



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Chief Executive's Directorate
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Scrutiny Committee

AGENDA

CORPORATE, RESOURCE MANAGEMENT & GOVERNANCE SCRUTINY COMMITTEE

Committee Room 2
Town Hall
Stockport Business:

Meeting: Tuesday, 27 July, 2010
Tea: 5.00 pm
6.00 pm

Substitutes

Councillors who require a substitute to be appointed should inform Democratic Services by 4.00 pm on Friday 23 July, 2010. Councillors who wish to arrange their own substitute should inform Democratic Services of the name of their substitute prior to the commencement of the meeting.

1. MINUTES

To approve as a correct record and sign the Minutes of the meeting held on 8 June, 2010
(Enclosed)

2. DECLARATIONS OF INTEREST

Councillors and officers to declare any interest which they may have in any of the items on the agenda for this meeting (including whipping declarations)

3. CALL-IN

To consider any call-in items

4. REVENUE OUTTURN 2009/10

To consider a report of the Corporate Director, Business Services (Previously Circulated)

This report sets out the 2009/10 outturn position on the Council's General Fund revenue account. It includes:

- A summary of the revenue budget and outturn position for 2009/10;
- Details of the revenue outturn position with regard to cash limits, non-cash limits and the Dedicated Schools Grant;

- Details of the outturn position with regard to schemes provided with priority funding; 2
- Proposals for the utilisation of cash limit and non cash limit surpluses;
- Details of the movements on earmarked reserves, general fund and schools' balances occurring during 2009/10.

The report was considered by the Executive at its meeting held on 14 June 2010.

The Scrutiny Committee is invited to comment on the report.

Officer contact: Christine Buxton Tel: 474 4124 email: christine.buxton@stockport.gov.uk

5. CAPITAL OUTTURN 2009/10

To consider a report of the Corporate Director, Business Services (Previously Circulated).

The purpose of this report is to update the Committee with regard to the progress in achieving the priority outputs and outcomes of the 2009/10 Capital Programme and to seek approval for amendments to the three year programme to reflect the outturn position, notification of additional funding and other changes to the programme between years.

The report was considered by the Executive at its meeting held on 14 June 2010.

The Scrutiny Committee is invited to comment on the report.

Officer contact: Christine Buxton Tel: 474 4124 email: christine.buxton@stockport.gov.uk

Councillors are encouraged to submit questions on the financial monitoring reports prior to the meeting in order to enable a detailed response to be available at the meeting.

Questions should be submitted to either David Clee Tel: 474 3137 or email:

david.clee@stockport.gov.uk or Steve Callender Tel: 474 3184 or email:
steve.callender@stockport.gov.uk

6. TREASURY MANAGEMENT ANNUAL REPORT 2009/10 AND TREASURY MANAGEMENT POLICY STATEMENT POLICY STATEMENT AND PRACTICES

To consider a report of the Corporate Director, Business Services (Enclosed)

This report informs the Scrutiny Committee on the operation and effectiveness of the Council's Treasury Management function for 2009/10.

The Scrutiny Committee is invited to comment on the report.

Officer contact: Lorna Salvage, Tel. 474 4026, e mail: lorna.salvage@stockport.gov.uk

7. REGULATION OF INVESTIGATORY POWERS ACT 2000: STOCKPORT COUNCIL REVISED CODE OF PRACTICE

To consider a report of the Council Solicitor (Enclosed)

The Scrutiny Committee is requested to review the revised Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 and approve the recommended reporting mechanism.

Officer contact: Claire Naven, Tel: 474 4048, email: claire.naven@stockport.gov.uk

8. CUSTOMER SERVICES STRATEGY

To consider a report of the Service Director (Organisation Development) (Enclosed)

The views of the Scrutiny Committee are requested on the draft Customer Services Strategy prior to its consideration by the Executive.

Officer contact: Phil Badley, Tel: 474 3110 email: phil.badley@stockport.gov.uk

9. SCRUTINY REVIEW SELECTION PROCESS

To consider a report of the Assistant Chief Executive (Strategy and Democracy) (Enclosed)

This report considers the relationship between the Business Improvement, Transformation and Efficiency (BITE) strategy and the scrutiny review process in the current Municipal Year, alongside the arrangements for the scoping of reviews identified under the BITE Strategy.

The Scrutiny Committee is requested to consider the process to be followed for identifying scrutiny review topics for the current Municipal Year and how scrutiny activity can align with any of the BITE service reviews.

Officer contact: Steve Callender, Tel: 474 3201 email: steve.callender@stockport.gov.uk

10. AGENDA PLANNING

To consider a report of the Assistant Chief Executive (Strategy & Democracy) (Enclosed)

The report sets out planned agenda items for the Scrutiny Committee's next meeting, Forward Plan items that fall within the remit of the Scrutiny Committee and progress with resolutions made by the Scrutiny Committee at previous meetings.

The Scrutiny Committee is invited to consider the information in the report and put forward any agenda items for future meetings of the Scrutiny Committee.

Officer contact: Steve Callender, Tel: 474 3184, email: steve.callender@stockport.gov.uk

Agenda Contact: David Clee, Tel: 474 3137 or e-mail: david.clee@stockport.gov.uk

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W przypadku gdybyś potrzebował pomocy odnośnie tej informacji, dostępne są usługi tłumaczeniowe. Prosimy dzwonić do Interpreting Unit pod numer 0161 477 9000.

যদি এই খবরগুলি সম্পর্কে আপনার কোন সাহায্য দরকার হয় তবে বিনা খরচে আপনার জন্য দোভাষীর ব্যবস্থা করা হতে পারে। মেহেরবানী করে স্টকপোর্ট ইন্টারপ্রিটিং ইউনিটে ফোন করুন টেলিফোন নম্বর, 0161 477 9000.

اگر آپ کو ان معلومات کے بارے میں مدد کی ضرورت ہے تو مفت ترجمانی کی سروس دستیاب ہے۔ براہ مہربانی انٹرپرائٹنگ یونٹ کو 0161 477 9000 پر فون کریں۔

خدمات ترجمہ رایگان این اطلاعات در صورت نیاز موجود میباشد. لطفا با شماره تلفن 0161 477 9000 یا واحد ترجمہ (اینترپرائٹنگ یونٹ) ما تماس بگیرید.

تنوفر خدمت ترجمہ شفویة اذا تطلبت مساعدة في فهم هذا المعلومات. نرجو الاتصال اربن رینیول علی رقم الهاتف: 0161 477 9000

**CORPORATE, RESOURCE MANAGEMENT AND GOVERNANCE SCRUTINY
COMMITTEE**

Meeting: 8 June 2010
At: 6.00 pm

PRESENT

Councillor Ben Alexander (Chair) in the Chair; Councillors Peter Burns, Richard Coaton, Stuart Corris, Philip Harding, Linda Holt, Margaret McLay, Paul Porgess and Suzanne Wyatt.

1. MINUTES

The Minutes (copies of which had been circulated) of the meeting held on 8 April 2010 were approved as a correct record and signed by the Chair.

2. DECLARATIONS OF INTEREST

Councillors and officers were invited to declare any interests which they had in any of the items on the agenda.

The following interests were declared:-

Personal Interests

Councillor Interest

Paul Porgess	That part of agenda Item 6 'Fourth Quarter 2009/10 Corporate Complaints Report (Minute 6) which relates to Stockport Homes as a member of its Board.
Stuart Corris	That part of agenda Item 6 'Fourth Quarter 2009/10 Corporate Complaints Report (Minute 6) which relates to Stockport Homes as his wife is a member of its Board.

3. CALL-IN

There were no call-in items to consider.

4. FOURTH QUARTER 2009/10 CORPORATE PERFORMANCE REPORT

The Corporate Director, Business Services and Assistant Chief Executive (Strategy & Democracy) submitted a report (copies of which had been circulated) providing an overview of the Council's performance in delivering priority outcomes during the fourth and final quarter of the financial year (January to March). It focused on areas within the remit of the Committee, highlighting key achievements and significant risks, and giving an early indication of the year end picture for 2009/10.

The following comments were made/issues raised:-

- Although the Government had advised of its intention to abolish the Comprehensive Area Assessment, it had not yet decided on the future performance management framework.
- Why all partnerships were not working as effectively as they could.
- With regard to Effective Customer Processes, residents within priority neighbourhoods were significantly less satisfied than those in Stockport overall and an analysis of this locally would be brought back to the Committee at the appropriate time.
- A Councillor considered that the percentage of Performance Indicators on target under 'Effective Customer Processes' was not particularly high at 66%.
- Comment was made on the Council's level of sickness absence being significantly under the target set for the year with an average of 9.9 days per employee against a target of 11.2.
- Whether there was budgetary provision for the centralised three year rolling PC replacement programme.
- Comment was made on the large number of discounts cancelled under the Single Person Discount Review.
- A discussion took place on the SAP system and more information was requested on how quickly invoices were paid.
- A Member considered that individuals placed under the Future Jobs Fund Project should also receive training on customer relations as part of the induction programme.

RESOLVED – That the report be noted.

5. 2009/10 REVENUE BUDGET MONITORING UPDATE ON PROVISIONAL OUTTURN POSITION

The Corporate Director, Business Services submitted a report (copies of which had been circulated) providing an update on the 2009/10 revenue budget provisional outturn position. The figures presented in the report were draft at this stage and a more detailed report on the final position would be presented to the Executive meeting on 14 June 2010 and the subsequent cycle of Scrutiny Committees.

Reference was made to the Re-alignment of Insurance Budgets and Members asked for more information on the risks associated with this.

RESOLVED – That the report be noted.

6. FOURTH QUARTER 2009/10 CORPORATE COMPLAINTS REPORT

A representative of the Assistant Chief Executive (Strategy and Democracy) submitted a report (copies of which had been circulated) providing an overview of corporate complaints, compliments and comments as at the Fourth Quarter (January-March) 2009/10. The report also provided a summary for the year comparing complaints received in 2009/10 with the complaints received in 2008/09.

The following comments were made/issues raised:-

- Why there was a significant increase in the number of Stage 1 complaints received by Stockport Homes in Quarter 4.
- Officers were looking at the distinction between a request for service and a complaint.
- Table 4 in paragraph 2.3 of the report showed a wide disparity between the compliments and comments received during the Third Quarter in the various Council directorates and wholly owned company.
- That a report should be presented which included all complaints received by the Council – not just corporate complaints.
- That information should be included in future reports with regard to the number of complaints which were upheld.

RESOLVED – That the report be noted.

7. RÉSUMÉ OF STOCKPORT PARTNERSHIP BOARD

The Committee considered the résumé (copies of which had been circulated) of the meeting of the Stockport Partnership Board held on 26 May 2010.

RESOLVED – (1) That the report be noted.

(2) That Members be provided with a link to the report on Use of Resources which had been considered by the Partnership Board.

8. AGENDA PLANNING

A representative of the Assistant Chief Executive (Strategy and Democracy) submitted a report (copies of which have been circulated) setting out the planned agenda items for the Committee's next meeting and Forward Plan items which fell within the remit of the Scrutiny Committee.

RESOLVED – (1) That the report be noted.

(2) That consideration be given to including reports on the AGMA Commissions and the governance of Solutions SK in the Committee's work programme.

The meeting closed at 7.18 pm.

Revenue Outturn 2009/10

Report of the Corporate Director, Business Services

1 Introduction

This report sets out the 2009/10 outturn position on the Council's general fund revenue account. It includes:

- A summary of the revenue budget and outturn position for 2009/10;
- Details of the revenue outturn position with regard to cash limits, non-cash limits and the Dedicated Schools Grant (DSG);
- Details of the outturn position with regard to schemes provided with priority funding;
- Proposals for the utilisation of cash limit and non cash limit surpluses;
- Details of the movements on earmarked reserves, general fund and schools' balances occurring during 2009/10.

2 2009/10 Revenue Budget

- 2.1 The following table summarises the changes to the revenue budget that have arisen since the previous report of 19 May 2010

	Approved Budget £000	Revised Budget £000	Increase/ (Reduction) £000
Cash Limits	180,249	180,408	159
Non-Cash Limits	47,555	47,396	(159)
Total	227,804	227,804	0

- 2.2 In addition to the virements previously reported on 19 May a further transfer of £0.159m from Non-Cash Limits to Cash Limits is proposed, mainly to deal with the allocation of Performance Reward Grant monies.
- 2.3 A breakdown of the revised budget by Portfolio is shown at Appendix One and a list of virements which have taken place since the previous report is included at Appendix Two.

2009/10 Outturn Position

- 2.4 Prior to any year-end appropriations to or from general fund balances the outturn for both cash and non-cash limited budgets shows an overall surplus of £1.994m, as set out in the table below and detailed in Appendices Three and Four.

	Approved Budget £000	Provisional Outturn £000	(Surplus) £000
Cash Limits	180,408	180,337	(71)
Non-Cash Limits	47,396	45,473	(1,923)
Total	227,804	225,810	(1,994)

- 2.5 The overall outturn position comprises a mix of surpluses and deficits across Portfolios. Each Portfolio's position is described more fully in section three of this report with the outturn position for non-cash limits being detailed at section four.

Budget Savings Proposals

- 2.6 The original budget for 2009/10 included £2.137m of efficiencies retained by portfolios to stay within indicative cash limits and a further £2.380m of savings proposals to balance the overall budget. All portfolios report that they have achieved the efficiencies and savings identified and any pressures that were reported throughout the year take into account the savings in the original budget setting process.

3 Portfolio Cash Limits

- 3.1 As shown in Appendix Three there is a net outturn surplus of £0.071m within portfolio cash limits, prior to any contributions from balances to support cash limit spending.
- 3.2 In line with the Council's approach to cash limit budgets it is proposed that portfolio surpluses and deficits are, in the main, carried forward within general fund balances and returned to portfolio holders in 2010/11. A detailed breakdown of cash limit surpluses and deficits is shown in Appendix Four.

