



Mid Year Review of Performance 2017/18

November 2017

This report receives scrutiny and approval from Members of Cheshire East Council. As a public report, anyone can provide feedback to the information contained here.

Anyone wanting to comment can contact the Council at:

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Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 370,000 local people with annual spending of over £720m.

Local government is going through a period of unprecedented change and financial challenge. A combination of increasing demand for services, rising costs and reduced Government grant is creating significant pressures on the Council's revenue budget. The Council's response continues to focus on increasing efficiency and productivity to enable us to deliver a high level of sustainable, quality services.

Demand for Council services is high however, with more individuals and families needing support than ever before. This reflects an increase in population but also reflects changes in demographics. This demand is resulting in revenue pressures of £5.8m (2.2%) against a budget of £264.6m. Robust action is being taken to mitigate this position and deliver a balanced outturn position and protect General Reserves. Part of this mitigation includes an important decision to re-profile the Capital Financing Requirement, and details are included within **Appendix 15**.

To support openness and transparency the report has three main sections, to provide background and context, and then fifteen supporting appendices with detailed information about allocation and management of public money during 2017/18:

Section 1 provides a summary of Council performance and brings together service achievement highlights against the six Outcomes in the Council's four year Corporate plan.

Section 2 provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2017/18 is being funded, including the positions on overall service budgets, grants,

council tax and business rates, treasury management, centrally held budgets and the management of the Council's reserves.

Section 3 provides a summary of the issues relating to the Council's workforce development plan.

- **Appendix 1** shows the Council's six Outcomes.
- **Appendix 2** explains budget changes since the First Quarter Review.
- **Appendix 3** shows the latest position for Corporate Grants.
- **Appendix 4** shows the revised Capital Programme expenditure.
- **Appendix 5** lists transfers from and to the Capital Addendum.
- **Appendix 6** lists approved Supplementary Capital Estimates and Virements up to £250,000.
- **Appendix 7** lists requests for Supplementary Capital Estimates and Virements over £250,000 for Cabinet approval.
- **Appendix 8** lists requests for Supplementary Capital Estimates and Virements over £1m for Council approval.
- **Appendix 9** lists Capital Budget reductions.
- **Appendix 10** provides details of Treasury Management investments.
- **Appendix 11** lists requests for allocation of additional Grant funding.
- **Appendix 12** analyses the position on Outstanding Debt.
- **Appendix 13** lists details of Earmarked Reserves.
- **Appendix 14** explains Flexible Use of Capital Receipts Strategy 2017/18.
- **Appendix 15** provides the review of the Minimum Revenue Policy

Jan Willis

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2017/18 Outturn Forecast at Mid Year Review - Financial Position

2017/18 Mid Year Review (GROSS Revenue Budget £605.2m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / (Underspend) £m	Change in Over / (Underspend) from FQR £m	For further information please see the following sections
SERVICE DIRECTORATES					
People	154.1	162.9	8.8	1.0	Section 1 - Paragraphs 129-140
Place	34.5	34.5	-	-	Section 1 - Paragraphs 141-144
Corporate	61.0	62.1	1.1	(0.3)	Section 1 - Paragraphs 145-153
Total Services Net Budget	249.6	259.5	9.9	0.7	
CENTRAL BUDGETS					
Capital Financing	14.0	8.0	(6.0)	(6.0)	Section 2 - Paragraphs 196-206
Transfer to/(from) Earmarked Reserves	(0.2)	1.9	2.1	1.9	Section 2 - Paragraph 207
Corporate Contributions / Central Budgets	1.2	1.1	(0.1)	(0.8)	Section 2 - Paragraph 207
Total Central Budgets	15.0	11.0	(4.0)	(4.9)	
TOTAL NET BUDGET	264.6	270.5	5.9	(4.2)	
Business Rates Retention Scheme	(41.0)	(41.0)	-	-	Section 2 - Paragraphs 173-178
Revenue Support Grant	(13.4)	(13.4)	-	-	Section 2 - Paragraph 160
Specific Grants	(17.8)	(17.9)	(0.1)	-	Section 2 - Paragraphs 154-160
Council Tax	(191.1)	(191.1)	-	-	Section 2 - Paragraphs 162-172
Sourced from Collection Fund	(1.3)	(1.3)	-	-	
CENTRAL BUDGETS FUNDING	(264.6)	(264.7)	(0.1)	-	
FUNDING POSITION	-	5.8	5.8	(4.2)	
	Planned Contribution 2017/18 £m	Forecast Variance Quarter 2 £m	Impact on Reserves Quarter 2 Forecast £m		
Impact on Reserves	-	(5.8)	(5.8)		
General Reserves Balance	2017/18 Budget (estimated) £m		Quarter 2 Forecast		
Opening Balance April 2017	10.3	Actual	10.3		
2017/18 Impact on Reserves (see above)	-	Forecast	(5.8)		Section 2 - Paragraphs 209 - 210
Closing Balance March 2018	10.3	Forecast	4.5		

Overview of Performance

ACHIEVING THE COUNCIL'S SIX OUTCOMES

Cheshire East Council provides more than 500 services, supporting over 370,000 residents, and over 18,500 businesses.

1 ~ Our local communities are strong and supportive

- Four 'Connected Communities' Centres have opened this quarter
- 19 community grants were awarded, totalling £44,812, which contributed to £166,343 of project costs
- A new initiative to safeguard vulnerable residents was launched
- 1,150 CCTV incidents were dealt with

2 ~ Cheshire East has a strong and resilient economy

- New figures show Cheshire East's visitor economy is on the up
- The Council will receive a share of £7.25m of funding to extend roll-out of faster broadband
- New pay and display parking machines were installed
- Pothole defects are lower than the original forecast due to additional reactive and proactive work by the Highway Service

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

- 89.7% of all schools were rated 'good' or 'outstanding' at the end of quarter two, including 92% of primary schools
- Provisional figures show excellent GCSE and A-Level results once again for Cheshire East students
- A newly founded Welfare, Attendance and Behaviour Network has been established
- Work continued to develop a free school for local children with social, emotional and mental health needs in Crewe

4 ~ Cheshire East is a green and sustainable place

- The Council sealed formal adoption of its Local Plan following three years of submissions and a total of more than 60,000 comments during 11 separate rounds of public consultation
- The Playing Pitch Strategy is now completed, adopted and published on the Council's website
- Fairerpower now has over 8,100 customers

5 ~ People live well and for longer

- The Housing Standards & Adaptations team won the national Foundations 'Adaptations Service of the Year' award
- 'Live Well Cheshire East' officially launched
- Commissioners set up a series of 'task and finish' groups with care providers to explore new service models and care specifications
- The Local Safeguarding Children Board (LSCB) held its annual 'Act Now' conference
- In quarter two we had our first cohorts of social workers endorsed as Advanced Practitioners

6 ~ A Responsible, Effective and Efficient Organisation

- 27 Equality Champions are now in place across all parts of the organisation
- The internal approach to Equality Impact Assessments has been reviewed
- The Council has appointed Public Concern at Work (PCaW) to deliver additional whistleblowing support to complement and review our current arrangements

FINANCIAL STABILITY

Cheshire East Council has a strong track record of sound financial management. Nevertheless, pressures on our revenue budget are intensifying.

- At quarter two there is a potential forecast overspend of **£5.8m** against a revenue budget of £264.6m (2.2%).
- A full mitigation plan is under development to ensure delivery of a balanced outturn position by the year end.
- **Service Budgets** – a forecast overspend of £9.9m is reported.
- **Central Budgets** – are currently forecast to underspend by £4.0m due to a revised approach in relation to the capital financing budget. Further action is being taken to review the revenue implications of capitalising some costs associated with major projects and funding transformation activity from capital receipts to further mitigate any overspending in 2017/18.
- 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.
- **Council Tax** increased by 4.99% in 2017/18 which includes a 3% increase relating to Adult Social Care precept.
- **Investment income** is £128,000 which is in line with budget at quarter two. The average rate earned on investments (1.3%) is higher than the London Inter Bank 7 day rate.
- **General Reserves** - a potential overspend of £4.5m is within the original forecast risks parameters. Further action in relation to using reserves are expected to maintain general reserves at expected levels by year end.
- **Capital Programme** – total capital expenditure of £112.3m is forecast in 2017/18, which is a reduction of £5.4m since first quarter review following a review of in-year forecasts.
- For monitoring purposes, the in-year capital budget for schemes committed or in progress is £95.5m in line with revised forecasts.
- Outstanding **Debt** (excluding local taxation) is £8.5m. Debt over 6 months old is £3.6m (around 5% of total debt raised annually) and this is covered by provisions to meet potential write-offs.

1. Summary of Council Performance

Introduction

1. Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km² for over 375,000 residents. The budget to deliver these services in the period April 2016 to March 2017 is £738m, 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 core spending power per head, Government figures highlight the impact of different levels and sources of funding on total Council spending:

Funding per Head Comparisons 2017/18			
	Cheshire East £	Rural East Riding of Yorkshire £	Urban Liverpool £
Grants (<i>budgeted grants including schools</i>)	763	923	1,489
Council Tax (<i>excluding Parish Precepts</i>)	507	445	322
Retained Business Rates	109	195	513
Total	1,379	1,563	2,324

2. The Council's Corporate Plan 2017-2020, which was agreed by Council on 23rd February 2017, has six Outcomes that will focus service delivery in the medium term (see **Appendix 1**). This section of the report highlights progress towards achieving each of the six outcomes.
3. This report reflects activity that has taken place mostly in the period July 2017 to September 2017. Commentary is also provided on the financial impacts (both revenue and capital) of this activity.

1 ~ Our local communities are strong and supportive

Active, Resilient and Connected Communities where people want to live

4. A Voluntary Community and Faith (VCF) Commissioning Framework workshop was held on 11 August in Sandbach with some 40 representatives from across the VCF sector starting to explore how we can work together and create a clear commissioning framework. The workshop was then repeated in Macclesfield on 29 September. The Council is seeking to:
 - Ensure that the VCF sector has a voice and can influence what the Council does;
 - Support the VCF sector to work with us in delivering services and activities to our most vulnerable communities and deprived neighbourhoods, provide early intervention services; and
 - Provide a clear understanding of how the Council and VCF sector can work together

5. A 'Community Right to Bid' nomination for the Black Swan public house at Lower Withington went through a second nomination process led by an active and articulate community group, and was approved as an asset of community value at the end of July. The asset owner has asked for a review as they do not believe the nomination was valid. A review is currently underway.
6. Four 'Connected Communities' Centres have opened this quarter: Bridgend Centre in Bollington; Barnies in Crewe; Welcome Café in Knutsford and St John's Centre in Macclesfield. Connected Communities centres will enable a wider range of activities and support services to be more locally available.
7. As part of the Council's Connected Communities Strategy, more than £150,000 has been pledged to help community venues develop the services they offer and encourage more people to use them. From coffee mornings, computer classes and line dancing, to learning a language, sharing a problem and support for stroke sufferers – there's something for everyone. Every centre will also have a computer tablet connected to our Live Well community information website, helping residents to easily find out what's available in their area.
8. The Crewe Community Cohesion Survey went live on 1 September and will run until 30 October. The survey was translated into Polish and Slovakian, with other languages being provided on request. The survey is online and has been shared with residents across Crewe. The Community Connectors are undertaking the surveys within their communities as well. The data will be used to inform the Crewe action plan and will be rolled out across Cheshire East at a later date, to then inform the Cohesion Strategy.
9. In quarter two, a total of 19 community grants were awarded, totalling £44,812, which contributed to £166,343 of project costs.

18 applications were declined and four were deferred to the next round. The return on investment for this round is £3.73 for every £1 the Council invests.

Communities where you are Safe, and feel Safe

10. Working with the England Illegal Money Lending Unit (IMLU), the Communities Team arranged two Loan Shark Awareness training sessions in August 2017. Over 50 people from the VCF sector, Housing Associations, Police and Cheshire East staff attended to help share information within communities and keep people safe. The definition of a loan shark is someone who lends money to two or more people who are not family or friends, and who is not licenced to do so. They will often use intimidation, threats or violence to get repayments. We suspect that there is under-reporting of loan shark activity within Cheshire East so encourage people to report to the Council or to the Police where they suspect loan shark activity is taking place. The IMLU are already being asked for resources and further training, and a specific training session for Community Connectors is planned for November.
11. Public consultation has been launched to look at a borough-wide Public Spaces Protection Order (PSPO) relating to dog fouling and dog control, in order to have a consistent approach to responsible dog ownership. The consultation was launched on 12 September, running for four weeks until 10 October. In its first week, over 700 responses were received, of which a high majority are in support of our intentions. It is planned that the order will be operational in from November.
12. The anti-social behaviour (ASB) team issued six mediation referrals, two new Acceptable Behaviour Contracts (ABCs) and six current ABCs. The team issued one new Community Behaviour Order (CBO) and 19 current CBOs. The team are currently working on

plans to consult residents in Congleton on a PSPO for the town and are monitoring the PSPO at Poynton Sports Club. 46 new cases of anti-social behaviour were dealt with, 33 were closed and we currently have 55 live cases. 302 'yellow cards' were submitted to youths causing ASB and 193 warning letters sent.

13. A new initiative to safeguard vulnerable residents in Cheshire was launched on 18 September. The trading standards team has joined forces with the police, neighbouring local authorities and financial institutions to identify customers who are being defrauded, and to implement safeguarding procedures to prevent the loss of funds. Officers will be ensuring that financial sector staff receive further training to identify suspicious transactions.
14. 1,150 CCTV incidents were dealt with this quarter. A new code of practice and procedure manual is now in place as we strive towards achieving British Standards for our service. The CCTV control room is currently being upgraded and due to be completed by the end of the year.
15. We have received positive feedback this quarter following Scams Awareness Presentations, including: "we all learnt some hints and tips for staying safe online and in the community. We were also supplied with a wealth of informational leaflets; we will use these in our wider networks to spread the word". Further presentation feedback reported on a group of senior citizens "...who are very vulnerable to scams and cold callers. It was most useful to [be told] about current scams and tricks and how to avoid them".
16. The Council continues to work closely with the Community Payback Team to improve areas across Crewe, clearing and cleaning alleys and green spaces. Ten sites have been targeted with a big improvement in standards being seen. We are also working with Crewe Town Council to undertake weed spraying in areas of need.
17. Valley Park is a new site identified this quarter for including in the community payback schedule. The park has been the subject of increased anti-social behaviour and partners and residents have formed a sub-group to address a series of concerns. The payback team have already started work at Valley Park to cut back much of the overgrown areas and provide clear lines of sight, enabling those using the park to feel safer.
18. Multi-Agency Action Group (MAAG) has representatives from Police, NHS, Housing Associations and other local organisations to look at a range of local community safety issues. Over the last quarter the group has shared information and help to support on a number of issues including rough sleepers, neighbour disputes, antisocial behaviour, and vulnerable children and adults.
19. The Cheshire East Serious and Organised Crime Group continues to meet, bringing together a number of partner agencies working closely together to share information on individuals identified as being at risk of involvement in serious and organised crime. The group has expanded its membership and produced some excellent results with organised crime members having now received custodial sentences. A toolkit has been provided to members of the operational group to assist them in their approaches and two sub-groups established to focus on intervention and prevention along with the concern around the number of children residing in households associated with organised crime members.
20. An advert was placed on the Cheshire East website inviting 'Expressions Of Interest' for the future management of the Senior Citizens Hall in Macclesfield. This will allow a lease to be provided for the building to be managed outside of Cheshire East Council and improve facilities and service provision for local residents. A total of five local groups have responded to the advert and

discussions will now be held with those groups ahead of business plans being submitted to identify a favoured candidate.

2 ~ Cheshire East has a strong and resilient economy

Culture, Heritage and Tourism

21. New figures show Cheshire East's visitor economy is on the up again as more tourists and business people choose to take up hotel rooms in the borough. Cheshire East's hotel sector saw another rise in business in August 2017, according to the latest figures issued by the Visitor Economy team. Room occupancy rose by 3.7% in August compared with August 2016. The borough's hospitality industry recorded a 81.1% occupancy rate compared to 78.2% in 2016. The average hotel room rate also rose from £59.67 in 2016 to £61.30 in 2017.
22. Despite a slow start to the year, the latest figures underline the continuing popularity of the borough as a visitor destination. Latest figures show a 6.3% overall jump in revenue to the visitor economy in 2016, now said to be worth around £900m to the borough's hotel and guest house sector. The Council aspires to have a visitor economy worth £1bn by 2020.

Jobs and Skills

23. The Council commission the Skills and Growth Company (SAGC) to support business and jobs growth across Cheshire East. To date SAGC has supported the creation of 380 (167 in quarter two) new skilled roles predominantly in the science, energy and technology sectors. This has resulted in the development of 150,000 sq ft of new floor space and £13m of capital and £18m of revenue investment. The majority of the new jobs created in Cheshire East is as a result of the existing major businesses expanding.

