
Invest to Save Reserve	-0.3			0.0	
Contribution to Earmarked reserve			0.3	0.3	Section 2 - Paragraph 140
<b>TOTAL: Central Budgets</b>	<b>-5.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	
<b>TOTALS</b>	<b>260.3</b>	<b>7.7</b>	<b>-4.0</b>	<b>3.7</b>	
	Planned Contribution 2013/2014 £m	Forecast Variance @ Quarter 1 £m	Impact on reserves Quarter 1 Forecast £m		
Impact on Reserves	-0.5 *	-3.7	-4.2		
*Reduced from nil by Supplementary Revenue Estimates proposed at FQR					
General Reserves Balance	2013/2014 Budget £m		Quarter 1 Forecast £m		
Opening Balance April 2013	13.2	Actual	19.0		} Section 2 - Paragraphs 142 - 147
2013/14 Impact on Reserves (see above)	0.0	Forecast	-4.2		
Closing Balance March 2014	13.2	Forecast	14.8		

# Overview

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

## KEY OUTCOMES

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

- Progressing the Macclesfield Community Governance Review.
- Delivering a highly rated Youth Offending Service.
- Taking forward the sustainable Libraries service project.

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

- Approving the plan to create a new Development Company and a number of key projects to deliver economic growth.
- Playing a key role in the Connected Cheshire Project.
- Making progress with the Local Plan.

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

- Developing the Raising Achievement Plan to match Education provision and need.
- Effective Children's Social Care service albeit with cost pressures.
- New delivery models for Individual Commissioning to integrate with health and look at prevention.

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

- Pursuing the targets in an updated Carbon Management Plan.
- Maintaining highways and correcting faults / filling potholes.
- Transformation of the waste service underway while performance levels maintained.

### 5 ~ People live well and for longer

- Cabinet approval to locally scope a minimum unit price for alcohol.
- Implementation of Council wide health impact assessment policy.
- Good performance in housing and leisure.
- Development of adult social care and public health services.

## FINANCIAL STABILITY

- Services face **budget pressures** totalling £7.5m and have identified remedial actions of £4.3m to mitigate these issues. Demand led service pressures include:
  - Children & Families agency costs (£0.7m) and Transport savings (£0.4m); Adults Care costs (£1m) and Care4CE (£1.7m); Assets (£2m); ICT Shared Services (£0.3m); Car Parking / Leisure income (£0.5m); Waste costs (£0.3m).
- **Service revenue budget** is forecast to overspend by 1.2% (£3.2m).
- **Central Budgets** – a £0.5m overspend is forecast from LGO Pay Award and planned repayment of relocation costs, partly offset by increased grants.
- **Net Revenue outturn** is projected to be £3.7m more than the Revised Net Budget of £260.3m.
- **General Reserves** are expected to decrease this financial year by £4.2m to £14.8m. This is still more than the revised net budget due to the impact of the improved 2012/2013 outturn.
- The original **capital budget** of £121m has been revised to £90.6m after allowing for rephasing of slippage from 2012/2013.
- Total outstanding **Debt** (excluding local taxation) is £5.8m, of which £2.8m is over 6 months old. A bad debt provision of £2.9m is available to meet potential write-offs.
- 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 in line with budget, although average interest rate earned on investments (0.4%) is slightly lower than the London Inter Bank 7 day rate.



# 1. Summary of Council Performance

## Introduction

1. Cheshire East Council is responsible for delivering 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 c.£700m, 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:

Spending Power per Head Comparisons 2013/2014			
	Cheshire East £	Rural East Riding of Yorkshire £	Urban Manchester City £
Grants	317	405	895
Council Tax	439	382	208
Total	756	787	1,103

2. The Council's 3 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. **Appendix 1** shows the 3 year plan and this section of the report highlights progress towards achieving each of the five outcomes.
3. This report reflects activity that has taken place mostly in the period April 2013 to June 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

4. Getting people involved in activity in their local area will support this outcome. Activities that increase interest in local democracy, support safety and generate local pride will also help to promote greater self reliance and responsibility towards the local area.
5. In April 2013 elections were completed for the first parish Council for Crewe, and the Council is also progressing a Macclesfield Community Governance Review. This review will consider options for improved community engagement and local democracy. During Quarter 1 the Council has been arranging a series of public meetings to consider the options. These will take place during July. Preparations for Individual Electoral Registration, a Government initiative to improve the electoral role and ensure everyone has the opportunity to vote, are progressing. During Quarter 1 the Council has followed the directions issued by the Cabinet Office for implementation, which included a Confirmation Dry Run involving a data matching exercise with the records held by the Department for Work and Pensions. Whilst engaged in these activities staffing costs have had to slightly increase in the service by £0.1m.
6. Youth Offending Services for Cheshire East are delivering a high standard of service according to an inspection report from HMI Probation Service carried out in May 2013. Support for young people is reported as enthusiastic with strong internal and external partnership working. Provisional data also indicates a reduction in those entering the Youth Justice System aged 10 to 17, from 37 (Q1 2012/2013) to 26 (Indicative figure for Q1 2013/2014. This figure may change as further Police data is received).

7. As a responsible Council that uses enforcing powers where necessary, a programme of proactive statutory inspections have been carried out (over 500 inspections during Quarter 1); a successful prosecution against a farmer for TB offences; and the roll out of the successful Food Hygiene Rating System. Car Parking, Neighbourhood Enforcement and Regulatory Services are currently forecasting a budget overspend of £0.6m, which has occurred whilst outsourcing of the enforcement function and back office rationalisation. These have been delayed as they are being included in a broader enforcement delivery model.
8. Cheshire East Council is maintaining important work with local councils on issues such as transfer of assets and devolution of services. A recent step was the transfer of Middlewich Civic Hall to Middlewich Town Council. A small number of other asset transfers have occurred in the first quarter of 2013/2014 to Town and Parish Councils under the Devolution Programme:
  - Alsager Town Council – Alsager Allotments, Coronation Avenue Allotments, Lawton Road Allotments, Cedar Avenue Allotments & Talke Road Allotments.
  - Alderley Parish Council – Chorley Hall Allotments, Heyes Lane Allotments & Beech Close Allotments.
9. The first Cheshire East Rural Summit was held in April, with a follow up event planned for September. The project to develop resilient communities is expected to pick up pace following the creation of a post for Head of Resilient Communities under the management restructure, although at present this post is vacant
10. The Council is constantly improving consultation with residents by using the citizen's panel, delivering an improvement in answering calls at the contact centre, and ensuring the website is able to deal with many day to day enquiries. During the first quarter, telephone calls to the Customer Contact Centre were answered in just over one minute and customers visiting us to speak to somebody face to face waited on average for eight minutes. In June 2013, the Contact Centre was successful in achieving the Contact Centre Association (CCA) Global Standard, recognising the commitment and drive demonstrated by the team in working towards improving standards and customer experience across our Customer Contact Centre.
11. Increasing numbers of customers are choosing to do business with the Council online, with over 1 million visits to our website in the first three months of the year, and more than 80,000 online transactions. This represents a threefold increase in online transactions compared with the same period two years ago, and a tenfold increase compared with three years ago.
12. Consultation on the Local Plan received a total of 11,363 comments from 4,127 different people, details of how this is progressing are included in paragraphs 30 and 31 below.
13. Further demonstration of the commitment to robust consultation has been evidenced by the consultation exercise with service users, carers and the public relating to a proposal to review the continuation of the service provided at Mountview Resource Centre in Congleton. This involved opportunities for written submissions and face to face discussions. The consultation exercise resulted in 198 responses, 74 of which were customers of the service which represented 72% of all customers of the service. The results of the consultation were considered and taken into account as part of the recommendations and final decision-making process.
14. Cheshire East's libraries form a key contact point with the public and play an important role within their communities. The Council is committed to retaining libraries in the 16 towns across the Borough and aims to deliver a library service that better reflects the demand within each community while ensuring they are sustainable in austere times. The programme to deliver that ambition has started with a survey of members of the public to find out what local people think of their local library and how they would like their libraries to be in future. The aim is to help the Council design and deliver a sustainable library service that meets the needs and expectations of customers today and in the future.

15. A project is underway to map community assets that can assist organisations delivering public services, it will also aid consideration of community budgeting. Phase 1 was uploaded to the Geographical Information System in May 2013. The upload included 2,583 assets or activities, following mapping in 18 parishes / neighbourhoods. Work is on-going to encourage other areas to carry out asset mapping.

16. There has been significant success in developing the role of volunteers (recognised in April as “Volunteer Project of the year” at the National Street Games awards).

17. Forecast outturn remains in line with expectations for the majority of spending related to Outcome 1.

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

18. Increasing employment and the quality of employment will support the delivery of this outcome. The Council can do this by engaging with businesses and helping to provide the necessary infrastructure and high quality workforce that will encourage investment in the area.

19. The Council is making significant progress in this area, for example on 7<sup>th</sup> May 2013, Cabinet agreed to set up a new development company, East Cheshire Engine of the North Limited, to accelerate development at strategic sites and progress a number of major development opportunities. A new Vision and Strategy for Economic Growth has been developed setting out the Council’s ambitions for growth and our priority schemes, as well as the development of a local skills plan. During Quarter 1 there were 48 ‘Inward Investment’ enquiries and 60 businesses attended the Business Engagement Focus Group held in May.

20. Over £14m of funding has been secured from the Department for Transport Pinch Point Programme to support delivery of three further strategic infrastructure improvement schemes that help us achieve our priorities for investment and jobs. These related to

the Basford West Spine Road, enhancements to M6 junction 16, and also a widening of the A500 as it approaches junction 16. In addition to this, the Department for Transport has announced that the M6 between J16 to J19 has been included in the Highways Agency Managed Motorway Programme, which will include use of the hard shoulder for vehicular traffic at the busiest times of the day. These schemes are now progressing and, along with the committed Pinch Point scheme at M6 Junction 17, will provide improved access to proposed strategic employment sites including developments at Basford East and West south of Crewe and also the Capricorn site at Junction 17.

21. The Cheshire and Warrington Local Transport Board has prioritised two further major transport schemes in the Borough. Over £12m of funding will be put towards both the Poynton Relief Road, which will better link the A523 from Macclesfield into the planned SEMMMS A6 to the Airport Relief Road, and for a new replacement rail bridge on the busy Sydney Road in Crewe and removal of the traffic lights.

22. The Connecting Cheshire contract has been signed to improve broadband speeds. Project costs have increased but it is still expected that at least 96% coverage by will be achieved by June 2015.

23. Certain important statistics demonstrate the strength and resilience of the Cheshire East economy, and highlight an uplift in living standards:

- Locally Gross Value Added (a measure of production in an area) and GVA per capita is improving. GVA in 2011 was £8.2bn, which is up from £7.9bn in 2010; GVA per capita increased to £22,300 in 2011, from £21,700 in 2010. (Source Regional GVA NUTS3 data, ONS, December 2012).
- The claimant unemployment count fell 7.2% between May 2012 and May 2013 (from 5,746 to 5,332)
- Claimant unemployment rate reduced from 2.5% in May 2012 to 2.3% in May 2013

- Median Gross Weekly pay grew 3% to £479.30 in 2012, from £465.10 in 2011. This improved the comparison to UK figure from 93.3% of the UK Median Gross Weekly to 94.7%
24. The Council is actively supporting development in relation to Alderley Park Bio Incubation Centre, where Astra Zeneca have decided to move their Research and Development operations to Cambridge. The scope of the project is under review, but to date over 300 organisations have expressed interest in the site.
  25. Progress has been made to secure funding for the physical asset development project. Although work has not started on the Congleton Link Road (while Highways are diverting resources to the Local Transport Board) and the Crewe Rail Exchange, where there has been a need for some re-design works. The additional funding for these changes was agreed as part of the Outturn to Cabinet on 24<sup>th</sup> June 2013. Other Highways schemes being prepared include the Crewe transport investment, the highways investment programme and Poynton Relief Road.
  26. The speed at which such schemes can be implemented will impact on economic growth in the area as well as the level of funding which can be generated from growth in the Council's business rates baseline.
  27. The on-going success of local economic development activity has been a factor in Bentley deciding to make a major investment in its Crewe headquarters to develop new models.
  28. The current pace of the programme to accelerate asset disposals could impact on related developments and work on the new Development Company. Non delivery of savings from the assets rationalisation project is causing significant overspending issues in the Development Service of £0.6m.
  29. £1m of savings are dependent on the asset rationalisation / disposal project across the Authority, in relation to both operational and non-operational building stock. At Quarter 1 the service is reporting a £0.97m pressure against this target, derived mainly from key risks including decisions affecting front line service delivery, failure to dispose of property due to adverse market conditions and the retention of property for development or other Council considerations. This will partly be offset by underspending on temporary investment budgets.
  30. The Local Plan is key to achieving growth and other improvements related to protection of green belt land and open spaces. Additional costs are being incurred to deliver the plan and significant progress has been made with the publication of the Development Strategy and Policy Principles documents for a six week public consultation that took place during January and February 2013.
  31. This gave the public and other stakeholders the opportunity to comment on the strategic framework that the Council is proposing to manage development and growth in the Borough up to 2030. As a result a total of 11,363 comments were made by 4,127 different people to the consultation. These are currently being considered, along with the results of other evidence based work being prepared by the Council, to produce a draft Core Strategy in September 2013.
  32. Development Management staff have been working hard to represent local people but have identified a financial pressure due to the exceptional volume of public inquiries dealing with the Council's housing land supply. The extent of this pressure is expected to be in the region of £0.3m however, the true extent will only become more tangible after the Council receives the outcome of these first appeals in mid-November.
  33. In a positive indication that economic activity in Cheshire East is rising, it can be reported that there has been a steady increase in the number of planning applications processed from April to June. 1,302 applications were processed compared to 1,026 for the same period in 2012/2013 and 853 in 2011/2012.