Adults and Health Portfolio

- 3.3 The provisional outturn indicates a surplus of £0.003m arising from a small excess of income over expenditure in the Adult and Community Education Service.

- 3.4 The remainder of the Adults and Health Portfolio is reporting a balanced position at outturn after taking account of the previously approved re-profiling of £1m within the pooled budget contribution between the Council and NHS Stockport for 2009/10 and 2010/11, and appropriations from reserves.
- 3.5 The portfolio has faced pressures during the year most notably home care support within older people and care management for those with physical disabilities and mental health needs. Increased income has helped to offset these pressures in the year and looking forward developments in the electronic monitoring of homecare will assist the portfolio in the management of these expenditure budgets.
- 3.6 As ever, close monitoring of the portfolio's cash limit budget will continue in order to manage these demand led expenditure budgets.

Children and Young People Portfolio

- 3.7 The provisional outturn position for the Children and Young People Portfolio shows a small surplus of £0.006m after making use of earmarked reserves and fully utilising the contribution from Council general balances of £0.250m agreed by the Executive in November to fund the placement costs of Looked After Children.
- 3.8 The third quarter revenue monitoring report indicated an anticipated use of £0.773m CYP general reserves to balance to breakeven. However, the outturn position shows a significant improvement since that report and the expected call on general reserves has not been required.
- 3.9 The report for quarter three highlighted a deficit of £0.292m on the placement costs of Looked After Children (LAC). With the application of the funding from balances and activity levels not being as high as anticipated the costs of placements of LAC has now matched the provision.
- 3.10 There are improvements from the previous report on the LAC Team and Kooth budgets where £0.050m of costs have been met from under utilised Sure Start Grant and £0.062m of costs met from Area Based Grant. There was a projected deficit of £0.310m on Children with Disabilities but this is now reduced by the application of £0.080m of surplus Aim Higher Grant. The residual deficit of £0.239m on Children with Disabilities has been largely offset by a surplus on the staffing and administration budget for Looked After Children.
- 3.11 The previously anticipated deficit on SEN home to school transport is finalised at £0.441m. This deficit has been offset from the following surpluses; £0.060m on the provision for School Access as the price for a school bus pass was reduced, £0.103m on Premature Retirement Costs, £0.169m on management and administration and a surplus

created by the transfer of additional eligible expenditure to Sure Start Grant totalling £0.116m.

- 3.12 Finally, a deficit of £0.142m on Services for Young People due to one-off redundancy costs associated with a restructure will generate efficiencies from 2010/11 onwards. This deficit has been met from one off funding and earmarked reserves in 2009/10.

Communities Portfolio

- 3.13 The Communities Portfolio is reporting a surplus of £0.197m. This is largely made up of a one-off surplus as a result of the completion of work to support the winding up of Brinnington Community First and action being taken to mitigate anticipated reductions in grant funding during 2010/11 of £0.186m. There is also a further surplus of £0.011m in the Council Secretariat service arising from staff turnover.

Customer Focus Portfolio

- 3.14 The Customer Focus Portfolio is almost at a break-even position with a small surplus of £0.001m.

Environment Portfolio

- 3.15 The Environment Portfolio is reporting a balanced position for 2009/10. At quarter three, a £0.060m surplus was forecast but the Executive approved a temporary contribution for the same amount to the Transportation Portfolio for the diversion of street cleansing staff onto winter gritting duties.

Finance Portfolio

- 3.16 The Finance Portfolio position remains unchanged since quarter three and is reporting a surplus of £0.091m due to staff turnover within the Chief Executive and Business Services Directorates.

Leisure Portfolio

- 3.17 The Leisure Portfolio is reporting an overall deficit of £0.008m which comprises a mixture of surpluses and deficits across different services as detailed in the following paragraphs.
- 3.18 Arts, Heritage and Culture is reporting a deficit of £0.023m resulting from a fall in visitor numbers which has affected the income generating ability of the service. The 2010/11 strategy for this area is focused on encouraging increased visitor numbers to Stockport and attractions such as Staircase House.
- 3.19 Cemeteries and Crematoria have a surplus against budget of £0.045m. Following the unusually harsh winter, there has been an above-trend

increase in the number of burials and cremations during the final quarter and the severe winter weather meant work on grounds maintenance and grass cutting was postponed until the spring.

- 3.20 In the Sports Development service, there were some prior year invoices which had to be processed for payment in 2009/10 resulting in an outturn deficit of £0.036m. The deficit is one-off in nature and will not recur in 2010/11.
- 3.21 Finally, the Library service has ended the year with a small surplus of £0.006m against a service cash limit of almost £4m.

Regeneration Portfolio

- 3.22 The Regeneration Portfolio is reporting an outturn deficit of £0.061m. The largest variance relates to the Town Centre Market, £0.044m. As reported at quarter three this is one-off in nature with prior year's structural problems being resolved after a review of the operations of the market. The remaining deficit of £0.017m is the result of increased charges for CCTV.

Transportation Portfolio

- 3.23 The Transportation Portfolio is reporting an outturn deficit of £0.122m which is the result of the severe winter weather continuing into January 2010.
- 3.24 Highways maintenance is reporting a further deficit of £0.080m which is over and above the £0.060m contribution from the Environment Portfolio and £0.190m from non-cash limits resulting from additional winter gritting needing to continue into quarter four.
- 3.25 The car parking service is reporting a deficit of £0.042m. This is largely due to the impact of the poor weather on the ability to enforce parking charges for a number of days in January 2010.
- 3.26 Income pressures on the car parking service remain but there are strategies in place in conjunction with the highways maintenance team to derive economies of scale on car parking maintenance and utility costs.
- 3.27 In line with the approach taken at quarter three and in previous years, it is recommended that the Transportation Portfolio is not required to carry forward the deficit arising from the severe winter weather, £0.122m, into 2010/11. Therefore a contribution of £0.122m from general balances is proposed.

Licensing, Environment and Safety Committee

- 3.28 The Licensing, Environment and Safety committee is reporting a deficit of £0.036m which is largely due to a decline in the income received

from Health Education Fees. This service area will be reviewed in 2010/11 to re-align budgets and to address some of the pressures now being experienced.

Planning and Highways Committee

3.29 Following the adjustment from general fund balances agreed by Executive on 23rd November 2009, the Committee has achieved a balanced position for 2009/10.

4 Non-Cash Limits

- 4.1 As shown in Appendix Three there is a net outturn surplus of £1.923m within non-cash limits. This comprises a mixture of surpluses and deficits across different items.
- 4.2 As signalled in the quarter three report there is a surplus of £1.269m against capital financing costs resulting mainly from the combination of historically low borrowing costs coupled with a relatively high return on investments.
- 4.3 There is also an additional surplus of £0.683m resulting from the Council's efforts to pursue refunds of overpaid VAT. This was anticipated but not approved and notified until quarter four. The figure includes overpaid VAT going back for a number of years against a number of income streams including Library (non-books), Car Parking and Sports Coaching.
- 4.4 The year end subsidy claim for Housing Benefits (rent allowances and rent rebates) has given rise to a surplus of £0.365m and there is a small surplus in the Registrars Service of £0.035m due to higher than anticipated income receipts.
- 4.5 There are deficits on dividends from Manchester Airport (£0.250m) and Solutions SK (£0.279m). The deficit on the airport dividend was first reported at quarter one following the airport group's annual general meeting. The deficit on the Solutions SK dividend results from the impact of accounting standard FR S 17 (Retirement Benefits) preventing the company from distributing an expected dividend of £0.601m from the profits it has made; off-set by the use of the dividend smoothing reserve, £0.322m. This will be reviewed during 2010/11 to ensure the Council can benefit from the profits accumulated by SSK.
- 4.6 As previously forecast, the Coroners Service has ended the year with a deficit due to increased accommodation costs. The final deficit for the year is £0.157m.
- 4.7 Finally, there are smaller surpluses against Council Tax Benefits Admin and Overpayments, £0.205m, LABGI Grant, £0.037m and Subscriptions and Fees, £0.015m.

5 Dedicated Schools Grant (DSG) and School Balances

- 5.1 The forecast on the DSG has reduced from a forecast deficit of £0.558m at the third quarter to a deficit of £0.489m at outturn. The change relates to number of variations, the most significant being a reduction in the deficits associated with Pupil Referral Units and Support Services from £0.098m to £0.008m. The forecast deficit on school meals has increased to £0.190m due to a claim for £0.049m from SSK due to the winter closure of schools and a corresponding loss of estimated income of £0.070m. The most significant deficits on SEN support to schools, £0.453m, and external placements of pupils in Independent Schools, £0.220m, were broadly as anticipated.
- 5.2 After making use of the schools clawback of excessive balances of £0.166m the residual deficit will be met from the rebate on schools rate revaluations £0.323m. Therefore the anticipated utilisation of £0.090m of DSG from 2010/11 is no longer required to balance the 2009/10 position.
- 5.3 Overall School and DSG balances have increased by £0.108m to £8.947m. By Sector, primary school balances have reduced by £0.546m and secondary school balances have increased by £0.719m (Appendix Six provides further details). The balance control mechanism is being applied in accordance with the Stockport Scheme for Financing Schools and over the autumn, Schools will be required to justify any assignment from excess balances above the set thresholds, prior to implementation of the 2009/10 clawback calculation.

6 Priority Initiatives Funding

- 6.1 Around £2.3m of funding was made available during 2009/10 to support priority initiatives, some of which involve expenditure into 2010/11. A total of £1.6m has been spent by the end of the financial year. Some £0.15m will be available for retention or re-allocation to other priorities in 2010/11, leaving a balance of £0.55m to be carried forward to finance existing commitments and schemes/programmes where funding has been committed into 2010/11. Further details are provided at Appendix Five.

Performance Reward Grant (PRG)

- 6.2 In addition to the above resources, the Executive also endorsed two separate allocations of PRG monies approved by the Stockport Partnership in December 2009 and February 2010. A greed revenue PRG allocations are summarised as follows:

£000	
Partnership Office (5 year budget 2009/10 to 2013/14)	1,000
December 2009 Allocations	332
February 2010 Allocations	1,185
2,517	

- 6.3 As allocations were made late in the year, spending has yet to get underway in most areas but the Partnership Office and the scheme 'Supporting Children at Key Stage 2' will require funding totalling £0.139m in 2009/10.

7 Housing Revenue Account (HRA)

- 7.1 Details of the 2009/10 HRA outturn position are included in a separate report shown elsewhere on the agenda.

8 Earmarked Reserves and General Fund Balances.

- 8.1 Taking account of recommendations earlier in the report around the use of cash limit and non-cash limit surpluses, set out in sections three and four above, the table below shows the movements and final position with regard to earmarked reserves and general fund balances.

	Balance as at 01/04/2009 £000	Increase/ (Reduction) £000	Balance as at 31/03/2010 £000
DSG and School Balances	8,839	108	8,947
General Fund Earmarked Reserves	20,882	4,877	25,759
General Fund Balances	9,072	(1,485)	7,587
Total	38,793	3,500	42,293

- 8.2 The following table shows the movement on general fund balances during 2009/10 in line with the recommendations set out in both this report and in reports presented earlier in the financial year.

Contributions To/(From) General Fund Balances in 2009/10	£000
<u>Previously Approved</u>	
To support the overall 2009/10 revenue budget	(1,000)
2008/09 Cash Limit Surpluses/Deficits c/f to 2009/10	(1,329)
Brought Forward Deficits - Regeneration, Transportation and Planning and Highways	(620)
In Year Pressures - Children and Young People, Finance Transportation and Planning and Highways	(530)
<u>Recommended (See Paragraph 3.27)</u>	
Further Winter Maintenance Pressures	(122)
<u>Provisional Outturn Surpluses</u>	
Cash Limit	193
Non-Cash Limit	1,923
Net Decrease in General Fund Balances	(1,485)

8.3 General fund earmarked reserves have increased by a net value of £4.877m. A full list of general fund earmarked reserves is included at Appendix Six. The reasons for significant movements on earmarked reserves are disclosed at Appendix Seven. The most significant changes are summarised below:

- £1.637m reduction in the PCT/Council Partnership enablement fund reflecting payments to the PCT and the Council's contribution to pooled budgets in lieu of PCT contributions;
- £2.989m increase in the insurance reserve reflecting a transfer from the insurance provision based on advice from the Council's insurance advisers;
- £3.102m accrued Performance Reward Grant earmarked for specific partnership projects. This is Partnership grant which is claimed and due but not yet allocated to projects.

8.4 In addition, the Financial Management Service has undertaken a thorough review of the Council's Balance Sheet and identified a number of grants and contributions worth £1.041m which could be combined into a new reserve to support the Council's Medium Term Financial Strategy and 2011/14 Plan. Given the challenging outlook for

public finances and the economy over the medium term, it is recommended that such a reserve is established to support initiatives designed specifically to reduce the Council's anticipated Medium Term savings requirement (currently estimated at between £10m - £12m per annum) on an ongoing and sustainable basis.

- 8.5 In overall terms, the level of general fund balances stands at £7.587m at 31 March 2010, of which £0.193m is earmarked as net cash limit surpluses carried forward; leaving £7.394m as 'available' general balances to carry forward into 2010/11. The approved 2010/11 budget includes a contribution to balances of £1.072m. This brings available general fund balances up to £8.466m to support the 2010/11 budget.
- 8.6 Having reviewed the risk analysis of the 2010/11 budget the Corporate Director, Business Services considers that the original figure of £6.8m is still required to support the approved 2010/11 budget at this stage, leaving a 'surplus' balance of £1.666m. However, the Government has announced that it will be making cuts to local authority specific grants in 2010/11. Furthermore, the prospects for 2011/12 and beyond grow increasingly bleak. All in all it would appear sensible to retain the balances position as it stands.