24. The Skills team continued to support young people into work through the management of the BelInspired European Social Fund (ESF) contract (delivering careers support services) and by building on the successful Enterprise Adviser Network activity, promoting closer relationships between employers and Cheshire East secondary schools and colleges (70% engagement rate).
25. The team has worked with priority sectors to address skills challenges through boards such as the WEAVE (digital and creative), and the Rail Skills Board – including submission of joint funding bids. SAGC continue to work in partnership with local colleges to develop and shape the skills offer to more effectively align to business needs – including winning an ESF contract from South Cheshire College to develop curriculum to meet SME needs.

Business Growth and Inward Investment

26. Cheshire East's GVA output is estimated to be £11.45bn (latest figures relating to 2015) with Gross Value Added (GVA) growth averaging 4.5% per annum during the 2012-15 period.
27. To date the Business Engagement and Inward Investment service has engaged with 54 new businesses in the science, energy and technology sectors to support their growth and mitigate threat of dis-investment. 35 of these engagements have been completed in quarter two. Engagement during the quarter could result in the creation of 650 new quality jobs for the area.
28. SAGC delivered a range of business support events to highlight the range of support products and services available. In quarter two, this included an event at Bentley Automotive highlighting the specialist manufacturing business support services available, and this was attended by over 30 businesses. A selection of 25 businesses attended an event held at Church Minshull Aqueduct

Marina to promote funding opportunities available to rural businesses resulting in a range of new investment opportunities.

29. **Regeneration South - Crewe:** Discussions with the Council's preferred development partner were advanced with respect to the Development Agreement and associated aspects of the Royal Arcade redevelopment proposals. (including a new bus station and multi-storey car park). The item was approved by Cabinet on 12 September, to include other major regeneration investments that form the major part of the Medium Term Regeneration Programme for Crewe town centre, including public realm improvements and a proposal to deliver a new operational model for a reconfigured Crewe Market Hall (subject to consultation). Work was also undertaken to develop a business case to help secure approval from Cheshire & Warrington Local Enterprise Partnership (LEP) for £10m grant funding. This was considered by the LEP on 27 September and was conditionally approved, although the formal grant offer letter is awaited.
30. The joint initiative with Crewe Town Council to co-fund shorter-term improvements continues, with the appointment of a Town Centre Project Officer and a Crewe 'Ranger' to maintain the environment of the town centre and to co-ordinate a series of town centre events and activities which align with CEC's plans.
31. **Regeneration North - Macclesfield:** Developers progressing the planned town centre cinema development are now preparing documentation for planning, aiming for submission of their planning application in quarter three.
32. Concept designs for the town centre public realm enhancements are finalised and officers are now pursuing the appointment of external designers to develop detailed designs for a target area. The Heritage Asset Regeneration Plan is being finalised with

recommendations for the Council and building owners in respect of five key heritage assets to progress. The Consultation Draft of a revised Revitalisation Strategy for the Town Centre has been approved for public consultation which will be undertaken in quarter three.

33. **Congleton:** Cabinet approval was granted to proceed with plans to sell land at Princess Road for regenerative town centre redevelopment proposal. Work is underway on various necessary associated statutory processes. The Town centre public realm enhancement scheme has now commenced on site.
34. **Assets and Development:** The Council continues to bring forward major housing and commercial development on sites at Handforth, Leighton and Macclesfield and has secured allocations in the Cheshire East Local Plan for these important schemes. Planning approval has been secured for the South Macclesfield Development Area to bring forward circa 1,000 homes and Garden Village status has been secured for North Cheshire Garden Village at Handforth to bring forward circa 1,600 homes and employment space. Bids have been submitted for over £40m of Government funding to support infrastructure to bring forward these projects. The Council also continues to dispose of surplus assets to support its overall capital programme, and current projections estimate £8m in 2017/18.

Infrastructure

35. The Council will receive a share of £7.25m of funding to extend the roll-out of faster broadband in the borough. The investment – to be implemented over the next three years – is Phase four of the 'Connecting Cheshire' project and will target rural areas in Cheshire and Warrington, where broadband speeds remain low and where it has not been commercially viable to invest previously. The project,

called 'Digital 2020', is a partnership of Cheshire East, Cheshire West and Chester and Warrington Borough Councils, and is managed by Cheshire East Council's SAGC. The project will focus on reaching premises in rural broadband black spots, a digital business support package to enable small businesses to exploit digital technologies such as e-commerce, cloud computing and a broadband connection voucher scheme for businesses. Funding will come mainly from the European Regional Development Fund (ERDF) and government sources, as well as from Connecting Cheshire and businesses. To date, the Connecting Cheshire project has reached more than 97,000 premises with faster speeds and has switched-on more than 600 new roadside fibre broadband cabinets. The project has also been successful in driving take-up of the faster speeds by homes and businesses and will soon reach 50%, one of the highest in the country.

36. The **Poynton Relief Road** scheme received a resolution to grant planning permission in January 2017. Work is now underway to negotiate the land required for the delivery of the scheme and the drafting of Compulsory Purchase Orders (CPO) which will be made in Winter 2017. The capital programme has been revised to reflect the updated cost estimate and expenditure profile. A Supplementary Capital Estimate of £12.6m will require approval from Council. Further details are given at **para 183 to 185 and Appendix 8**.
37. The **Congleton Link Road** scheme now has planning permission. CPOs have now been served and a public inquiry was held in May 2017 to acquire the land for the Link Road. The scheme is now out to tender to five shortlisted contractors, with tenders due to be returned in mid-January 2018.
38. The **A6 Manchester Airport Relief Road** is currently under construction and due for completion in Spring 2018. The scheme

will be 'future proofed' to allow for the easy joining of the Poynton Relief Road.

39. We are currently in a consultation period on the **A500 Dualling** scheme. Successful public exhibitions were held in Barthomley on 20 and 23 September 2017. Design work continues with upcoming ground investigation work.
40. The Development Services Agreement with Network Rail (NR) for detailed design of **Sydney Road Bridge** has been signed and detailed design is underway. Discussions are progressing over the agreements with NR that are required (Transfer of Asset Ownership from NR to the Council; Bridge Easement Agreement & Two Party Overbridge Agreement). Negotiations with affected landowners are being progressed. The CPO process has been initiated to safeguard against failure to secure required temporary and permanent land through negotiation.
41. **Crewe Green** is a five-arm signalised roundabout, forming a major confluence of roads to the east of Crewe. Peak period congestion is severe and traffic modelling showed the recent opening of Crewe Green Link Road (South) was predicted to add approximately 15% more traffic to the junction. The development involves the extension of the existing roundabout to the north-west, to allow connection to Sydney Road and Hungerford Road, through the creation of an extra arm to the roundabout. Planning for the scheme and approval of LEP funding was approved late September 2017. Delivery agreement with the contractor as part of the SCAPE Framework is to be signed in October 2017. The scheme will start advance work in mid-October 2017, with the main works to start in January 2018.
42. **North West Crewe** is currently under development. A strategic route is planned to support the development of Leighton West and

the additional demands on the highway network. The scheme includes a spine road, east-west link road and a series of junction improvements which is collectively known as the “North West Crewe Package”. Ongoing discussions have been held with key stakeholders to progress the detailed design, and negotiations are ongoing with affected landowners and land requirements for the delivery of the scheme. Strategy papers for Funding, Procurement and Land are being prepared.

43. The installation of the new pay and display parking machines was completed at the end of July 2017. The new machines accept numerous new payment options, including chip and pin (debit and credit card payments) and contactless. 100% of our machines accept the new £1 coin. The new machines require the user to input their Vehicle Registration Mark (VRM) which ensures that tickets are not passed from one vehicle to another which is a breach of the terms and conditions of the use of the Council’s car parks and also ensures a quick and appropriate turnover of parking spaces, accommodating more shoppers and visitors to our town centres.
44. The new parking services software solution ‘Taranto’ is being embedded and work is progressing to enhance the digital services offered to the public who receive a Penalty Charge Notice so that they can see what evidence has been obtained prior to deciding if they should challenge the Notice and improve the payment portal for customers. Two further Civil Enforcement Officers started their training with the team in quarter two and remaining vacancies are currently being recruited for.
45. Cheshire East Highways (CEH) performance is managed through a suite of contractual performance measures. There are 28 scoring indicators being monitored in 2017/18. Winter Service and Street Lighting are not calculated during the summer months; however, of

the active performance indicators in quarter two, 25 have been calculated as passing with one failing. The training performance indicator failed to achieve its target in August as a result of staff holidays. There are also 14 non-scoring indicators, five of which are annual indicators, the structures indicator failed to achieve its target in August due to a reduction in the number of bridge inspections carried out as a result of the delay in the mobilisation of ‘Bridgestation’. Additional inspections will be undertaken to ensure that the target is met by the end of the year. All other non-scoring indicators are passing.

46. Revenue activities are progressing as forecast; the coming weeks will see the commencement of the winter service and the end of this season’s grass cutting activities.
47. The number of third party claims made against the Council in quarter two (72), has decreased when measured against last year’s quarter two figure (92); a reduction of 21.7%.
48. By the end of quarter two the service received 8,302 enquiries of which 7,238 were resolved (87%). The number of enquiries received is lower than that of the same period last year (8,653).
49. Similarly the number of potholes repaired in quarter two (2,454) was a lower figure than the same period last year (3,953). The numbers of pothole defects are currently lower than the original forecast due to the additional reactive and proactive approach of the Highway Service in recent months. Pothole repair numbers increased significantly at the end of quarter four 2016/17 due to periods of rain early in that quarter. The Highway Service responded with additional resource to repair the actionable pothole defects and also carried out Level two repairs, using traditional patching and spray-injection treatments. These

programmes are funded by the Department for Transport (DfT) pothole grant monies.

50. Gully emptying is achieving high outputs with 32,296 at mid-year against a target of 55,700 (58%) by year-end. A targeted approach is being utilised to address defects identified during routine emptying.
51. The year to date has seen improvements in the way that the bridge stock is being managed with the implementation of Bridgestation and the award of BSi ISO 55000.
52. The winter season begins in October, with the core season beginning on 1 November. Work is required to bring the Winter Service Policy, and all service areas, in line with the Well Managed Highway Infrastructure Code of Practice by October 2018.
53. The capital maintenance and Highway Investment Programme is on track with all surface dressing and carriageway re-surfacing programmes complete. The final phase of micro asphaltting and grip fibre programme commences first week of October for completion before November (weather dependent). Level two carriageway patching programmes will continue with monthly programmes.
54. Street lighting upgrade to LED in residential areas and structural column replacement programmes remains on course for completion in 2017. The outputs in quarter two had been affected by delays in one installer gaining approval to work on the Scottish Power Network. This has been resolved and overall productivity of all installers is good and works will be completed on site by December. Preparations for year three are starting in October with scheme designs, to ensure an early start and completion in 2018.

55. Two main flood alleviation projects are being taken forward in conjunction with the Environment Agency, subject to funding approval by Department for Environment, Food & Rural Affairs (DEFRA). In addition to these a programme of smaller drainage projects are planned to tackle flooding both on the highways and to local communities and will be delivered in year. The Preliminary Flood Risk Assessment document has been revised and is with the Environment Agency to review the findings. Once approved in the New Year this document will be published online replacing the existing assessment which is currently accessible to the public.
56. The procurement of the highways services contract from 2018 onwards is progressing. Bidders have submitted their selection questionnaire (SQ) responses. These are currently being assessed and scored to identify the bidders who will be progressed to the next stage. The preferred bidder will be announced following due process in March 2018.

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

Securing the Best Start in Life

57. As at the end of September 2017, our Ofsted profile shows that our schools continue to perform extremely strongly; 89.7% of all schools were rated good or outstanding; with 92% of primary schools, 80% of secondary and 80% of special schools achieving the good/outstanding rating from Ofsted. Over 50,000 pupils are attending these schools.
58. The Council is working with 19 schools and children's centres on capital programmes aimed at improving the quality of buildings, to promote the best learning environments for all young people. Schools in Cheshire East will benefit from a £1m boost aimed at

improving the environments in which children in the borough are educated. Using a Department for Education (DfE) capital grant allocation, the Council has encouraged maintained schools to carefully consider their current building infrastructure and bid to the Council for this funding. Schools have been encouraged to draw upon their own school funds to supplement this grant so that as many schools as possible can benefit.

59. The newly founded Welfare, Attendance and Behaviour Network has been established to bring together senior leaders from primary, secondary and special settings who support our vulnerable learners. This network will meet three times a year and drive forward collaborative support and provide a forum to share best practice to benefit school professionals and young people. The first network meeting in July was a huge success with local authority officers and school leaders working together to streamline transition, children missing and managed move protocols across the borough. Feedback from schools was overwhelmingly positive and the next event is planned for the Autumn Term.

Highest Achievement for All Learners

60. Cheshire East's pupils achieved an outstanding set of GCSE results in August. New reformed GCSEs have been developed to meet the requirements of the government, who wanted more-challenging qualifications and better differentiation of students at the top grades. Provisional figures show that 70% of pupils achieved a 'standard pass' or better in English and maths. Nine of our 22 secondary schools were above 75%. Currently, there is no equivalent rate nationally. In English, 83% of Cheshire East pupils gained the standard pass or better compared to 65% nationally. Five schools saw over 90% of their learners achieve the standard pass rate. In Maths, 74% of Cheshire East pupils gained the

standard pass or better compared with 69% nationally. Six schools saw more than 80% of their students achieve the standard pass. Analysing performance of learners achieving a strong pass (grade five), shows that more than 60% of all pupils achieved this level in English and 50% in Maths.

61. As their 'corporate parent', improving educational outcomes for our cared for children remains a priority. Under the new scoring and reporting system for GCSEs, 19% of cared for children have gained Level two in Maths and English. This is a provisional figure but is an increase of 7% from 2016 and is above the reported national figure for 2016, which was 17.5%.
62. Cheshire East's A-Level students also achieved excellent results. The borough's 1,685 students achieved a provisional pass rate of 99%, which is above the national average of 98%. A further breakdown of grades shows that the proportion of students achieving grades A* to A was 27%, which is higher than the proportion nationally and well over half (54%) achieved an A* to B grade. There has been a continuing increase in the number of students achieving the highest grade of A* with 10% of Cheshire East students attaining this grade compared to a national figure of 8%.

Inclusion

63. Consultation on a joint strategy for children with special educational needs and disabilities (SEND) has taken place in quarter two. The strategy sets out the ambition of the multi-agency 0-25 SEND Partnership to improve outcomes for this group of children and young people over the next two years. The strategy was endorsed by the Health and Wellbeing Board in September.

64. As part of the SEND strategy, work has continued in quarter two to develop a free school for local children with social, emotional and mental health needs in Crewe. A number of market engagement sessions have taken place and the Council is currently inviting applications from high quality organisations to run the new special free school from September 2019.

4 ~ Cheshire East is a green and sustainable place

Sustainable Development

65. In July 2017 the Council sealed formal adoption of its Local Plan. Importantly, the inspector, in his final report to the Council, highlighted that the plan provides a five-year supply of housing land to meet projected need, a key finding that will now support the Council's case against inappropriate or unsustainable housing proposals.
66. In the final report in June, the Planning Inspector said: "I consider the overall development strategy for Cheshire East, including the provision for housing and employment land, is soundly based, effective, deliverable, appropriate, locally distinctive and justified by robust, proportionate and credible evidence and is positively prepared and consistent with national policy."
67. The Local Plan includes provision for a housing requirement of at least 36,000 new homes and 380 hectares of development land, to reflect a stronger anticipated jobs growth rate of 0.7 per cent per annum.
68. The Council has dealt with a large number of planning appeals, resulting in higher appeal costs, more appeals, more public inquiries and the use of more senior Counsel. Whilst it is inevitable that a certain number of appeals will be allowed, the percentage

has increased to significantly high levels as compared with the national average.

69. A number of measures are being implemented to ensure better decision making and reduced appeal costs. These include avoiding the need for public inquiries, using less expensive Counsel, only challenging decisions where there is a better prospect of success, additional training regarding decision making, appeal performance feedback to Members. Adoption of the Local Plan also enables us to better defend certain appeals. Whilst appeal numbers and costs can never be accurately forecasted, the above measures seek to reduce costs at all levels.

Waste Management

70. **Waste & Landfill** – In quarter two, use of waste-to-energy was reduced because of the planned shutdown for maintenance at the Stoke-on-Trent waste-to-energy plant diverting disposal to landfill. Ansa are currently in procurement to obtain a second waste-to-energy processor to further reduce landfill.
71. **Reuse and Recycling** - During this quarter the Council anticipates collecting around 30,000 tonnes of waste for recycling through its silver and green bin schemes and from its Household Waste Recycling Centres (HWRC). This is a similar amount to the second quarter last year and is testament to the hard work of residents and the continued efforts of Ansa in waste education to reduce, reuse and recycle. Around 350 tonnes of the material is reused through charitable partnerships and the HWRC.