34. The Council can now access the Grantfinder database to enable external funding levels to be maximised. The Council is also working with the Local Enterprise Partnership “Access to Finance” workstream to look at options for attracting additional funds to the sub-region.

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

35. This outcome is supported by high profile and high resource services such as education, and children and adults’ social care.

36. Progress is being made in Education through developing the Raising Achievement Plan to match provision with needs and the establishment of a Strategic Education Board to monitor progress against the plan. Outcomes from Ofsted School Inspections are an important indicator of the overall achievements within our schools. Currently, 86% of schools across the Borough are judged as ‘Good’ or ‘Outstanding’ with only 1% of schools currently within an Ofsted category of concern. This equates to 2 out of 150 schools. Expenditure in these areas currently exceeds budget and remedial action is required whilst the Council’s service provision to schools is reviewed.

37. The school building and maintenance programme rolls forward with a number of schemes due to be completed, but there are also delays in Mobberley and Wheelock Primary Schools.

38. The Mobberley classroom expansion project is at a stage where parties are unable to agree terms over acquiring additional land which would be required to compensate for the loss of playground space. Alternative options are now being explored.

39. The Wheelock Phase two project is currently responding to concerns raised by local people. The planning submission, held as a pre planning consultation event held at the school, raised significant concerns regarding parking and traffic management in and around the school site. Work is under way to mitigate these

issues. In the meantime a temporary classroom has been put on site to ensure adequate accommodation for the children.

40. Issues remain with Home to School transport where alternatives to the budget proposal to save £0.6m, which will no longer be delivered, are being actively sought.

41. Children’s Social Care are making progress in the recruitment of experienced social workers and some service management positions, although there is still considerable reliance on higher cost agency staff which is causing financial pressure of £0.7m. This is being offset by accelerating other savings in the service to produce remedial actions of £1.3m. The projects to invest to save in better value care placements is being delivered.

42. A range of initiatives are currently being considered within early intervention and early help for families, this will include integration with Health services in ‘Early Years’, to re-target preventative services to those whose issues have a significant impact on the community, reducing the number of families needing long-term, intensive specialist support and reducing the number of children that go into care. In the first quarter, the number of 16 to 18 year olds who are not in education, employment or training (NEET) currently stands at 5.36% with the percentage of ‘not knowns’ being 2.2%. This has risen from 4.9% in Quarter 1 2012/2013.

43. These initiatives will assist with the need for post Ofsted investment in areas where weaknesses were identified including areas such as adoption and child protection where specific courses of action were prescribed. Improvements to systems remains a key objective to enable service efficiency levels to be improved and savings delivered. Several key projects (eg client management system) are being taken forward and business cases developed. Children and Families remains committed to achieving a balanced budget or in fact delivering a small surplus by year end.

44. Services to young people are brought together to achieve Outcome 3 and a number of improvements are being taken

forward. In Quarter 1 there has been a significant increase in young people using the Council's leisure facilities (up 6% on 2012/2013 at 70,387). However, delays are being experienced on the Nantwich Pool Project due to on-going construction issues.

45. In the first three months of the new year total participation in sport and active recreation at the Council's facilities increased by 5% compared to a similar period in 2012/2013, for adults, juniors and older people categories.
46. The leisure development team have been extremely successful in delivering the national Sportivate team aimed at 14-25 year olds to engage young people using sport. To date over 200 young people have been directed into sport at local clubs with a retention rate of 84%.
47. The project to develop a university technical college (UTC) to provide a wider educational offering is progressing. A workshop was held in June for partners, in the UTC initiative, to discuss and refine the project vision. The recent Bentley investment in Crewe announcement will support the applications progress.
48. Adult Social Care continues to offer information and advice to customers. This is in addition to provision of services which aim to promote independence and focus on a model of recovery and reablement. Links with local community and faith groups together with the broader community facilities are being further strengthened. This will provide a proactive response to customers by supporting access to local support networks as a real alternative to traditional service responses. Where these are needed, the focus remains on promoting independence as can be seen by the following statistics:

As at quarter one:

- 5,699 people have received community based services to help them stay independent (5,558 at quarter one in 2012/2013);

- 23.7% of adults with learning disabilities are living on their own or with family (20.0% at quarter 1 in 2012/2013).

49. Adult Social Care are working with Clinical Commissioning Groups and NHS England to develop a range of preventative and early intervention initiatives. These aim to support people to maintain independence and continue to be full and active members of their local community.
50. Within the last quarter there has been launch of improved 'lifestyle facilities' at both Macclesfield and Wilmslow Leisure Centres through capital investment.
51. The Crewe lifestyle project is at the RIBA stage for 'Design'. To meet the aspirations of the Council, in terms of enhanced provision (larger pool and social care facilities) above the 'like for like' replacement of services (as defined in the approved budget), a review will be needed of the current budget provision.
52. A steer has been requested at informal cabinet in August 2013 to understand if cabinet want to refresh the business case for a larger facility. This went to EMB on the 30th July 2013 and the group still require further clarification of the financial and social benefits before fully endorsing the Business Case for Cabinet approval.
53. Other capital schemes including Hurdsfield and Mountview are being reviewed. The redevelopment of the Hurdsfield Family Centre has been removed from the Capital Programme at the first quarter review stage.
54. There is financial pressure in two main areas for Adult Services. Firstly, progress is being made on the delivery of budget policy proposals in Care4CE, but some savings will be achieved later than budgeted for whilst a fundamental review of the service is carried out to determine future delivery models. The service is actively pursuing ways of delivering further remedial action whilst maintaining a safe level of service.

55. Further pressure is being noticed in relation to external care costs where there is a current projection of an overspend of £1m. Remedial action is in progress with a view to bringing this projection downwards in advance of Mid-Year Review. This includes working with providers on individual care packages, with partners such as Health, to ensure costs are correctly aligned, reflecting the complexity of service user needs and by trying to over-achieve savings targets in a number of areas. Adults services are therefore currently predicting an overspend of £1.2m on their base budget of £101m.

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

56. A clean and well managed environment will provide achievement of this outcome. Carbon management and maintenance of open spaces will enhance local places which will also rely on effective planning, transport and waste services.

57. The Council is progressing its Carbon Management Plan (published in 2010 and being amended to exclude Schools) with a work plan in place to achieve 83% of the target savings in CO2 tonnages. Targets for street lighting are also on track to be achieved by December 2013. Use of LED technology will bring further savings in 2014/2015. Financial pressure is being noticed due to the slower than budgeted pace of activity and overspending of £0.1m is currently being forecast.

58. Improvements to the environment continue with joint working with local communities and maintaining high standards in parks and countryside. In the last 3 months, new play facilities have opened in Bollington and Elworth. The Streetscape Service is reporting net budget overspend of £0.2m from a delay in the project to transfer of street cleansing services to the Highways Contractor and an increase in bad debt (£45,000) across markets and open spaces.

59. The Assets Service is consolidating its role under the corporate landlord project and continuing to understand the budgets compared to the costs it has inherited. This will enable it to

successfully deliver the efficiency savings envisaged as part of the project. There are increased costs through delays in asset transfers, higher shared property costs and delayed disposals. Running cost pressures are being offset by savings in recharged services eg electricians.

60. The Council's activities in relation to highways and transport continue to perform well. Road carriageway condition surveys were carried out in June 2013 and updated indicative percentages will be available in the Autumn. 38km of road surface treatment has been delivered in quarter 1 with the bulk of the remaining treatments programmed for delivery between July and October. The projects are on track to deliver their targets but surface treatment programmes are weather susceptible.

61. Road defect (category 1 type) performance in April and May was at or above target level but the overall performance in Quarter 1 is 1% below target, due to a poor return for June. However, this is likely to be due to a system reporting error which, once corrected should bring the performance back on target. 40,875 potholes were repaired in the six months to June 2013 and on target to achieve agreed 12 month performance level of 50,000 to December 2013.

62. The amount of recycled aggregate material used in Road Construction from both the depots shows good levels of performance in Quarter 1. Data is awaited for material recycled but is expected to achieve the targeted performance level. The actual performance of highways waste diverted from landfill in Quarter 1 of 98% significantly exceeds the target.

63. The service is taking forward a number of major capital projects to assist the borough and regional economies as referred to under Outcome 2. In maintenance terms spend is broadly on track through Local Transport funded and revenue funded schemes being largely delivered through the Cheshire East Highways service contract. The service is working on a Winter Service Review but this has yet to be completed.

64. In transport terms, spending is on track through careful contract management and the commercial operation of services previously subsidised. However, there is concern over sustainability of services as contracts and grant funding levels change.
65. The project looking at the Waste and Recycling Service is being reviewed via the Council's project management framework. In the first quarter Cabinet approved a report that enables the project to move forward with Phase 2 (see below).
66. The outcomes of Phase 1 have been to identify potential operational efficiencies within the current waste service, feasible procurement solutions for residual waste, garden waste and dry recyclables, broad strategic aims for the service as it moves towards the commissioning / provider split, the required depot infrastructure to support the service and the potential new delivery model for the waste service. Phase 2 will be planned and delivered following a project workshop in August 2013 for all stakeholders.
67. Performance against key statistics remains positive with the percentage of household waste sent for reuse, recycling or composting at 53.8%, just slightly down from previous year's figure of 54.35%. As a result the Waste and Recycling Service saving target for Landfill diversion, through a collaborative arrangement, is forecast to be on target.
68. However, the Service is set to under-achieve against its Waste Minimisation savings target by £0.2m due mainly to a one off saving held in the base and further pressures in fuel and staffing of £0.1m being identified.
69. In mitigation, the Waste Transformation programme has highlighted some additional savings that can be delivered early in 2013/2014 as reported to Cabinet on 24<sup>th</sup> June 2013. These relate to staffing and vehicle savings. At Quarter 1 the Service has identified savings against fleet budgets of £0.1m to offset the additional pressure highlighted above.

70. The project related to a Waste Transfer Station is moving forward but further work is required on the Business Case. Services delivering Waste, Highways and Transport and Development are currently forecasting an overspend of £1.2m in this current financial year.

## **5 ~ People live well and for longer**

71. This outcome focuses on addressing the key issues that can help individuals and communities to live well and for longer. A number of Council services are working towards the delivery of this outcome including public health, social care, housing and leisure. An Outcome 5 Transformation Board, which includes senior Council Officers from these areas, has been established with the specific intention of overseeing delivery. These efforts will require a project management approach through the Executive Monitoring Board and Technical Enabler Group.
72. Overarching Council strategies and relevant groups have also been established which will further support progress against the outcome. The Health and Wellbeing Strategy for example has been adopted and the priorities of the two Clinical Commissioning Groups approved. The Health and Wellbeing Board has been launched and two public meetings have been held with local partners identifying key areas of activity where working collaboratively will reap benefits.
73. In relation to public health, the team have started to embed public health and its functions across the Council. A due diligence assessment is in progress which supports good governance and which will identify the areas to further develop going forward. This includes consideration of areas which are new to the Council such as medical indemnity.
74. It is anticipated that as part of the legislative ring fenced arrangements £300,000 will be transferred into a Public Health Earmarked Reserve for use in the next financial year.



75. A comprehensive list of the public health contracts and associated expenditure for 2013/2014 has been compiled and the service will continue to explore these contracts in more detail in order to better understand the current position and inform future commissioning intentions. A procurement schedule (informed by a legal opinion of the procurement options available) is being progressed and an initial timeline for the review and re-commissioning of drug and alcohol services has been developed.
76. From an operational perspective, the public health team have refreshed and re-launched the Health Checks Programme which is aimed at preventing heart disease, stroke, diabetes and kidney disease. The programme now includes raising awareness about alcohol consumption, dementia, cancer screening, falls prevention and improved mental wellbeing.
77. The Council is engaged in sub-regional working, exploring the potential introduction of minimum unit pricing to help reduce alcohol related harm within our communities. The Council is also agreeing a shared service model with the public health collaborative service ChAMPS which will enable us to work across a larger footprint in Cheshire and Merseyside. This will support consistent approaches to public health commissioning across the area.
78. The Health and Adults Social Care Policy Development Group has also overseen the drafting of a Health Impact Assessment Policy that the Cabinet agreed on 22<sup>nd</sup> July 2013. The Health Improvement Team has also launched a project with residents on the Colshaw Farm Estate, Wilmslow following a successful bid for a £100,000 Big Lottery award to improve local health and wellbeing. Funding is for a two year project working with community groups and local organisations addressing issues highlighted by residents. Local people of all ages will be provided with resources, services and opportunities that empower them as a community, reduce isolation and improve lifestyles, health, wellbeing, skills and employability.
79. The Strategic Housing Service are working on a number of initiatives to improve outcomes for our customers. The housing service has been restructured to focus on enhanced housing options with the aim of improving access and providing customers with advice to enable them to make informed decisions.
80. The service is concentrating on making the best use of existing stock by reducing the level of long term empty homes and taking appropriate action in relation to disrepair, whilst undertaking new initiatives to stimulate housing growth. Working with colleagues in Adult Services they are exploring current need in order to ensure the right housing provision to promote independent living. These plans also contribute to other outcomes. At this stage performance against key statistics as follows:
- Reduced level of homelessness through proactive prevention activity: 2013 Q1 – Target 165 preventions per month; Actual 89.
  - Increase supply of market and affordable housing 2013 – Target – 1,150 per annum – Q1 – 110 completed.
  - Deliver home adaptations 2013 Q1 - Target 425; Actual 495.
  - Reduce the level of long-term empty homes 2013 Q1 – Target 15; Actual 11.
81. Strategic Housing is anticipating to realise a benefit of £85,000 in 2013/2014, from the restructure of the Service, in excess of the £50,000 budgeted savings.
82. A key aim of living well is access to leisure, arts and culture and progress continues in this area.
83. The recent transfer of Crewe Lyceum via a lease to H Q Theatres has already seen new capital investment in the site and with a broader offer of productions for local communities to attend. The

decision to set up a charitable trust for leisure services, which will seek the advancement of health, sport and recreation across the Borough is also a positive move.