9 2009/10 Statement of Accounts

- 9.1 The draft Statement of Accounts for 2009/10 is currently being prepared and will be presented to the Audit Committee for approval on 29 June 2009. The process of finalising the Statement of Accounts typically gives rise to late adjustments which may impact on the outturn, reserves and/or balances position disclosed in this report.
- 9.2 In these circumstances, it is proposed that the approval of changes to the outturn, reserves and/or balances position is delegated to the Corporate Director, Business Services, in conjunction with the Executive Councillor (Finance). Any material changes will be reported to the Executive at the earliest opportunity.

10 Conclusions

- 10.1 The modest net cash limit surplus of £0.071m (£0.193m if contributions from balances are approved) includes a mix of surpluses and deficits across portfolios.
- 10.2 2009/10 has been a challenging year in many ways with the Council having to deal with significant issues in relation to income budgets in areas such as car parking, planning and the property investment estate. The severe winter weather also generated additional cost pressures. These have been in addition to the 'normal' pressures faced in dealing with demand for adults and children's services and maintaining all activities through the continuing economic downturn.

- 10.3 Despite having to deal with such difficulties the Council has been able to continue to invest additional resources in priority areas to deliver improvements in performance against targets. This demonstrates the Council's ongoing focus on achieving value for money. The 2009/10 budget requirement included significant efficiency targets and the reallocation of resources to priority service areas through the PIF, PIP and Stockport Boost funding arrangements. With the exception of targets for income on Car Parking, Planning and Building Control, all of these elements of the budget have been successfully delivered.
- 10.4 The non-cash limit side of the budget has benefited from prudent treasury management, further VAT rebates and a beneficial position in relation to housing benefit subsidy. Surpluses in these areas more than offset the pressures experienced on airport dividends and within the Coroners Service.
- 10.5 Looking ahead, the Council faces a significant challenge in developing a sustainable 2011/14 Medium Term Financial Plan. The new government has already signalled it intends to cut funding during this financial year and there are likely to be further more significant reductions in resources from 2011/12 onwards. Of particular concern is the Government's intention to freeze Council Tax levels which, without any financial assistance, would have a significantly detrimental impact on the Council's finances.
- 10.6 Finally, although the Council's balances position is above the minimum included in the February budget, it is firmly recommended that these funds remain set aside since the outlook for public finances is gloomy with the prospect of public spending restraint not seen since the 1980s.

11 Recommendations

- 11.1 The Executive is asked to note the report and approve:
- the treatment of portfolio cash limit surpluses and deficits as set out in section three of the report;
 - the treatment of the non-cash limit surplus as set out in section four of the report; and
 - the appropriations to or from general fund balances and earmarked reserves as set out in section eight of the report including the establishment of a new Medium Term Financial Strategy Reserve worth £1.041m.
- 11.2 It is also recommended that approval of any amendments to the outturn, reserves and/or balances position arising from the finalisation of the 2009/10 Statement of Accounts is delegated to the Corporate Director, Business Services in consultation with the Executive

Councillor (Finance) and that any such amendments are reported to the Executive at the earliest opportunity.

2009/10 Revenue Budget (Revised)

Key Portfolio/Item	Approved Budget (Reduction) £000 £000	Increase/ Revised Budget £000
<u>Cash Limits</u>		
<u>Executive Functions</u>		
A&H Adults and Health	66,165 0	66,165
CHYP Children and Young People	38,598 7	38,605
COM Communities	9,152 5	9,157
CUF Customer Focus	9,852 (5)	9,847
ENV Environment	11,796 0	11,796
FIN Finance	14,967 154	15,121
LEI Leisure	11,585 0	11,585
REG Regeneration	2,962 0	2,962
TRN Transportation	11,864 (2)	11,862
Sub Total	176,941 159	177,100
<u>Non-Executive Functions</u>		
LIC Licensing, Environment and Safety Committee	1,851 0	1,851
PLA Planning and Highways Committee	1,457 0	1,457
Sub Total	3,308 0	3,308
Total (Cash Limits)	180,249 159	180,408
<u>Non-Cash Limits</u>		
NCL Total (Non-Cash Limits)	47,555 (159)	47,396
GRAND TOTAL	227,804 0	227,804

Virements and Other Budget Adjustments

Previously Approved by Executive

Item T	ype*	Amount £000	From	To	P/T**
Allocation of Performance Reward Grant	V 139		NCL	FIN/ CHYP	T

Presented for Approval by Executive

Item T	ype*	Amount £000	From	To	P/T**
Civic Accommodation	V	20	NCL	FIN	T
Directorate/Portfolio Outturns Budget Re-Alignment	BR	7 Var		Var	T

* V=Virement and BR = Budget Re-alignment

** P = Permanent and T = Temporary

Appendix Three

2009/10 PROVISIONAL OUTTURN AS AT 31/03/2010

Key Portfolio/Item	Revised Budget £000	Provisional Outturn £000	(Surplus)/ Deficit £000	Var- iance** %
<u>Cash Limits</u>				
<u>Executive Functions</u>				
A&H Adults and Health	66,165	66,162	(3)	0.0
CHYP Children and Young People	38,605	38,599	(6)	0.0
COM Communities	9,157	8,960	(197)	(2.2)
CUF Customer Focus	9,847	9,846	(1)	0.0
ENV Environment	11,796	11,796	0	0.0
FIN Finance	15,121	15,030	(91)	(0.6)
LEI Leisure	11,585	11,593	8	0.1
REG Regeneration	2,962	3,023	61	2.1
TRN Transportation	11,862	11,984	122	*
	177,100	176,993	(107)	(0.1)
<u>Non-Executive Functions</u>				
LIC Licensing, Environment and Safety Committee	1,851	1,887	36	1.9
PLA Planning and Highways Committee	1,457	1,457	0	0.0
	3,308	3,344	36	1.1
Total (Cash Limits)	180,408	180,337	(71)	*
NCL <u>Non-Cash Limits</u>	47,396	45,473	(1,923)	(4.1)
GRAND TOTAL	227,804	225,810	(1,994)	*
<u>Financed by</u>				
Council Tax	130,700	130,700		
Formula Grant	81,551	81,551		
Area Based Grant	12,074	12,074		
General Fund Balances	3,479	3,479		
	227,804	227,804	(1,994)	

* After the contribution from balances to finance the Transportation Portfolio deficit (£0.122m), the cash limit surplus increases to £0.193m and the overall surplus increases to £2.116m

** Expressed as a percentage of 'Revised Budget'

Appendix Four

Details of variations against budget

Portfolio/Service Explanation		(Surplus)/ Deficit £000
Cash Limits <u>Adults and Health</u>		
Adult and Community Education	Small surplus of income over expenditure	(3)
<u>Children and Young People</u>		(3)
Strategy and Performance	Surplus on PRC	(103)
	Surplus on management admin	(169)
Social Care and Health	Deficit on respite services for Children's Disabilities	239
	Surplus on staffing budget of LAC Team	(238)
Learning and Achievement	Deficit on SEN Transport	441
	Surplus on School Access budget due to lower prices for bus passes	(60)
Inclusive Communities	Transfer of costs to utilise surplus Sure Start Grant	(116)
<u>Communities</u>		(6)
Social Inclusion, Neighbourhood Renewal and Community Safety	Early action taken to mitigate anticipated reductions in grant funding and completion of work to support the winding up of Brinnington Community First	(186)
Council Secretariat	Staff Turnover	(11)
		(197)

Appendix Four Continued

Portfolio/Service Explanation		(Surplus)/ Deficit £000
<u>Customer Focus</u>	Small surplus	(1)
<u>Environment</u>	Break Even	0
<u>Finance</u> Business Services/Chief Executive's Directorates	Staff Turnover	(91)
<u>Leisure</u> Arts, Heritage and Culture	Falling visitor numbers impacting on income generation	23
Cemeteries and Crematoria	Increase in burials and cremations during final quarter of year	(45)
Sport Development	One-off costs resulting from processing prior year invoices	36
Library Services	Small surplus	(6)
<u>Regeneration</u> Regeneration CCTV Stockport Market	One-off write off of invoices. Not structural in nature.	17
		44
		61

Appendix Four Continued

Portfolio/Service Explanation		(Surplus)/ Deficit £000
<u>Transportation</u> Parking	Further decline in parking income. Winter weather reduced ability to issue PCNs.	42
Highways Maintenance	Higher than anticipated winter gritting needed due to adverse weather conditions	80
		122
<u>Licensing, Env. and Safety</u> Health Education	Decline in income received from fees	36
		36
<u>Planning and Highways</u>	Break Even	0
Cash Limit (Surplus)/Deficit		(71)

Appendix Four Continued

Portfolio/Service Explanation		(Surplus)/ Deficit £000
Non-Cash Limits		
Capital Financing Costs	Low borrowing rates coupled with relatively high return on investments	(1,269)
Overpaid VAT	HMRC Refund	(683)
Rent Allowances/Rent Rebates	Figures based on final claim submitted May 2010	(365)
Registrars	Higher than anticipated income receipts	(35)
Dividends Manchester	Airport	250
	Solutions SK Ltd	279
Coroners Service	Accommodation Costs	157
Other Items	Council Tax Benefit Admin and Overpayments	(205)
	LABGI	(37)
	Subscriptions and Fees	(15)
Non-Cash Limit (Surplus)/Deficit		(1,923)
Overall (Surplus)/Deficit		(1,994)

PRIORITY SCHEMES AS AT 31/03/2010

Portfolio/Scheme Portfolio		Approved Allocation		Provisional	Carry Forward
		£000	£000	Outturn	£000
<u>Pre 2009/10 Schemes</u>					
Developing intergrated systems with PCT	A&H	2	2		0
Tackling childhood obesity	A&H	2	2		0
Improving priority deprived areas	COM	39	39		0
Community engagement - Area Committees/Debates	COM	30	30		0
Performance Management System	CUF	19	19		0
Volunteering Matters / Youth Matters	CHYP	30	30		0
Two roving stewards for local centres	ENV	50	50		0
Imp mechanical sweep of roads,footpaths & parks	ENV	30	30		0
Area cond officer team addl enforcement & clean	ENV	36	36		0
Total Pre 2009/10 Schemes		238	238		0
<u>2009/10 Priority Improvement Provision (PIP)</u>					
Age Concern Gardening Service	A&H	51	51		0
Intensive Partnership Sweeps	COM	35	35		0
Community Engagement	COM	40	18		(22)
Support to Youth in the Borough	CHYP	30	30		0
Sports Outreach Programme	CHYP	23	23		0

Portfolio/Scheme Portfolio		Approved Allocation		Provisional Outturn	Carry Forward
		£000	£000		
<u>2009/10 Priority Improvement Provision (PIP) ctd...</u>					
Improving Cleanliness	ENV	266	112		(154) *
Town Centre Stewards	ENV	50	50		0
Addressing Anti-Social Behaviour in Parks	LEI	65	43		(22)
Pothole Mole	TRN	175	175		0
Street Name Plates - Council Crest	TRN	15	15		0
Total 2009/10 Priority Improvement Provision (PIP)		750	552		(198)
<u>2009/10 Priority Initiatives Fund (PIF)</u>					
Apprenticeship Programme	CUF	180	59		(121)
Stockport into Work	CUF	120	65		(55)
Litter Bins	ENV	85	82		(3)
Town Centre Festive Lights	REG	65	65		0
Markets and Underbanks Promotion	REG	50	44		(6)
Total 2009/10 Priority Initiatives Fund (PIF)		500	315		(185)
<u>2009/10 Stockport Boost Initiative</u>					
Mental Health Interventions	A&H	50	50		0
Café social enterprise	A&H	17	17		0
Debt advice	COM	157	61		(96)
Debt support worker	COM	13	0		(13)

Portfolio/Scheme Portfolio		Approved Allocation		Provisional Outturn	Carry Forward
		£000	£000		
<u>2009/10 Stockport Boost Initiative ctd...</u>					
Employments Rights Advice by CAB	COM	15	4		(11)
Awareness raising, signposting and communications	CUF	31	31		0
Support for LACs apprenticeships	CHYP	10	10		0
NEETS Hotline	CHYP	40	30		(10)
Business Start up programmes - ISUS programme	REG	150	47		(103)
Business Start up programmes - Silver Entrepreneurs	REG	25	0		(25)
Meet the Buyer	REG	18	13		(5)
Stockport Employment Programme	REG	70	18		(52)
Business advice & guidance etc	REG	30	16		(14)
Support for small retailers in District Centres	REG	50	50		0
Business Incubator/Business Start-up centre	REG	150	150		0
Free car parking	TRN	15	10		(5)
Total 2009/10 Stockport Boost Initiative		841	507		(334)
GRAND TOTAL		2,329	1,612		(717) *

* £0.154m will be re-allocated to new priorities in 2010/11 leaving £0.563m to carried forward for existing commitments and schemes/programmes originally intended to continue into 2010/11.