72. Waste, Recycling Reuse Figures (Quarter 2 indicative draft tonnages)

Residual		
Landfill	Waste to Energy	
17,000	4,000	
Recycling		
Household	HWRC	Reuse
9,500	3,500	350
Green Garden		
Household	HWRC	
14,300	2,700	

Environment

73. South Park Lake was de-silted in 2016 and following a period of stabilisation of the deposited silt, the lake margins have now been replanted with native stock. The first season of plant growth appears to have been successful and is adding colour and biodiversity.
74. The Playing Pitch Strategy is now completed, adopted and published on the Council's website. We continue to work with the Cheshire Football Association developing a playing pitch improvement partnership, aimed at raising the quality of Council owned playing fields across the borough.
75. Cheshire East, in partnership with Ansa Environmental Services, has 29 park improvement projects on the programme at this time. These projects are funded from Section 106 developer contributions and external grants where possible. We are working in partnership with local members and local community groups (Friends of Parks) to deliver schemes across the borough.

76. Funeral Directors were surveyed about the service provided by Orbitas. The overall level of satisfaction was good at 87.5%, and additional survey results will be used to inform how the services offered can be further enhanced.
77. Community Enforcement Officers' (CEOs) dealt with 1,232 incidents during the quarter including fly tipping, littering, side waste, dog fouling and abandoned vehicles in Cheshire East. Of the 1,232 incidents reported to the CEOs, 413 related to fly tipping, and 26 to side waste. Of the fly tipping reports, evidence was found and investigated further in 34 cases. 503 preventative visits were made, 107 education visits undertaken, 15 verbal warnings and 8 formal warnings were given.
78. Analysis of the last two quarters' data around fly tipping from the Community Enforcement Officers show that the average complaint per week in Cheshire East has dropped from an average fly tipping complaint per week of 45 in quarter one to 28 in quarter two.

Affordable Energy, Growing Energy Businesses, Independent Energy

79. Cabinet confirmed that the Fairerpower contract is to be novated to SAGC allowing for the expansion of Fairerpower in the North West of England. Preparations are underway to launch Fairerpower Red Rose in Lancashire partnering with Preston City Council. Fairerpower now has over 8,100 customers. Preparations through July and August included developing the Preston Partnership for launch at the end of September. Procurement arrangements have recommenced following the agreement of Cabinet to novate the contract.
80. Round six Heat Network funding was secured from the Department for Business, Energy and Industrial Strategy (BEIS), and there was successful awarding of a European Local Energy Assistance (ELENA)

grant to deliver the Affordable Energy programme. Mobilisations are underway to commence the development of projects including: Smart Cities for street lighting; district heating schemes in Crewe and Macclesfield town centres and Alderley Park; and Solar PhotoVoltaic Energy storage and Smart Grids.

5 ~ People live well and for longer

Empowering people to live independent, healthier and more fulfilled lives

81. The Strategic Housing service has developed a number of policies forward in quarter two including the grants and loans policy for home repairs and adaptations for vulnerable people, the ECO Flexible Eligibility statement of intent, and the Housing Enforcement Policy. The team have taken a big step in renewing the frameworks for home repairs and adaptations, with an advert being placed on the Chest and contracts expected to be awarded in quarter three.
82. The Housing Standards & Adaptations team won the national Foundations 'Adaptations Service of the Year' award, recognising its success in helping disabled people and the innovative approaches that the Council takes to meet the needs of disabled people.
83. Housing Options have welcomed two Housing and Health link workers to the service; a collaborative arrangement with Health partners to improve the pathways from people in hospitals into settled secure housing. This is a 12-month pilot funded by the Complex Dependency Programme. The officers will be based within the Housing Options Team but will have close links with hospitals to ensure referrals for services are received as soon as a housing issue is identified so that the appropriate support can be offered. There are four emergency bed spaces within the borough which have also been introduced as part of this project.
84. Housing Options are pleased to announce the Upstream Project with Cheshire West and Warrington has commenced this quarter. The Upstream project has been funded by the Department for Communities and Local Government and is aimed at preventing rough sleeping in the borough. The work will provide advice, guidance and support to people whose accommodation is precarious and are at imminent risk of sleeping on the streets with the aim of finding long term stable accommodation.
85. Work has begun on Roe Street to introduce a wet room and fully Disability Discrimination Act (DDA) compliant flat as well as improved CCTV coverage and modern door entry systems. The project will improve the quality of the temporary accommodation offered to people in housing crisis and will mean that people with a physical disability can access accommodation with support.
86. The project to upgrade the Leisure Centre in Congleton, including the design and building of a replacement swimming pool, continues with the process of selecting a preferred "development partner" reaching a conclusion during the Autumn. A decision on the appointment is due to be made by Cabinet towards the end of the year.
87. In addition to the capital build programme the Council continues along with the Leisure Trust to invest in improving the quality of facilities for users. A new gym and studio space was also developed at Sandbach Leisure Centre for opening in October. Work to refurbish the 3G football pitch at Crewe Cumberland Sports Arena was completed in August in time for the start of the new football season. It is hoped that these improvements will

continue to contribute to the increasing number of residents using their local leisure facilities and improving their health.

88. During the quarter the Council completed two major strategy documents; the Playing Pitch Strategy & Indoor Built Facilities Strategy. Both are key to supporting the recently adopted Local Plan in protecting existing and developing new facilities. Following approval by Cabinet and following a period of public consultation both have now been formally adopted, and are being actively used as part of the planning process.

Information, Advice & Guidance, Prevention and Early Intervention

89. As part of our intentions to review and recommission our current accommodation with care and care at home offer to local residents, commissioners are keen to ensure that local care providers are fully engaged in the recommissioning process and that the new models of care are co-produced between commissioners and providers. To that end commissioners have set up a series of 'task and finish' groups with a wide range of care providers to explore the following areas: New service models and care specifications; Internal processes; Contract monitoring; Recruitment and retention.
90. The groups have been well attended and received positively by the care market, with providers not only valuing the opportunity to raise concerns and queries with current arrangements, but to also offer solutions and new ways of working to ensure that the new commissions are successful and achieve the desired outcomes. Some of the highlights from the first round of meetings include: exploring the introduction of a Cheshire East Care Award as a way of valuing the work of the independent care sector; exploring how

the Council could make use of our communication and media teams to promote caring as a career; to run some good news campaigns and 'myth busting' to assist in dispelling some of the negative messages around care; and looking at how providers can support each other by sharing resources such as shared training.

91. A number of shared actions have been agreed within each group which will inform the wider recommissioning work. Meetings are being held on a monthly basis to ensure that we keep the momentum and continue to work in collaboration with care providers and build strong partnerships across the borough.
92. South-based operational social care teams have aligned to local GP practices, providing a model to prevent, reduce and delay the need for long term social care and health support, using universal services and community resources, which will be rolled out across the borough.
93. School Health Profiles have been developed for each primary and secondary school in the borough. These documents provide detailed information about health needs in the school locality and surrounding areas. They are intended to inform discussions between school nurses and school staff about the need for health prevention activity in each school.
94. The National Child Measurement programme was completed and resulting data submitted to Public Health England in August. The mandatory programme weighs and measures all children in Reception and Year six so that parents can make informed decisions about their children's weight and if necessary be referred into local support services. There has been an improvement in participation rates for both age groups from the 2015/16 programme (from 95.6% to 96.6% in Reception and from 90% to

91.2% in Year 6). Results from the programme are expected in November.

95. Building upon learning from the Phase One pilot; the Emotionally Healthy Schools Programme is now well underway. Phase Two seeks to build capability and capacity using the Thrive model. The Phase Two Programme has three component parts:

- The Education Leadership Programme, which aims to embed the Emotionally Healthy Schools Programme across all schools and deliver strategy developments across the sector. During the last quarter a Leadership Forum has been established, with 10 senior leaders from schools from across the borough being appointed to advise and lead the roll-out of the Education Leadership Programme;
- The Link Programme, which offers development of pathways, assessment and thresholds, training, mental health consultation sessions and group-facilitated reflection sessions for schools staff;

The Tools For Schools Programme, which offers training, co-facilitation and the identification and promotion of evidence-based tried and tested interventions that can be delivered by schools and children and young peoples services.

96. To date approximately 35% of schools have accessed the Tools For Schools and Link programmes. Calendars of delivery dates are in place and schools are signing up to sessions in the new academic year.

97. The formal launch event for the Phase Two Emotionally Healthy Schools (EHS) Programme took place on 29 September, at Wychwood Park, Crewe. This event will provide information on the programme and the opportunity to hear keynote speakers talk about international research into emotional health and wellbeing,

as well as giving delegates the opportunity to take part in workshops, reflective of the EHS programme offer and to network with colleagues from agencies who are able to offer additional support and/or advice to schools. 180 delegates from across the borough and neighbouring authorities signed up for the event. The Emotionally Healthy Schools Programme is required to reach all schools and colleges by December 2019.

98. Cheshire East Council is responsible for commissioning the NHS Health Check programme which is a health-based screening for residents aged 40-74 aimed at reducing the prevalence of cardiovascular disease (such as heart disease and strokes) amongst the population through lifestyle advice and treatment (including referral to One You Cheshire East services). Performance continues to be strong with this programme, with quarter 2 showing improvement on Q2 of 2016/17 (over 3,000 Health Checks conducted). This is the result of ongoing service development work.

99. The Cheshire East Substance Misuse Service has been highlighted in the Cheshire and Wirral NHS Trust 'Book of Best Practice' for their work to reduce drug related deaths. The new programme promotes the wider availability of Naloxone to reduce overdose deaths from heroin and similar drugs. The team have helped to supply Naloxone to individuals at risk of overdose, as well as their carers, families and staff working with substance misusers. The project includes:

- Distribution of Naloxone Take Home Kits through the Substance Misuse Service and static Needle Syringe Programme;
- Staff training programmes allowing them to translate this to service users in a 15-20 minute consultation prior to providing them with a Naloxone Take Home Kit, extending training to partner service providers in the community.

- Enabled wider distribution and availability of Naloxone which will allow the service to target those most at risk to reduce drug related death

Accessible high quality services, Information & Advice

100. The Adults, Community, Commissioning and Public Health service have completed phase one of a management structure review, appointing to key Head of Service and Lead Commissioning roles to ensure the delivery of lean, effective and efficient services going forward as the demands and challenges for this directorate continue. Phase two is underway.
101. Adult Social Care held a Leadership Forum for all Managers at Grade 10 and above in Macclesfield Town Hall in July. The event gave Managers the opportunity to meet the three recently appointed Directors of Public Health, Adult Social Care Operations and Commissioning, to reflect on outputs to date from the Adult Social Care Direction, Style and Culture activity and a forum to focus on shared priorities with Cheshire East residents at the heart of our business in accordance with our Team Plans.
102. 'Live Well Cheshire East' officially launched on 18 September. Live Well enables residents to find a range of services to meet their needs and improves the choices available to people in sourcing care, support and advice. A series of daily public promotional events took place in key towns from Monday 18 through to Saturday 23. The Core Steering Group met weekly in order to undertake and monitor progress of outstanding actions and prepare for 'business as usual' as outdated webpages were gradually superseded by Live Well.
103. A new 16-19 School Nurse has been recruited by Wirral Community NHS Trust to take a proactive approach to developing relationships

between the service and local colleges and other agencies. The aim is to develop the school nursing offer outside of school settings so that all young people are able to access the services provided.

104. 11 new Breastfeeding Peer Supporters have been recruited. The peer supporters give up their time voluntarily and are trained by the 0-19 service to provide vital support to new and expectant mothers to enable them to give their children the best start in life. A further Sexual Health clinic session has been added in Congleton with the aim of increasing access to contraception and Sexually Transmitted Infection testing and treatment in this area.
105. A telephone counselling service has been introduced for women who are considering long acting contraception methods. This negates the need for two separate appointments and has been well received by patients.
106. Pathways for accessing chlamydia screening for people over the age of 25 within primary care and for access to Post Exposure Prophylaxis for occupational health reasons have been agreed between East Cheshire NHS Trust and Eastern Cheshire Clinical Commissioning Group (facilitated by CEC Commissioners). This will ensure that patients are able to access these services and the Trust is properly remunerated.
107. One You Cheshire East aims to improve the life expectancy and long term health of residents by offering a number of programmes aimed at transforming people's lifestyle behaviours such as healthy eating, weight management and physical activity services. Falls prevention continues to be well subscribed and ongoing contract management work is taking place to improve the take up of other programmes. As part of this, a new pathway has been launched with Eastern Cheshire Clinical Commissioning Group (called 'Health

Optimisation') to provide further opportunities for patients to access services.

Public Protection, Health Protection & Safeguarding

108. The Council is continuing to see a rise in the number of children entering care in Cheshire East. Whilst this rise is reflected locally and nationally, it continues to put pressure on budgets within Children's Social Care, both in terms of placement and staffing costs. Detailed work is underway to produce a demand management strategy to ensure that these vulnerable children and young people are well supported.
109. On 3 July this year Cheshire East, in partnership with Manchester, Salford, Trafford and Stockport councils, became part of only the second regional adoption agency to be formed in the UK. The service, called 'Adoption Counts', has been awarded £500,000 over two years to develop a centre of excellence for adoption support which is good news for Cheshire East adopters and our children. The service aims to speed up matching and markedly improve the life chances of neglected and damaged children, improve adopter recruitment and adoption support and reduce costs. Cheshire East is delivering this service three years ahead of the 2020 target set by government.
110. September saw the launch of the adoption of Signs of Safety, a new way of working with families in need of early help and children's social care services in Cheshire East. Signs of Safety will support us to achieve the type of service that children, young people, parents, carers and professionals have told us they want; one that is child-centred, solution-focused, and respectful and inclusive.
111. Feasibility work is underway around developing a locality model of working for frontline children's services. This is looking at a range

of factors to determine whether it would be more effective and improve services for children, young people and their families based on a number of geographical areas across the borough.

112. The Local Safeguarding Children Board (LSCB) held its annual 'Act Now' conference. Co-produced and led by young people, this year's conference took place in July and enabled young people from a range of schools across Cheshire East to talk direct to key professionals from different agencies about safeguarding issues important to them. This year's conference included presentations around children living with neglect, missing from home and child sexual exploitation.
113. Cheshire East's 'Ignition' panel has been shortlisted in the forthcoming Children & Young People Now awards in the 'Leaving Care Award' category. 'Ignition' is for young people aged 15½+ who are thinking about where and how they would like to live when they leave care. Ignition has developed our range of options; for example our taster flats enable young people to live independently for two weeks with floating support and a clear plan. This provides the experience of independent living without a long term commitment and a plan for that young person to work on once they return home ensuring they are ready to move when the time is right.
114. Work is underway to plan for the annual Star Awards as part of November Children's Rights Month (NCRM). NCRM is where everyone working with children and young people in Cheshire East can celebrate and raise awareness of children's rights in a variety of different ways including the 'Star Awards' in November. This is an awards ceremony for cared for children and young people and care leavers in Cheshire East, with every young person receiving an invite in the post to attend. The event is co-organised by young

people and nominations have been requested by 22nd September. This year the event will take place on 19th November 2017.

115. In quarter two we had our first cohorts of social workers endorsed as Advanced Practitioners, having successfully completed the training and progression panel requirements. The role was introduced to recognise and acknowledge those social workers who are the beacons of good practice, able to support others and lead the way in demonstrating consistently good practice. The introduction of the Advanced Practitioners status will strengthen the service by being able to share their practice wisdom and cascade their expertise and knowledge across all parts of the organisation with students, newly qualified social workers and those in need of some support and guidance. The aim is to have at least one Advanced Practitioner in each of our social work teams.
116. Cheshire East Council took part in the celebrations in September marking the 10th Birthday of the Mental Capacity Act (MCA) coming in to force. The Principal Social Workers network requested that Councils got involved by compiling an A-Z of what the MCA means to them. Cheshire East Safeguarding Adults Board ran a competition for each team to devise their own A-Z.
117. Following the successful launch of “The Spoken Word” piece produced by the Cheshire East Safeguarding Adults Board service user sub group, the wording of the video has now been featured in a publication by Dr Adi Cooper published on 21 August 2017. The book also captures views of some members of the group on what good practice in safeguarding looks like. The publication was launched at a national seminar in London on 19 September and is entitled ‘Safeguarding Adults under the Care Act 2014: Understanding Good Practice’.

118. Cheshire East Council Adult Safeguarding Board welcomes a new Chair, Mr Geoffrey Appleton who joined us from 1 September 2017, coming with much experience having ongoing responsibility for Cheshire West and Chester Adult Safeguarding Board Chair as well.

119. Council officers joined Councillors and local dignitaries at an event in Chester Cathedral on 17 September 2017, bringing churches and communities together to support a declaration around raising awareness of human trafficking and slavery.