84. The Leisure Service is forecasting a net overspend of £0.7m after remedial measures. This mainly comprises: £0.3m due to slippage into 2014/2015 of savings relating to the Leisure Trust set up. The full £0.7m savings are to be realised in 2014/2015. Pressures in leisure facilities comprise of: pay pressures £0.3m largely due to unbudgeted pay costs, £0.1m premises pressures and £0.1m income shortfall, reflecting continuing economic pressures. The above will be addressed as part of the 2014/2015 Budget.
85. In terms of safeguarding, the Council has established the operational police unit within Children's social care as the first element of what will become a safeguarding hub. The strategic unit now has a health presence for both children and adults and the next stage is to look at better integration, particularly in respect of the interventions in Care and Nursing homes which have a high priority.
86. An integrated auditing system in Children's Services has been developed and one is underway for Adult Services. This is expected to deliver improvement in the working across agencies to safeguard our vulnerable population through a more joined up and responsive approach.
87. Through the work of the Children's Improvement Board, a robust, integrated multi-agency approach will ensure that all children, young people and vulnerable adults are effectively safeguarded. Improved outcomes will directly respond to those priorities as identified within the recent Ofsted Inspection of Child Protection arrangements.
88. One of the key focus areas for the first quarter has been to ensure that there is an effective 'front door' in place to services for children and families ensuring that staff in all agencies have a

clear understanding of levels of need to provide the right response at the right time.

89. New procedures and systems are now in place for the new Cheshire East Consultation Service (ChECS) which acts as the initial point of contact. The number of consultations since CHECs commenced in late April is 1,381 with the highest majority originating from the Police (20%) and education (18%).
90. The Adult Social Care Service continues to work well with health partners in commissioning and delivery of a more integrated service model to ensure a more holistic approach to the customer. They continue to ensure that customers support needs are assessed appropriately and in a timely manner and service users can access a range of support to meet their needs.
91. The range of options for support is continually being enhanced through staff who source support options in localities for people to be signposted to, ensuring full use of local support networks and promoting self reliance. The mapping of the local resources will form part of a local resource directory going forward.
92. A tender for a range of commissioned services within the voluntary, community and faith sector was completed in 2012/2013 and all contracts are now in place offering a range of preventative and early intervention support to individuals and carers across the Council footprint.

## 2. Financial Stability

### Service Revenue Budget - Overview

93. **Table 1** provides a service summary of financial performance at Quarter 1. For further details please see Section 1 and the notes below the table. Changes to service net budgets since the original budget was approved by Council on 28<sup>th</sup> February 2013 are analysed in **Appendix 2**.

	REVENUE				OUTCOME NUMBER 1-5
	Revised Net Budget	Emerging Budget Pressures	Remedial Actions Identified	Current Forecast Over / (Underspend)	
	£000	£000	£000	£000	
Children & Families					
Directorate	798	59	0	59	3
Safeguarding & Specialist Support	29,690	954	-1,353	-399	3
Early Intervention & Prevention	11,203	0	-179	-179	3
Strategy, Planning & Performance	15,429	350	0	350	3
Childrens Safeguarding	2,313	0	0	0	
	59,433	1,363	-1,532	-169	
Adults					
Care4CE	15,421	1,741	-1,250	491	5
Strategic Commissioning	20,019	0	-72	-72	5
Business Management and Challenge	5,211	140	-260	-120	5
Health Improvement	321	0	0	0	5
Individual Commissioning	60,209	967	0	967	5
Adult Safeguarding	0	0	0	0	
	101,181	2,848	-1,582	1,266	
Public Health					
	0	0	-300	-300	5

Table 1 Service Revenue Outcome Forecasts

	REVENUE				OUTCOME NUMBER 1-5
	Revised Net Budget	Emerging Budget Pressures	Remedial Actions Identified	Current Forecast Over / (Underspend)	
	£000	£000	£000	£000	
Waste, Recycling & Streetscape	27,192	458	-201	257	4
Highways & Transport	17,280	218	-69	149	2 / 4
Community Services	354	1,578	-305	1,273	1
Development	22,780	1,074	-304	770	5
Performance, Customer Services & Capacity	10,604	-150	0	-150	4 / 5
Finance & Business Services	18,078	289	0	289	
HR & OD	3,707	-180	0	-180	
Borough Solicitor	5,531	69	0	69	
Developed Model for Corp Services	-180	0	0	0	
Unallocated one year funding	160	0	0	0	
<b>Cross Cutting Items</b>	-617	0	0	0	
<b>TOTAL SERVICE OUTTURN</b>	<b>265,503</b>	<b>7,567</b>	<b>-4,293</b>	<b>3,274</b>	
<b>Schools Grant Funded including DSG</b>					
Strategy, Planning & Performance - DSG	0	2,163	-750	1,413	3
Schools (Individual School Budgets)	0	0	0	0	
Other Schools Provision	0	0	0	0	
Pupil Premium	0	0	0	0	
	<b>0</b>	<b>2,163</b>	<b>-750</b>	<b>1,413</b>	

94. Other corporate issues at Quarter 1 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.
- A potential overspend in ICT shared services (Cheshire East Share £0.3m) due to an expected decrease in income from schools and higher staffing costs.
- The ICT project in relation to the Public Service Network has been delayed meaning the growth proposal is likely to be underspent.
- HR schemes relating to reviewing job types and flexible working are currently delayed as further feasibility work takes place.
- Other “corporate” schemes include:
  - o Developing more affordable models of corporate and support services ~ which is being delivered through the management restructure. However, the savings may not be achievable in addition to those from the restructure leading to a potential pressure.
  - o Continue targeted business improvement reviews to find efficiency savings from all services ~ which is under review to establish if annual efficiency targets can be set.

95. The impact of the projected service outturn position is to reduce balances by £3.2m. Further items impacting on the level of the Council’s balances are detailed in the paragraphs below on centrally held budgets.

96. As the Council improves the focus on providing funding for specific outcomes there may be changes to way services are structured. In particular, the Council will always consider the most appropriate delivery model to commissioned services, this could be in-house services, arms length services or private sector providers. In the period April to June 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).

97. 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 3 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). Between April and June the PMO have organised project training to over 200 staff and is actively monitoring progress on over 160 projects.

98. 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 3 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**

99. Cheshire East Council receives two main types of Government grants, specific use grants and general purpose grants. The overall total of Government grant estimated for 2013/2014 is £405.6m. This includes the new Public Heath Grant.

100. 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 £300.3m. 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 £114m based on Government announcements to February 2013. Further announcements have revised this figure to £116m.

101. **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**

	Original Budget 2013/14 £m	Revised Budget FQR 2013/14 £m	Variance 2013/14 £m
SPECIFIC USE			
Held within Services	291.6	300.3	8.7
GENERAL PURPOSE			
Central Funding	93.0	93.0	0.0
Children & Families	1.6	2.6	1.0
Adults	5.4	5.4	0.0
Highways	0.1	0.1	0.0
Corporate	13.9	14.9	1.0
	114.0	116.0	2.0
Total Grant Funding	405.6	416.2	10.7

102. Specific use grants have increased by £8.7m. Council are asked to note that the increase in DSG (£6.8m) is an adjustment resulting from academy conversions being delayed. These conversions will now take place in year and DSG will be recouped from the Authority at a later date. Services are requesting Supplementary Revenue Estimates (SREs) of £1.9m funded from additional ringfenced or specific use grant. The Public Health grant allocation has been revised upwards by £1m since the original budget was set. There is also £0.5m relating to the Local Enterprise Partnership which has been received in part, with the remainder due to be received during 2013/2014. An additional £0.4m will be received for the ringfenced element of Adoption Grant. Details are contained in **Appendix 8a**.

103. Additional general purpose grant of £2m is also now due to be received in 2013/2014. Of this £0.7m is the subject of SRE bids by services as detailed in **Appendix 8a**. £1.3m relating to adjustments to Education Services Grant (which may be affected by further academy transfers) and to the Youth Justice Grant will be paid into General Reserves.

### Collecting Local Taxes for Local Expenditure

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

#### Council Tax

105. 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.
106. 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.
107. 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>

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

109. 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 £203.5m.

110. **Table 4** shows collection rates for the last three 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 3 years**

Financial Year	CEC Cumulative	
	2011/2012	2012/2013
	%	%
After 1 year	97.9	98.4
After 2 years	99.1	*
After 3 years	*	*

\*data not yet available

111. The Council Tax in-year collection rate for 2013/2014 is currently 30.02% compared to 30.17% for the same period in 2012/2013. This represents a reduction in collection rate of 0.15% on last year and equates to a reduction in cash collection of £0.3m when set against the current net debit.

112. Although the collection rate appears to have been affected by the introduction of the council tax support scheme, it is difficult to assess the impact it will have on full year results at this early stage. Numbers of recovery notices have increased considerably but the value of the summonses has increased by only 2% and Liability Orders by 6%.

113. Council Tax support payments (incl. Police and Fire) were budgeted at £18.9m for 2013/2014 and as at the end of the first quarter the total benefit awarded totalled £17.9m. This minimises the risk of an increase in claimants for the remainder of the year and the potential costs of current outstanding claims. A decision will be required from Members with regards to any changes to the Council Tax Support Scheme for 2014/2015 and this will be managed alongside the setting of the revised Council Tax base. Claimants who are receiving the maximum support available and still struggle to meet their liability, can apply for discretionary relief.

114. Council Tax discounts awarded as at the end of the first quarter are £18.2m which is broadly in line with the same period in 2012/2013. The figure now includes a long term empty premium of £0.5m and a Section 13s Landlord Discount figure of £0.6m which currently offset each other.

115. Council Tax exemptions awarded at the end of the first quarter totalled £3.5m. This is lower than the same period in 2012/2013 where the amount awarded totalled £5.9m. 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)**

116. 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.

117. The small business multiplier applied to businesses who 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.

118. The amount of business rates set by DCLG, to be collected by Cheshire East at the start up of the business rates retention scheme, was £132.5m. 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. After accounting for the levy due to be paid on any growth, the increase in rates would equate to £1.8m to be retained locally.

119. **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 Rates are collected within 3 years**

Financial Year	CEC Cumulative	
	2011/2012	2012/2013
	%	%
After 1 year	98.2	98.0
After 2 years	99.1	*
After 3 years	*	*
*data not yet available		

120. The business rates in-year collection rate for 2013/2014 is currently 33.36% compared to 31.44% for the same period in 2012/2013. This represents an increase in collection rate of 1.92% on last year and equates to an increase in cash collection of £2.7m when set against the current net debit.

## Capital Programme 2013/2016

121. Since setting the Original Capital Programme for 2013 to 2016 in February 2013, the overall programme has reduced by £0.8m, as shown in **Table 6**. There were a number of schemes that carried more budgets forward into 2013/2014 than was originally expected and changes made at the Outturn increased the overall programme to £232.6m. However during this first quarter a number of schemes have been removed from the programme, reducing it by £12.7m, alongside a small number of Supplementary Estimates totalling £3.2m. These give a total reduction of £0.8m.

**Table 6 – Summary Capital Programme**

	Original Total Forecast Budget 2013/17 £m	Amendments to FQR Forecast Budget 2013/17 £m	Amended FQR Forecast Budget 2013/17 £m	Budget Reductions £m	SCE's £m	Revised Total Forecast Budget 2013/17 £m
Children & Families	17.4	0.3	17.7	-2.7	0.1	15.1
Adults	9.9	-0.1	9.8	0.0	0.0	9.8
Waste, Recycling & Streetscape	0.2	1.5	1.7	0.0	0.0	1.7
Highways & Transport	81.9	4.1	86.0	0.0	0.7	86.7
Community Services	14.0	0.4	14.5	0.0	2.5	17.0
Development	37.0	2.8	39.8	-0.1	0.0	39.7
Performance, Customer Services & Capacity	0.9	0.1	1.0	0.0	0.0	1.0
Finance & Business Services	62.6	-0.5	62.1	-10.0	0.0	52.1
	<b>223.9</b>	<b>8.7</b>	<b>232.6</b>	<b>-12.7</b>	<b>3.2</b>	<b>223.1</b>

122. The revised programme is funded from both direct income (grants, external contributions and linked capital receipts), and indirect income (borrowing approvals, revenue contributions, capital reserve and non-applied receipts). A funding summary is shown in **Table 7**.



**Table 7 – Capital Funding Sources**

	Original Total Forecast Budget £m	FQR Total Forecast Budget £m	Variance £m
Grants	66.0	90.0	24.0
External Contributions	51.8	18.6	-33.2
Prudential Borrowing	91.1	98.5	7.3
Revenue Contributions	0.0	1.1	1.1
Capital Reserve	15.0	15.0	0.0
	<b>223.9</b>	<b>223.1</b>	<b>0.8</b>

123. Since the Original Forecast budget was set the funding of the capital programme has changed slightly with an increase in grants and prudential borrowing mainly due to the additional slippage that has been carried forward from the 2012/2013 capital programme and a switch in funding from external contributions to grants on the Connecting Cheshire scheme.

### Capital Budget 2013/2014

124. At the first quarter review stage the Council is forecasting expenditure of £90.6m in 2013/2014. The 2013/2014 Capital Programme has been updated to reflect the carry-forward of budgets from the 2012/2013 Programme, and any consequent re-profiling into future years (see **Appendix 4**). The original budget for 2013/2014 of £121.0m has therefore been revised to £90.6m.

125. **Table 8** illustrates the in-year changes to the capital programme which shows an overall decrease of £30.4m. This reflects the net impact in 2013/2014 of Supplementary Capital Estimates and Virements, and reductions in budgets listed in **Appendix 5** and **Appendices 6a to 6c** and the re-phasing of £18.5m into future years.