Movement in Earmarked Reserves

Earmarked Reserve	Balance as at 01/04/2009 £000	Increase/ (Reduction) £000	Balance as at 31/03/2010 £000
<u>School Balances</u>			
Nursery Schools	652	(59)	593
Primary Schools	5,724	(546)	5,178
Secondary Schools	2,012	719	2,731
Special Schools	204	180	384
Centrally Held	247	(186)	61
School Balances - Total	8,839	108	8,947
<u>General Fund Cash Limit</u>			
<u>Adults and Health Portfolio</u>			
Specific Adult Social Care Grants	670	(174)	496
PCT/Council Partnership Enablement Fund *	1,100	(1,637)	(537)
Future Years Commitments	681	(74)	607
High / Complex Needs	565	0	565
Joint Aids Store Reserve	55	0	55
Other Reserves	9	17	26
	3,080	(1,868)	1,212
<u>Children and Young People's Portfolio</u>			
Laptop Insurance	167	61	228
School Staff Insurance Scheme	519	289	808
Children & Young People Specific Projects	939	7	946
Youth Offending Team Projects	133	0	133
Teenage Pregnancy Reserves	109	10	119
MOSAIC (Young People's Drug Strategy)	108	(64)	44
Local Safeguarding Children Board	296	(146)	150
Children's Fund Reserve	10	91	101
Interpreting Unit	0	150	150
Other Reserves	23	2	25
	2,304	400	2,704

* Reflects reduced PCT contribution to pooled budgets which will be repaid in 2010/11

Appendix Six Continued

	Balance as at 01/04/2009 £000	Increase/ (Reduction) £000	Balance as at 31/03/2010 £000
Earmarked Reserve			
<u>Communities Portfolio</u>			
Neighbourhood Renewal	350	0	350
Asylum Seekers	883	(81)	802
Supporting People Programme	825	69	894
Future Years Commitments	138	107	245
Furnished Tenancies	57	43	100
Rent Deposits	19	(14)	5
First House Maintenance Sinking Fund	0	29	29
Elections Reserve	0	43	43
	2,272	196	2,468
<u>Customer Focus Portfolio</u>			
ICT General Reserve	333	(170)	163
ICT Sharepoint/MEA Reserve	464	(271)	193
	797	(441)	356
<u>Environment Portfolio</u>			
Civic Amenity Sites	10	0	10
	10	0	10
<u>Finance Portfolio</u>			
Balance of Risks Reserve	752	243	995
Financial Management System	100	135	235
Business Services Development Fund	100	0	100
Workforce Strategy	548	328	876
Financial Management Competency & Fraud	130	0	130
Business Continuity	100	(6)	94
Debt Collection Interface	55	0	55
Risk Management	67	(67)	0
Hat Works/Wellington Mill Sinking Fund	161	(1)	160
	2,013	632	2,645

Appendix Six Continued

Earmarked Reserve	Balance as at 01/04/2009 £000	Increase/ (Reduction) £000	Balance as at 31/03/2010 £000
<u>Leisure Portfolio</u>			
Mill Lane, Shawcross Fold and Romiley Forum	84 (12)		72
Sports Trust	199	(146)	53
Recreation Centres	62	(62)	0
Museum Conservation	58	(12)	46
Other Reserves	26	(1)	25
	429	(233)	196
<u>Regeneration Portfolio</u>			
Town Centre Promotions	0	7	7
	0	7	7
<u>Transportation Portfolio</u>			
Delegated Budgets for Area Committees	161	(68)	93
Sponsored Signs	62	36	98
Transpennine Trail	40	0	40
Electric Scooter Reserve	4	0	4
	267	(32)	235
<u>Planning and Highways Committee</u>			
Planning and Delivery Grant	8	14	22
	8	14	22
General Fund Cash Limit - Total	11,180	(1,325)	9,855

Appendix Six Continued

	Balance as at 01/04/2009 £000	Increase/ (Reduction) £000	Balance as at 31/03/2010 £000
Earmarked Reserve			
<u>General Fund Non-Cash Limit</u>			
Efficiency Reserve	1,740	(465)	1,275
Insurance Reserve	3,561	2,989	6,550
SSK Dividend	322	(322)	0
Revenue Contributions to Capital Expenditure	997	(396)	601
Protection Of Surplus Property	363	(37)	326
Early Retirement Contributions	238	111	349
SEMMMS / A555 Relief Road	574	517	1,091
Priority Funding Reserve	238	434	672
LABGI 'Boost' Reserve	841	(841)	0
PRG Revenue Reserve	0	3,102	3,102
MTFS Reserve	0	1,041	1,041
Waste Strategy	828	69	897
General Fund Non-Cash Limit - Total	9,702	6,202	15,904
General Fund Reserves - Total	20,882	4,877	25,759
Total Earmarked Reserves	29,721	4,985	34,706

Explanation of significant movements in earmarked reserves

Reserve	Increase/ (Reduction) £000	Explanation
<u>General Fund Cash Limit</u>		
<u>Adults and Health Portfolio</u>		
Specific Adult Social Care Grants	(174)	Use of reserve to support projects financed from specific grants received in previous years
PCT/Council Partnership Enablement Fund	(1,637)	Reflects payments to PCT and Council's contribution to pooled budgets in lieu of PCT contribution
Future Years Commitments	(74)	Balance transferred to Adult Social Care Grants Reserve (above)
<u>Children and Young People's Portfolio</u>		
Laptop Insurance	61	Surplus on scheme to help meet future claims and off-set premiums
School Staff Insurance Scheme	289	Surplus on scheme to help meet future claims and off-set premiums
MOSAIC (Young People's Drug Strategy)	(64)	Reducing the incidence of substance misuse by young people
Local Safeguarding Children Board	(146)	Jointly funded service combining Probation and Health funds. Utilised for specific projects
Childrens Fund Reserve	91	Set aside to meet future commitments
Interpreting Unit	150	Set aside to meet future commitments

Appendix Seven Continued

Reserve	Increase/ (Reduction) £000	Explanation
<u>Communities Portfolio</u>		
Asylum Seekers	(81)	Utilised to meet costs associated with Brindale House
Supporting People Programme	69	Surplus against programme
Future Years Commitments	107	To fulfill future year commitments
Furnished Tenancies	43	Deposits associated with furnished tenancies
Elections Reserve	43	Sinking fund to meet future costs associated with local and national elections
<u>Customer Focus Portfolio</u>		
ICT General Reserve	(170)	Utilised for specific ICT projects
ICT Sharepoint/MEA Reserve	(271)	Release to fund 2009/10 Microsoft EA (smoothed payments)
<u>Finance Portfolio</u>		
Balance of Risks Reserve	243	Range of cover extended in 2010/11 on a trial basis
Financial Management System	135	Set aside for SAP upgrade and specialist support
Workforce Strategy	328	To fund HR initiatives and equal pay claims handling
Risk Management	(67)	Combined with Balance of Risks Reserve

Appendix Seven Continued

Reserve	Increase/ (Reduction) £000	Explanation
<u>Leisure Portfolio</u>		
Sports Trust	(146)	Utilised for Repairs and Maintenance on leisure centres and Grand Central
Recreation Centres	(62)	£0.035m used for Peel Moat loss of income. Remaining £0.027m combined with Sports Trust Reserve
<u>Transportation Portfolio</u>		
Delegated Budgets for Area Committees.	(68)	In-year contributions and releases to fund the work of Area Committees
Sponsored Signs	36	Contribution to cover maintenance works for sponsored signs
<u>General Fund Non-Cash Limit</u>		
Efficiency Reserve	(465)	To fund BITE initiatives in Finance and Business Transformation Teams
Insurance Reserve	2,989	To meet insurance claims where both the amounts and timings of claims are uncertain. The large increase reflects a transfer from the insurance provision based on advice from the Council's Insurance advisers.
SSK Dividend	(322)	To mitigate the impact of a nil dividend payout in 2009/10
RCCO Reserve	(396)	Use to finance 2009/10 capital programme commitments

Appendix Seven Continued

Reserve	Increase/ (Reduction) £000	Explanation
Early Retirement Contributions	111	Set aside to support service transformation and meet one-off redundancy costs
SEMMMS / A555 Relief Road	517	To cover future development costs associated with the SEMMMS project
Priority Funding Reserve	434	Net increase in Priority Initiatives Funding set aside for commitments in 2010/11
LABGI 'Boost' Reserve	(841)	Allocated to projects designed to mitigate the impact of economic recession in 2009/10
PRG Revenue Reserve	3,102	Accrual of revenue Performance Reward Grant earmarked for Partnership projects
MTFS Reserve	1,041	Set aside to support Corporate Initiatives and special projects
Waste Strategy	69	To meet anticipated costs arising from the Waste Disposal PFI Contract

EXPLANATION OF TERMS

Cash Limits

The Council operates a system under which each portfolio is only held responsible for those areas of income and expenditure over which they can exert control. Cash Limits are approved before the financial year commences and each Portfolio is responsible for ensuring that their net expenditure does not exceed their cash limit for that year.

Non-Cash Limits

Items which are largely outside of the direct control and influence of the Council are managed outside of Portfolio Cash Limits. This includes items such as levies and precepts determined by the Association of Greater Manchester Authorities and joint authorities, together with demands on services which the Council cannot avoid meeting (such as Housing Benefit payments and Capital Financing Costs).

Forecast Outturn

This is the forecast of the net income or expenditure for the financial year on each budget heading.

Virement

The switching of budget provision from one budget head to another. Virements must be properly authorised by the appropriate committee or by officers under delegated powers.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an authority's revenue account each year and set aside to repay debt, as required by the Local Government Housing Act 1989.

Reserves

Amounts set aside to meet expenditure which the Council may decide to incur in future periods, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves, as opposed to General Balances, are allocated to a specific purpose or area of spending.

Provisions

Amounts set aside for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Abbreviations usedPortfolios - Executive Functions

A&H Adults and Health
CHYP Children and Young People
COM Communities
CUF Customer Focus
ENV Environment
FIN Finance
LEI Leisure
REG Regeneration
TRN Transportation

Portfolios – Non-Executive Functions

LIC Licencing, Environment & Safety Committee
PLA Planning and Highways Committee

EXECUTIVE MEETING – 14 JUNE 2010

Capital Outturn 2009/10

Report of the Corporate Director, Business Services

1 Introduction

- 1.1 The purpose of this report is to update the Executive with regard to the progress in achieving the priority outputs and outcomes of the 2009/10 capital programme and to seek approval for amendments to the three year programme to reflect the outturn position, notification of additional funding and other changes to the programme between years.
- 1.2 Generally there is a good degree of flexibility in using the resources associated with the capital programme between financial years and the programme is set within a three year time frame. The flexibility of the resources recognises that capital projects can be complex and whilst resources are time limited and often linked to specific schemes it is often difficult to forecast the exact physical and financial profile of some individual projects and therefore split the overall capital programme accurately into strict financial years.

2 Capital Programme 2009/10 to 2011/12

- 2.1 The following table summarises the outturn position for 2009/10 and shows the programme for 2009/10 through to 2011/12.

Expenditure as at 31 March 2010 £000	Portfolio	2009/10 Programme £000	2009/10 Variation £000	2010/11 Programme £000	2011/12 Programme £000
842	Adults	1,133	(291)	2,389	632
20,732	Children & Young People	23,380	(2,648)	26,646	19,093
39,037	Communities	38,298	739	31,947	13,788
109	Customer Focus	109	0	330	0
4,134	Environment	4,145	(11)	2,398	0
8,448	Finance	10,241	(1,793)	9,617	500
1,627	Leisure	1,545	82	739	440
1,220	Regeneration	1,279	(59)	513	50
14,639	Transportation	14,781	(142)	17,088	8,093
90,788	TOTAL	94,911	(4,123)	91,667	42,596

- 2.2 The three year capital programme incorporates changes approved by Council on 25 February 2010 and includes further changes to reflect amendments to resource notifications underpinning the programme.

- 2.3 The 2010/11 and 20 11/12 programme above incorporate some of the changes which flow from the variations in the 2009/ 10 programme and resources. Of the £4.123m surplus, £2.830m of the unused resources will be carried forward and expenditure re-phased within the three year programme. Details of the rephasing by portfolio can be found at Appendix Three.
- 2.4 Both the Communities and Leisure Portfolios have brought forward funding from 2010/11 and utilised grants and external contributions to meet the over achievement, £1.210m, of programmes in 2009/10.
- 2.5 Most of the remaining £2.503m is within Children and Young People portfolio and these schemes are in the process of being reviewed. The review will determine the resources required for the remaining the schemes. Any further rephasing and the reallocation of resources that are no longer required will be reported in the first quarter 2010/11 Report.
- 2.6 Appendix One sets out the changes to each year of the three year programme, full details of the variations and amendments by portfolio are included in Appendix Three.

3 Portfolio Programme Key Outcomes

- 3.1 Key outcomes and performance measures achieved through capital expenditure for each portfolio's programme are included in Appendix Three. Highlights from each programme are provided below.
- 3.2 Adults and Health Portfolio achieved expenditure of £0.842m compared to a programme of £1.133m. Work has commenced on a wide range of schemes that will continue into 2010/11 and the unused resources will be carried forward. In particular there are a number of schemes associated with the Social Care project which have been delayed but are now agreed and are due to commence in 2010/11.
- 3.3 Children and Young People Portfolio achieved expenditure of £20.732m compared to a programme of £23.380m. A surplus of £2.648m of which £1.898m relates to Council controlled schemes and £0.659m relates to schools controlled schemes.
- 3.3.1 Significant outcomes and outputs have been achieved in year with the largest part of the programme in the Primary sector providing new class bases, remodelling, upgrades and refurbishments. The whole of the Children's programme is complex and entails the extensive co-operation of schools to deliver. There is a surplus in the spending of the Sure Start Grant which is targeted at early year's providers, some projects have been delayed until the summer holidays to minimise disruption.
- 3.4 Communities Portfolio achieved expenditure of £39.037m compared to a programme of £38.298m. This is a significant achievement and highlights are included below.
- 3.4.1 The HRA programme, within Communities, continued its effective performance in delivering schemes to reduce the number of non-decent homes within the

Borough. Additional works of £0.236m have been completed earlier than planned, which helped in reaching the target of only 4.8% non-decent homes by the end of March 2010.