6 ~ A Responsible, Effective and Efficient Organisation

120. In quarter the Equality and Diversity Strategy continued to deliver progress on its delivery of the Council’s Equality Objectives, with achievement highlights including:
 - We now have a network of 27 Equality Champions from across all parts of the organisation. The Champions will support the Council in driving forward our Equality and Diversity Strategy at a team level.
 - We have reviewed our internal approach to Equality Impact Assessments, developing a new suite of guidance to support officers when completing assessments.
 - We have introduced a new module on Oracle to allow our officers to update their information and ensure we have an accurate overview of our workforce related to the nine protected characteristics.
121. Following on from the Staff Survey last year, much work has taken place to improve the culture across the organisation and lots of help is available to those who may need support or advice.
122. Further to a procurement exercise the Council has appointed Public

Concern at Work (PCaW) to deliver additional whistleblowing support to complement and review our current arrangements.

123. During the third quarter the Council will seek to further improve the timeliness of project highlight reporting. 83% of projects (112 out of 135) were rated 'green' on having submitted an updated highlight report to the Projects and Change Office at the end of the second quarter. All of the remaining 23 out of 135 project highlight reports had been updated earlier during the second quarter, but our target is to work with project managers to ensure all highlight reports are updated on an ongoing, monthly basis.
124. The Property Services team disposed of a further property in quarter two, taking the capital receipts received so far this year to £371, 013. Additionally they have completed 349 cases which include requests for occupation or use of Council assets and/or land requiring a legal agreement, and dealt with 298 ownership or boundary queries, responding to 62% within one day. Of its 125 lettable units across its Business Generation centres and Industrial Units, 109 units are let with the income profile meeting target and debt across the estate being £70,826. The value of the construction projects that the Property Projects team are managing across the Council's assets increased to £85m.

2. Financial Stability

Introduction

125. The Council has a strong track record of sound financial management. Nevertheless, in common with all UK local authorities the Council finds itself in a position where pressures on the revenue budget are intensifying as a result of increased costs, growing demand and reducing Government grant. The pressures are most intense in Children's and Adults Social Care.
126. A full mitigation plan is under development to address the forecast overspend and ensure that the General Reserves are protected. This includes a revised approach to the Capital Financing requirement, which is detailed in **Appendix 15**. Given the scale of the financial pressures achieving a balanced budget position this year will be extremely challenging.
127. **Table 1** provides a service summary of financial performance at quarter two. The current forecast is that services will overspend by £9.9m in the current year. The Financial Narratives provide further details and changes to service net budgets since first quarter review are analysed in **Appendix 2**.
128. Further items impacting on the level of the Council's balances are detailed in the paragraphs below on Central Contingencies and Contributions.

Table 1 - Service Revenue Outturn Forecasts

2017/18 Mid Year Review (GROSS Revenue Budget £605.2m)	Revised Budget (NET)	Forecast Actual Outturn	Forecast Over / (Underspend)
	£m	£m	£m
SERVICE DIRECTORATES			
Directorate	10.6	10.6	-
Children's Social Care	33.1	36.9	3.8
Education & 14-19 Skills	2.6	2.8	0.2
Prevention & Support	9.6	9.2	(0.4)
Adult Social Care - Operations	28.1	28.7	0.6
Adult Social Care - Commissioning	67.4	72.2	4.8
Public Health and Communities	2.7	2.5	(0.2)
People	154.1	162.9	8.8
Directorate	(1.1)	(1.5)	(0.4)
Planning & Sustainable Development	2.5	2.6	0.1
Infrastructure & Highways (incl Car Parking)	13.5	13.5	-
Growth & Regeneration	16.8	17.1	0.3
Rural & Cultural Economy	2.8	2.8	-
Place	34.5	34.5	-
Directorate	1.9	1.9	-
Customer Operations	9.0	9.4	0.4
Legal Services	5.4	5.8	0.4
Human Resources	2.5	2.2	(0.3)
Finance & Performance	5.9	5.8	(0.1)
ICT	5.8	5.8	-
Communications	0.6	0.7	0.1
Client Commissioning			
Leisure	2.2	2.2	-
Environmental & Bereavement	27.7	28.3	0.6
Corporate	61.0	62.1	1.1
Total Services Net Budget	249.6	259.5	9.9

Financial Narratives

People Directorate

129. The number of cared for children stood at 466 at 30 September 2017. This is compared to 400 in the same period in 2016 and consequently continues to place strain on existing budgets. Most children enter care due to neglect and abuse with increasing numbers of children being made the subject of applications to the Family Courts to secure their welfare. However, by mid-year 83 children left care as a result of adoption, returning home or moving to independent living.
130. The Council increased funding for cared for children in 2017/18 by £2.1m to meet the demand levels at that time and to ensure our cared for children and care leavers achieve the best possible outcomes.
131. However, indications at this stage are that both demand and costs have continued to rise with providers increasing their costs, especially for residential care, and as the number of children entering care has increased more children are now placed in higher costs independent fostering placements.. The Service has set targets to reduce this cost pressure, which could have been as much as £4.1m, through increased gatekeeping, ensuring senior staff agree new placements and regular reviews. It is forecast this will make a difference by the year end and a prudent forecast of £3.8m overspend is incorporated into the mid-year review.
132. Several children have entered care with very complex needs and challenging behaviour, which has necessitated them being placed in secure children homes at very high cost.
133. Despite the increase in cared for children, we continue to be towards the lower end of our statistical neighbour group and

nationally for rate of cared for children (per 10,000), in particular lower than Cheshire West and Chester and Warrington Councils.

134. A number of initiatives are being taken forward to reduce the pressures such as opening residential children's homes, expanding Project Crewe, joining a regional adoption agency, and starting work on a shared fostering service.
135. Other key pressures for the service include the interagency adoption placements budget which needs to be re-aligned to match a reduced level of activity and delivery of transport savings.
136. Across Education Services (£0.2m overspend) and Prevention Services (£0.4m underspend) various pressures are being mitigated by further vacancy management and underspends across the services. This means Children's Services are forecasting a £3.6m overspend overall, compared to budget (£3.8m + £0.2m - £0.4m), which is a £1m increase compared to quarter one
137. The Adult Social Care (Operations and Commissioning) and Public Health and Communities budgets remains under continued pressure across the country. The pressure here in Cheshire East comes from the combination of factors, which have been building over a number of years, and relate to meeting the needs of our most vulnerable residents. Demand for services creates pressure in all areas, in front line teams which in turn, means staff time assessing needs in order to provide the appropriate care and support becomes a weekly prioritisation. Sometimes we are able to offer information and advice which enables people to access the right services but on other occasions we are duty bound to provide services which meets the eligible needs of our residents. Some care providers are struggling to respond to request for placements and providing care packages remains a daily challenge.

138. We are seeing additional support requirements at both ends of the age spectrum. It is a source of great celebration that our population continues to live longer, but not everyone can do this without significant care and support. There are many more people coming through transitions as young people into adulthood with many more complex needs. Equally the need for services to support our aging population continues to rise. This is of course all against the backdrop of our NHS financial challenges locally and the interdependencies between health and social care as we lead into the most challenging time of the year with winter approaching.

139. The department has commenced work on a number of actions aimed at reducing the extent of any adverse pressure to the budget and continue to meet the outcome. There are projected overspends in Commissioning (£4.8m) and Operations (£0.6m) and an underspend in Communities (£0.2m). against a gross base budget of £153.9m, meaning a variance of 3.4%. Measures that deliver savings based on service redesign with the resident always in mind whilst ensuring a safe service is at the heart of what we are doing. A further financial risk at the present time relates to the current financial position of the Council's largest partner the local NHS who are already reducing direct funding to both the Council and key partners in the sector which can further add to the Council's financial pressure. These actions which are being implemented in order to produce a balanced position are only likely to increase during the winter period when demand for Health services has repeatedly been evidenced to rise. This means Adult Services are forecasting a £5.2m overspend overall, compared to budget (£4.8m + £0.6m - £0.2m), which presents no net change to the position reported at quarter one. Overspending for the People Directorate is therefore forecast at £8.8m at Mid-Year as identified in Table 1 (above).

140. Colleagues in Finance and Performance are working together to support the People Directorate to develop more detailed information using new systems, in order to help identify trends and enable appropriate action to be implemented earlier. This work

involves a deep examination of the underlying position and the inherent pressure which has been masked by temporary mitigations. This will lead to increased transparency and setting of clear outcomes going forward.

Place Directorate

141. The Place Directorate is experiencing financial pressure of £0.6m against a budget of £34.5m at mid year review. This has reduced by £0.6m from the £1.2m initially reported at first quarter. The net outturn forecast is that these pressures will be mitigated to produce a balanced budget overall by year-end.

142. Productivity and contract savings in 2017/18 totalled £2.8m for Place. £1.5m of savings against this target have been found to date and a further £1.2m will be covered by the use of earmarked reserves in year. Shortfalls in establishment budgets have also been corrected. This has led to a £0.2m pressure reported for productivity and contracts at this stage, although the directorate is still working to reduce this number.

143. Costs of appeals within Planning are higher than budget which has caused a £0.2m pressure in year. The service is working on mitigation activity and is currently forecasting a £0.1m overspend at mid-year. It is unlikely that income from the investment portfolio will be realised, within the Growth & Regeneration Service, before the end of March, this has created a forecast income shortfall of £0.3m.

144. A mitigation plan is in place which covers three main areas: a review of major contracts, remedial actions from Transport Service Solutions Limited and a further review of earmarked reserves. It is expected that Place will have achieved a balanced budget by year

end, which is currently presented as a £0.4m underspend within the Directorate Budget in Table 1 (above).

Corporate Directorate

145. At Mid-Year, the budget for services within the Corporate Directorate are forecasting a £1.1m overspend. This represents a £0.3m improvement since First Quarter.
146. Overall, Environmental Operations, including Bereavement is currently forecasting a £0.6m overspend for 2017/18 against a net £27.7m budget. £0.5m of Ansa's identified contract savings of £850,000 are scheduled to be delivered. Savings, linked to the move to the new Environmental Hub at Cledford, are being deferred to the following year, but this is being partially mitigated by the dry recycling contract forecast improvements. This figure is however, dependent on commodity prices over the remainder of the year and could go up or down at final outturn. The Authority is looking at a best value solution for in-vessel composting to enable the recycling of food waste. Approved Savings of £150,000 associated with the closure of Arclid HWRC and charging for rubble waste are on track to be delivered as planned in 2017/18.
147. Town Centre Regeneration Plans (Cabinet September 2017) involve changes to Market provision and during this period of transition there is a forecast shortfall in markets income for the year of £165,000.
148. The Customer Operations budget is forecasting net expenditure of £0.4m above budget. This is primarily due to the re-profiling of £0.6m of savings in relation to the Digital Customer Services programme. Revenues is experiencing a reduction in the forecast income from court fees of £83,000, signalling a positive reduction in the number of debt cases. Overspending is partially offset by

activity within the Digital Customer Services programme; and savings in Benefits Administration.

149. The forecast outturn for ICT Services is a net nil. Pressure is arising from managing an ageing ICT estate. Mitigations are expected through improved cost recovery, development the Infrastructure Investment Programme and reduced reliance on contractors.
150. Legal & Democratic Services are forecasting an overspend of £0.3m. This is mainly from staffing and Counsel cost pressures related to increasing numbers of childcare cases in Legal Services, and staffing pressures in Compliance. These are being partially offset by underspends in Democratic Services and staffing underspends in the Business Support Unit. In addition, Registrations is forecasting an overachievement of ceremonies income.
151. Finance and Performance, which now includes all services that fall under the Director of Finance & Procurement, are forecasting a net underspend of £0.1m. Services in this area now include: Finance, Performance, Project Management, Procurement, Internal Audit, Risk Management and Insurance. Underspends in staffing, from vacancies or completed restructures, have offset allocations of productivity and contracts savings. Vacancies and recovered income, such as from the LEP, contribute further to the overall forecast underspend.
152. The Strategic HR Services is forecasting an underspend of £0.3m. This is a significant improvement from the small forecast overspend reported at first quarter. Contract and Productivity savings, and pressures within Health & Safety and HR Delivery are being offset by other in year underspends. Underspensing has arisen from a number of planned vacancies, mostly within the Workforce Development budget.

153. The Communications Team is forecasting an overspend of £70,000 following implementation of activities identified in the peer review, including the production of a new resident's newsletter.

Government Grant Funding of Local Expenditure

154. Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. The overall total of Government grant budgeted for in 2017/18 was £281.3m.

155. In 2017/18, Cheshire East Council's specific use grants held within the services was budgeted to be £251.0m based on Government announcements to February 2017. This figure was revised up at the first quarter to £260.4m (an increase of £9.4m). This was due to all the Council's ring-fenced grants held in service being reported as opposed to just those recorded at budget setting which are mainly schools related.

156. Mid year has seen a decrease in specific use grants of £2.2m. This is mainly due to a reduction in the allocation of Early Years funding and the conversion of six schools to academies during the year to date.

157. Spending in relation to specific use grants must be in line with the purpose for which the funding is provided.

158. General purpose grants were budgeted to be £30.3m, but further in-year grant announcements have increased this figure to £31.6m at mid year (an increase of £0.4m on first quarter).

159. The additional general purpose grants received during the second quarter of 2017/18 include a further £60,000 in respect of Neighbourhood Planning Grants and £0.4m relating to

Discretionary Business Rates Relief. This has been off-set by a reduction in Education Services Grant of £40,000. Requests for the allocation of the additional grants received are detailed in **Appendix 11**.

160. **Table 2** overleaf provides a summary of the updated budget position for all grants in 2017/18. A full list is provided at **Appendix 3**.

Table 2 – Summary of Grants to date

	2017/18 Revised Forecast FQR £m	2017/18 Revised Forecast MYR £m	2017/18 Change £m
SPECIFIC USE			
Held within Services	260.4	258.2	(2.2)
GENERAL PURPOSE			
Revenue Support Grant	13.4	13.4	-
<u>Service Funding:</u>			
People - Directorate	0.1	0.1	-
People - Children and Families	0.8	0.8	-
People - Adult Social Care and Independent Living	2.4	2.4	-
Place	0.7	0.8	0.1
Corporate – Customer Operations	1.8	2.1	0.3
Corporate – Chief Operating Officer	12.0	12.0	-
Total Service Funding	17.8	18.2	0.4
Total General Purpose	31.2	31.6	0.4
Total Grant Funding	291.6	289.8	(1.8)

Collecting Local Taxes for Local Expenditure

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

Council Tax

162. Council Tax is set locally and retained for spending locally. Council Tax was set for 2017/18 at £1,324.92 for a Band D property. This is applied to the taxbase.

163. 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 2017/18 was agreed at 144,201.51 which, when multiplied by the Band D charge, means that the expected income for the year is £191.1m.

164. 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 budgeted collectable amount of £232.2m.

165. This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the actual amount billed will therefore be more than the budget.

166. This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of

discounts and exemptions, and changes in numbers and value of properties. The amount billed to date is £235.6m.

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

	£m
Cheshire East Council	191.1
Cheshire Police and Crime Commissioner	23.7
Cheshire Fire Authority	10.5
Town and Parish Councils	6.9
Total	232.2

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

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

Financial Year	CEC Cumulative			
	2013/14	2014/15	2015/16	2016/17
	%	%	%	%
After 1 year	98.1	97.9	98.1	98.3
After 2 years	99.0	98.9	99.0	**
After 3 years	99.3	99.3	**	**

* year to date

**data not yet available

168. The Council Tax collection rate for 2017/18 is 48.5%, a small decrease on the previous year.

169. Council Tax support payments (including Police and Fire) were budgeted at £16.2m for 2017/18 and at the end of the second quarter the total council tax support awarded was £14.7m. The Council Tax Support caseload has reduced since April 2014 and there have been more reductions in the Council Tax Support awards in the year than increased or new awards.

170. No changes were made to the Council Tax Support scheme for 2017/18. The scheme was agreed by full Council in December 2016.

171. Council Tax discounts awarded are £21.0m which is broadly in line with the same period in 2016/17.

172. Council Tax exemptions awarded total £4.2m which is broadly in line with the same period in 2016/17.

Non-Domestic Rates (NDR)

173. NDR 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.
174. The small business multiplier applied to businesses which qualify for the small business relief was set at 46.6p in 2017/18. The non-domestic multiplier was set at 47.9p in the pound for 2017/18.
175. Cheshire East Council continues to be in a pooling arrangement with the Greater Manchester (GM) Authorities (also includes Cheshire West and Chester for 2016/17) for the purposes of Business Rates Retention. The purpose of the pool is to maximise the retention of locally generated business rates to further support the economic regeneration of Greater Manchester and Cheshire

Councils. As a pool the members will be entitled to retain the levy charge on growth that would normally be paid over to Central Government. Cheshire East will retain 50% of this levy charge locally before paying the remainder over to the pool.