**Table 8 – In Year Changes to the Capital Programme**

	Original Budget £m	Revised FQR Budget £m	Forecast Expenditure £m	Current Forecast (Over/ Underspend) £m
<b>Children &amp; Families</b>				
Safeguarding & Specialist Support	0.6	0.5	0.5	0.0
Early Intervention & Prevention	0.9	0.0	0.0	0.0
Strategy, Planning & Performance	15.4	9.1	9.1	0.0
	<b>16.9</b>	<b>9.6</b>	<b>9.6</b>	<b>0.0</b>
<b>Adults</b>				
Care4CE	0.0	0.1	0.1	0.0
Business Management and Challenge	1.3	1.2	1.2	0.0
	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>0.0</b>
<b>Places &amp; Organisational Capacity</b>				
Waste, Recycling & Streetscape	1.7	1.7	1.7	0.0
Highways & Transport	42.8	43.3	43.3	0.0
Community Services Development	2.2	2.3	2.3	0.0
Performance, Customer Services & Capacity	25.7	16.7	16.7	0.0
	<b>72.7</b>	<b>64.2</b>	<b>64.2</b>	<b>0.0</b>
<b>Corporate Services</b>				
Finance & Business Services	30.0	15.4	15.4	0.0
	<b>30.0</b>	<b>15.4</b>	<b>15.4</b>	<b>0.0</b>
Summary	<b>121.0</b>	<b>90.6</b>	<b>90.6</b>	<b>0.0</b>

126. **Appendix 6a** lists requests for Supplementary Capital Estimates and Virements under £250,000 in respect of forecast overspends and additional schemes not previously approved as part of the 2013/2014 Capital Programme.
127. **Appendix 6b** details requests for Supplementary Capital Estimates and Virements of over £250,000 and up to £1m. All Supplementary Capital Estimates are fully funded by Government grants.
128. **Appendix 6c** details a request for a Supplementary Capital Estimate of over £1m in respect of the Crewe Lifestyle Centre, (£2.4m) to be funded by Prudential Borrowing.
129. The most notable Supplementary Capital Estimate is in respect of the Crewe Lifestyle Centre (£2.4m). The main budget reductions include £9.9m in respect of the revised Connecting Cheshire capital scheme, £0.9m in respect of the Hurdsfield family centre which the service has decided not to continue with for the foreseeable future and £2.0m in respect of a number of Children and Families projects that have been removed from the programme to be re-invested in future schemes.

## Central Adjustments

### Capital Financing Costs

130. 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. At first quarter, the capital financing budget is forecast to be on target.

## Treasury Management

131. Investment income for quarter 1 is £79,000 which matches the budget for the period. The externally managed pooled fund returned disappointing results in May and June due to a slowing down of growth in the emerging markets such as China and sharp reactions in the bond markets to comments made in the USA about possible changes to their quantitative easing programme. It is expected that markets will see a correction in the coming months. Based upon the current economic forecasts, investment interest rates are expected to slowly decline. 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 first quarter was £98.7m.
  - The average annualised interest rate received on in house investments up to the end of the first quarter was 0.63%.
  - The average annualised interest rate received on the externally managed pooled funds up to the end of the first quarter was - 0.62%.
132. The Council's total average interest rate up to the end of quarter 1 in 2013/2014 was 0.37%. This is disappointing and lower than the London Inter-bank Bid Rate for 7 days at 0.45%. The lower return for quarter 1 is a direct result of volatility in the managed pooled funds. Over time this volatility is expected to even out and provisional results for July show a modest improvement. The base rate remained at 0.50% for the quarter.

Comparator	Average Rate Q1
Cheshire East	0.37%
LIBID 7 Day Rate	0.45%
LIBID 3 Month Rate	0.44%
Base Rate	0.50%

133. All investments are made in accordance with the parameters set out in the Treasury Management Strategy Statement (TMSS) approved by Council on 28th February 2013. Further details of counterparty limits and current investments are given in **Appendix 7**.

## Central Contingencies

### Pensions

134. The 2013/2014 budget contains £0.7m contingency provision to meet the impact of increases in Employer Pensions contributions. It is anticipated that this will be fully allocated to services.

### Severance and relocation costs

135. 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. Overall spending in-year is expected to be broadly in line with the provision. 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 anticipated that the payment of £0.5m from reserves will be made in 2013/2014.

## Supplementary Revenue Approvals

136. 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. A request is also made for Council to approve expenditure funded from an increase of over £1m in ringfenced Public Health Grant. Details of the bids are contained in **Appendix 8a**.

137. Services are also seeking approval to Supplementary Revenue Estimates of £0.5m to be met from general reserves. These are also detailed in **Appendix 8b**.

138. The National Joint Council for Local Government Officers staff have recently announced agreement to 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 this stage an estimate of £1m to be met from reserves has been factored into the outturn forecast. Work is ongoing to calculate the cost implications, and Council may be asked to approve a Supplementary Revenue Estimate from general reserves when the full costs are ascertained.

### Debt

139. A summary of outstanding invoiced debt by Service is contained in **Appendix 9**.

### Outturn Impact

140. The impact of the projected service outturn position is to reduce balances by £3.2m as reported above (para 95). The forecast Public Health underspend of £0.3m is required to be held in an earmarked reserve, and therefore increases the impact on general reserves.

141. Taken into account with the central budget items detailed above, the impact of these issues is to reduce balances by £4.2m, summarised as follows:

**Table 9 – Impact on Balances**

	£m
Service Outturn	3.2
Contribution to earmarked reserves	0.3
Specific Grants	-1.3
Relocation costs	0.5
Supplementary Estimates	0.5
LGO Pay Award	<u>1.0</u>
	<u>4.2</u>

### Management of Council Reserves

142. 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.

143. The opening balance at 1 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.

144. 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 has been updated and is contained in **Appendix 11**.

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

146. The overall impact of service and central budget outturn issues identified above is therefore a net decrease in general reserves of £4.2m to £14.8m as shown in **Table 10** below.

**Table 10 – Change in Reserves Position**

	£m
Opening Balance at 1 April 2013	19.0
FQR Outturn Impacts	<u>-4.2</u>
Forecast Closing Balance at March 2014	14.8

147. The projected balance of £14.8m 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

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

#### Workforce Development

149. A number of important workforce development projects are being developed and rolled out to support the Council's ambitious plans. Under project 8.2 to build capability and engagement in the workforce, key actions have included the commissioning of a workforce survey which will be run during November 2013, to establish a baseline measure of employee engagement from which specific actions can be taken to better support and enhance employee engagement.
150. The spring staff road-shows generated almost 100 ideas, 40 of which have been or are being implemented, with 8 of the very best ideas having been short-listed to be presented to a "Dragons Den" style event in September. The aim of this event will be to demonstrate to staff that their ideas matter and to promote collaborative working and increase commercial awareness.
151. A key set of organisational capabilities, including commercial, commissioning and community capabilities are being developed for the commissioning and delivery of a comprehensive development programme, to ensure that the Council's managers and staff have the required capabilities to thrive and deliver within the Council's strategic commissioning operating model.
152. The Corporate and Performance Policy Development Group continued to review performance related pay during the first quarter and is due to report shortly. The findings and recommendations of this group along with an ongoing feasibility study into the introduction of performance related pay will help to inform the Council's future policy on this. This project's plan will be re-

scheduled to align with the feasibility study. The performance related pay project will under-spend its cost of investment funding by £0.18m in the current year as this funding will not be required until 2014/2015. The plan for the flexible and agile working project will similarly be re-scheduled to align with its' feasibility study.

153. A high level Organisational Development Strategy has been developed for 2013 to 2016 to support and enable the Council in delivering the programme of transformation and change. The strategy will be recommended to informal cabinet during August.

#### Senior Management Review

154. The overall review aims to reduce the cost of our management overheads by about 25% to protect frontline jobs and services. The first phase has been completed with the senior appointments being made by Easter and the balance by June. As part of this phase 40 permanent appointments were made which was a reduction of 11 full time equivalents compared to the previous structure last year. Nine posts remained vacant at the end of the first phase, a number of which are in the process of being recruited to.
155. The second phase, which comprised a baseline of 81 posts started as planned on 22nd May and consultation is ongoing until September, with appointments planned during late September and into October. The third and final phase of the review, which will comprise 266 posts will commence following the completion of phase 2.
156. Management savings of £3.5m were provided for within the budget for 2013/2014, £1.3m of which were specifically identified within the budget proposals, leaving a balance of £2.2m to be achieved by the management review. Although post numbers are clearly being reduced there are still two phases of the process to complete. At this stage in the review, when significant further action is still to be taken, it is not practical to estimate the full financial impact of the

Senior Management Review. The forecasts included in this report for Quarter 1 therefore assume achievement against budget, and a more complete appraisal will be developed later in the financial year.

## Staffing Changes

157. The table below demonstrates that there has been a reduction in headcount of almost 1.5% between April and June this year. The headcount figure in June 2012 had been 5,671 (a reduction over the year of 390).

**Table 11: Headcount and FTE figures for April to June 2013**

	Jun-13		May-13		Apr-13	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
Places	2,131	1,468.68	2,140	1,477.35	2,142	1,484.08
Childrens	1,165	795.64	1,174	800.48	1,200	820.31
Adults	1,355	1,019.87	1,366	1,026.47	1,368	1,028.48
HR & OD	48	41.67	49	43.06	48	42.25
Apprentices	51	49.97	57	55.41	64	62.58
Finance	255	235.82	257	238.39	255	236.02
Legal/Dem	129	85.21	131	86.35	133	87.73
Shared Svs	147	135.20	148	136.20	151	139.73
<b>Total</b>	<b>5,281</b>	<b>3,832.06</b>	<b>5,322</b>	<b>3,863.71</b>	<b>5,361</b>	<b>3,901.18</b>

## Staffing Costs

158. Over the period of April to June this year, direct employee costs reduced month on month (from £10,111,991 in April to £10,093,876 in June).
159. **Table 12** demonstrates that there has been a month on month reduction in the average number of days lost to sickness absence this year in comparison to last.

**Table 12: Comparison of average days lost to sickness in the First Quarter of 2013/2014 to the same period last year**

Cheshire East Council (excluding Schools)			
	Jun-13	May-13	Apr-13
Q1 2013/2014	0.83	0.94	0.93
Q1 2012/2013	0.94	1.23	1.15

## Voluntary Redundancies

160. 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.

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

**August 2013**

# Appendix 1 – The 3 Year Council Plan

CHESHIRE EAST COUNCIL  
THREE YEAR PLAN

2013  
2016





**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 from Original Budget 2013/2014

	Original Net Budget £000	Additional Grant Funding £000	Allocations from Balances £000	Restructuring & Realignments £000	Other Virements £000	FQR Net Budget £000
Children & Families						
Directorate	439			411	-52	798
Safeguarding & Specialist Support	28,356	602		1,003	-271	29,690
Early Intervention & Prevention	11,665			-282	-180	11,203
Strategy, Planning & Performance	15,700	107		-247	-131	15,429
Children's Safeguarding (incl Adults)	1,615			736	-38	2,313
One year funding allocation	370			-370		0
	58,145	709	0	1,251	-672	59,433
Adults						
Care4CE	-650			16,477	-406	15,421
Strategic Commissioning	38,980			-18,911	-50	20,019
Business Management and Challenge	3,141			1,952	118	5,211
Health Improvement	0			321		321
Adult Safeguarding	591			-591		0
Individual Commissioning	60,320			81	-192	60,209
One year funding allocation	580			-580		0
	102,962	0	0	-1,251	-530	101,181
Public Health	0					0
Waste, Recycling & Streetscape	27,480			-60	-228	27,192
Highways & Transport	16,934		394		-48	17,280
Community Services	735			-50	-331	354
Development	23,102		19	-90	-251	22,780
Performance, Customer Services & Capacity	10,098			670	-164	10,604
One year funding allocation	470			-470		0
Finance & Business Services	18,022		106	-10	-40	18,078
HR & OD	3,736			10	-39	3,707
Borough Solicitor	5,462	13			56	5,531
Developed Model for Corporate Services	-180					-180
One year funding allocation	160					160
Cross Directorate Items	-3,117	0	0	0	2,500	-617
<b>TOTAL SERVICE BUDGET</b>	<b>264,009</b>	<b>722</b>	<b>519</b>	<b>0</b>	<b>253</b>	<b>265,503</b>
Central Budgets						
Specific Grants	-20,975	-722				-21,697
Capital Financing	11,905					11,905
Contingencies	4,862					4,862
Contribution to/from Reserves			-519			-519
Invest to Save Reserve					-253	-253
	-4,208	-722	-519	0	-253	-5,702
<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 - 30th June 2013		Original Budget 2013/2014 £000	Revised Budget FQR 2013/2014 £000	Variance 2013/2014 £000
	Note			
<b>SPECIFIC USE (Held within Services)</b>				
<b>Schools</b>				
Dedicated Schools Grant	1	182,401	189,206	6,805
Pupil Premium Grant	1	5,228	5,511	283
Sixth Forms Grant (EFA)	1	6,722	6,406	-316
<b>Total Schools Grant</b>		<b>194,351</b>	<b>201,123</b>	<b>6,772</b>
Housing Benefit Subsidy		84,518	84,518	0
Public Health		12,725	13,762	1,037 SRE
Local Enterprise Partnership		0	526	526 SRE
Adoption Improvement Grant		0	350	350 SRE
<b>TOTAL SPECIFIC USE</b>		<b>291,594</b>	<b>300,279</b>	<b>8,685</b>
<b>GENERAL PURPOSE (Held Corporately)</b>				
<b>Central Funding</b>				
<b>Business Rates Retention Scheme:</b>				
Revenue Support Grant		55,855	55,855	0
Baseline Allocation		37,159	37,159	0
<b>Total Central Funding</b>		<b>93,015</b>	<b>93,015</b>	<b>0</b>
<b>Children &amp; Families</b>				
Skills Funding Agency		847	954	107 SRE
Youth Offending Service Grant		0	353	353 To balances
Troubled Families		586	586	0
Troubled Families - Co-ordinator		100	100	0
Remand Funding - New Burden		64	47	-17 SRE for £47k
Sector Led Improvement Grant		0	3	3
Adoption Improvement Grant		0	554	554 SRE
<b>Adults</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