- 3.4.2 Communities Strategic Housing programme also performed well and delivered many key priority outcomes. For example 254 grant funded adaptation schemes were completed in privately owned and housing association properties.
- 3.5 Customer Focus Portfolio achieved expenditure of £0.109m matching its capital programme for 2009/10, with both schemes, New Ways of Working and Customer Services Development, achieving their programmes.
- 3.6 Environment expenditure was £4.134m, which is only very slightly lower than the programme total of £4.145m. The Waste Collection scheme in particular has managed to achieve targets ahead of schedule.
- 3.7 Finance Portfolio achieved expenditure of £8.448m compared to a programme of £10.241m. This variation is largely in connection with profiling expenditure related to the New Civic Complex. Work is progressing well and the project remains on target for completion in November 2009.
- 3.8 Leisure Portfolio has over achieved its programme, with expenditure of £1.627m compared to a programme of £1.545m. The majority of the expenditure relates to the NNDR scheme, Target Life Hazel Grove, and funding has been rephased from 2010/11 to meet this spend.
- 3.9 Within the Regeneration Portfolio expenditure of £1.220m compares to a programme of £1.279m. The variance is due to rephasing of the Offerton Precinct Development and Gateway Facelifting schemes to 2010/11.
- 3.10 Within the Transportation Portfolio expenditure of £14.639m compared to a programme of £14.781m successfully delivered number of large and varied schemes with significant priority outcomes.

4 Priority Initiatives and Performance Reward Grant

- 4.1 The Alexandra Park scheme, under Priority Initiatives, was rephased from 2008/09 and the full £0.075m has now been spent.
- 4.2 Good progress has been made on 2009/10 Priority Initiative schemes; of the £0.500m allocated £0.494m has been spent. The remaining resource is being rephased to 2010/11 to complete these schemes.
- 4.3 In 2009/10, £0.190m Performance Reward Grant (PRG) was allocated to Stockport Boost Centres and this was fully spent. A further £1.005m PRG has been awarded to capital schemes in the two rounds of allocation. All these schemes are due to get underway in 2010/11.

5 Resourcing the 2009/10 Capital Programme

- 5.1 All variations to the 2009/10 programme are contained within the original resources allocated to projects.
- 5.2 Appendix Two shows the resources that have been utilised to fund the 2009/10 capital programme. The programme is largely funded by Capital Grants and Ringfenced Supported Borrowing, providing resources of £30.879m and £26.156m respectively. Unsupported Borrowing and Directly Funded Borrowing make up £17.227m of the programme. The sources of funding are set out in the Explanation of Terms, which can be found at the end of this report.
- 5.3 Financial monitoring reports throughout the financial year have highlighted the impact that the economic downturn is having on achieving capital receipts which underpin the programme. There were sufficient capital receipts actually received to meet the financing requirements of the programme in 2009/10.

6 Prudential Indicators

- 6.1 The Prudential Code sets out the indicators that must be used to demonstrate that capital investment plans are affordable, prudent and sustainable. These prudential indicators are designed to support strategic financial planning and local decision making. As part of the annual budget setting process the prudential indicators are set for the forthcoming year and the following two years. The estimated and actual indicators for 2009/10 are set out in Appendix Four.
- 6.2 The estimated prudential indicators were reported in the 2009/10 Capital Programme reported to the Executive on 9 February 2009 and these were based on the 2009/10 Capital Programme at that time. Subsequently, there have been a number of additions and rephasings resulting in a larger capital programme for 2009/10.
- 6.3 There is a reduction in the ratio of financing costs to net revenue stream and this is mostly due to lower interest rates for borrowing.
- 6.4 In the February 2009 report, it was estimated that the impact of every additional £1m expenditure would have an impact of £0.18p on Council Tax. The additional Non-HRA expenditure in 2009/10 has been calculated to have an impact of £0.15 and this is largely due to a greater amount being spent through unsupported and directly funded borrowing than estimated.

7 Statement of Accounts 2009/10

- 7.1 The Statement of Accounts for 2009/10 is being prepared and will be presented to the Audit Committee for approval on 29 June 2010. The process of finalising the Statement of Accounts typically gives rise to late adjustments which may impact on the capital outturn and resourcing position outlined in this report.
- 7.2 In these circumstances, it is proposed that the approval of changes to the outturn, resourcing and prudential indicators is delegated to the Corporate Director, Business Services in conjunction with the Executive Councillor (Finance).

8 Conclusion

- 8.1 The capital programme outturn for the year is £90.788m. This is one of the largest and most varied capital programmes to date and has achieved significant outcomes and outputs and boosted the local economy.
- 8.2 The 2010/11 programme has been adjusted to reflect variations to the programme that have occurred across portfolio programmes in 2009/10.

9 Recommendations

- 9.1 The Executive is asked to:
- ◆ Approve the changes to the capital programme shown in Appendix One.
 - ◆ Approve the resourcing of the capital programme set out in Appendix Two.
 - ◆ Note the progress on capital schemes as set out in Appendix Three.
 - ◆ Note the Prudential Indicators set out in Appendix Four.
 - ◆ Delegate the approval of any final changes to the capital outturn, resourcing and prudential indicators to the Corporate Director, Business Services in conjunction with the Executive Councillor (Finance).

CAPITAL PROGRAMME 2009/10– 2011/12
CHANGES TO THE PROGRAMME SINCE QUARTER 3 REPORT TO EXECUTIVE
MEETING 15 February 2010

2009/10 Portfolio	Original Programme	As at 15 Feb 2010 Programme	Additional / Reduced	Virement / Rephased	Revised Programme
	£000	£000 £000		£000 £000	
Adults & Health	1,315	1,133			1,133
CYP 27,810		23,354	30	(4)	23,380
Communities 34,367		38,224	12	62	38,298
Customer Focus	229	109			109
Environment	4,356	4,145			4,145
Finance	2,773	10,241			10,241
Leisure 1,179		1,627		(82)	1,545
Regeneration	864	1,273		6	1,279
Transportation	12,980	14,075		706	14,781
Total 85,873		94,181	42	688	94,911

2010/11 Portfolio	Original Programme	As at 15 Feb 2010 Programme	Additional / Reduced	Virement / Rephased	Revised Programme
	£000	£000 £000		£000 £000	
Adults & Health	360	1,860	80	449	2,389
CYP 24,440		30,021	20	(3,395)	26,646
Communities 30,659		27,844	4,262	(159)	31,947
Customer Focus	0	330			330
Environment 1,835		2,217	170	11	2,398
Finance 2,000		8,367	(500)	1,750	9,617
Leisure 440		857		(118)	739
Regeneration		156	295	62	513
Transportation 13,766		15,605	1,345	138	17,088
Total 73,500		87,257	5,672	(1,262)	91,667

2011/12 Portfolio	Original Programme	As at 15 Feb 2010 Programme	Additional / Reduced	Virement / Rephased	Revised Programme
	£000	£000 £000		£000 £000	
Adults & Health	270	632			632
CYP	14,785	15,972		3,121	19,093
Communities 10,269		10,644	2,925	219	13,788
Customer Focus		0			0
Environment		0			0
Finance	500	500			500
Leisure	440	440			440
Regeneration		50			50
Transportation 10,535		7,162	925	6	8,093
Total 36,799		35,400	3,850	3,346	42,596

Appendix Two

RESOURCING THE 2009/10 – 2011/12 CAPITAL PROGRAMME

Expenditure as at 31 March 2010 £000	Resources	2009/10 Budget £000	2009/10 Variation £000	2010/11 Budget £000	2011/12 Budget £000
26,156	Supported Borrowing				
	Ringfenced	26,179	(23)	16,681	0
4,322	Non Ringfenced	5,943	(1,621)	4,336	8,061
30,897	Capital Grants	31,629	(732)	35,609	17,395
	Unsupported				
4,851	Borrowing	5,528	(677)	11,217	3,250
	Directly Funded				
12,376	Borrowing 13,628		(1,252)	12,225	3,856
3,032	External Contributions	2,788	244	949	277
1,319	Capital Receipts	1,385	(66)	2,275	1,089
19	Commuted Sums	90	(71)	34	0
	Revenue Contributions				
7,816	(RCCO) 7,741		75	8,341	8,668
90,788	TOTAL	94,911	(4,123)	91,667	42,596

Appendix Three

Adults and Health Capital Programme Progress as at 31 March 2010

Overview of Progress to 31 March 2010

The table below highlights the key schemes in the programme

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme £000	2009/10 Variation £000	2010/11 Programme £000	2011/12 Programme £000
8	Asset Management Plan	6	2	0	0
2	Mental Health Schemes:	0	2	164	123
70	Redcroft	76	(6)	6	0
0	Progress House	20	(20)	0	0
150	Narrow Boat	150	0	0	0
30	Wellbeing Centre	55	(25)	36	0
0	IT Software (Care First)	5	(5)	35	0
0	Dignity in Care	5	(5)	5	0
0	IT Infrastructure	0	0	255	0
56	Social Care	147	(91)	385	147
259	Common Assessment Framework	300	(41)	1,113	362
267	York House & Ashlea Offices	369	(102)	152	0
0	Lifestyle Service (PRG Round 1)	0	0	30	0
0	Refurbish Learning & Disability Res Centre (PIF)	0	0	50	0
0	Transforming Adult Social Care	0	0	158	0
842	TOTAL	1,133	(291)	2,389	632

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme £000	2009/10 Variation £000	2010/11 Programme £000	2011/12 Programme £000
38	Supported Borrowing Ringfenced	61	(23)	59	0
0	Non Ringfenced	0	0	0	0
804	Capital Grants	965	(161)	2,093	632
0	Unsupported Borrowing	5	(5)	85	0
0	Directly Funded Borrowing	0	0	0	0
0	External Contributions	0	0	0	0
0	Capital Receipts	0	0	0	0
0	Commuted Sums	0	0	0	0
0	Revenue Contributions (RCCO)		102	(102)	152
842	TOTAL	1,133	(291)	2,389	632

Adults & Health Capital Programme Amendments

Scheme 2009/10	2010/11		2011/12	Funding Source	Reason
	£'000	£'000			
Refurbish Learning & Disability Res Centre		50		USB	Allocation of 10/11 PIF Capital Funding - virement from finance portfolio
Transforming Adult Social Care		158		Grant	New funding allocation
Redcroft	(6)	6		Grant	Rephase to 10/11
Asset Management Plan	2			SB	Virement from Wellbeing Centre
Wellbeing Centre	(2)			SB	Virement to Asset Mangement Plan
Mental Health Schemes	2	41		Grant	Virement from Progress House and rephase to 10/11
Progress House	(20)	(23)		Grant	Virement to Mental Health schemes and rephase to 10/11
Wellbeing Centre	(23)	23		SB	Rephase to 10/11
IT Software (Care First)	(5)	5		USB	Rephase to 10/11
Dignity in Care	(5)	5		Grant	Rephase to 10/11
York House & Ashlea Offices	(267)			RCCO	Reallocation of grant funding
York House & Ashlea Offices	267			Grant	Reallocation of grant funding
York House & Ashlea Offices	(102)	102		RCCO	Rephase to 10/11
Social Care	(91)	91		Grant	Rephase to 10/11
Common Assessment Framework	(41)	41		Grant	Rephase to 10/11
Total (291)		499	0		

Adults & Health Capital Programme - Progress on Specific Schemes

Mental Health Schemes

(a) Redcroft conservatory and structural improvements – the works are mainly completed and paid for in 2009/10, with just a small amount of cost likely to come through in 2010/11. The total cost may go slightly over the original provision but this will be contained within the Adults programme.

(b) The Narrow Boat scheme – the work and spending proceeded according to the agreement and the boat is now in service and being used (currently moored in Poynton but mainly to be used on the Marple canal). All the allocation was used.

(c) Progress House conversion of loft space and other improvements – the structural work is now complete and little spending was required in 2009/10. The remaining provision will be carried forward into 2010/11 and be available for other schemes.

(d) Wellbeing Centre – the costs this year are associated with the building lease as previously agreed. Some improvements are needed to internal environmental conditions at the Centre to provide better conditions for building users, and cost options are currently being identified. Any spending on this will now be in 2010/11.

(e) A number of new Mental Health Schemes are currently being considered for the unallocated future provision – a Market Garden scheme £150k (but land yet to be identified); and a Wellbeing Centre bistro/café £70k (but no commitments made as yet); and it also depends on funding being available after 2010/11.

IT Software (Carefirst)

This provision will be used to purchase additional software for the Carefirst programme. There was in fact no spending against this scheme in 2009/10 and the provision will now be carried forward into 2010/11.

Dignity in Care Grant

The remaining £5k provision from this grant to improve facilities in private sector care homes had been put aside for one provider, but it has not been claimed and will now be added to the monies to be used for the new Dignity in Care programme being funded from Social Care monies in 2010/11.

IT Infrastructure

A plan for the use of this resource to improve IT provision within adult social care is currently being considered, but it will now take place in 2010/11. Further details will be available in due course.

Social Care

Consideration has been given by the adult social care senior management team to a number of schemes to be funded from the Social Care capital grant in 2009/10 and 2010/11. These include:

- Sanderling House activity room £65k (mainly complete);
- Broadband for learning disability supported properties £60k (about to start);
- A Dignity in Care programme to improve facilities in care homes £50k (about to start);
- Improvements to a number of Resource Centres recently transferred across to Communities £10k (mainly complete).

However, a significant amount of the original provision will be rephased into 2010/11 due to delays in agreeing the schemes.

Common Assessment Framework for Adult Demonstrator Sites

This is a new provision brought in this year. It refers to a significant grant from the Department of Health to fund a pilot scheme in Stockport (one of only nine across the country) whose aim is to test and evaluate innovative approaches to effective information sharing between health and social care, and partner organisations. It is a three year grant, mainly capital but with a small amount to support revenue spending.

There is a project leader based in adult social care and the first phase of expenditure has already taken place. A significant element of the first year programme will now slip into 2010/11 but without risk to the funding.

York House and Ashlea Office bases

There was significant spending in the final quarter and both schemes are progressing well. Some spending will be rephased into the 2010/11 programme. Due to changes in priorities, a small amount of the original RCCO provision put aside for these schemes will not now be required and is available for other capital uses in 2010/11.