176. The Cheshire and GM Pool are also taking part in a pilot scheme where the pool is able to retain locally the 50% of “additional growth” in business rates which in the usual Business Rates Retention Scheme would be paid directly to DCLG.
177. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.

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

Financial Year	CEC Cumulative			
	2013/14	2014/15	2015/16	2016/17
	%	%	%	%
After 1 year	98.2	98.1	98.1	97.7
After 2 years	99.2	99.3	99.1	**
After 3 years	99.6	99.7	**	**

**data not yet available

178. The business rates collection rate for 2017/18 shows a slight decrease against 2016/17 to 47.53% (Aug Fig).

Capital Programme 2017/21

179. Since reporting the Capital Programme at first quarter the overall forecast expenditure for the next three years has increased by £33.9m as shown in **Table 6**.

Table 6 – Summary Capital Programme

	Revised Total Forecast Budget 2017/21 £m	Amendments to FQR Forecast Budget 2017/21 £m	Amended MYR Forecast Budget 2017/21 £m	Budget Reductions £m	SCE's £m	Revised Total Forecast Budget 2017/21 £m
People Directorate	41.7	0.7	42.4		1.1	43.5
Place Directorate	239.3	38.1	277.4	(7.9)	13.7	283.2
Corporate Directorate	83.6	(11.8)	71.8			71.8
	364.6	27.0	391.6	(7.9)	14.8	398.5

180. There were a number of Officer Decision records approved within the quarter where amounts have been requested from the Capital Addendum that have now been given the go ahead and have been moved in to the main capital programme to commence expenditure in 2017/18. These include the Development of Hurdsfield Family Centre £0.7m, Middlewich Eastern Bypass £1.5m and Crewe Town Centre Regeneration £24.7m.
181. Following a review of the capital programme in the Place directorate a number of schemes, totalling £7.3m have been transferred from the main programme to the Addendum as they are either longer term projects or a lower priority. Further details are provided in **Appendix 5**.
182. At mid year review there are a number of requests for Supplementary Capital Estimates (SCE's) over £1m. These include Childcare Sufficiency - Early Years (£1.1m) and Safer Roads Fund (£1.0m) both funded by government grants.

183. A SCE is required for Poynton Relief Road of £12.6m following an update to the scheme cost estimate from £38m to £50.7m. The most significant change is due to a revised estimate for Part 1 claims under Part 1 of the Land Compensation Act 1973. As a result of the large impact of Part 1 costs on this scheme and across the programme, a change in approach is being considered and further details will be reported to a future Cabinet meeting.
184. The SCE will be funded by an additional £1.9m from developer contributions and £10.7m from Cheshire East resources. The construction phase is expected to commence in 2019/20. The Council will also be required to provide forward funding in advance of S106 receipts in the region of £5.4m, between the years 2020 to 2024.
185. Council are requested to approve the forward funding of developer contributions to the scheme and to approve the underwriting, in principle, of any necessary gap funding required to deliver the proposed relief road.
186. There is also £0.7m of budget reductions that relate to Highways and Infrastructure projects within the approved capital programme.
187. The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve). A funding summary is shown in **Table 7**.

Table 7 – Capital Funding Sources

	FQR Total Forecast Budget £m	MYR Total Forecast Budget £m	Change £m
Grants	172.4	181.9	9.5
External Contributions	51.4	54.5	3.1
Cheshire East Resources	140.8	162.1	21.3
	364.6	398.5	33.9

Capital Budget 2017/18

188. At the mid year review stage the Council is forecasting actual expenditure of £112.3m. The in-year budget for 2017/18 of £119.5m has been revised from the budget book position to reflect the forecast expenditure for the financial year and any slippage reported at outturn and slipped to future years.
189. Since the start of 2017/18, slippage on the capital programme has been measured on schemes that are at the Gateway 2 stage. These are classed as committed schemes as these schemes should have commenced prior to or during 2017/18 and have a detailed forecast expenditure plan in place. Schemes will be monitored on their progress during the year and re-categorised quarterly. This includes the net impact in 2017/18 of supplementary capital estimates, virements and budget reductions listed in **Appendices 5 to 8**.
190. **Table 8** overleaf shows the actual expenditure incurred on those schemes against the revised Outturn Budget.

Table 8 – 2017/18 Revised Budget compared to First Quarter

Committed Schemes	Revised FQR Budget	Revised MYR Budget	Forecast Expenditure	Current Forecast Over / Underspend
	£m	£m	£m	£m
People Directorate	9.6	9.6	8.7	(0.9)
Place Directorate	52.4	57.9	56.7	(1.2)
Corporate Directorate	37.9	32.8	30.1	(2.7)
Total Committed Schemes	99.9	100.3	95.5	(4.8)

191. At the Mid Year Review Stage the in-year forecast has been revised and £4.8m has slipped to future years.

192. **Appendix 6** details requests of Supplementary Capital Estimates (SCE) and Virements up to and including £250,000 approved by delegated decision which are included for noting purposes only.

193. **Appendix 8 - Requests for capital Supplementary Capital Estimates and Virements above £1m** details a Supplementary Capital Estimate request of £12.6m to increase the Poynton Relief Road project to bring the approved budget in line with the full costs to deliver the scheme. SCE's are also requested for Childcare Sufficiency - Early Years and Safer Roads Fund following the receipt of additional capital grants.

194. A virement of £1.1m is requested for Alsager Planning Area (Secondary Schools – 150 places). Following a detailed feasibility study, additional funding is required to meet the scope of this project, funding will be vired from grant set aside for future years Basic Need projects.

195. **Appendix 9** lists details of reductions in Approved Budgets where schemes are completed and surpluses can now be removed. These are for noting purposes only.

Central Adjustments

Capital Financing Costs and Treasury Management

196. 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 costs are partly offset by the interest the Council earns from temporary investment of its cash balances during the year. The capital financing budget of £14m accounts for 6% of the Council's net revenue budget.

197. Investment income to August 2017 is £128,000 which is equal to the budgeted income for the period. However, offsetting this are costs of £61,000 arising from temporary borrowing. The level of cash balances and the need for temporary borrowing has arisen from the decision to pay past service pension deficit contributions for the next three years in one advance payment of £45m in April 2017. The discount available from early payment more than offsets the costs of temporary borrowing. The forecast benefit over the three year period is around £2m which will support mitigation of future service costs as appropriate. The level of temporary borrowing has been in excess of immediate cash needs but this allows a liquidity safety net and maintenance of investments in the Churches Charities and Local Authorities (CCLA) Investment Management Ltd property fund and other funds which pay a higher return than the cost of borrowing.

- The average lend position (the 'investment cash balance') including managed funds up to the end of August 2017 is £34.9m

- The average annualised interest rate received on in-house investments up to the end of August 2017 is 0.36%
- The average annualised interest rate received on the externally managed property fund up to the end of August 2017 is 4.69%
- The average temporary borrowing position up to the end of August 2017 is £35.1m.
- The average annualised interest rate paid on temporary borrowing up to the end of August 2017 is 0.41%

198. The Council's total average interest rate on all investments for the period April to August is 1.29%. The returns continue to exceed our benchmark, the London Inter-bank Bid Rate for 7 days at 0.21%, and our own performance target of 0.75% (Base Rate + 0.50%).

Table 9 – Interest Rate Comparison

Comparator	Average Rate to 31/08/2017
Cheshire East	1.29%
LIBID 7 Day Rate	0.21%
LIBID 3 Month Rate	0.30%
Base Rate	0.25%
Target Rate	0.75%

199. It is likely that further borrowing will be required throughout the current year and in future years. At the moment this need is being met by temporary borrowing from other Local Authorities which is considerably cheaper than other sources of borrowing. If the predicted interest environment changes or the availability of temporary borrowing reduces then this strategy will be re-assessed.

200. The Section 151 Officer has explored options to revise the approach to calculating the Minimum Revenue Provision (MRP) to release revenue funding and mitigate overspending on services. Liaison with treasury management advisors, Arlingclose, has taken place and the proposal to use the annuity method to calculate the MRP will result in the ability to take an MRP holiday and realise savings of £6m in 2017/18. This approach reduces current costs, although the overall total cost of capital financing, over the life of capital assets, will still be consistent.

201. Although the annuity method is currently an option within the Council's MRP policy it is a change that will take effect in this financial year and be applied retrospectively. Cabinet are therefore requested to recommend that Council note the financial implications of the change in the Minimum Revenue Provision (MRP) policy to the use of the annuity method as detailed in **Appendix 15**. The information contained within **Appendix 15** is an important consideration for Councillors as the current repayment of capital financing will be deferred and will be aligned with the useful life of assets. Although this approach is lawful, and does not increase overall costs, it will mean future tax payments will be used to cover current capital expenditure plans, which is a change from the current financial strategy. Setting a balanced Medium Term Financial Strategy will require recognition of this change and how this impacts on local increases in income from the Council Tax and Non-Domestic Rates bases.

202. Capital Financing is dependent on achieving capital receipts of £7.9m in 2017/18 to finance capital expenditure. To date, two assets have been sold generating total receipts of £0.3m. The Section 151 Officer is exploring options to capitalise costs of transformation in line with recent guidelines issued by the Treasury. This approach can mitigate overspending of the revenue

budget. Further details on the proposal to use the flexibility of applying capital receipts to fund transformation projects are provided in **Appendix 14**.

203. All investments are made in accordance with the parameters set out in the Treasury Management Strategy Statement approved by Council on 23 February 2017. Further details of counterparty limits and current investments are given in **Appendix 10**.

204. The Council has maintained the £7.5m investment in the CCLA managed property fund. The underlying value of this fund had devalued following the ‘Brexit’ referendum but has been increasing in value. The current value of the units in the fund if sold is £7.6m which is slightly higher than the original invested amount. However, the fund continues to generate income of 4.69%.

205. Most other investments currently held are short term for liquidity purposes. Fixed or longer term investments would require additional temporary borrowing which is currently being assessed as the investment returns would exceed the borrowing costs. This is permissible under the treasury strategy providing the Council remains within authorised limits set in relation to the capital financing requirement (CFR).

206. Full details of current investments and temporary borrowings are shown in **Appendix 10**.

Central Contingencies and Contributions

207. A budget of £1.2m is held centrally to meet past service Employer Pension contributions relating to staff transferred to the new supplier companies. Due to savings relating to early payment of pension contributions it is forecast that there will be a £0.1m underspend to budget. It was also budgeted that a transfer of

£0.2m from earmarked reserves relating Fairer Power would take place in year, however this no longer going to happen. It is now planned that £1.9m of the £6.0m underspend on capital financing will be transferred to reserves. Grants have been received centrally in-year that are additional to budget by £0.1m.

Debt Management

208. The balance of outstanding debt has increased by £1.5m since quarter one of 2017/18 mainly due to an increase of invoices raised by Adults & Public Health. Balances remain within forecast levels and adequate provisions have been made. Details of the Council’s invoiced debt position are contained in **Appendix 12**.

Outturn Impact

209. The impact of the projected service outturn position is to decrease balances by £9.9m as reported above (**para 127**).

210. Taken into account with the central budget items detailed above (**para 200 and para 207**), the financial impact could result in a reduction in balances of £5.8m as shown in **Table 10**.

Table 10 – Impact on Balances

	£m
Service Net Budget Outturn	(9.9)
Central Budgets Outturn	4.0
Specific Grants Outturn	0.1
Total	(5.8)

Management of Council Reserves

- 211. The Council's Reserves Strategy 2017-20 states that the Council will maintain reserves to protect against risk and support investment. The Strategy forecast that the risk assessed level of reserves is currently £10.1m.
- 212. The opening balance at 1st April 2017 in the Council's General Reserves was £10.3m as published in the Council's Statement of Accounts for 2016/17.
- 213. Without the planned proactive and robust development of mitigating actions to address the potential overspend on service budgets the current forecast overspend would result in the General Reserves being partially depleted by the end of this year.
- 214. A mitigation plan is being developed to deliver a balanced revenue outturn position and maintain General Reserves at or close to the level planned in the 2017-20 Reserves Strategy. Overall the Council remains in a strong financial position relative to most Councils.
- 215. The Council also maintains Earmarked Revenue reserves for specific purposes. At 31 March 2017 balances on these reserves stood at £48.9m, excluding balances held by Schools.
- 216. During 2017/18, an estimated £11.9m will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding. Where appropriate, further earmarked reserves will be re-allocated to General Reserves to maintain an adequate level of General Reserves overall.
- 217. A full list of earmarked reserves at 1st April 2017 and estimated movement in 2017/18 is contained in **Appendix 13**.

3. Workforce Development

218. This section sets out the Council's activities and progress in relation to HR, Organisational Development, Health and Safety and Workforce Development plans and changes for the second quarter 2017/18.

Culture and Values

219. The staff survey focus groups took place in July 2017. The groups focused on the broad themes – Leadership and Management, Communication and Engagement, Health and Wellbeing, Development and Opportunities and Culture. The outcomes and actions from the focus groups were shared with the staff across the council in a Team Voice Special Edition.

220. The Making a Difference employee recognition scheme continues to be popular with staff. During quarter two the following nominations have been made:

- Made my Day nominations – 212
- Making a Difference monthly nominations – 32

The standard of nominations has been consistently high and the panel have continued to be robust when awarding the winners each month. Monthly presentations have been held by Members and Senior Officers where employees have been presented with their certificate and coveted Purple/Pink lanyard!

Nominations will open in October for the Making a Difference Annual Awards event due to be held on 19 December 2017 at Wrenbury Hall.

221. An Innovation event was held on 25 September with three problem owners and volunteers from across the council attending as group members. Each group worked through a creativity session including problem definition with positive breakthroughs being made.

222. A series of long service recognition events have taken place over the last six months with 353 people recognised with local government service ranging from 44 years to 25 years. During each event individuals were presented with a badge and certificate and a summary of their local government career shared. Going forward all employees achieving 25 years local government service will be recognised with an event held every six months.

223. A draft Wellbeing@Work strategy and programme is in development. This has involved a desktop assessment of the policies and initiatives already available, areas of good practice, gaps and an action plan for the next twelve months. Volunteers have been sought to join a Wellbeing Employee Forum. In addition colleagues across the council who are currently contributing to the Wellbeing Agenda are being invited to join a Wellbeing Contributors group to provide a holistic and co-ordinated approach. The launch of the Wellbeing@Work strategy is planned for October to include a monthly newsletter for all employees.

Building Capability and Capacity

- 224. The Corporate Training Programme and Continuous Professional Development Portfolios ensure that the Council creates a workforce which is safe, knowledgeable and competent in performing their duties to the highest possible standard, providing the best quality services to the residents and businesses.
- 225. Over 40 courses and 63 sessions have been offered to CEC employees over the first two quarters of the year. A further 17 employees successfully secured funding approval via the Continuous Professional Development Panel for role specific development and qualifications in quarter two, seeing £15,780 investment.
- 226. Developing management capability at all levels has continued with a cohort of managers being on track to complete the Institute of Learning and Management (ILM) level three and Level five Diploma qualifications. New ILM level three and ILM level five qualifications, funded via the apprenticeship levy, are not being offered organisation wide. This is supplemented by a new Chartered Management Degree for a cohort of Cheshire East Council staff. Leadership and Management development continues with team manager skills development days taking place in Corporate teams and development of an aspiring manager module in Children's Social Care. A Leadership and Management manager resource portal and induction programme are currently under development along with a suite of courses for managers at different levels available on the Corporate Training Programme.
- 227. The Workforce Development Team continues to maintain close relationships with partner universities and Further Education colleges, supporting work experience placements, course required application to the workplace placements, graduate schemes and

mentoring opportunities for young people. Relationships development is further encouraged through exploring links with universities for staff engagement. As a recognised centre of excellence, quality assurance measures ensure that all employees and apprentices receive up to date training and surpass expectations of external verification and examination boards, and feel fully supported throughout all stages of their career.

Resourcing and Talent

- 228. The Placements leading to employment within the organisation have been awarded to four talented Social Work undergraduate students and two further candidates have been selected through a rigorous process to undertake an intensive 14 month programme with us through the 'Step Up' to social work scheme. An application to the Skills for Care Graduate Management programme has been made in conjunction with Adult Social Care to offer two year-long placements from January 2018. A talent identification and development process is in development within the Libraries service to support their career pathways work.
- 229. The Workforce Development Team has concentrated its efforts this quarter on launching the new process for the funding of apprenticeships across the Council, ASDVS and maintained schools. Since the funding reforms came into effect from 1 May, we have appointed 36 new apprentices and have 21 live vacancies. We have also developed a management and leadership programme for the Council to be funded via the apprenticeship levy, with a launch date of October 2017. Regular updates are now sent to all Heads of Service to report against progress towards the target.
- 230. The Council continues to offer opportunities for Graduate and Staff Development. Progression pathways are in place across several services and in development in others such as the Libraries and HR

Teams to offer development from entry to management roles, offering a clear career route and tailored opportunities for existing staff, recent graduates and apprentices.