Corporate Grants Register 2013/2014 - 30th June 2013		Original Budget 2013/2014 £000	Revised Budget FQR 2013/2014 £000	Variance 2013/2014 £000
	Note			
<b>GENERAL PURPOSE (Held Corporately)</b>				
<b>Highways</b>				
Lead Local Flood Authorities		52	52	0
<b>Borough Solicitor</b>				
Individual Electoral Registration		0	13	13 SRE
<b>Corporate</b>				
Education Services Grant		4,385	5,349	964 To balances
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
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		1,794	1,805	11 To balances
Council Tax - New Burden		148	148	-0
Community Rights to Challenge - New Burden		9	9	0
Community Rights to Bid - New Burden		8	8	0
<b>Total Specific Grant</b>		<b>20,975</b>	<b>22,962</b>	<b>1,987</b>
<b>TOTAL GENERAL PURPOSE</b>		<b>113,990</b>	<b>115,977</b>	<b>1,987</b>
<b>TOTAL GRANT FUNDING</b>		<b>405,584</b>	<b>416,255</b>	<b>10,671</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	FQR	SCE's/ Virements/ Reductions	Revised	Reprofiled	Forecast Expenditure			
	In-Year	FQR	FQR	to				
	Budget	FQR	Budget	Future	2013/2014	2014/2015	2015/2016	Post 2015/2016
	2013/2014	2013/2014	2013/2014	2013/2014	2013/2014	2014/2015	2015/2016	Post 2015/2016
	£000	£000	£000	£000	£000	£'000	£'000	£'000
<b>Children &amp; Families</b>								
New Starts	7,373	-2,155	5,218	-2,458	2,760	2,458	0	0
Ongoing Schemes	9,577	-440	9,137	-2,327	6,810	2,245	788	0
<b>Adults</b>								
New Starts	691	-80	611	0	611	2,500	6,000	0
Ongoing Schemes	637	62	699	0	699	0	0	0
<b>Waste, Recycling &amp; Streetscape</b>								
New Starts	138	0	138	0	138	0	0	0
Ongoing Schemes	1,583	6	1,589	0	1,588	0	0	0
<b>Highways &amp; Transport</b>								
New Starts	21,497	455	21,952	2,235	24,187	22,928	5	0
Ongoing Schemes	21,285	193	21,478	-2,379	19,099	10,266	9,900	0
<b>Community Services</b>								
New Starts	685	9	694	0	694	10,250	4,500	0
Ongoing Schemes	1,548	62	1,610	0	1,610	0	0	0
<b>Development</b>								
New Starts	3,172	63	3,235	55	3,290	944	0	0
Ongoing Schemes	22,577	-158	22,419	-9,036	13,383	16,462	4,866	756
<b>Performance, Customer Services &amp; Capacity</b>								
New Starts	0	0	0	0	0	500	200	0
Ongoing Schemes	259	0	259	0	259	0	0	0
<b>Finance &amp; Business Services</b>								
Ongoing Schemes	29,977	-9,954	20,023	-4,592	15,431	30,291	6,467	0
Total New Starts	33,556	-1,708	31,848	-168	31,680	39,580	10,705	0
Total Ongoing Schemes	87,443	-10,230	77,213	-18,334	58,879	59,264	22,021	756
<b>Total Capital Expenditure</b>	<b>120,999</b>	<b>-11,938</b>	<b>109,061</b>	<b>-18,502</b>	<b>90,559</b>	<b>98,844</b>	<b>32,726</b>	<b>756</b>
<b>Funding Source</b>					<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>Post 2015/2016</b>
					<b>£000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Grants					45,723	40,527	3,700	0
External Contributions					2,730	8,605	7,280	0
Prudential Borrowing					31,038	44,711	21,746	756
Revenue Contributions					1,068	0	0	0
Capital Reserve					10,000	5,000	0	0
Total					<b>90,559</b>	<b>98,844</b>	<b>32,726</b>	<b>756</b>

## Appendix 5 – Reductions in the Capital Programme

Scheme	Approved Budget	Revised Approval	Reduction	Reason
	£	£	£	
<b><u>ADULTS</u></b>				
Building Base Review	772,679	754,251	18,428	Scheme anticipated to underspend
<b><u>CHILDREN AND FAMILIES</u></b>				
Accessibility (<£100k)	87,514	77,966	9,548	Scheme Complete
Alsager Secondary School	288,848	284,192	4,656	Scheme removed from capital programme
Basic Need (<£100k)	167,366	162,180	5,186	Scheme anticipated to underspend
Brine Leas Sixth Form	7,327,499	7,317,086	10,413	Scheme removed from capital programme
Capital Maintenance Grant	218,003	0	218,003	Scheme removed from capital programme
Christ the King Catholic & C of E PS	3,238,704	3,233,000	5,704	Scheme removed from capital programme
Cledford Infants School	698,447	688,897	9,550	Scheme removed from capital programme
Cledford TLC Scheme	3,357,714	3,345,714	12,000	Scheme removed from capital programme
Egerton School	186,216	183,380	2,836	Scheme removed from capital programme
Gorsey Bank Primary School	233,133	204,227	28,906	Scheme anticipated to underspend
Hurdesfield	866,147	8,986	857,161	Scheme removed from capital programme
Minor Works / Accessibility (<£100k)	304,621	299,850	4,771	Scheme anticipated to underspend
Offley Primary School	1,017,683	1,014,824	2,859	Scheme removed from capital programme
Stapeley Broad Lane PS - Replacement of temp accommodation	907,575	901,575	6,000	Scheme removed from capital programme
Suitability (<£100k)	404,202	387,811	16,391	Scheme Complete
Suitability Bids (<£100k)	734,811	733,711	1,100	Scheme removed from capital programme
The Dingle Primary School	120,589	107,190	13,399	Scheme removed from capital programme
Wheelock Primary School - Phase 2	1,615,872	1,608,460	7,412	Scheme anticipated to underspend
Capital Maintenance Grant Block Provision	727,000	340,000	387,000	Reduction in scope of project
Condition Work - Block Provision	1,009,000	0	1,009,000	Scheme removed from capital programme
Devolved Formula Capital	902,000	870,780	31,220	Matched budget to Actual grant awarded for 2013/2014
Lacey Green PS - Basic Need	1,273,000	1,237,000	36,000	Correction to original budget

Scheme	Approved Budget	Revised Approval	Reduction	Reason
	£	£	£	
<b>Development</b>				
Tatton Park - Visioning Feasibility	50,000	49,979	21	Scheme complete just small residual balance to transfer back to balances
Tatton Park - Development	240,000	239,699	301	Scheme complete just small residual balance to transfer back to balances
Choice Based Lettings	222,033	213,363	8,670	Scheme complete just small residual balance to transfer back to balances
Assisted Purchase Scheme	575,522	519,515	56,007	The Assisted Purchase Scheme is no longer being administered or offered by the Housing Department. It was found to be very resource intensive and further capital allocations were not approved. There are alternative schemes which would be less resource intensive and a business case is being produced for consideration.
<b>Highways &amp; Transport</b>				
Cycle Parking, Wilmslow	41,000	33,561	7,439	Scheme complete just small residual balance to transfer back to balances
<b>ICT</b>				
Connecting Cheshire	41,646,000	31,691,758	9,954,242	Agreements are now in place for BT as supplier and delivery partner, this has led to the outline figures being more defined and definite
<b>Totals</b>	<b>69,233,178</b>	<b>56,508,954</b>	<b>12,724,224</b>	

# Appendix 6a – Request for Supplementary Capital Estimates (SCEs) and Virements

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
<b>Members are asked to note SCE and Virements up to and including £250,000</b>		
<b><u>SUPPLEMENTARY CAPITAL ESTIMATES</u></b>		
<b><u>Children and Families</u></b>		
Oakenclough CC - Co-location (<£100k)	3,145	Capital Maintenance Grant Funding
Sound & District Primary School	3,000	Capital Maintenance Grant Funding
Springfield Special School (School Funded Project)	29,000	School Contribution - Springfield Special School
Suitability/Minor Works/Accessibility Block Provision	48,721	School Contributions - Various
<b><u>Highways &amp; Transport</u></b>		
Macon Way Cycle Improvements	200,000	Sustrans Grant Funding
Macclesfield New Cremators	6,787	Revenue contribution from the Mercury Credit Fund
Carbon Initiatives	200,000	Interest Free Loan from SALIX
<b><u>Communities</u></b>		
Lifestyle Centre Refurb at Macclesfield Leisure Centre	19,373	Revenue contribution £16,577 and £2,796 Prudential Borrowing (part of £15,000 given up at 2012/2013 outturn in error)
Lifestyle Centre Refurb at Wilmslow Leisure Centre	12,204	Prudential Borrowing - given up at 2012/2013 outturn in error
Macclesfield Town F. C.	8,550	Capital Reserve
<b>Total SCE's</b>	<b>530,780</b>	



Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
<b><u>CAPITAL BUDGET VIREMENTS</u></b>		
<b><u>Adults</u></b>		
CareWorks System	79,972	Supporting the Front Line Project - Adult Social Care Grant Funding
<b><u>Children and Families</u></b>		
Suitability/Minor Works/Accessibility Block Provision	130,314	Devolved Formula Capital 2013/2014 - Grant Funding
<b><u>Streets &amp; Open Spaces</u></b>		
<b><u>Highways &amp; Transport</u></b>		
Part 1 Claims	17,406	2012/2013 Part 1 Claims - rolled up into 2013/2014 programme - Funded by LTP Grant
	3,786	2011/2012 Part 1 Claims - rolled up into 2013/2014 programme - Funded by £786 - External Contributions and £3,000 LTP Grant
Road Safety Schemes Minor Works	220,371	2012/2013 RSS Minor Works - rolled up into 2013/2014 programme - Funded by £72,197 Prudential Borrowing and £148,174 LTP Grant
Local Area Programme	28,247	2012/2013 Local Measures - rolled up into 2013/2014 programme - Funded by LTP Grant
	32,082	2011/2012 Local Measures - rolled up into 2013/2014 programme - Funded by LTP Grant
Air Quality Action Plan	22,215	2012/2013 Air Quality Action Plan - rolled up into 2013/2014 programme - Funded by LTP Grant
PROW Capital Works	269	Public Rights of Way 2011/2012 - rolled up into 2013/2014 programme - Funded by LTP Grant
ROWIP Cycle/Walking Schemes	39,792	2012/2013 Access - rolled up into 2013/2014 programme - Funded by LTP Grant
Accessibility: Public Transport	57,866	2012/2013 Public Transport Capital Investment - rolled up into 2013/2014 programme - Funded by LTP Grant Bus Network Investment 2011/2012 - rolled up into 2013/2014 programme - Funded by LTP Grant

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
<b>Development</b>		
Regeneration & Development Programme	49,875	Crewe Town Squares Refurbishment - rolled in to 2013/2014 programme - Funded by Prudential borrowing
Feasibility Studies 2013/2014	11,980	Wilmslow Feasibility Study 2011/2012 - Project now complete, to be rolled in to 2013/2014 Feasibility budget - Funded by Revenue contribution
Nantwich Pool Enhancements	30,000	AMS Block 2012/2013 - Additional funding required to complete the works at Nantwich Pool - Funded by Prudential borrowing
<b>Total Virements</b>	724,175	
<b>Total SCE's and Virements</b>	1,254,955	

## Appendix 6b – Request for Supplementary Capital Estimates (SCEs) and Virements

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
<b>Cabinet are asked to approve SCE and Virements above £250,000 up to and including £1,000,000</b>		
<b><u>SUPPLEMENTARY CAPITAL ESTIMATES</u></b>		
<b><u>Highways &amp; Transport</u></b>		
Surface Water Management Schemes	255,000	Grant funding received from DEFRA as part of the Flood and Water Management Act 2010 in respect of the new duties required of the Lead Local Food Authorities
<b>Total SCE's Requested</b>	255,000	
<b><u>CAPITAL BUDGET VIREMENTS</u></b>		
<b><u>Children and Families</u></b>		
DFC Grant	740,465	Devolved Formula Capital 2013/2014 - rolled up with remaining Devolved Formula Capital Funding to report as one project
<b><u>Highways &amp; Transport</u></b>		
Highway Maintenance Minor Works	476,007	2012/2013 Principal Roads Project - rolled up into 2013/2014 Programme - funded by LTP Grant
Bridge Maintenance Minor Works	438,220	2012/2013 Bridge Maintenance - rolled up into 2013/2014 Programme - funded by LTP Grant
Highway Investment Programme	869,390	2012/2013 Non LTP Maintenance Programme - rolled up into 2013/2014 Programme - funded by Prudential Borrowing
<b>Total Virements Requested</b>	2,524,082	
<b>Total SCE's and Virements Requested</b>	2,779,082	

## Appendix 6c – Request for Supplementary Capital Estimates (SCEs) and Virements

Capital Scheme	Amount Requested £	Funding of SCE / Project Providing Virement
Full Council is asked to Approve SCE's and Virements in excess of £1m or SCE's of any value funded by internal reserves, balances or general purpose funding		
<b><u>SUPPLEMENTARY CAPITAL ESTIMATES</u></b>		
<b>Communities</b>		
Lifestyle Centre Crewe	2,400,000	The scope of the project has changed since the original business case was submitted and to achieve the enhanced provision, additional funding from Prudential Borrowing is required.
<b>Total SCE's Requested</b>	2,400,000	

## Appendix 7 – Treasury Management

### Counterparty Limits and Investment Strategy

1. The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. For named UK banks and building societies this has been set at 15% of our total investments subject to a maximum value of £15m. These limits apply to the banking group that each bank belongs to. Limits for Money Market funds have been set at 25% of total investments subject to a maximum value of £20m. There is also a maximum that can be invested in all Money Market Funds at any one time of 50% of the value of all investments.
2. Our approved counterparties list also includes a number of foreign banks although, to date, none have been used. Credit conditions within the Eurozone and worldwide have been improving and consideration, with advice from our Treasury Management advisors, is being given to investments in strongly rated foreign banks. The limits applicable to foreign banks are the same as those applied to UK banks.
3. Banks credit ratings are kept under continual review. In the last quarter the rating of the Co-operative bank has declined markedly to 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.
4. Following the Government announcement that sale of some or all of their stake in Royal Bank of Scotland Group may occur soon, the Council has reduced its investment period to overnight deposits only whilst uncertainty persists.
5. Opportunities are being taken whenever possible to fix investments for longer periods. However, with few counterparties and declining rates the returns are relatively low. Consideration is now being given to alternative types of investment (e.g property funds, credit unions,) as discussed at recent presentations/ training sessions provided by our treasury advisors.
6. **Table 1** shows the current investments and limits with each counterparty. A full analysis of the types of investment and current interest rates achieved is given in **Table 2**.