In total, spending on the Adults programme in 2009/10 amounted to £842k against the Q3 forecast of £1,133k (just under 75%). Some schemes didn't proceed as quickly as expected, but this is about rephasing rather than schemes not taking place and it is requested that the 2010/11 capital programme is amended accordingly.

Children & Young People Capital Programme Progress as at 31 March 2010

Overview of Progress to 3 March 2010

The table below highlights the key blocks of schemes in the programme

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme £000	2009/10 Variation £000	2010/11 Programme £000	2011/12 Programme £000
2,057	Early Years	3,082	(1,025)	2,389	1
7,398	Primary Sector	7,377	21	10,056	10,745
1,415	Secondary Sector	1,516	(101)	380	282
1,149	Special Sector	504	645	2,387	0
1,519	Cross Sector	2,091	(572)	1,372	3,081
517	Special Educational Needs	969	(452)	997	634
1,301	Other Schemes	1,806	(505)	952	0
15,356	Council Controlled Schemes	17,345	(1,989)	18,533	14,743
5,376	Individual School Schemes	6,035	(659)	8,113	4,350
20,732	TOTAL	23,380	(2,648)	26,646	19,093

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme £000	2009/10 Variation £000	2010/11 Programme £000	2011/12 Programme £000
0	Supported Borrowing Ringfenced				
1,364	Non Ringfenced	2,880	(1,516)	777	5,307
17,935	Capital Grants	18,907	(972)	20,722	12,273
56	Unsupported Borrowing	95	(39)	2,678	260
236	Directly Funded Borrowing	200	36		
1,141	External Contributions	1,239	(98)	536	58
0	Capital Receipts	0	0	1,664	714
0	Commuted Sums				
0	Revenue Contributions (RCCO)	59	(59)	269	481
20,732	TOTAL	23,380	(2,648)	26,646	19,093

Children & Young People Capital Programme Amendments

Scheme 2009/10		2010/11	2011/12	Funding Source	Reason
£'000		£'000	£'000		
Playbuilder	30			Grant	Virement from Transportation - match funding for Playbuilder
MOSAIC	9			External Conts	Additional funding
Playbuilder	(13)			External Conts	Adjustment to funding
Behaviour Support Centre (PRG)		20			New allocation of PRG by Stockport Partnership
Reddish Vale Technology College - Roof		83		External Conts	Essential work to avoid damage to the building
Cheadle Hulme High School - Additional Roof Work		35	15	Various	Additional work required to complete the scheme
St Matthew's CE Primary School		11		External Conts	Essential work to fire alarm
Playbuilder		39		External Conts	Additional funding
Adjustment to accounts re DFC transferred to external contributions		(444)		Grants	Adjustment to use of DFC
Various	(390)			RCCO	Grant funding allocation
Various	390			Grants	Grant funding allocation
Extended Schools			(233)	Grants	Finishing of grant
General - Unallocated Funding	(220)	220		Various	Rephased to 2010/11
Reddish North Primary School		(833)		Grants	Rephased to 2011/12
Rose Hill Primary School		(1,578)		Various	Rephased to 2011/12
All Saints CE Primary School (Marple)		(178)		Various	Rephased to 2011/12
Hazel Grove Primary School		(200)		Various	Rephased to 2011/12
Mersey Vale Primary School		(150)		Various	Rephased to 2011/12
Reddish Vale Technology College		(100)		Various	Rephased to 2011/12
Stockport School		(100)		Various	Rephased to 2011/12
Moorfield Primary School		(200)		Various	Rephased to 2011/12
Various			3,339	Various	Rephased from 2010/11
Total (194)		(3,375)	3,121		

Children & Young People Capital Programme 2009/10 Outturn

The outturn to the 31st March 2010 on Council Controlled Schemes is £15.356m. This is 88.5% of the programme.

Progress on Specific Schemes

Early Years

There has been rationalisation of the Children's Centres Capital Works programme and prioritising areas of greatest need within Stockport's Children's Centres. As a result there have been delays to the initial work programme for a number of schemes. The major schemes involved are:

Bramhall Children's Centre – Phase 3

A delay to the initial work programme for this scheme occurred. However, this valuable exercise amongst many other things, confirmed the need to progress this much needed scheme which is on site and due for practical completion this summer. As there will be no interruption to the reception areas, this site has been designated as a Children's Centre.

Cheadle Hulme Children's Centre – Phase 3

Through more detailed discussions regarding the service provision, it has been decided through the rationalising process highlighted above to prioritise this scheme at Cheadle Hulme Library and the neighbouring property of Chad's Theatre. This scheme is programmed to commence on site towards the end of this calendar year with completion by early March 2011. As there will be no interruption to the reception areas, this site has been designated as a Children's Centre.

Stepping Hill Children's Centre – Phase 3

Due to further detailed discussions with the host for this site, it has resulted in the need for only very minor capital investment for signage. This site has been designated as a Children's Centre.

Edgeley & Cheadle Heath – Additional Work

This scheme has been re-evaluated and a more comprehensive scheme has been requested with a completion deadline of March 2011. Confirmation of the cost will be confirmed on completion of the revised sketch scheme expected by the end of May 2010.

The Council has been awarded Sure Start Grant to allow capital work to be undertaken at early years providers largely in the private and voluntary sectors, although some grant could be used at the Council's schools. The grant was for 2009/10 and 2010/11. Initially it was proposed to spend £1.807m in 2009/10. Under Local management of Schools the Council does not have direct control over when a school spends its programme. In addition, a couple of projects have had to be put back until the summer holidays because the work would have caused too much disruption.

Primary Sector

Significant progress has been made on the Primary Capital Programme (PCP) schemes and all the PCP grant allocated for 2009/10 has been spent.

Schemes at the following schools have been completed:

Broadstone Hall Primary School – New class bases
 Norbury Hall Primary School - Refurbishment
 Norris Bank Primary School - Remodelling
 Queensgate Primary School – New class base and rewire
 St Bernadette's RC Primary School - Remodelling
 St Paul's CE Primary School - Remodelling
 Westmorland Primary School - Extension

Most of the issues that were delaying the new primary school at North Reddish have now been resolved and it is envisaged that a start will be made on site in the near future.

The new primary school at Rose Hill has now been designed and planning permission has been fully supported. The scheme will be going out to tender in the near future.

Progress has also been made on a number of non PCP schemes and the schemes at the following schools have been completed:

Adswold Primary School – Roof and boiler replacement
 Arden Primary School – Fire alarm
 Bridge Hall Primary School – Boiler and asbestos roof replacement
 Brookside Primary School – Boiler
 Didsbury Road Primary School – Boiler
 Greave Primary School – Replacement of fan convector heaters
 High Lane Primary School – Replacement of fan convector heaters
 Lane End Primary School – Boiler
 Ludworth Primary School – Replace pitched roof
 Lum Head Primary School – Replacement of fan convectors
 Meadowbank Primary School – Replace asbestos roof and fire alarm
 Moorfield Primary School – Rewire Infant block
 Orrishmere Primary School – Replacement of fan convector heaters
 St Elizabeth's CE Primary School – Boiler
 St Mary's CE (Reddish) Primary School – Replacement of fan convector heaters
 St Matthew's CE Primary School – Make playground safe
 St Thomas' CE Primary School (Marriott Street) – Replace flat roof and rewire
 Tithe Barn Primary School – Rewire
 Whitehill Primary School – Rewire
 Woodley Primary School – Resurface flat roof
 Various Schools – Install gas interlocking in school kitchens

SECONDARY SECTOR

The final payments in respect of highway work needed when the new Stockport Academy was constructed have now been paid.

The first phase in respect of the replacement of fan convectors heaters at The Kingsway High school has been completed.

The final phase of the relocation of the School Music Service to Offerton High School has been completed.

The following schemes have been completed in year:

Bramhall High School – Final phase of the rewiring work
 Cheadle Hulme High School – Refurbishment
 Harrytown High School – Refurbish tennis courts
 Marple Hall High School – Refurbish tennis courts and upgrade fire alarms
 Offerton High School – Refurbish of changing rooms and repairs to paths
 Reddish Vale Technology College – Refurbish boiler house
 St James' High School – Refurbish tennis courts
 Stockport School – Refurbish pipework
 Various Schools – Install gas interlocking in school kitchens

SPECIAL SECTOR

A Government grant has been obtained to provide a facility at Windlehurst Special School to allow the teaching of cookery. Although the grant will not be received until 2010/11, other funding has been identified to allow this important work to commence in 2009/10. Work has been progressing well and it is envisaged that the scheme will be completed by the end of June 2010.

A targeted capital fund grant has been obtained for the financial years 2009/10 and 2010/11 to allow schemes to be progressed to ensure the provision of 14-19 Diploma Lines and also to provide better facilities for pupils with special educational needs.

Schemes were identified at both Heaton Special School and Lisburne Special School and work is on site and ahead of schedule. Unfortunately it would appear the contractor at Lisburne Special School has gone into liquidation and steps have been put in place to ensure that this scheme is completed on time.

The extension of the Moat House Pupil Referral Unit has been delayed due to design problems but work has now commenced.

CROSS SECTOR

£1,282K has been spent out of an allocation of £1,538k on ICT Harnessing Technology. However the grant which is the major funding source for this activity does not have to be spent until the end of August 2010.

The grant for Home Access for Targeted Groups has been spent.

It has been necessary to only spend £24k out of the £100k health and safety contingency.

SPECIAL EDUCATIONAL NEEDS

The phase 1 of the scheme at Valley Special School to refurbish the toilet and create a haven room is now complete. Phase 2 of the works to refurbish a classroom and create a quiet room is due to be completed at half term.

The scheme to improve the paths at Marple Hall High School in order to improve disabled access is out to tender. Planning permission has been applied for and subject to this being granted it is planned to carry out this work during the summer holidays.

The ramp work at Vernon Park Primary School has now been completed. It is proposed to start work on the refurbishment of the toilets in the near future.

OTHER

The Council has been awarded a grant for 2009/10 and 2010/11 which together with other external contributions is to be used to provide playbuilder schemes at various locations across the Borough. All the schemes scheduled for 2009/10 have either been completed or are just awaiting the delivery of safety surfaces to be delivered from overseas.

The Council received a grant of £217k in 2009/10 to increase the uptake of school meals. Schools were requested to bid for this grant and allocations were made to successful schools late in 2009/10. To date expenditure has not as yet been uploaded from the school's SIMS systems into the Council's financial management system. It is proposed to visit all schools that received grant to ensure that all the proposed work has been completed later in 2010/11.

A Big Lottery Fund grant in respect of Sledale Close for £35k has been entered into the CYPD capital programme in error and should have been included in another capital programme of the Council.

INDIVIDUAL SCHOOL SCHEMES

There was a programme of £471k for extended school schemes in 2009/10. This funding is devolved to schools and as at 31st March 2010 £330k had been spent by the schools. This grant funding ceases at the end of 2010/11 and schools will be closely monitored in 2010/11 to ensure that all the grant funding is spent.

The Council has been awarded a two year grant in 2009/10 and 2010/11 to develop the introduction of several 14-19 Diploma Lines in various secondary schools and colleges across the Borough. A project board has been established and many meetings have been held with schools and colleges to develop a strategy. Some of the expenditure will be made by the Council and some funding will be devolved to schools to allow them to purchase equipment etc. All the grant will be spent by the end of 2010/11.

The major item in this element of the capital programme is the Devolved Formula Capital grant which is devolved directly to schools and is therefore completely out of the control of the Council.

Communities Capital Programme Progress as at 31 March 2010

Overview of Progress to 31st March 2010

The table below highlights the key schemes in the programme.

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
34,681	HRA	34,445	236		25,166	8,941
	Strategic Housing					
1,386	Disabled Facilities Grant	1,300	86		1,416	678
955	Renewal	1,375	(420)		1,078	1,025
1,117	Affordable Housing		1,117		372	219
	Alleygating (PRG Round 1)		0		100	
	Alleygating Edgeley (PRG Round 2)		0		100	
3,458		2,675	783		3,066	1,922
	Other					
7	Brinnington Shops	8	(1)		25	
750	New Build - Dorset Avenue	1,028	(278)		278	
	New Build - Mendip Court	0	0		484	
	New Build - Marhill Court	0	0		543	
	Affordable Homes		0		1,591	2,925
129	Safer Stronger Communities	129	0		129	
	CCTV upgrade		0		200	
	Home Security		0		40	
	Tackling inequalities		0		150	
	Employment & Enterprise Base in Brinnington (PRG Round 1)		0		30	
	Employment & Enterprise Base in Brinnington (PRG Round 2)		0		50	
12	Neighbourhood NW Grant	12	0			
0	Coroners	1	(1)		195	
898		1,178	(280)		3,927	2,925
39,037	TOTAL	38,298	739		31,947	13,788

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
26,034	Supported Borrowing					
	Ringfenced	26,034			16,622	
754	Non Ringfenced	754			754	754
2,824	Capital Grants	2,375	449		2,454	1,328
7	Unsupported Borrowing	18	(11)		684	
750	Directly Funded Borrowing	1,028	(278)		2,896	2,925
852	External Contributions	469	383		372	219
0	Capital Receipts	40	(40)		375	375
0	Commutated Sums					
7,816	Revenue Contributions (RCCO) 7,580		236		7,790	8,187
39,037	TOTAL	38,298	739		31,947	13,788

Communities Capital Programme Amendments

Scheme 2009/10 £'000		2010/11 £'000	2011/12 £'000	Funding Source	Reason
HRA	(15)			SB	Sustainability transfer to Playbuilder
HRA	35			Grant	Consolidation of Stansbury Place CYP project within HRA
HRA	42			External Contribution	GM Procure 'Sense of Place' contribution to sustainability projects
HRA	236	(236)		RCCO	Rephase from 2010/11
Decent Homes Funding (HRA)		2,000		SB	CLG confirmed total level of Decent Homes Funding
Renewal		(372)		USB	Virement to Affordable Housing
Affordable Housing		372		External Contribution	Virement to Affordable Housing
Affordable Housing			219	External Contribution	New allocation of funding
Strategic Housing	353			Grant	Utilised Regional Housing Pot Grant
Strategic Housing	383			External Contribution	Utilised Regional Housing Pot Grant & Affordable Housing
Strategic Housing (DFG)	(10)	10		USB	Rephase to 2010/11
Strategic Housing	97			Grant	Allocation of grant funding

(Renewal)					
Alleygating Edgeley (PRG Round 2)		100		Grant	New allocation of PRG by Stockport Partnership
Employment & Enterprise Base in Brinnington (PRG Round 2)		50		Grant	New allocation of PRG by Stockport Partnership
CCTV Upgrade		200		Grant	New allocation of PRG by Stockport Partnership
Home Security		40		Grant	New allocation of PRG by Stockport Partnership
Tackling Inequalities		150		Grant	New allocation of PRG by Stockport Partnership
Brinnington Shops	(1)	1		USB	Rephase to 2010/11
New Build Dorset Avenue	(278)	278		DFB	Rephase to 2010/11
New Build - Mendip Court		(75)		DFB	Reduction in funding required
New Build - Mendip Court		(137)		DFB	Reduction in funding required
Neighbourhood NW Grant	12			Grant	Grant funding awarded
Coroners	(1)	1		Grant	Rephase to 2010/11
Total 853		2,382	219		

Communities Capital Programme - Progress on Specific Schemes

HRA

The table below provides an analysis of expenditure incurred as at 31 March 2010.