Reward and Recognition

231. To enhance the range of employee benefits an online “Rewards Centre” continues to be well received with more than 1,328 staff (31%) now signed up. The Rewards Centre provides staff with over 6,000 different discounts and offers for well known high street retailers, days out, holidays, etc., including discounts at over 120,000 outlets. Currently the most popular retailers for staff are Sainsbury’s, Tesco, Argos, Boots, M&S, Morrison’s, Costa Coffee, Ikea and discounted cinema tickets. Available through telephone, mobile, or website ordering, the Rewards Centre will help staff make their money go further and will support the attraction and retention of employees.

Education HR Consultancy

232. The Education HR consultancy continue to offer and provide two levels of service, Gold and Silver, with the Silver Service having no on-site support to schools and academies. Buy back from September 2017 remains positive. 122 schools have bought this service but market conditions are becoming more difficult with the increase in multi-academy trusts resulting in a loss of some business. Some establishments however, who moved away from buying back HR Consultancy services are now coming back.

Health and Safety

233. Specific work has begun on refreshing Corporate Health and Safety guidance notes – commencing with Drug & Alcohol, Driving at Work, Violence and Aggression, Personal Emergency Evacuation Plans and Display Screen Equipment. The programme will continue until financial year end when all guidance notes will have been completed.
234. Buy-back from Schools for delivery of Health & Safety services during the academic year of 2017/18 has reached 85% and totals 132 schools.
235. The Corporate Health & Safety Audit Programme involving 29 Audit Managers has reached its conclusion. Action plans have been addressed and a final risk position will be shown via comparison graphs and a close down report.

Staffing Changes

236. As shown in **Table 11** overleaf, Cheshire East’s overall headcount and number of FTE employees increased slightly during the second quarter of 2017/18.

Table 11: Cheshire East Council Employee Headcount and FTE Figures

Directorate / Service	Employee FTE Jul-17	Employee FTE Sep-17	Employee Headcount Jul-17	Employee Headcount Sep-17
Corporate	752.7	758.2	872	878
Audit	7.2	7.3	9	9
B4B / Business Development	11.0	11.0	13	13
Business Management	20.0	20.0	21	21
Communications & Media	10.9	10.9	11	11
Customer Services	272.5	276.1	345	349
Finance & Performance	103.5	100.4	107	104
Human Resources	38.3	40.0	45	46
ICT	178.9	182.9	185	190
Legal & Democratic Services	91.7	91.9	117	117
Procurement	15.8	14.8	16	15
People	1630.7	1639.0	2188	2190
Adult Social Care and Health	866.8	865.0	1078	1074
Children's Services	762.9	772.0	1109	1114
Place	437.5	439.8	545	552
Growth and Regeneration	148.6	148.6	189	189
Infrastructure & Transport	49.8	53.0	51	54
Lifelong Learning	9.2	9.2	11	11
Planning and Sustainable Development	129.1	129.3	135	135
Rural and Green Infrastructure	98.8	98.7	157	162
Cheshire East Council Total	2822.9	2840.0	3598*	3615*

***Note:** The Chief Executive has not been included in any of the Directorate / Service information, but is counted in the overall Cheshire East Council headcount and FTE figures; similarly Executive / Directors and/or "Business Managers" will not appear in the "Service" totals but will appear in the overall "Directorate" figures. Employees with multiple assignments across services will appear in the headcount figures for each service, but will only be counted once in the total CEC headcount figure; where an employee has multiple assignments in the same service they will appear in the overall headcount figure only once for that service.

Agency workers

237. Agency workers provide a valuable component of the Council's workforce – providing short term cover, project work and flexible specialist skills to maintain service delivery in areas such as social services, ICT and other professional services. The table below provides a summary of active agency worker assignments in July and September 2017, and shows agency workers as a percentage of all workforce assignments, excluding casuals, active at the end of the specified month (*i.e. excluding assignments ending before the final day of the month*).

Table 12: Number and percentage of agency workers

	Number of C.Net agency worker assignments active at end of Jul 17	Number of C.Net agency worker assignments active at end of Sep 17	% of all workforce assignments on 31 Jul 17	% of all workforce assignments on 30 Sep 17
People	35	47	1.5	2.1
Place	5	6	0.9	1.0
Corporate Services	67	78	7.1	8.1
Cheshire East Council	107	131	2.8	3.4

Absence

238. At the end of quarter two (Apr-Sep) of 2017/18 absence levels overall were slightly lower than the same period in the previous three financial years. The Council's target absence rate for 2017/18 is 10 days lost per FTE employee; the Council's absence

rate was 11.14 days lost per FTE employee in the two previous financial years.

Table 13: Cumulative average days lost to sickness per FTE employee by financial year, since 2014/15 during quarter one and, where available, for the full financial year

Cheshire East (excluding Schools)	2014/15	2015/16	2016/17	2017/18
Cumulative absence – end quarter two	5.58	5.19	5.21	4.98
Full Financial Year Absence	11.97	11.14	11.14	

Voluntary Redundancies

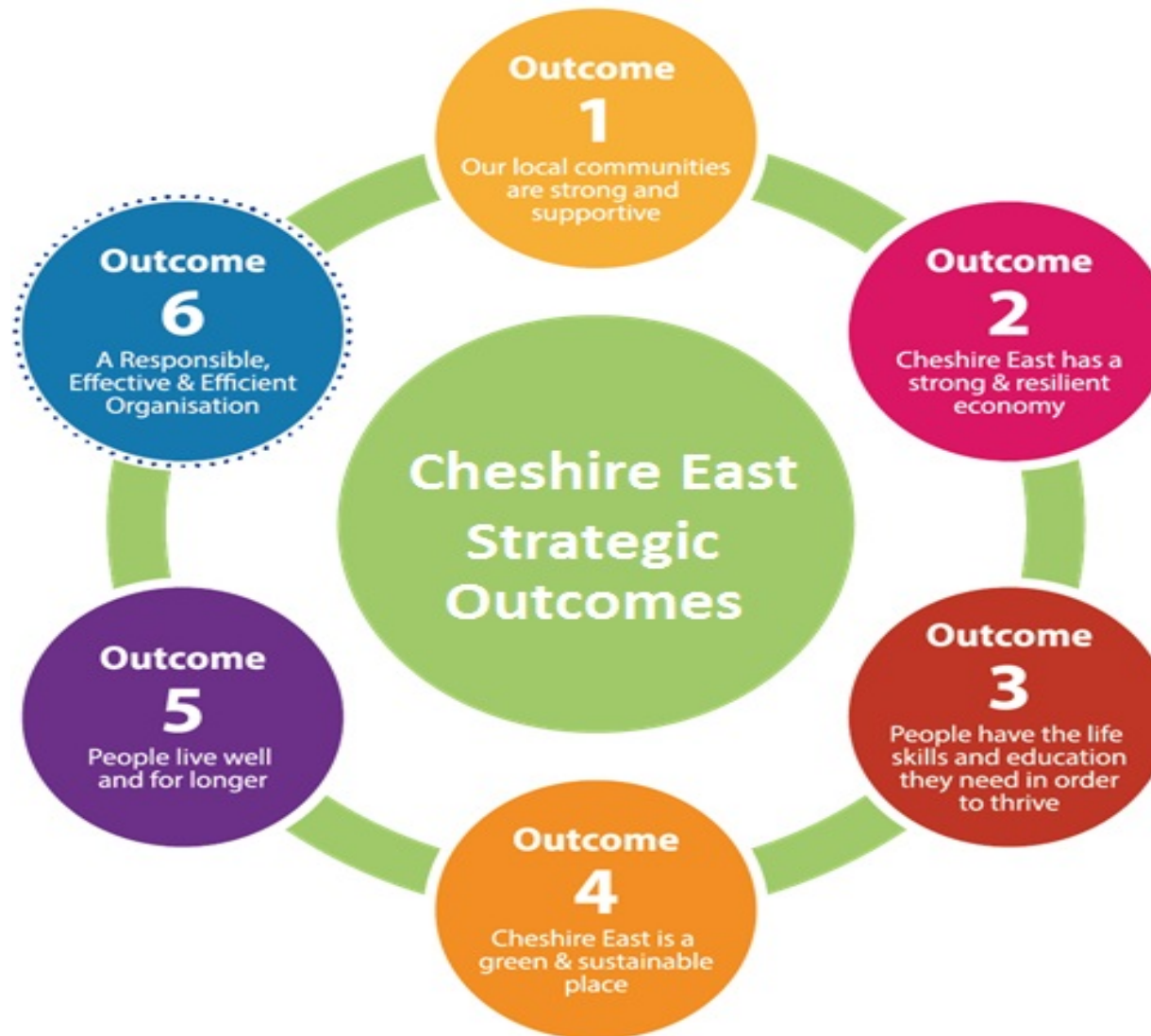
239. The Council's voluntary redundancy scheme continues to support organisational change and the delivery of the planned programme of change in the Council Plan. The effective use of voluntary redundancy in this way enables the Council to achieve its planned savings and efficiencies and also helps to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

240. Ten people have left the Council under voluntary redundancy terms in quarter two, eight held posts within the management grades (Grade 10 or above). The total severance cost for all employees was £339,580 inclusive of redundancy and actuarial costs. Over the next five years, these reductions are estimated to save the Council over £2,145,814 (which is the combined accumulated costs of the deleted posts).

Appendices to Mid Year Review of Performance 2017/18

November 2017

Appendix 1 Cheshire East Council Strategic Outcomes



Appendix 2 Changes to Revenue Budget 2017/18 since First Quarter Review

	Quarter 1 Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Quarter 2 Net Budget £000
PEOPLE				
Directorate	10,578	-	(13)	10,565
Children's Social Care	33,374	-	(289)	33,085
Education & 14-19 Skills	2,436	-	154	2,590
Prevention & Support	9,477	-	172	9,649
Adult Social Care Commissioning	67,477	-	(13)	67,464
Adult Social Care Operations	27,972	-	118	28,090
Public Health & Communities	2,813	-	(140)	2,673
	154,127	-	(11)	154,116
PLACE				
Directorate	(1,080)	-	-	(1,080)
Planning & Sustainable Development	2,518	60	(6)	2,572
Infrastructure & Highways	13,516	-	(1)	13,515
Growth & Regeneration	4,841	-	11,865	16,706
Rural & Cultural Economy	2,831	-	-	2,831
	22,626	60	11,858	34,544

	Quarter 1 Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Quarter 2 Net Budget £000
CORPORATE				
Directorate	75	-	1,872	1,947
Client Commissioning :			-	
Leisure	2,393	-	(184)	2,209
Environmental	27,728	-	17	27,745
Customer Operations	9,500	-	(600)	8,900
Legal Services	7,581	-	(2,171)	5,410
Human Resources	2,540	-	(64)	2,476
Finance & Performance	3,202	-	2,741	5,943
Professional Services	14,452	-	(14,452)	-
ICT	5,838	-	(97)	5,741
Communications	616	-	(25)	591
	73,925	-	(12,963)	60,962
CORPORATE UNALLOCATED				
Corporate Unallocated	(1,116)	-	1,116	-
	(1,116)	-	1,116	-
TOTAL SERVICE BUDGET	249,562	60	-	249,622
CENTRAL BUDGETS				
Capital Financing	14,000	-	-	14,000
Corporate Contributions	1,163	-	-	1,163
Contribution to / from Reserves	(147)	-	-	(147)
	15,016	-	-	15,016
TOTAL BUDGET	264,578	60	-	264,638

	Quarter 1 Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Quarter 2 Net Budget £000
CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(40,973)	-	-	(40,973)
Revenue Support Grant	(13,415)	-	-	(13,415)
Specific Grants	(17,784)	(60)	-	(17,844)
Council Tax	(191,056)	-	-	(191,056)
Sourced from Collection Fund	(1,350)	-	-	(1,350)
TOTAL CENTRAL BUDGETS FUNDING	(264,578)	(60)	-	(264,638)
FUNDING POSITION	-	-	-	-

Appendix 3 Corporate Grants Register

Corporate Grants Register 2017/18		Revised Forecast	Revised Forecast	Change	SRE / Balances
		FQR	MYR		(Note 2)
		2017/18	2017/18	2017/18	
	Note	£000	£000	£000	
SPECIFIC USE (Held within Services)					
PEOPLE					
Schools	1	152,173	150,340	(1,833)	
Children & Families		720	716	(4)	
Adult Social Care		9,022	9,022	-	
Communities		79,219	79,219	-	
Public Health		16,833	16,833	-	
Total		257,967	256,130	(1,837)	
PLACE					
Growth and Regeneration		1,157	1,157	-	
Planning and Sustainable Development		521	121	(400)	
Directorate		787	787	-	
Total		2,465	2,065	(400)	
TOTAL SPECIFIC USE		260,432	258,195	(2,237)	
GENERAL PURPOSE (Held Corporately)					
Central Funding					
Revenue Support Grant		13,415	13,415	-	
Total Central Funding		13,415	13,415	-	

Corporate Grants Register 2017/18		Revised Forecast	Revised Forecast	Change	SRE / Balances
	Note	FQR 2017/18 £000	MYR 2017/18 £000	2017/18 £000	(Note 2)
People - Directorate					
Extended Rights to Free Transport		123	123	-	
People - Children & Families					
Tackling Troubled Families		654	654	-	
Staying Put Implementation Grant		113	113	-	
People - Adult Social Care & Independent Living					
Independent Living Fund		917	917	-	
Adult Social Care Support Grant		1,457	1,457	-	
Place					
Adult Skills (Lifelong Learning)		706	706	-	
Lead Local Flood Authorities		14	14	-	
Neighbourhood Planning Grant for Local Planning Authorities		-	60	60	SRE
Corporate - Customer Operations					
Housing Benefit and Council Tax Administration		1,209	1,209	-	
NNDR Administration Grant		506	506	-	
Business Rates Revaluation 2017: S31 Grant Reimbursement			-	-	
Universal Support Grant		62	62	-	
Business Rates Relief Schemes: Payment of New Burdens 2017/18		12	12	-	
Discretionary Funding for Business Rates Relief 2017/18		-	378	378	Balances

Corporate Grants Register 2017/18		Revised Forecast	Revised Forecast	Change	SRE / Balances
	Note	FQR 2017/18 £000	MYR 2017/18 £000	2017/18 £000	(Note 2)
Corporate - Chief Operating Officer					
New Homes Bonus		8,254	8,254	-	
New Homes Bonus: Returned Funding Grant 2017/18		96	96	-	
Education Services Grant		678	641	(37)	Balances
Transitional Funding		2,974	2,974	-	
Transition to Individual Electoral Registration 2017/18		64	64	-	
Total Service Funding		17,839	18,240	401	
TOTAL GENERAL PURPOSE		31,254	31,655	401	
TOTAL GRANT FUNDING		291,686	289,850	(1,836)	

Notes

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

2 SRE - Supplementary Revenue Estimate requested by relevant service.

Appendix 4 Summary Capital Programme and Funding

Service	In-Year	SCE's	SCE's	Revised	Forecast Expenditure		
	Budget	Virements	Virements	In-Year			
	MYR	Reductions	Reductions	Budget	2017/18	2018/19	2019/20 and
	2017/18	2017/18	2017/18	2017/18	2017/18	2018/19	Future Years
	£000	£000	£000	£000	£000	£000	£000
People Directorate							
Adults, Public Health and Communities							
Committed Schemes - In Progress	111	-	-	111	111	833	-
New Schemes and Option Developments	-	-	-	-	-	-	-
Children's Social Care (Incl. Directorate)							
Committed Schemes - In Progress	109	-	-	109	109	277	-
New Schemes and Option Developments	-	-	-	-	-	-	-
Education and 14-19 Skills							
Committed Schemes - In Progress	9,128	-	-	9,128	8,309	5,429	1,763
New Schemes and Option Developments	1,693	-	-	1,693	1,721	22,637	-
Prevention and Support							
Committed Schemes - In Progress	250	-	-	250	250	266	-
New Schemes and Option Developments	-	250	1,125	1,375	1,375	450	-
Total People Directorate	11,291	250	1,125	12,666	11,875	29,892	1,763

Service	In-Year	SCE's	SCE's	Revised	Forecast Expenditure		
	Budget	Virements	Virements	In-Year			
	MYR	Reductions	Reductions	Budget			
	2017/18	During Quarter	2017/18	2017/18	2017/18	2018/19	2019/20 and
	£000	£000	£000	£000	£000	£000	Future Years
							£000
Place Directorate							
Infrastructure and Highways (inc Car Parking)							
Committed Schemes - In Progress	38,865	1,680	(313)	40,232	39,560	25,370	118,839
New Schemes and Option Developments	13,518	-	-	13,518	12,000	14,760	11,282
Growth and Regeneration							
Committed Schemes - In Progress	11,110	5,540	(1,452)	15,198	14,314	14,401	28,645
New Schemes and Option Developments	184	-	-	184	204	689	-
Rural and Cultural Economy							
Committed Schemes - In Progress	2,486	-	-	2,486	2,486	486	129
New Schemes and Option Developments	-	-	-	-	-	-	-
Total Place Directorate	66,163	7,220	(1,765)	71,618	68,564	55,706	158,895