**Table 1 – Current Investments and Limits**

Counterparties	Limits		Investments as at 30/06/13	
<b>UK BANKS</b>				
Barclays Bank	15%	£15m	11%	£11m
Close Brothers	15%	£15m	-	-
Co-operative Bank:	15%	£15m	-	-
HSBC Bank	15%	£15m	-	-
Lloyds TSB	15%	£15m	12%	£13m
Royal Bank of Scotland	-	-	10%	£10m
Santander (UK) plc	15%	£15m	8%	£8.8m
Standard Chartered Bank	15%	£15m	2%	£2m
<b>BUILDING SOCIETIES</b>				
Nationwide Building Society	15%	£15m	14%	£14m
<b>Money Market Funds</b>	50%		23%	
Deutsche	25%	£20m	1%	£1.2m
Federated Prime Rate	25%	£20m	9%	£9m
Ignis	25%	£20m	7%	£7.2m
Morgan Stanley	25%	£20m	5%	£5m
Scottish Widows	25%	£20m	1%	£1.9m
Pooled Funds - External Fund Manager	50%		20%	£20.3m
				<b>£103.4m</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	0.77%	12.8
Money Market Funds	0.40%	24.3

<b>Notice Accounts</b>	<b>Avg rate %</b>	<b>£m</b>
Notice Accounts (up to 100 days)	0.65%	9

<b>Fixed Term Deposits</b>	<b>Start</b>	<b>Maturity</b>	<b>Rate %</b>	<b>£m</b>
Nationwide BS TD	08/05/2013	18/07/2013	0.42	2
Barclays TD	12/04/2013	12/08/2013	0.47	3
LLoydsTSB TD	10/05/2013	16/08/2013	0.70	2

Nationwide BS TD	15/05/2013	16/08/2013	0.44	3
Nationwide BS TD	11/04/2013	19/08/2013	0.51	4
Nationwide BS TD	01/05/2013	19/08/2013	0.46	2
LLoydsTSB TD	12/04/2013	19/09/2013	0.75	3
LLoydsTSB TD	02/04/2013	02/10/2013	0.80	3
Nationwide BS TD	02/04/2013	02/10/2013	0.54	3
LLoydsTSB TD	08/05/2013	18/10/2013	0.75	3
LLoydsTSB TD	07/01/2013	07/01/2014	1.10	2
Barclays TD	11/04/2013	17/01/2014	0.66	5
Standard Chartered CD	26/11/2012	26/11/2013	0.69	2
<b>Externally Managed Funds</b>				<b>£m</b>
Pooled Investments				20.4
<b>Maturity Profile</b>				<b>£m</b>
Instant Access				37.1
Maturing < 1 month				8
Maturing within 1 - 6 months				31
Maturing within 6 - 12 months				7
Externally Managed Funds				20.4
<b>Total</b>				<b>103.4</b>

### Performance of Fund Manager

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

	STANDARD MODEL	DYNAMIC MODEL
<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>Cumulative 2013/14</b>	-0.16%	-0.15%
<b>Value of Investment at 30/06/13</b>	£10,175,344	£10,153,513
<b>Fees (Total since start)</b>	£53,079	£57,152
<b>Average Annual Rate as at 30/06/13</b>	0.59%	0.46%

8. Strong performance in April was overshadowed by poor results in May and June. The causes were the slowing down of growth in emerging markets, particularly China, and over-reactions in the bond markets after comments in the USA concerning possible future direction of their quantitative easing measures.
9. Bond markets are expected to rally and there were indications that this was happening towards the end of June. 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 8a – Request for Supplementary Revenue Estimates (SREs) Funded by Additional Grant

Service / Grant	Type of Grant	£000	Details of Service Bid
Public Health	Ringfenced	1,037	<p>Public Health responsibilities have been transferred to local authorities from April 2013. In January 2013, the Council received notification from the Department of Health of the Public Health Grant Allocations for 2013/2014 and 2014/2015. The funding is ring fenced for at least the first 2 years and must be used to deliver Public Health services. Any unused funding can be carried forward via an earmarked Public Health reserve.</p> <p>Original grant funding for 2013/2014 was £12.725m. In March the Council were advised of an increase of £1.037m in the allocation for 2013/2014 to £13.762m</p> <p>The grant can be used for revenue and capital purposes.</p> <p>As the value is over £1m, Cabinet are asked to recommend that Council approve the use of the ringfenced grant.</p>
Children & Families - Adoption Grant	Ringfenced General Purpose <b>Total</b>	350 <u>554</u> <b><u>904</u></b>	<p>In February 2013, the Government announced one off funding for investment in Adoption services during 2013/2014.</p> <p>£349,850 of the grant is ringfenced, and must be spent on:</p> <ul style="list-style-type: none"> <li>• Structural reform of adopter recruitment to increase the supply of adopters.</li> <li>• Reducing the backlog of children waiting for adoption, particularly by developing innovative ways of finding adoptive families for children who traditionally wait longer than average to be adopted.</li> </ul>

Service / Grant	Type of Grant	£000	Details of Service Bid
			<p>£553,704 of the grant is General Purpose.</p> <p>The expenditure would support the Council's priorities in developing affordable and sustainable local models of care for vulnerable children and adults, and focusing services on early intervention and prevention.</p> <p>Utilising this grant funding to develop and improve the adoption services within Cheshire East should help to reduce overall care costs for the Council and provide vulnerable children with a more stable and long term family unit.</p> <p>If the adoption service is not developed, then the service will continue to utilise foster carers and the external care market to provide care and support to vulnerable children. This creates both budgetary and resource pressure.</p> <p>Both grants will be spent on adoption related services, in particular activities which will be undertaken within our collaboration with three other LA's, Stockport, Trafford and Tameside (Four4adoption ). This collaboration has identified a number of areas and agreed strategies, where the grant will contribute to sourcing additional prospective adopters and improve timescales in relation to assessments. There will also be investment in parenting programmes for those who adopt, and development of exchange days and other family finding strategies for hard to place children.</p> <p>A proportion of the <b>non ring fenced grant</b> will be invested in Children Services for those areas of improvement as identified in the recent Ofsted inspection. This will include additional capacity for assessing adopters and further strengthening our Four4adoption collaboration as well as a programme of training. In order to sustain our improvement, it is intended that 50% of the non-ringfenced grant should be set aside as an invest to save pot to be used over the next two years.</p>

Service / Grant	Type of Grant	£000	Details of Service Bid
Local Enterprise Partnership (LEP) funding	LEP Accountable Body - Specific Use	526	<p>The grant is intended to fund administration and activities commissioned on behalf of and in support of the Cheshire and Warrington LEP, in particular to meet the objectives of the LEP Growth Plan.</p> <p>£250,000 of Core Funding has already been received; £25,600 of Capacity Funding is imminent and a further £250,000 of Core Funding is to follow to help enable LEPs to produce strategic plans and EU fund strategies as set out in the Government's response to Lord Heseltine's review.</p>
Democratic - Electoral Registration	General Purpose	13	<p>Grant received from the Ministry for Political and Constitutional Reform in relation to the funding of Individual Electoral Registration (IER) for the 2013/2014 financial year.</p> <p>From early 2013 the Council will need to begin the transition to IER. Instead of one householder providing confirmation of those entitled to vote at an address, each individual elector will need to provide personal information, and these details verified against local and central government data. The grant is to ensure that the Council can prepare for the transition period for IER in 2014. Additional funding is expected for 2014/2015.</p>
Children & Families - Remand Framework for Children	General Purpose	47	<p>The Legal Aid, Sentencing &amp; Punishment of Offenders Act (LASPO) was issued in May 2012 with implementation from December 2012.</p> <p>The LASPO Act 2012 devolves greater financial responsibility for secure &amp; custodial remands to Local Authorities. All Children and Young People (CYP) who are remanded in youth detention accommodation will be given Looked After Children (LAC) status. The grant is to cover the costs of this new responsibility and gives LA's incentives to reduce their secure remands and reinvest any savings achieved in Youth Justice (YJ).</p>

Service / Grant	Type of Grant	£000	Details of Service Bid
			<p>The grant is to fund the costs of remands for CYP in young offender institutes</p> <p>The Ministry of Justice have indicated that the same overall funding is available for 2014/2015, although individual LA allocations may differ.</p> <p>There is no indication of how long the grant will be made available but the responsibility for remand services and costs will remain with the LA going forward.</p>
Children & Families - Lifelong Learning	General Purpose	107	50% of the funding is intended for Discretionary Learner Support to meet hardship and childcare for learners attending Skills Funding Agency courses. 50% is for funded skills development programmes for the unemployed. The funding contributes towards the Council's priority area of responding to the changing education and learning environment. The grant is awarded subject to achievement of performance measures stipulated in the grant conditions. Repayment of the grant is required for underperformance.
<b>SUMMARY</b>	Ringfenced Specific Use General Purpose <b>Total</b>	1,387 526 721 <b>2,634</b>	

## Appendix 8b – Request for Supplementary Revenue Estimates (SREs) Funded from General Reserves

Service	Item	£000	Details
Finance	CLS Care Services Leases	106	<p>Item already approved by Cabinet on 4 March 2013. Rental income shortfall arising from sale of leases to CLS Care Service Leases.</p> <p>Council approval now required.</p>
Highways	Flood Defence Levy	19	<p>The Council is invoiced each year by the Environment Agency for the Flood Defence Levy. This is a contribution to the North West Flood and Coastal Defence Committee. The 2013/2014 Flood Defence Levy charged to the Council by the Environment Agency of £258k is £19k more than budgeted for.</p> <p>The Environment Agency have statutory powers to charge local authorities based on the tax base for the chargeable year. They collect tax base information in the December / January preceding the year in question. The tax base for 2013/2014 has been subject to significant changes as a result of:</p> <ul style="list-style-type: none"> <li>• Technical reforms to Council Tax (discount changes – increasing taxbase)</li> <li>• Council Tax Benefit becoming Council Tax Support and being applied as a discount to the bill (reducing tax base).</li> </ul> <p>This has affected all councils in different ways with authorities with high Council Tax Benefit costs seeing large drops in tax base. The revised position has been used to allocate the Flood Defence Levy. The relative</p>

Service	Item	£000	Details
			<p>movement in tax base has determined whether the charge to each council has changed.</p> <p>However, the information to enable the impact to be understood and challenged was not released until mid February.</p>
Highways	Flood Grant	394	<p>The Flood and Water Management Act 2010 presented Local Authorities with new duties and responsibilities for leading the co-ordination of flood risk management in their areas through the new role of the lead local flood authority (LLFA).</p> <p>Central government recognised the challenges that this would bring for Local Authorities and put in place a three year support funding programme to support LLFA's with their delivery plans.</p> <p>This funding request relates to Years 1 -3 and comprises:  £40k for the unused balance of 2011/2012 grant  £177k for the 2012/2013 grant, and  £177k for the 2013/2014 grant allocation.</p> <p>The unused element of the previously approved Supplementary Revenue Estimate for use of the 2011/2012 grant was temporarily returned to balances at year end. Due to delays in implementation of the new responsibilities, no bids or policy proposals have previously been made to use the 2012/2013 and the 2013/2014 grant funding. These amounts have been treated as corporate funding and so still effectively remain in balances.</p> <p>In 2013/2014, £125k has been rolled up into the core funding of the Council through Revenue Support Grant. This will be reflected in Council funding for 2014/2015 onwards, and a further (Year 4) specific grant of £52k is also expected in 2014/2015. A policy proposal will be included in</p>

Service	Item	£000	Details
			<p>the 2014/2015 budget setting process for additional expenditure budget to meet the ongoing costs associated with this function.</p> <p>The Flood Water Management Act became law in 2010 and initially the Council placed responsibility for this new role and its statutory duties with the land drainage section supported by a seconded member of staff from the Highways Service. As understanding of the new Act and its associated duties and responsibilities grew the council made a decision to revise its approach to delivery of these functions and transferred responsibility for Flood Water Management (FWM) to the Highway Service, including a coordination role across all affected Council Services. This function has been included as part of the services that Cheshire East Highways (CEH) provide as part of the Highway Service Contract. CEH appointed two members of staff to a newly FWM team and they came on stream fully in October 2012. Since then more substantial progress has been made to establish the systems and processes necessary to meet the duties and roles of the new Act and as a result have seen a corresponding increase in expenditure. In 2013/2014 this system and process work will continue within Highways and in association with the Planning and Land Drainage teams as preparation for the implementation of the Sustainable Urban Drainage Systems (SUDs) approval body in April 2014 goes ahead.</p> <p>The grant will support delivery of the Council's statutory duties as a lead local flood authority to meet certain key requirements in relation to Flood and Water Management. Principally these relate to the delivery of:</p> <ul style="list-style-type: none"> <li>• Local Flood Risk Management Strategy</li> <li>• Development of Asset Register</li> <li>• Flood Investigation</li> <li>• Regulatory duties - consenting and enforcement</li> <li>• Designation of Assets</li> <li>• SuDS (Sustainable urban Drainage Systems) approving body</li> </ul>