Analysis of HRA Expenditure	£000
Kitchen and Bathroom Replacements	15,626
DDA and Fire Safety Works	1,358
Heating Replacements and storage heaters	2,524
Fees (Including staff capitalisations)	2,034
Concierge 1,842	
Overcladding and Roofing of Non-Traditional Properties 1,036	
Rewires 2,686	
Planned Works - other external works	920
GM Procure / Value Works Fees	806
Miscellaneous works	615
Planned Works - Fencing	1,003
Sustainability Works	947
Asbestos Removal	403
Roofing 660	
Lift Replacement	839
Decorating Allowances	301
Energy Saving	207
Windows and Doors	319
Montague House - flat to pitched roof	168
Property Conversions	143
Carecall 245	
Total Expenditure	34,681

Milestones reached.

During the financial year 2009/10, SHL continued to concentrate on reducing the number of non-decent homes in the borough. Included in this work are approx 2769 properties which have had kitchen and bathroom refurbishment works. This worked helped in reaching the target of 4.8% non-decent homes by the end of March 2010.

The programme successfully spent £34.769m against a budget amount of £34.534m. This gives an over commitment of £0.236m.

Another success is the continuation and growth of the concierge control room at the Bredbury Technical Services depot. This project has been to upgrade the CCTV and Concierge system at Lancashire Hill. These systems are now controlled from Bredbury in a state of the art control centre.

Customer satisfaction remains high. Performance against a target of 93%, SHL reached a year end figure of 95% customer satisfaction for investment works in 2009/10. This figure was based on a return rate of 62%. These figures represent an all time high for the organization.

It should be noted that the successes achieved in 2009/10 have been achieved against a backdrop of significant challenges. These include the Audit Inspection and also the successful bid of £5m of accelerated funding. This extra funding required the smooth and speedy acceleration of the workforce put an extra strain on the management of the programme.

Strategic Housing

Mandatory Disabled Facilities Grants

Demand for DFGs has remained consistently high, with a total of 254 schemes completed during the financial year. This demand continues to put significant pressure on staffing and contractor resources, and whilst the team are keeping on top of the workloads. Work is progressing on developing a single contract for the delivery of stairlifts, which will not only reduce officer time input, and help alleviate some of this pressure, but also reduce the process time from assessment to installation.

Work on the block schemes progressed well up to December, but since then has been affected by the weather. Despite this, during the year, a total of 122 properties in Shaw Heath benefited from facelifting works, making a significant impact on the area.

Affordable Housing

The spend on affordable housing relates to four schemes, as follows:

- Marbury Road - a mixed scheme of shared ownership houses, two large four bed houses for rent and two wheelchair adapted bungalows for rent, completed last financial year, with support of £293k grant from the HCA
- Osbourne Road – a learning disability group home for four people, completed Q1, with £154k grant from the HCA and £150k from affordable housing monies
- Hollybank – a learning disability group home, completed Q4. The payment relates to acquisition/start on site, with total HCA grant of £263,500 and £350k from affordable housing monies
- Offerton Fold – a learning disability group home, which started on site in Q3. The payment relates to acquisition/start on site with total HCA grant of £245k and £245k from the affordable housing monies
- Park Road – a learning disability scheme, which started on site in Q4. The payment relates to acquisition/start on site with total HCA grant of £292k and £292k from the affordable housing monies
- Blossoms Hey – a learning disability scheme, which started on site in Q4. The payment relates to acquisition/start on site with total HCA grant of £240k and £240k from the affordable housing monies.

Brinnington Shops

Project management fees of £0.003m have now been paid and the remaining sum of money has been rephased into 2010/2011.

This sum has been earmarked to carry out some reinstatement works to the landscape areas and recent work completed by Neighbourhood Renewal is addressing the latest local resident needs/desires for this area. This work will take them past the March 2010 deadline, so Neighbourhood Renewal would like to retain this sum as match funding for further refurbishment work they find necessary at the end of the consultation period.

New build

Lantern Close (Dorset Avenue)

The total borrowing is £1,028k. However, up to the year end £750k had been drawn down and the remainder is to be transferred early in 2010/11.

Mendip and Marlhill Court

Good news here as the revised tenders from the contractors for the build have come in lower than we budgeted for, the programme has been amended to reflect the revised costings.

Safer Stronger Communities Fund

£0.067m has been paid to Victim Support for target hardening properties vulnerable to crime. A small amount has been made available to pay for computer hardware for the Spotlight (Offender Management) Team. £0.061m has been spent on alley gating areas identified through Positive Path Management.

Coroners

The Coroners have moved from Greek Street to Mount Tabor as a temporary solution. A Project Board has been set up and is to provide information in the form of a PID (Project Initiation Document). The options and proposals will be considered in conjunction with Trafford and Tameside Councils, from which appropriate recommendations to the Executive will be made in a future report.

Customer Focus Capital Programme Progress as at 31 March 2010

Overview of Progress to 31 March 2010

The table below highlights the key schemes in the programme.

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme £000	2009/10 Variation £000	2010/11 Programme £000	2011/12 Programme £000
18	New Ways of Working	18	0	60	
91	Customer Services Development	91	0	120	
0	Sharepoint / Unified Communication Platform	0	0	150	
109	TOTAL	109	0	330	0

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme £000	2009/10 Variation £000	2010/11 Programme £000	2011/12 Programme £000
0	Supported Borrowing Ringfenced				
0	Non Ringfenced				
0	Capital Grants				
29	Unsupported Borrowing	29	0	80	
0	Directly Funded Borrowing				
0	External Contributions				
80	Capital Receipts	80	0	120	
0	Commuted Sums				
0	Revenue Contributions (RCCO)	0	0	130	
109	TOTAL	109	0	330	0

Customer Focus Capital Programme Amendments

There are no amendments.

Customer Focus Capital Programme - Progress on Specific Schemes

NWOW (Capital)

The plan to roll out phase 2 of the Lone worker project in Q2 2010/11 is still on target. The Asset Management Group, through the new Ponsonby project, is now managing any bids for further works / investment that may be needed to be undertaken to support achievement of the VFM performance indicators set by the Audit.

Sharepoint / Unified Communications Platform

The revised implementation plan for the Sharepoint project (early stage of the unified communication implementation) is progressing. A redesign and rebuild of the basic Sharepoint structure has been completed and pilot Sharepoint sites have been developed for Council Members and members of Information Management Steering Group. The pilots are still running.

There has been no change in the status of the related projects which inhibit introducing the full functionality of Sharepoint.

Customer Services Development

This was largely for the upgrade of the CRM system and ongoing rolling replacement of ICT equipment. There are one or two exceptions eg replacement of the water heaters at Houldsworth Mill.

More of the same for 10-11. However the outcomes of the Systems Thinking work will dictate the way in which the CRM system operates in the future, so it's too early to say what the actual spend will be. It's critically important that these rephased monies are retained.

Environment Capital Programme Progress at 31 March 2010

Overview of Progress to 31 March 2010

The table below highlights the key schemes in the programme.

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
425	Rosehill Household Waste Recycling Facility	451		(26)	26	
3,579	Waste Collection	3,564		15	2,202	
130	PIF -Improving Cleanliness	130		0		
	Carbon Reduction Programme (PRG)				40	
	Recycling Litter Bins (PRG)				80	
	Community Orchard (PRG)				50	
4,134	TOTAL	4,145		(11)	2,398	0

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
0	Supported Borrowing					
0	Ringfenced					
0	Non Ringfenced					
0	Capital Grants	0		0	170	
130	Unsupported Borrowing	130		0	0	
3,579	Directly Funded Borrowing	3,564		15	2,202	
0	External Contributions					
425	Capital Receipts	451		(26)	26	
0	Commuted Sums					
0	Revenue Contributions (RCCO)					
4,134	TOTAL	4,145		(11)	2,398	0

Environment Capital Programme Amendments

Scheme 2009/10	2010/11	2011/12	Funding Source	Reason
	£'000	£'000		
Rosehill Household Waste Recycling Facility	(26)	26	Capital Receipts	Rephase to 2010/11
Waste Collection	15	(15)	DFB	Rephase from 2010/11
Carbon Reduction Programme (PRG)		40	Grant	New allocation of PRG by Stockport Partnership
Recycling Litter Bins (PRG)		80	Grant	New allocation of PRG by Stockport Partnership
Community Orchard (PRG)		50	Grant	New allocation of PRG by Stockport Partnership
Total (11)		181	0	

Environment Capital Programme - Progress on Specific Schemes

Waste Collection

The plan was to deliver approximately 180,500 bins to 105,000 households over a 7 month period. All bins arrived from the manufacturer on time and to schedule. 180,556 bins were delivered out to 104,773 households ahead of schedule with the rollout completed on Thursday 19 November 2009. 75,944 Blue Bins were delivered and 104,612 brown bins.

The 2010/11 delivery programme is being planned and there are no anticipated problems or issues to a successful delivery of the programme within the budgeted allocation.

PIF – Improving Cleanliness

Two small mechanical sweepers have been purchased to tackle detritus on footpaths and on the Highway. This will expand fleet of the existing double-shift and night-time patterns and to provide an interim shift – effectively triple shifting four small mechanical sweepers.

A replacement jetter has been purchased which will be utilised for graffiti removal.

All spend has been processed and the budget has been fully utilised.

Finance Capital Programme Progress as at 31 March 2010

Overview of Progress to 31 March 2010

The table below highlights the key schemes in the programme.

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
1,944	Loan to Solutions SK	1,944		0		
496	Asset Management Plan Stopford House	718		(222)	667	
59	Refurbishment New Civic Complex & refurbishment	345		(286)	286	
5,958	PIF Unallocated	7,009		(1,051)	6,742	
0	LAMP	125		(125)	125	500
(43)	SWITch (was ERP Phase II)	0		(43)		
34		100		(66)	1,797	
8,448	TOTAL	10,241		(1,793)	9,617	500

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
84	Supported Borrowing Ringfenced	84				
124	Non Ringfenced	148		(24)	24	
49	Capital Grants	49				
901	Unsupported Borrowing	1,643		(742)	2,875	500
7,290	Directly Funded Borrowing	8,317		(1,027)	6,718	
0	External Contributions					
0	Capital Receipts					
0	Commutated Sums					
0	Revenue Contributions (RCCO)					
8,448	TOTAL	10,241		(1,793)	9,617	500

Finance Capital Programme Amendments

Scheme 2009/10 £'000		2010/11 £'000	2011/12 £'000	Funding Source	Reason
Asset Management Plan	(222)	222		USB	Rephase to 2010/11
New Civic Complex	(981)			DFB	Virement - funding for Stopford House
New Civic Complex	636			USB	Virement - element of funding that is USB
Stopford House	345			USB	Virement - funding for Stopford House
Stopford House	(286)	286		USB	Rephase to 2010/11
New Civic Complex	(24)	24		SB	Rephase to 2010/11
New Civic Complex	(112)	112		USB	Rephase to 2010/11
New Civic Complex	(915)	915		DFB	Rephase to 2010/11
PIF 2009/10 Unallocated		(500)		USB	Allocation of 10/11 PIF Capital Funding - virement to various portfolios
PIF 2007/08 Unallocated	(85)			Grant	Funding is USB
PIF 2007/08 Unallocated	85			USB	Funding is USB
PIF 2007/08 Unallocated	(125)	125		USB	Rephase to 2010/11
SWiTch	(66)	66		USB	Rephase to 2010/11
Total (1,750)		1,250	0		

Finance Capital Programme - Progress on Specific Schemes

New Civic Complex & Refurbishment (including Stopford House schemes)

The demolition of Ponsonby House commenced in June 2009. Quarter 4 has seen a quantum leap relative to the completion of the stone cladding to the facades at all five levels. The Curtain wall system has commenced and by week ending 28 May will be 50% complete. The three level links to Stopford House are fully scaffolded and the render system is currently being installed to both respective elevations.

The Plant room on the roof is fully constructed and weathered. The mechanical and electrical installation will commence in due course. Internally the three lift shafts are fully constructed and the lift installation to Stair Core 2 (single lift) is currently being executed. The main roof will be fully weathered by mid June.