Service	In-Year	SCE's	SCE's	Revised	Forecast Expenditure		
	Budget	Virements	Virements	In-Year			
	MYR	Reductions	Reductions	Budget			
	2017/18	2017/18	2017/18	2017/18	2017/18	2018/19	2019/20 and
	£000	£000	£000	£000	£000	£000	Future Years
							£000
Corporate Directorate							
Customer Operations							
Committed Schemes - In Progress	276	2,642	-	2,918	2,918	530	-
New Schemes and Option Developments	-	-	-	-	-	-	-
Finance and Performance							
Committed Schemes - In Progress	2,926	-	-	2,926	100	2,826	-
New Schemes and Option Developments	-	-	-	-	-	-	-
Professional Services							
Committed Schemes - In Progress	5,138	(5,138)	-	-	-	-	-
New Schemes and Option Developments	-	-	-	-	-	-	-
ICT							
Committed Schemes - In Progress	16,763	(2,642)	(20)	14,101	13,987	12,135	3,564
New Schemes and Option Developments	-	-	-	-	-	-	-

Service	In-Year	SCE's	SCE's	Revised	Forecast Expenditure		
	Budget	Virements	Virements	In-Year			
	MYR	Reductions	Reductions	Budget			
	2017/18	During Quarter	2017/18	2017/18	2017/18	2018/19	2019/20 and
	£000	£000	£000	£000	£000	£000	Future Years
							£000
Client Commissioning - Environmental							
Committed Schemes - In Progress	11,675	119	-	11,794	11,994	323	150
New Schemes and Option Developments	1,650	-	-	1,650	1,050	3,150	9,400
Client Commissioning - Leisure							
Committed Schemes - In Progress	1,106	-	-	1,106	1,106	6,000	1,926
New Schemes and Option Developments	720	-	-	720	720	-	-
Total Corporate Directorate	40,254	(5,019)	(20)	35,215	31,875	24,964	15,040
Committed Schemes - In Progress	99,943	2,201	(1,785)	100,359	95,244	68,876	155,016
New Schemes and Option Developments	17,765	250	1,125	19,140	17,070	41,686	20,682
Total Net Position	117,708	2,451	(660)	119,499	112,314	110,562	175,698

Funding Sources	2017/18	2018/19	2019/20 and
	£000	£000	Future Years
			£000
Grants	36,746	55,947	89,250
External Contributions	6,646	5,918	41,936
Cheshire East Council Resources	68,922	48,697	44,512
Total	112,314	110,562	175,698

Appendix 5 Transfers from and to the Capital Addendum

Capital Scheme	Amount Transferred Q1 £	Amount Transferred Q2 £	Reason / Comment
Budgets Transferred from the Addendum to the Main Capital Programme			
Education and 14-19 Skills			
To Expand 'in borough' SEN placement Capacity (Feasibility)	(600,000)		Element moved to main programme to undertaken an expansion of Springfield Special School.
Prevention and Support			
Development of Hurdsfield Family Centre		(700,000)	Approved for transfer to main programme
Infrastructure and Highways (inc Car Parking)			
Middlewich Eastern Bypass Add	-	(1,500,000)	Approved for transfer to main programme
Northern Gateway Infrastructure	(2,955,500)	-	During the First Quarter, £2,955.5k has been transferred from the Addendum to the main programme as Crewe HS2 Hub Project Development
Growth and Regeneration			
Crewe Town Centre Regeneration	(295,936)	(24,659,064)	Approved for transfer to main programme
Total Budgets Transferred to Main Capital Programme	(3,851,436)	(26,859,064)	
Capital Budget removed from the Addendum			
Rural and Cultural Economy			
Playing Fields Strategy	-	(1,000,000)	Removed following mid year review of capital programme.
Total Capital Budget Removed from the Addendum	-	(1,000,000)	

Capital Scheme	Amount Transferred Q1 £	Amount Transferred Q2 £	Reason / Comment
Capital Budgets transferred from the Main capital Programme to the Addendum			
Growth and Regeneration			
Astbury Marsh Caravan Site Works		200,000	} Moved to Addendum from main programme following mid year review of capital programme.
Gypsy and Traveller Sites		2,401,142	
Housing Development Fund		1,211,766	
Modular Construction (Gawsworth)		1,653,538	
Volumetric Construction (Redroofs/Hole Farm)		1,766,000	
Supplier Park		40,000	
Total Capital Budget Transferred to the Addendum	-	7,272,446	
Capital Budgets transferred from one Directorate's Addendum to another.			
Infrastructure and Highways (inc Car Parking)			
Handforth Garden Village (formerly known as A34 Corridor)	(15,500,000)		Moved to Growth and Regeneration Addendum, associated with NCGV. £6m moved from Growth & Regeneration Addendum.
North West Crewe (Leighton West)	6,000,000		
Growth and Regeneration			
Handforth Garden Village (formerly known as A34 Corridor)	15,500,000		Moved from Highways and Infrastructure Addendum, associated with NCGV.
Strategic Site Development	(6,000,000)		Moved to Highways and Infrastructure Addendum, as part of North West
Total Capital Budget Transferred between Directorates	-	-	
Net Change to the Addendum	(3,851,436)	(20,586,618)	

Appendix 6 Approved Supplementary Capital Estimates and Virements up to £250,000

Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements that have been made up to £250,000		
Supplementary Capital Estimates		
Total Supplementary Capital Estimates Requested	-	
Capital Budget Virements		
Education and 14-19 Skills		
Future Years Basic Need - Nantwich Primary schools - Kingsley Fields, Wilmslow and Congleton Areas	45,000	The initially budget for the Chelford Planning Area scheme was based of an average cost formula, following a detailed feasibility study, less funding is required to meet the scope of this project. The excess funds are being set aside for Future Years Basic Need projects.
Infrastructure and Highways (inc Car Parking)		
Gurnett Bridge Reconstruction	12,167	This virement from the Part 1 scheme is to cover two claims, a third is anticipated but the amount is not known at this time.
ICT		
Infrastructure Investment Programme (IIP)	20,356	Budget to be vired from Enable Citizens and Business Programme as closed at the end of 2016-17
Total Capital Budget Virements Approved	77,523	
Total Supplementary Capital Estimates and Virements	77,523	

Appendix 7 Request for Supplementary Capital Estimates and Virements above £250,000

Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to approve the Supplementary Capital Estimates and Virements above £250,000 up to and including £1,000,000		
Supplementary Capital Estimates		
Total Supplementary Capital Estimates Requested	-	
Capital Budget Virements		
Total Capital Budget Virements Requested	-	
Total Supplementary Capital Estimates and Virements	-	

Appendix 8 Request for Supplementary Capital Estimates and Virements above £1,000,000

Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to request Council to approve the Capital Virements and SCEs over £1,000,000		
Supplementary Capital Estimates		
Prevention and Support		
Childcare Sufficiency (Early Years)	1,125,307	New Scheme funded from grant provided by the DfE to enable nurseries to adapt there buildings to enable to provide 30 hours free childcare
Infrastructure and Highways (inc Car Parking)		
Safer Roads Fund	1,030,000	We have been successful in a bid for Department for Transport Safer Roads Funding for the A532 West Street, Crewe
Poynton Relief Road	12,638,423	To reflect the revised estimate of the scheme cost.
Total Supplementary Capital Estimates Requested	14,793,730	
Capital Budget Virements		
Education and 14-19 Skills		
Alsager Planning Area (Secondary Schools - 150 Places)	1,074,000	The intially budget for this scheme was based of an average cost formula, following a detailed feasibility study, additional funding is required to meet the scope of this project. The additional funds are been vired from grant set aside for Future Years Basic Need projects.
Total Capital Budget Virements Requested	1,074,000	
Total Supplementary Capital Estimates and Virements	15,867,730	

Appendix 9 Capital Budget Reductions

Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
Cabinet are asked to note the reductions in Approved Budgets				
Infrastructure and Highways (inc Car Parking)				
A500 Widening at Junction 16	3,235,675	3,235,204	(471)	This project has now completed and the S106 which was the funding for the A471 is now being used against the A500 Dualling project.
Local Sustainable Transport Fund	1,286,191	1,243,017	(43,174)	
A34 Corridor	600,000	-	(600,000)	To be replaced as part of a revised scheme
S106 - Victoria Road, Macclesfield	23,000	458	(22,542)	} Project completed
S106 - Broken Cross Macc TM	50,000	3,023	(46,977)	
Growth and Regeneration				
Astbury Marsh Caravan Site Works	200,000	-	(200,000)	} Moved to Addendum following mid year review of the capital programme.
Gypsy and Traveller Sites	3,508,000	1,106,858	(2,401,142)	
Housing Development Fund	1,513,936	302,170	(1,211,766)	
Modular Construction (Gawsworth)	1,779,000	125,462	(1,653,538)	
Volumetric Contruction (Redroofs/Hole Farm)	1,792,000	26,000	(1,766,000)	
Supplier Park	40,000	-	(40,000)	
Total Capital Budget Reductions	14,027,802	6,042,192	(7,985,610)	

Appendix 10 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. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6m for unsecured investments and £12m for secured investments. Any limits apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12m per fund with a limit of 50% of total investments per fund. There is also a maximum that can be invested in all Money Market Funds at any one time of £50m. Due to their smaller size, unrated Building Societies have a limit of £1m each.
2. The limits in the Treasury Management strategy also apply to investments in foreign banks with a limit of £12m per country. There were no foreign investments held at 31st August 2017.
3. To maintain diversification of investments over a broader range of counterparties, where practical the Council is also investing with other Local Authorities and some unrated Building Societies on advice from our treasury advisors who are monitoring their financial standing in the absence of any normal credit rating.
4. The Council is also making use of some Variable Net Asset Value (VNAV) Money Market Funds which invest for a slightly longer duration than the standard money market funds but where the

rate of return can be quite variable. In the last two months these have returned 0.51% with some underlying capital growth.

5. Investment activity has been limited due to liquidity and the need to take temporary borrowing. All borrowings have been sourced from other Local Authorities. New borrowings are being taken on a month to month basis where the cost (including fees) is around 0.20%. This compares favourably with other forms of borrowing such as PWLB where the cost is around 1.20% for a one year loan.
6. **Chart 1** shows an analysis of the investments by counterparty type. A full analysis of the types of investment and current interest rates achieved is given in **Table 1** with the maturity profile in **Chart 2** which also shows the value of investments potentially subject to bail-in in the event of counterparty failure and those which are exempt from bail in requirements. A full list of current temporary borrowings is shown in **Table 2**.

Chart 1 – Current Investments by Counterparty Type

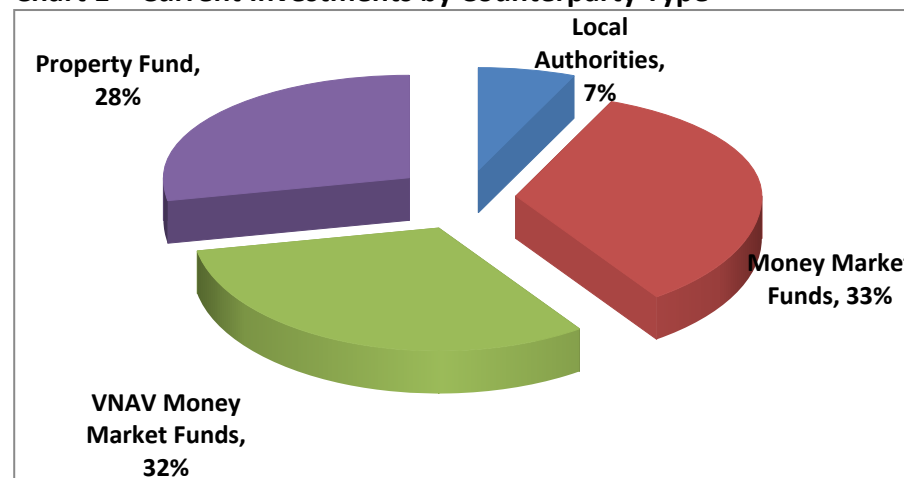


Table 1 – Types of Investments and Current Interest Rates

Instant Access Accounts		Average Rate %	£m
Instant Access Accounts		-	-
Money Market Funds		0.21	8.8

Notice Accounts		Notice Period	Average Rate %	£m
Money Market Funds (VNAV)		2 days	0.47	8.5

Fixed Term Deposits (Unsecured)	Start	Maturity	Rate %	£m
Lancashire County Council	02/12/2015	04/12/2017	1.00	2.0

Externally Managed Funds		£m
Property Fund		7.5

Summary of Current Investments		£m
TOTAL		26.8

Chart 2 – Maturity Profile of Investments

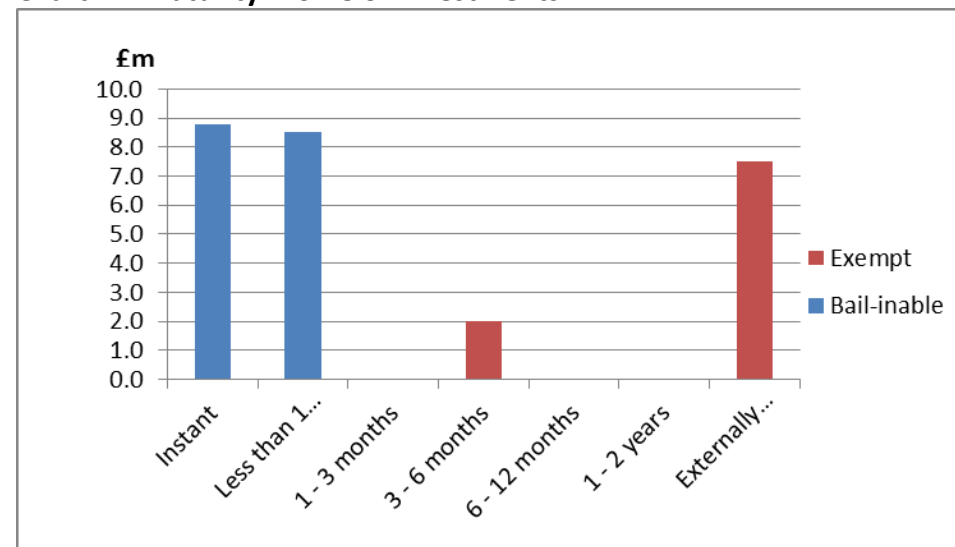


Table 2 – Current Temporary Borrowing

Lender	Start	Maturity	Rate %	£m
Basildon District Council	25/04/17	25/10/17	0.40	4.0
Royal Borough of Kensington & Chelsea	28/04/17	27/04/18	0.50	5.0
West Yorkshire Police	28/04/17	29/01/18	0.42	3.0
London Borough of Hammersmith & Fulham	28/04/17	27/04/18	0.50	5.0
East Riding of Yorkshire	28/04/17	31/10/17	0.40	5.0
West of England Combined Authority	28/04/17	28/09/17	0.34	3.0
London Borough of Havering	02/05/17	01/05/18	0.52	5.0
Somerset County Council	02/05/17	01/12/17	0.42	5.0
Middlesbrough Council	21/08/17	16/10/17	0.20	5.0
Middlesbrough Council	22/08/17	22/09/17	0.17	3.0
TOTAL				43.0

Appendix 11 Requests for Allocation of Additional Grant Funding

Service	Type of Grant	£000	Details
Place	Neighbourhood Planning Grant (General Purpose)	60	The conditions of grant mean that this funding could be used across the wider Spatial Planning area. This level of funding would be intended to support a number of Community Neighbourhood Plans across the borough.
Total		60	

Appendix 12 Debt Management

1. Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates) for which the performance related data is contained within Section 2 of this report.
2. Annually, the Council raises invoices with a total value of approximately £70m. Around a quarter of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
3. The Council's standard collection terms require payment within 28 days of the invoice date, however, services receive immediate credit in their accounts for income due. 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.
4. The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection/enforcement agent services (currently provided by Bristow & Sutor). In 2016/17 the team collected £3.8m on behalf of services.
5. After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of quarter two was £8.5m. This is a increase of £1.5m since June 2017 mainly due to invoices raised by Adults and Public Health.

6. The total amount of service debt over six months old is £3.6m; provision of £3.7m has been made to cover doubtful debt in the event that it needs to be written off.