Service	Item	£000	Details
			<ul style="list-style-type: none"> <li>• Overview and Scrutiny</li> <li>• Byelaws - in relation to control of water management operations</li> </ul> <p>The Council has considered the implications and delivery options available to meet the new statutory duties it has under the Act and established a Flood Risk Management team within the Highway Service, to coordinate the approach to flood risk with other council service teams, key risk management agencies and wider stakeholder groups.</p> <p>Monitoring of progress for these key requirements is being taken forward via the Cheshire and Mid Mersey Partnership Group which in turn, forms part of the wider North West Regional Flood and Coastal Committee (RFCC) area of operational responsibility and under the overall strategic overview of Environment Agency.</p> <p>Flood Risk Management team needs the funding to continue to deliver the Council's statutory duties under the Flood Water management Act and to continue its contribution towards meeting the Council's agreed 2013/2016 corporate values and key outcomes including sustainable, strong, resilient and supportive communities and places. Investment in essential flood risk management infrastructure will also contribute to ensuring Cheshire East has a strong and resilient economy.</p> <p>In the current financial year the Flood risk team will also need to carry out preparatory work relating to meeting the implementation date for the SuDS approval body in partnership with the Planning team in order to develop a coordinated approach that works alongside the established planning process</p>
<b>TOTAL</b>		<b>519</b>	



## Appendix 9 – Debt Management

1. In addition to the collection of Council Tax and National Non-Domestic Rates the Council also issues invoices to organisations or individuals for certain key services. Performance related to Council Tax and Non-Domestic Rates is contained in **Section 2** of this report.
2. Total Invoiced Debt at the end of June 2013 was £13.0m. After allowing for £7.2 of debt still within the payment terms, outstanding debt stood at £5.8m. This is £0.6m higher than at 31<sup>st</sup> March.
3. The total amount of service debt over 6 months old is £2.8m which is the same as the level of older debt reported at the final outturn as at 31 March 2013.
4. Services have created debt provisions of £2.9m to cover this debt in the event that it needs to be written off.
5. An analysis of the invoiced debt provision by service is provided in the table:
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.

Service	Outstanding Debt £000	Over 6 months old £000	Debt Provision £000
Children & Families	473	339	338
Schools	41	35	38
Adults	3,679	1,495	1,607
Waste, Recycling & Streetscape	222	170	238
Highways & Transport	373	226	226
Community	112	84	73
Development	801	369	369
Performance, Customer Service & Capacity	11	4	2
Finance & Business Services	26	14	6
HR & OD	16	14	12
Borough Solicitor	8	7	2
<b>TOTAL</b>	<b>5,762</b>	<b>2,757</b>	<b>2,911</b>

## Appendix 10 – Indicators

- The table below shows National Indicators that were previously reported in 2012/2013, prior to the approval of the Council's 3 Year Plan. These indicators have been carried forward and updated with performance data for the period April to June 2013. Work is ongoing to provide a revised set of indicators that more closely match the outcomes within the 3 Year Plan.

Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
Children, Families & Adults	CFA001	Average time between a child entering care and moving in with its adoptive family, for children who have been adopted (days)	Quarterly	Low	701 days	639 days	687 days	This figure relates to the year commencing 2013/2014 and the 9 adoption orders granted so far this year include a number of children who are deemed hard to place and a number who have been adopted by their foster carers. This figure is significantly improved for children who entered care since January 2012 and currently stands at 413.
	CFA002	Average time between a local authority receiving court authority to place a child and the local authority deciding on a match to an adoptive family (days)	Quarterly	Low	164 days	213 days	236 days	This figure relates to the year commencing 2013/2014 and the 9 adoption orders granted so far this year include a number of children who are deemed hard to place and a number who have been adopted by their foster carers. This figure is significantly improved for children who have entered care since January 2012 and currently stands at 151.

Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
	CFA003	Percentage of children who wait less than 21 months between entering care and moving in with their adoptive family	Quarterly	High	41%	56%	42%	*Target relates to England Average of 56% The number who wait less than 21 months to be adopted is improving and is much higher for more recent placements. The number who wait less than 21 months to be adopted is improving and for children who entered care since January 2012 the figure is 100%.
	NI 59	Initial assessments for childrens social care carried out within 10 working days of referral	Quarterly	High	37.30%	90.00%	34.50%	In April, May and June of this year there has been a 50% overall increase in referrals based on the same period last year (in June 100% increase). This has significantly impacted on the capacity of the Children's assessment team to complete assessments within 10 days. From 1st July 2013 the new combined assessment has been adopted in line with the Working Together 2013 guidance. Additional resources have been deployed to the team to increase capacity as well as stronger leadership and management.

Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
	NI 60	Core assessments for Children's social care that were carried out within 35 working days of their commencement	Quarterly	High	37.00%	75.00%	44.90%	Since the Cheshire East Consultation Service (ChECS) went live there has been a 50% increase in referrals overall with a 100% increase in June compared to the same period last year. It is envisaged that these will level off as the service settles. We have audited a number of referrals during this period which has confirmed that they are appropriate. The significant increase in referrals has a subsequent impact on the completion rates of core assessments. A new suite of performance management reports have been implemented which track the progress of planning and assessment, therefore performance is now more transparent and team managers are aware of the team's performance and targets. However core assessments are completed across all areas and performance management is still in need of development. From 1st July 2013 a new combined assessment has been adopted in line with Working Together 2013 guidance.

Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
	NI 64	Child protection plans lasting 2 years or more	Quarterly	Low	0.00%	10.00%	10.14%	Of the 59 individuals who left a child protection plan in the quarter April - June 2013 6 have been on a plan for over 2 years. We monitor closely all plans over 15 months to ensure that they remain appropriate and meeting the needs of the individual concerned.
	NI 65	Children becoming the subject of a Child Protection Plan for a second or subsequent time	Quarterly	Low	15.60%	15.00%	13.00%	Performance in this area is monitored to provide reassurance that where there is a change in family circumstance children remain protected.
	NI 67	Child protection cases which were reviewed within required timescales	Monthly	High	100.00%	100.00%	100.00%	The first review should be held within 3 months of the initial conference and further reviews at intervals of no more than 6 months for as long as the child remains subject of a child protection plan.
	NI 111	First time entrants to the Youth Justice System aged 10 to 17	Quarterly	None	Not Recorded	Not Set	26 number	Indicative figures for Q1 2013/2014. This is purely based on the number of first time entrants in that quarter as loaded onto the YOS system. This will change as further police data comes in. Q4 2012/2013 figure was 36. Previously data was extracted from the Police National Computer (PNC) data and reflected a 12 month picture so it is important not to compare this against previous targets.

Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
	NI 117	16 to 18 year olds who are not in education, training or employment (NEET)	Quarterly	Low	5.10%	4.90%	5.36%	The three monthly figures show a consistent rate for Cheshire East compared to a rising rate for the NW region. The regional rate for Q1 stands at 6.5% with the national rate at 5.9%. NEET figures are higher at present due to the large amount of work completed on the Not Known cohort. The Not Known figure is lower than in previous years and shows a truer reflection of the number of young people who are actually NEET. Accuracy of this data is key to us being able to ensure we have the right support and provision for this cohort. The Youth Support Service is reshaping its service delivery to ensure that all these young people are clearly identified, supported and gain a positive outcome.
	NI 125	Achieving independence for older people through rehabilitation/ intermediate care	Monthly	High	79.30%	78.20%	83.30%	*NB: target relates to 2012/2013 Q1 Actual  Within this measure, the performance of Intermediate Care Services is 82.3% and the performance of reablement services is 87.0%

Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
	NI 130	Social care clients receiving Self Directed Support (Direct Payments and Individual Budgets)	Monthly	High	37.10%	39.20%	34.90%	*NB: target relates to 2012/2013 Q1 Actual We have selected a more relevant performance measure to track performance relating to Self Directed Support moving forward in order to accurately monitor the complexity of provision. We are seeing an increasing number of service users who are receiving services that are ineligible for personal budgets (e.g. reablement). The maximum possible performance at quarter 1 last year was 63%; the current maximum possible achievement is 53%. There is a major change project to deliver improved processes and practices which will deliver improved performance.
	NI 131	Delayed transfers of care from hospitals	Monthly	Low	10.20 number	9.90 number	Not Updated	*NB: target relates to 2012/2013 Q1 Actual  Figures up to June 2013 have not yet been released by NHS England. These figures are anticipated later in August.
	NI 132	Timeliness of social care assessment	Monthly	High	93.40%	95.00%	92.10%	Close monitoring of performance indicates that areas to improve are linked to interdependencies with other partners in the assessment process.

Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
	NI 133	Timeliness of social care packages	Monthly	High	93.90%	95.00%	95.30%	Performance on this measure continues to improve indicating that the majority of service users receive the support they need.
	NI 141	Percentage of vulnerable people achieving independent living	Quarterly	High	72.20%	77.20%	78.20%	Percentage relates to 79 people.
	NI 142	Percentage of vulnerable people who are supported to maintain independent living	Quarterly	High	98.70%	98.80%	98.60%	Percentage relates to 5,377 people.
	NI 145	Adults with learning disabilities in settled accommodation	Monthly	High	82.90%	21.00%	23.70%	This measure is currently ahead of the position at the same quarter last year (20.0% at Q1 in 2012/2013) ! please note that this measure increases through the year as up to date information on accommodation status is confirmed (year-end performance for 2012/2013 was 82.9%).
	NI 146	Adults with learning disabilities in employment	Monthly	High	9.05%	2.53%	1.86%	*NB: target relates to 2012/2013 Q1 Actual. 2013/2014 target is currently being reviewed.
Places & Organisation Capacity	NI 157a	Processing of planning applications as measured against targets for major application types	Quarterly	High	50.80%	60.00%	63.00%	Provisional figures to be confirmed.



Objective	Measure		Frequency	Polarity	Result 2012/13	Latest Data		Operational Comments
	Ref	Description				Target	Result	
Performance Measures 2013/14								
	NI 157b	Processing of planning applications as measured against targets for minor application types	Quarterly	High	73.90%	65.00%	66.00%	Provisional figures to be confirmed.
	NI 157c	Processing of planning applications as measured against targets for other application types	Quarterly	High	89.80%	80.00%	84.00%	Provisional figures to be confirmed.
HR & OD	BV012	Working days lost due to sickness absence (cumulative)	Monthly	Low	9.55 days	2.55 days	2.03 days	*NB: As per original measure definition, result includes Schools data. Target relates to 2012/2013 Q1 Actual.

## Appendix 11 – Reserves Strategy



# Reserves Strategy 2013/2016

Update at 30<sup>th</sup> June 2013

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## Executive Summary

Cheshire East Council will maintain reserves for two main purposes:

1. to protect against risk, and;
2. to support investment

The Reserves Strategy presents information about the requirements to maintain adequate financial reserves and provides statements on the types of reserves and current and predicted balances.

This 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 for the period 2013/2016.

The report 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 S151 Officer are set out in **Annex A**.

Cheshire East Council's Reserve Strategy was last approved at Council on 28<sup>th</sup> February 2013. At that stage, two key issues formed the basis for the strategy:

- The Third Quarter Review of Performance for 2012/2013, indicated an expected contribution to General Reserves of £1.8m. This was forecast to leave a balance of £13.2m at 31<sup>st</sup> March 2013.

- An updated Risk Assessed Minimum Level calculation set the minimum level at £13.2m.

Since February, the 2012/2013 Outturn has been completed and reported to Cabinet on 24<sup>th</sup> June 2013. This reflected a significant improvement in the General Reserves balance due to a successful package of remedial actions and a net underspend position. The opening balance of General Reserves at 31<sup>st</sup> March 2013 is £19m.

As a result of this significant change between the Three Quarter Review and Year End position, the Council committed to review its Reserves Strategy at First Quarter.

The quarterly review process will continue to inform the Council's thinking on reserves and a full update for 2014/2017 will be reported to Cabinet and Council in February 2014.

This strategy represents the position at the end of the First Quarter of 2013, following a review of the balances previously held, to ensure they meet the needs of Cheshire East Council.

*Rachel Musson*

**Interim Chief Operating Officer  
Cheshire East Council**

**August 2013**

# 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 S151 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 S151 Officer will ensure 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:

**Table 1: Holding adequate reserves will depend on a number of key factors**

Budget Assumptions	Financial Standing & Management
The treatment of inflation and interest rates	The overall financial standing of the Authority (including: level of borrowing, debt outstanding, Council Tax collection rates)
Estimates of the level and timing of capital receipts	The Authority's track record in budget and financial management including the robustness of the medium term plans
The treatment of demand led pressures	The Authority's capacity to manage in-year budget pressures
The treatment of planned efficiency savings / productivity gains	The strength of the financial information and reporting arrangements
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The Authority's virement and end of year procedures in relation to budget under / overspends at authority and directorate level
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

Source: CIPFA ~ LAAP Bulletin 55, 2003

6. These factors can only be assessed properly at local level. A considerable degree of professional judgment is required. The S151 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.
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.
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 S151 Officer.

### Opening Balances

13. In February 2013, it was anticipated that the Council would hold general reserves of £13.2m. This was based on the Three Quarter year review of performance.
14. The strategy noted that there was scope for amendments, as financial performance in the final quarter may vary from the estimates in the Third Quarter Review of Performance Report.