DEBT SUMMARY (as at 03 Sep 2017)

	Outstanding Debt £000	Over 6 months old £000	Debt Provision £000
People			
Adults, Public Health and Communities	5,478	2,816	2,844
Children's Social Care (Incl. Directorate)	182	21	21
Education and 14-19 Skills	323	2	2
Prevention and Support	23	1	1
Schools	82	8	23
Place			
Planning and Sustainable Development	103	43	43
Infrastructure and Highways (inc Car Parking)	636	229	229
Growth and Regeneration	516	256	256
Rural and Cultural Economy	25	13	13
Corporate			
Customer Operations	4	3	3
Legal & Democratic Services	139	-	-
Human Resources	57	15	15
Finance and Performance	4	3	3
Professional Services	206	18	18
ICT	355	4	2
Communications	-	-	-
Client Commissioning - Environmental	336	185	185
Client Commissioning - Leisure	11	1	1
	8,480	3,618	3,659

Appendix 13 Earmarked Reserves

Name of Reserve	Opening Balance 1 st April 2017 £000	Forecast Movement in 2017/18 £000	Forecast Closing Balance 31 st March 2018 £000	Notes
People				
Adults, Public Health and Communities				
PFI Equalisation - Extra Care Housing	2,060	165	2,225	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Individual Commissioning - Provider Investment & Fees	450	(450)	-	Linked to the S256 contribution towards backdated fees, to be used for provider training.
Public Health	536	-	536	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues.
Communities Investment	583	(345)	238	Amalgamation of promoting local delivery; grant support; new initiatives and additional funding from outturn to support community investment.
Fixed Penalty Notice Enforcement (Kingdom)	59	(59)	-	Surplus Fixed Penalty Notice receipts to be ring-fenced to provide a community fund to address environmental issues .
Transitional Funding - community cohesion	141	(71)	70	Community Cohesion Strategy and Action Plan
Children's Services				
Domestic Abuse Partnership	165	(26)	139	To sustain preventative services to vulnerable people as a result of partnership funding.
Early Intervention and Prevention Investment	984	(561)	423	To continue the planned use of the Early Intervention short term funding allocation agreed for two years from 2016/17.
Parenting Journey	60	(30)	30	The Parenting Journey is in conjunction with Wirral Community Trust Health Visiting Service to integrate Health Visiting, Early Years and Early Help assessments.
Transitional Funding-Developing the 'Cheshire East Way'	130	(105)	25	Delivering better outcomes for children and young people.
Transitional Funding-Increase in Establishment	386	(365)	21	Child Protection Social Workers
Transitional Funding-Independent Travel Training	150	(75)	75	Independent Travel Training

Name of Reserve	Opening Balance 1 st April 2017	Forecast Movement in 2017/18	Forecast Closing Balance 31 st March 2018	Notes
	£000	£000	£000	
Place				
Investment (Sustainability)	2,044	(2,019)	25	To support investment that can increase longer term financial independence and stability of the Council.
Planning and Sustainable Development				
Trading Standards and Regulations	75	(75)	-	Ongoing Trading Standards prosecution case on product safety
Air Quality	80	(40)	40	Provide funding for a temporary Air Quality Officer post for two years.
Strategic Planning	36	(36)	-	To meet potential costs within the Planning Service and Investment Service Structure.
Transitional Funding- air quality	79	(40)	39	Air Quality Management
Infrastructure and Highways				
Parking - Pay and Display Machines	100	(100)	-	Purchase of Pay and Display Machines.
Highways Procurement	276	(226)	50	To finance the development of the next Highway Service Contract.
Winter Weather	230	-	230	To provide for future adverse winter weather expenditure.
Growth and Regeneration				
Royal Arcade Crewe	500	(200)	300	To provide for future costs relating to the Royal Arcade including repairs an maintenance.
Legal Proceedings on land and property matters	150	(150)	-	To enable legal proceedings on land and property matters.
Skills & Growth	446	(446)	-	To achieve skills and employment priorities and outcomes.
Transitional Funding-Low Carbon Heat Growth Programme	51	(28)	23	Low Carbon Heat Growth Programme
Homelessness & Housing Options	200	(200)	-	To prevent homelessness and mitigate against the risk of increased temporary accommodation costs.
Rural & Cultural Economy				
Tatton Park	80	-	80	Ring-fenced surplus on Tatton Park trading account.

Name of Reserve	Opening Balance 1 st April 2017	Forecast Movement in 2017/18	Forecast Closing Balance 31 st March 2018	Notes
	£000	£000	£000	
Corporate				
Legal Services				
Insurance (Cheshire East & Cheshire County Funds)	4,039	(77)	3,962	To settle insurance claims and manage excess costs.
Transitional Funding-Child Protection Social Workers and Childcare Legal Support	225	(225)	-	Childcare Legal Support
Democratic Services				
Elections	123	100	223	To provide funds for Election costs every 4 years.
Finance and Performance				
Collection Fund Management	11,337	951	12,288	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Financing Reserve	10,750	-	10,750	To provide for financing of capital schemes, other projects and initiatives.
Enabling Transformation	2,142	(1,815)	327	Funding for costs associated with service transformation; particularly in relation to staffing related expenditure.
Transitional Funding-External Funding Officer	181	(120)	61	External Funding Officer
Cross Service				
Trading Reserve	1,299	(200)	1,099	The Authority's share of ASDVs net surplus to be spent in furtherance of the ASDV's objectives.
Service Manager carry forward	3,017	(2,081)	936	Allocations for Cost of Investment or grant funded expenditure.
Revenue Grants - Dedicated Schools Grant	3,364	(2,785)	579	Unspent specific use grant carried forward into 2017/18.
Revenue Grants - Other	2,384	(629)	1,755	Unspent specific use grant carried forward into 2017/18.
TOTAL	48,912	(12,363)	36,549	

Notes:

1. Figures exclude Schools balances.

Appendix 14 Flexible Use of Capital Receipts Strategy 2017/18

1. The guidance on the flexible use of capital receipts issued under section 15(1) of the **Local Government Act 2003**, states that authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure.
2. It recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent.
3. In the Medium Term Financial Strategy reported to Council on 23rd February 2017 it was reported that at present, the Council's 2017/18 budget does not rely on this flexibility to balance the revenue budget. If this opportunity would benefit the longer term financial stability of the Council then the quarterly reporting cycle will be used to raise awareness with members and seek appropriate Council approval based on the value for money associated with the approach.
4. The Mid Year Finance and Performance report now provides this update and requests a recommendation to Council to approve the revised approach to expenditure that meets the criteria and can be funded from available in year capital receipts.
5. The guidance by the Secretary of State states that:

The Direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the disposals received in the years in which the flexibility is offered (for qualifying projects). The Direction also confirms that local authorities are not permitted to use their existing stock of capital receipts to finance the revenue costs of reform.
6. The Council has reviewed the Flexible Use of Capital Receipts guidance and identified potential expenditure that meets the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery.
7. Further details will be provided in future quarterly reports to Cabinet.

Appendix 15 Review of the Minimum Revenue Policy (MRP)

1. Introduction

- 1.1 The repayment and management of debt is frequently reviewed, to assess value for money and appropriateness, based on the current financial circumstances of the Council. The Council has posted underspends in the last 4 years to build up a capital financing reserve.
- 1.2 As the Council becomes more self sufficient, it also has to manage significant growth in demand led services, it is now more prudent to use annual income sources to support the direct cost of services.
- 1.3 The review of the Minimum Revenue Provision has identified that significant revenue funding can be used to support front line services without a significant impact on the lifetime costs of managing debt. The change in approach reflects a change in circumstances, and the opportunity to change the approach to financing debt has been made possible through prudent use of balances to date.

2. Background

- 2.1 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, requires local authorities to charge to their revenue account for each financial year a Minimum amount to finance the cost of capital expenditure. Commonly referred to as MRP (Minimum Revenue Provision).

2.2 *Duty to make revenue provision*

27.—(1) During the financial year beginning on 1st April 2004 and every subsequent financial year, a local authority—

(a) shall charge to a revenue account a minimum amount (“minimum revenue provision”) for that financial year; and

(b) may charge to a revenue account any amount in addition to the minimum revenue provision,

in respect of the financing of capital expenditure incurred by the local authority in that year or in any financial year prior to that year.

- 2.3 The current policy, which has been applied since 2009, is as follows:

(a) **Supported Capital Expenditure** (applied to capital expenditure, pre 2008, which is supported by the Government through the Revenue Support Grant system). Revenue provision is charged at 4% of the previous year’s Supported Capital Financing Requirement (CFR). i.e., the balance of capital expenditure still to be financed.

(b) **Unsupported Capital Expenditure** (applies to capital expenditure, post 2008, under the Prudential system for which no government support is being given and is therefore self-financed). Revenue provision is made over the estimated life of the asset on a straight line basis.

- 2.4 The Council has the option under its current policy to apply the annuity method instead. This results in a consistent charge to Revenue for assets that provide a steady flow of benefits over their

useful lives. It is appropriate to set the annuity rate at estimated inflation. The percentage chosen corresponds with the Monetary Policy Committee's inflation target rate of 2%. MRP will increase by this percentage each year. This reflects the time value of money and can therefore be considered to be fairer on Council Tax payers as it produces a consistent charge as measured in real terms.

2.5 Once set at 2% the rate would not be adjusted annually on the basis of actual CPI as this could result in significant fluctuations in the amount of MRP charged in any one year. However, should a significant and sustained divergence develop between the actual rate of CPI and the target rate or the MPC's target for CPI be amended at any stage then it would be appropriate for the Council to reflect this in an adjusted annuity rate for new unfinanced capital expenditure.

2.6 CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to Revenue takes account of the time value of money.

3. Supported Capital Expenditure

3.1 Consideration has been given to adopting an Annuity based calculation for MRP on the supported capital expenditure element of the CFR.

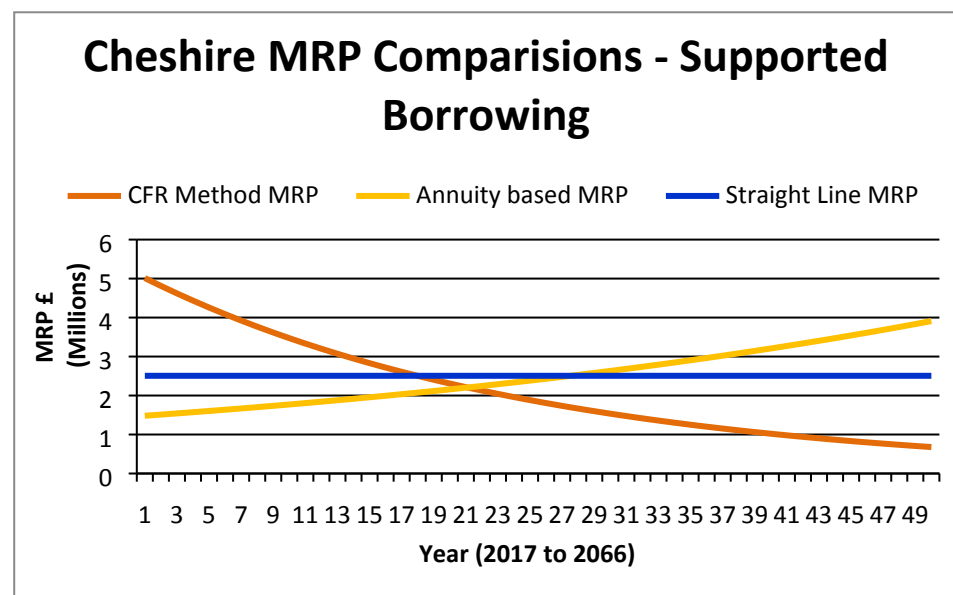
3.2 Under the 2% Inflation based Annuity method this element of the CFR would be fully financed in 50 years' time. This method can also be considered to be more prudent than the current methodology as it fully finances the capital expenditure over the given period of years.

3.3 Under the currently used CFR Method, MRP falls by 4% each year, giving the Council an inbuilt budgetary easing. In the 2% Annuity

method outlined above, MRP rises by 2% each year, giving the Council an inbuilt budgetary pressure each year which would need to be reflected in the MTFS.

3.4 Another option would be to use a straight line method and would result in the same amount of MRP being charged to revenue each year.

3.5 The impact on these three alternative methods on the revenue budget over the 50 year period is shown in the following chart.



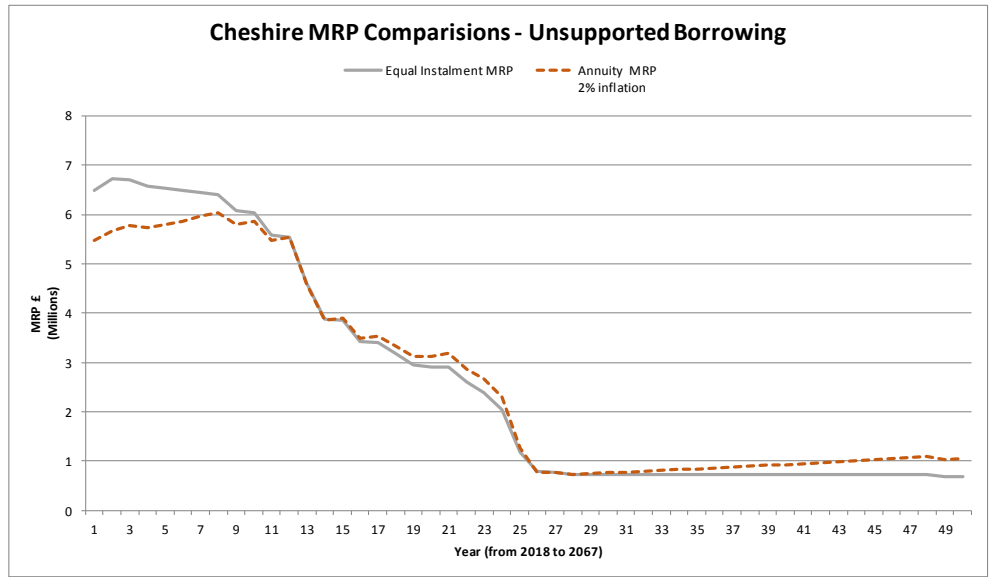
Current CFR Method – £5m charge in 2017/18, which reduces year on year until it, is fully repaid in Year 50 (2066).

Annuity based MRP – MRP of £1.5m charged in 2017/18 rising to £4m in Year 50.

Straight Line MRP – Consistent charge of £2.5m charged each year.

4. Unsupported Capital Expenditure

- 4.1 Consideration has been given to assessing the impact of adopting the Annuity method for the element of unsupported capital expenditure. The unsupported borrowing element of the CFR under the current methodology as at 31st March 2017 was £133m.
- 4.2 The Council’s existing 2017/18 budget for MRP on unsupported capital expenditure up to 31st March 2017 using its current methodology would need to be £6.3m. Using the equivalent Inflation based calculations the MRP requirement would be £5.5m, resulting in a £0.7m saving on the revenue budget in 2017/18.
- 4.3 The same amount of MRP will be due to be paid over the 50 year period; the following chart demonstrates the spread of payments.



5. Unsupported Capital Expenditure – Retrospective application of annuity method

- 5.1 By applying the retrospective recalculation of its MRP on unsupported borrowing, this would provide an opportunity to charge a lesser amount to the revenue budget in the current financial year, and realise a budget saving of £1.9m (for the retrospective application) plus an in year saving of £0.7m, £2.6m in total.

5.2 Summary of financial implications

Supported borrowing	Annuity
2017/18 saving	£3.5m
2018/19 saving	£3.3m
2019/20 saving	£3.1m
2020/21 saving	£2.9m

Unsupported Borrowing	Annuity applied retrospectively
2017/18 saving	£0.7m + retrospective £1.9m Total saving = £2.6m
2018/19 saving	£0.7m
2019/20 saving	£0.7m
2020/21 saving	£0.6m

N.B. The figures quoted in this report are based on the 2017-20 Approved Capital Programme, subsequent additions to the capital programme to be funded by borrowing, will increase the charge for the unsupported borrowing element of MRP.

6. Recommendation

- 6.1 Following liaison with the Council's treasury management advisors, Arlingclose and discussion with Grant Thornton, the Council's external auditors, the Section 151 Officer is now recommending that the Council revise the approach to calculating the Minimum Revenue Provision (MRP) and implement the annuity method retrospectively for both the supported and unsupported elements of borrowing.
- 6.2 This revised approach delivers revenue savings in the short term but does not alter the overall liability for the financing of the capital programme. As the charts demonstrate, this proposal increases future years MRP charges in cash terms. However, the Council will seek to mitigate these future pressures through its longer term

financial strategies and the capital financing budget will be adjusted to reflect both the MRP changes and available capital resources, including the use of anticipated capital receipts.

- 6.3 This proposal is in accordance with the Capital Financing Regulations and an allowable option within our MRP policy. Grant Thornton have confirmed that they are comfortable with these decisions as lawful and that they do not cause an issue from a VfM perspective.
- 6.4 This recommendation has been formulated after careful consideration of the options available to the Council and after taking advice from the Council's treasury management advisors, and its external auditor. It has been reached with full regard to and is compliant with the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (as amended). Accordingly it is considered to be a lawful and reasonable approach in all the circumstances.