15. The final outturn position improved the closing balance and resulted in a revised balance as set out below:

	Estimate February 2013 £m	Final Outturn 2013 £m
Amount of General Fund Balance available for new expenditure (source: 2011/2012 Statement of Accounts)	<b>11.4</b>	<b>11.4</b>
The impact of performance against the 2012/2013 Revenue Budget (source: 2012/2013 Three Quarter and Final Outturn Reviews of Performance)	<b>1.8</b>	<b>7.6</b>
	<b>13.2</b>	<b>19.0</b>

### Estimated Movement in Reserves (2012/2013 onwards)

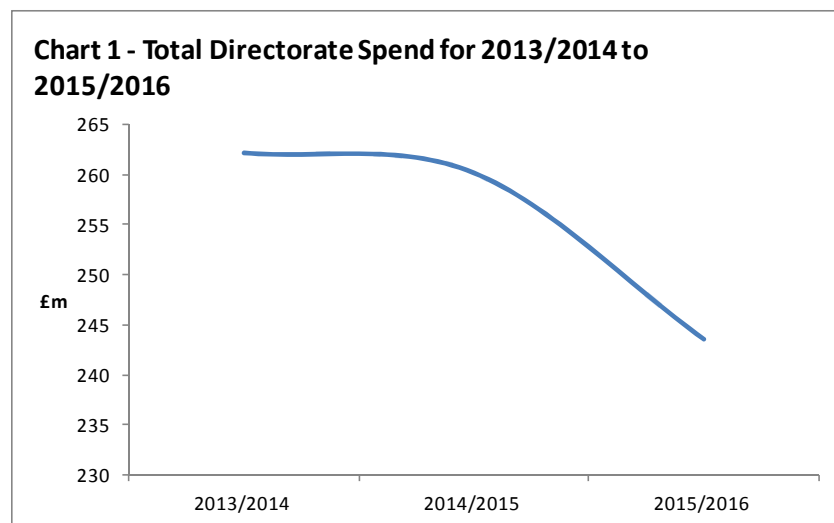
16. **Table 2** (overleaf) summarises the current estimated movements in general reserves from 2012 to 2016. This position makes a clear assumption that any recently identified in-year, or future, emerging financial pressures will be met from within the Council's funding envelope.
17. In addition the 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>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>
	£m	£m	£m	£m
Estimated Balance @ 1st April	11.4	19.0	14.8	14.8
Estimated Impact of Spending	7.6	-4.2		
Planned Contribution to Reserves		0.0	0.0	0.0
Forecast General Reserves @ 31st March	19.0	14.8	14.8	14.8
Risk Assessed Minimum Level - Feb 2013		13.2	13.2	13.2

Source: Cheshire East Finance

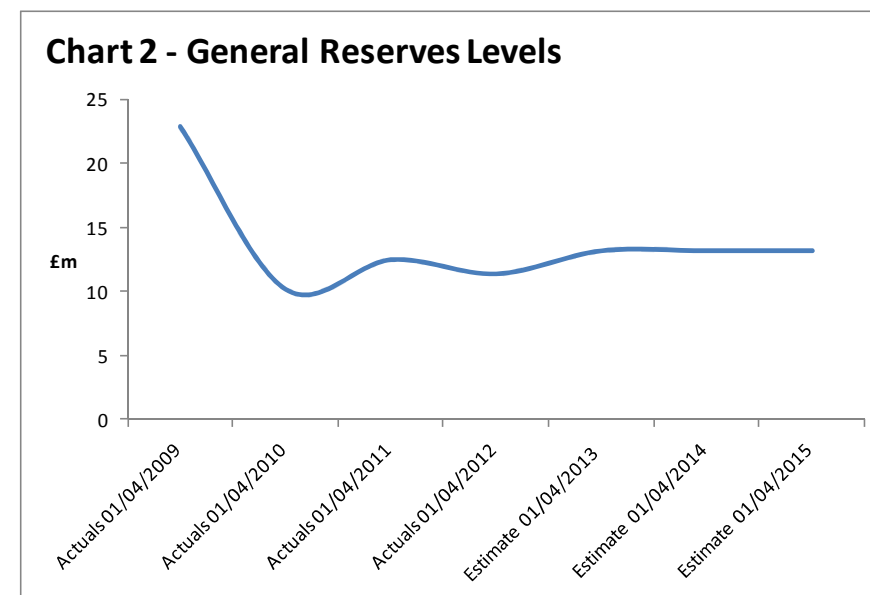
18. **Chart 1** shows how the medium term financial outlook reflects a reduction in real terms expenditure on Council Services.



19. Reducing expenditure over time will 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 and automation of services may require investment in information technology.

20. Strategically the Council must therefore utilise short term funding to support change and not to build up reserves. Current reserves levels will therefore be reviewed to protect the Council against risk and should only require amendment if risk materialises or to support short term cashflow issues.
21. **Chart 2** shows how Cheshire East Reserves were initially reduced to support large scale investment, but will now be stabilised over the medium term.



22. The level at which reserves are set for 2013/2014, 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 2013/2014 budget to provide for costs associated with investment in service efficiency and to support the change programme.

### **Treatment of Revised Balance**

23. The Council's General Reserve balance of £19m is £5.8m higher than estimated. 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. This approach is practical in that risks have not changed significantly since February 2013 and any investment requirements identified in February have also been provided for in the current budget. The current medium term financial strategy also has a funding deficit in years two and three, so increasing flexibility in general reserves is an appropriate course of action.

### **General Fund Reserves - Risk Assessment**

24. 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 and pressure on public services to reduce overall expenditure are key issues. These present the potential for significant emerging risk.

25. The minimum target level of reserves is therefore quantified by a detailed risk assessment. This approach allows the Council to take account of the circumstances around current structural changes and economic circumstances.

26. 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.

27. Risks are categorised, and potential values are applied to them, this presents the potential exposure to financial risk. **Table 3** (overleaf) 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.

28. The level of risk in the Medium Term Financial Strategy has reduced from the 2012/2013 levels. This has occurred for a number of key reasons:

- Quarterly Reports of Performance have provided consistent forecasts on the closing/opening balance of reserves, reducing the risk that the 2013/2014 budget might open with a deficit. This has now materialised with a small surplus position.
- The Medium Term Financial Strategy (December 2012) detailed significant re-basing of the Council's budget to reflect emerging pressures. The 2013/2014 budget has therefore been based very much on up to date robust figures, reducing the risk of overspending.
- Investment in change management has been quantified and funding is built in to the Medium Term Plans, reducing the risk of change not being delivered in-year.
- Development in the local area is being consulted upon through the Local Plan. This may improve funding levels for the Council in relation to Business Rate Retention, New

Homes Bonus, and Community Infrastructure Levy however such impacts are prudently not factored in to the medium term finances at this stage.

- Council Tax income, which provides the largest element of the Council's non-ringfenced funding, is predicted to remain static. Therefore this does not reflect the possibility of increases in Council Tax levels in future or further freeze grants from central government or additional changes to the way Council Tax is charged.

29. £13.2m remains a relatively prudent overall target for reserves at 5% of the net budget. This reflects the fact that there are still negative financial issues potentially facing the Council in the medium term, such as:

- Changes to the local government financial settlement may create funding deficits.
- 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. The next triennial valuation of the Cheshire Pension Fund will take place on 31 March 2013 with any changes to contribution levels taking effect from 1 April 2014.

30. It is also possible that a number of events could happen in a single year. Cheshire East Council could also 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%).

31. 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>£300,000</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>£800,000</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>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>	<b>£7,000,000</b>
<b>Legal costs</b>	<p>Legal challenges to Council service delivery</p> <p>Data corruption and need to improve security</p>	<p>Court costs and Claims for compensation / clear processes and good workforce management</p> <p>ICT service days to repair, loss of service / robust security policies and firewalls</p>	<b>£600,000</b>
<b>Industrial relations / External organisations</b>	<p>Disruption to service and possible costs of arbitration / tribunal</p>	<p>Loss of income, costs of providing essential services or direct costs of resolution, reduced pay budget / emergency planning</p>	
<b>Strategic Reserve</b>		<p>Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes</p>	<b>£4,500,000</b>
<b>OVERALL RISKS</b>			<b>£13,200,000</b>
<b>% of Net Revenue Budget</b>			<b>5.1%</b>

Source: Cheshire East Finance

32. 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 **£13.2m**.
33. It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2013/2014 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**

34. A duty of the S151 Officer is to comment on the adequacy of financial reserves (**see Annex A**).
35. The estimates contained within the medium term financial strategy must be sufficiently robust to achieve certainty that reserves are adequate. The S151 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

36. 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.

37. Once Earmarked reserves have been established by Cheshire East Council it is the responsibility of Chief Officers, in consultation with the S151 Officer, to ensure balances are spent in line with their purpose.

38. **Table 4** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

**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

39. 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).

40. 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.

41. The protocol for Cheshire East Council earmarked reserves is set out below. The S151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.

42. Earmarked Reserves will be:

- Set up by Full Council, on recommendation by the S151 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.

43. Services may also carry forward balances in accordance with Financial Procedure Rules.

44. 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

45. At the time of setting the 2013/2014 budget, it was forecast that the balance on earmarked reserves held by Cheshire East Council would be £5.1m. However, actual contributions to these reserves were higher than forecast, and at 1<sup>st</sup> April 2013, actual balances on existing earmarked reserves were **£8.6m**. It is estimated that balances will reduce by £2.4m by the end of 2013/2014. **Table 5** (overleaf) shows the position on each earmarked reserve.

46. Within the Service Manager carry forward reserve balance, an amount of £154k relates to Elections. Borough, Town, and Parish Council Elections take place every 4 years. Funding must be budgeted for and accrued over that period to cover the 4 yearly costs. It is therefore requested that Council be asked to approve the establishment of a specific earmarked reserve to hold any underspend on the Elections Budget for use in years when Elections take place.

47. The estimated position on the Insurance Reserve excludes the impact of an historic claim for additional contributions due to be received shortly from the administrators of Municipal Mutual Insurance. An element of risk for this has been reflected in the General Reserves risk assessment.



48. Over 95% of Earmarked Reserves balances estimated to be held at the end of 2013/2014, relate to ongoing or longer term reserves, e.g. Insurance, Extra Care Housing.

**Table 5: Earmarked Reserves that are statutory or essential have been retained for 2013/2014**

Directorate / +Description	Estimated Available Balances 2013/2014 (Feb 2013) £000	Actual Opening Balances 2013/2014 1 April 2013 £000	Forecast Movement in 2013/2014 £000	Estimated Balance at 31 March 2014 £000	Reason / Use
<b><u>Children &amp; Families</u></b>					
Long Term Sickness	0	150	0	<b>150</b>	LTS Insurance Scheme, surplus premiums paid by schools ~ operated as a trading account.
Education All Risks (EARS)	0	160	0	<b>160</b>	Carried forward surplus of insurance premiums paid by schools ~ operated as a trading account
<b><u>Adults</u></b>					
Extra Care Housing (PFI)	992	1,128	300	<b>1,428</b>	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
<b><u>Waste, Recycling &amp; Streetscape</u></b>					
Landfill Allowance Trading Scheme	0	0	0	<b>0</b>	Carried forward unused allowances to offset future years landfill usage
Streetscape	0	0	0	<b>0</b>	N/A
Crematoria	0	367	-367	<b>0</b>	Mercury abatement income set aside to fund potential replacement cremators as per the capital programme.
<b><u>Development</u></b>					
Building Control	130	181	-50	<b>131</b>	Ring-fenced surplus (could be used to offset service deficit, if applicable)

Directorate / +Description	Estimated Available Balances 2013/2014 (Feb 2013) £000	Actual Opening Balances 2013/2014 1 April 2013 £000	Forecast Movement in 2013/2014 £000	Estimated Balance at 31 March 2014 £000	Reason / Use
Tatton Park	226	238	0	238	Ring-fenced surplus on Tatton Park trading account
Economic Development	149	223	-223	0	Support for town centres and economic development initiatives
Climate Change	57	67	-67	0	Renewable Energy project
<b><u>Performance, Customer Services &amp; Capacity</u></b>					
Enabling Local Delivery	167	365	-365	0	Available to promote local delivery
Partnerships & Grants Support	92	92	-46	46	Funding issued to groups who meet the Council's criteria. It is planned to use the reserve in 2013/2014.
<b><u>Corporate</u></b>					
Invest-to-Save	0	255	-255	0	Central reserve to support invest-to-save projects
Elections	0	0	154	154	To provide funds for Election costs every 4 years
Insurance & Risk	3,329	3,712	190	3,902	To settle insurance claims and manage excess costs.
<b><u>Cross Service</u></b>					
Service Manager carry forwards	0	1,622	-1,622	0	Specific funding for expenditure slipped against previous year's budget e.g Pay Harmonisation.
<b>Totals</b>	<b>5,142</b>	<b>8,560</b>	<b>-2,351</b>	<b>6,209</b>	

Source: Cheshire East Finance

## 4. Capital Reserves

49. Cheshire East Council retains a capital receipts reserve to finance future capital expenditure. This reserve is largely financed by capital receipts set aside on the disposal of land, buildings and other assets but can be supplemented from revenue reserves if required.
50. The application of £27.8m of capital receipts to repay capital expenditure that had taken place in 2012/2013 and previous years reduced the balance of the reserve at 31st March 2013 to £1.077m. In 2013/2014, Cheshire East Council is forecast to generate capital receipts of £10m which again will be fully applied to finance the capital programme.
51. Additional funding of £0.4m was set aside at 31<sup>st</sup> March 2013 from revenue to fund feasibility study work in 2013/2014. The forecast movement on the reserve in 2013/2014 is £0.5m leaving an estimated closing balance of £0.6m.

## **5. Reserves Strategy Conclusion**

- 52. Overall Cheshire East Council is establishing reserves that match the minimum risk levels. This approach can be supported during the medium term and still allows for investment that will create sustainable levels of service.
- 53. This recognises local issues and allows the S151 Officer to comment favourably on the adequacy of reserves.
- 54. 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**

CIPFA, Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves & Balances (2003)

General Fund Reserves ~ Risk Assessment Working Papers 2013

Cheshire East Council ~ First Quarter Review of Performance 2013/2014

Cheshire East Council ~ Final Accounts 2012/2013

Cheshire East Council ~ Budget Report 2013/2014

Cheshire East Council ~ Three Quarter Review of Performance 2012/2013

# 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

balances for the year, planned additions / withdrawals and the estimated closing balances.

### **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