Partition walls and service risers are 75% complete to all floors. The first fix mechanical & electrical installations are approximately 20% complete.

The project remains on programme for completion mid November 2010.

Stopford House refurbishments/removals

There are two projects currently in pre-contract planning as follows;

1. Ground floor South End Reception. Proposal to accommodate approximately 50 staff to serve the Ground floor of the New Civic Building (NCB).
2. The proposed relocation of the OD & L Suite from Regal House to the First floor North End currently occupied by EH & TS who will relocate into the NCB.

The SMBC New Civic Building Estimated Relocation Costs 2010/11 related to the inhabitation of the NCB have been updated in to illustrate the individual relocation total costs of each inclusive of fees.

Stopford House 2nd and 4th Floor Refurbishment were fully completed in March 2009 with all defects being rectified and signed off in December 2009. The Final Account is nearing agreement and will be paid off during 1st Quarter 2010/11. The balance due of c£34,000 will be declared as an outstanding liability at year end

Stopford House Toilet Refurbishment

The refurbishment of 1st Floor North End male & female toilets has been ongoing and some delays have been experienced with the delivery of the shower cubicles and the solid grade laminate wall & cubicle panels.

The 1st floor toilets are programmed for completion by 21 May 2010, with the exception of the bench seating and locker units, which will be delivered on the 2 June 2010.

It is intended to commence work on the South End 4th floor female toilet and 3rd Floor South End Male toilet week commencing 24 May 2010. Both toilets will be refurbished concurrently.

Currently forecasting a revised completion date for the whole project of the 7 July 2010.

Asset Management Plan

A summary of the works in the last phase of the current AMP programme were set out in detail in the Quarter 2 report. Schemes are progressing largely to programme. There has been a re-phasing of the programme to 2010/11 due to slippage on certain works, the main element relating to Energy Conservation Schemes.

SWiTch

In December 2009, a 12 month joint procurement project was completed with Stockport, Wigan and Trafford Councils to purchase a new HR/payroll system. The project has made substantial savings in undertaking a joint procurement exercise and it has been agreed to implement a single system to be shared by all three Councils. The new Midland 'i-trent' system will be hosted by Wigan Council. However, it will operate on 3 separate databases, which will give a greater degree of flexibility and security.

With the procurement process now complete, the project has moved into the implementation phase. The implementation is split into two distinct phases; Phase 1 will see the implementation of 'core' HR/Payroll functionality, by April 2011; Phase 2, employee and manager self service (plus any additional functionality over and above that implemented in phase 1 by April 2012. Most of the costs will now be incurred in 2010/11 and the programme has been re-phased accordingly.

Leisure Capital Programme Progress as at 31 March 2010

Overview of Progress to 31 March 2010

The table below highlights the key schemes in the programme.

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
36	Bradshaw Hall Playing Fields	36		0		
31	Schemes to be funded from NNDR Savings	31	0		234	400
2	Refurb at Cheadle Pool & Target Fitness (NNDR)	16		(14)		
317	Gym Improvement at Target Fitness & Romily (NNDR)	300		17		
363	Target Life Hazel Grove - Bar Alteration (NNDR)	200		163		
195	Libraries Self Service (RFID)	195		0	171	
5	Libraries ICT	5		0		
62	Bramhall Hall	54		8	238	
191	Offerton Community Play Facilities	195		(4)	4	
19	Pavillion at William Scholes Playing Field	90		(71)	34	
76	Refurbishment of Walls Bramhall Park	76		(0)		
75	Alexandra Park PIF 08/09	75		0		
96	Increasing Allotment Provision PIF 09/10	100		(4)	4	
97	Dry Leisure & Community Facilities - Reddish PIF 09/11	100		(3)	4	
19	Cemeteries Infrastructure	29		(10)	10	
40	Schemes in Parks	40		0	40	40
3	Other	3		0		
1,627	TOTAL	1,545		82	739	440

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme		2009/10 Variation £000	2010/11 Programme	2011/12 Programme £000
		£000	£000			
	Supported Borrowing					
0	Ringfenced					
0	Non Ringfenced					
19	Capital Grants	19			0	
1,231	Unsupported Borrowing	1,086		145	296	440
350	Directly Funded Borrowing	342		8	409	
0	External Contributions					
8	Capital Receipts	8				
19	Commuted Sums	90		(71)	34	
0	Revenue Contributions (RCCO)					
1,627	TOTAL	1,545		82	739	440

Leisure Capital Programme Amendments

Scheme 2009/10	2010/11		2011/12	Funding Source	Reason
	£'000	£'000			
Bradshaw Hall Playing Fields	17			DFB	Virement of surplus funding
Refurbishment of Walls Bramhall Park	(17)			DFB	Virement of surplus funding
Schemes to be funded from NNDR Savings	(110)			USB	Virement of funding between NNDR schemes
Target Life Hazel Grove - Bar Alteration (NNDR)	110			USB	Virement of funding between NNDR schemes
NNDR Schemes	166	(166)		USB	Rephase from 2010/11
Pavillion at William Scholes Playing Field	(82)			Grant	Correction to grant funding position
Pavillion at William Scholes Playing Field	(71)	34		Commuted Sums	Part rephased to 2010/11
Alexandra Park PIF 08/09	(75)			Grant	PIF allocation is USB
Alexandra Park PIF 08/09	75			USB	PIF allocation is USB
Various	(158)			Receipts	Virement - funding is USB
Various	158			USB	Virement - funding is USB
Bramhall Hall	8	(8)		DFB	Rephase from 2010/11
Offerton Community Play Facilities	(4)	4		USB	Rephase to 2010/11
Increasing Allotment Provision PIF 09/10	(4)	4		USB	Rephase to 2010/11
Dry Leisure & Community Facilities - Reddish PIF 09/11	(3)	3		USB	Rephase to 2010/11
Cemeteries Infrastructure	(10)	10		USB	Rephase to 2010/11
Total 0		(119)	0		

Leisure Capital Programme - Progress on Specific Schemes

Bradshaw Hall Playing Fields

All building construction works have now been completed on site and the facility is ready for use. We are currently waiting for football foundation auditors to sign off the final documentation.

NNDR Savings

Heroes gym (Target Life Priestnall sports hall balcony conversion)

Quotes have been received from three leading equipment contractors. Consultation with members of the public is yet to happen and the school has been informed.

The decision is held in abeyance as the School has had a squash court conversion completed recently. The fitness gym is arriving in June 2010 with 13 lots of resistance equipment and 12 lots of CV equipment from Life fitness

Cheadle Hulme bar conversion

Consultation with the school and public is now complete.

Improvements to foyer and reception areas are to be included in the project plan drawn up for closed session's area for Paris, A2A and Obesity

Target Fitness Marple

The locker and cubicle refurbishment is now complete.

Target Fitness and Romiley car park extension

Plans have been drawn and based on advice from the Highways Service. Evidence gathering and a consultation process is now in place.

Target Fitness and Hazel Grove extension

Stage 1 of the project was expected to be completed in April 2010

Stage 2 – The refurbishment of the old studio is underway. This work includes plastering, new lights, a new sound system and fitness equipment

DDA adaptations

The adaptation to the changing room project at Target Life Lapwing was completed in March 2010

Offerton Community Play Facilities

All projects are now nearly complete with some minor work to be done to Poise Brook soccer field (nets and planting).

Play

We are working in partnership with Stockport Homes, Play Development (CYPD) and other members of Stockport's Play Partnership to deliver a programme of play space improvements across the Borough. This is through Play builder (DCSF), Big Lottery, Community Spaces grant funding, Commuted sums for play, Community fundraising and Stockport Homes contributions at 16 sites.

Work has been completed at 11 Playbuilder sites at Moat Walk, Brinnington, Unity Park Reddish, Great Moor Park, Walnut Tree play area, Cheadle Heath, Hollywood Park Edgeley, Peak Street play area Stockport, Bradshaw Hall play area Cheadle Hulme, Marbury Road play area Heaton Chapel, Heaton Norris Park play area and St Thomas's Recreation Ground play area, Offerton

Work is underway on site at Heathbank Road, Cheadle Hulme and consultation has started at Crescent Park play area Heaton Norris and Heaton Mersey Park play area in Phase two of the Playbuilder funded schemes.

Pavilion at William Scholes

All construction works have been completed and the building is now being fully used by football, cricket and athletics' teams. It has been well received and the process of drawing together final documentation is under way to achieve practical completion (awaiting sign off from the football foundation auditors)

Refurbishment of Walls at Bramhall Park

This project which commenced in 2008/09 is now complete.

PIF

Alexandra Park

Project is complete and to budget with the facility being fully operational.

Increasing Allotment Provision

The project gained momentum during the final quarter and now in excess of 130 plots have been created with only minor works still outstanding to be completed in the beginning of 2010/11.

Dry Leisure & Community Facilities – Reddish

Business Plan for CIC has been finalised and approved. The CIC has been set-up and the transfer of funds took place during November 2009.

Libraries

All staff related hardware was purchased and installed including 4 hand held stock scanners, 22 staff tag pads and the tags to be applied to 400,000 items of stock. The vast majority of library stock has now been tagged ready for the rollout of the self service kiosks.

In October 2009 the first kiosk at Brinnington Library went "live". This was closely followed by Marple library which was also refurbished and redecorated. In the last quarter of the year self service kiosks in a further 3 libraries were installed and agreed the rollout schedule for the remaining libraries.

For 10/11 there is a rollout schedule which will enable us to install the remaining kiosks by January 2011. During 2009/10, necessary adjustments were made to library counters using library revenue budgets as only minor cabling & electrical work was required. In 2010/11, capital funding will be used as detailed in the original spending plan for more extensive remodelling of library counters which will allow for the installations of the kiosks.

Cemeteries Infrastructure

The remaining £10k of the programme is to be rolled forward in 2010/11. It will be spent in the 1st quarter and is to support the next phase of development on the Ash Plot burial section at Mill Lane Cemetery.

Bramhall Hall and Park

The production of the Conservation Management Plan is on track and making good progress. Public consultation events/publicity were planned over Easter together with production and distribution of second newsletter.

Regeneration Capital Programme Progress as at 31 March 2010

Overview of Progress to 31 March 2010-06-03

The table below highlights the key schemes in the programme.

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
39	Offerton Precinct Devlpmnt	80		(41)	41	
354	St Peters Square Phase 3	358		(4)	4	
1	Town Centre (Rivers)	(2)		3	13	
7	Gateway Facelifting	35		(28)	118	
124	Covered Market	115		9	0	
10	Town Centre Land Prep	6		4		
9	THI Hillgate	9		0	41	50
300	Support for Plaza HLF Bid	300		0		
29	PIF - Mobile CCTV	30		(1)	1	
47	District Centres	48		(1)		
190	Stockport Boost Centres	190		0		
100	Loan to Stockport Plaza	100		0		
10	Staircase House/Stockport Story	10		0		
	Financial Support for new businesses (PRG Round 1)				30	
	Financial Support for new businesses (PRG Round 2)				40	
	Learner Lounges (PRG)				45	
	Call centre training & development				100	
	Vacant shops occupation				50	
	Youth U/E and enterprise				30	
1,220	TOTAL	1,279		(59)	513	50

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
	Supported Borrowing					
0	Ringfenced					
0	Non Ringfenced					
324	Capital Grants	315		9	133	0
355	Unsupported Borrowing	382		(27)	249	50
150	Directly Funded Borrowing	150				
85	External Contributions	126		(41)	41	
306	Capital Receipts	306			90	
0	Commuted Sums					
0	Revenue Contributions (RCCO)					
1,220	TOTAL	1,279		(59)	513	50

Regeneration Capital Programme Amendments

Scheme 2009/10		2010/11	2011/12	Funding Source	Reason
	£'000	£'000	£'000		
Offerton Precinct Development	(41)	41		Ext Cont	Rephase to 2010/11
St Peters Square Phase 3	6			Ext Cont	Additional Funding
St Peters Square Phase 3	(4)	4		USB	Rephase to 2010/11
St Peters Square Phase 3	5			USB	Virement from Town Centre (Rivers)
Town Centre (Rivers)	(5)			USB	Virement from Town Centre (Rivers)
Town Centre (Rivers)	3	(3)		USB	Rephase from 2010/11
Gateway Facelifting	(28)	28		USB	Rephase to 2010/11
Covered Market	9	(9)		Grant	Rephase from 2010/11
Town Centre Land Prep	4			USB	Funding to cover overspend
THI Hillgate	(9)			Grant Correction	to funding allocation
THI Hillgate	9			USB Correction	to funding allocation
PIF - Mobile CCTV	(1)	1		USB	Rephase to 2010/11
Financial Support for new businesses (PRG Round 2)		40		Grant	New allocation of PRG by Stockport Partnership
Learner Lounges		45		Grant	New allocation of PRG by Stockport Partnership
Call centre training & development		100		USB	Allocation of 10/11 PIF Capital Funding - virement from finance portfolio
Vacant shops occupation		50		USB	Allocation of 10/11 PIF Capital Funding - virement from finance portfolio
Youth U/E and enterprise		30		USB	Allocation of 10/11 PIF Capital Funding - virement from finance portfolio
Total (52)		327	0		

Regeneration Capital Programme - Progress on Specific Schemes

Mobile CCTV

Two cameras have been erected in Hazel Grove District Centre and are currently being monitored from the council's CCTV control room. The provision of cameras will help to reduce both crime and the fear of crime by local business and users of this centre. This centre is fast becoming one of Stockport's main focuses for 'night-time economy' uses and their associated problems. The impact of the cameras will be monitored on an ongoing basis. One camera is to be permanently sited in Hazel Grove whilst the project allows for one camera to be redeployed in other priority District or Local centres as needs require.

District Centres Christmas Lights

A total of 396 elements installed and illuminated. The displays were not only dramatic displays throughout the festive season but also a major contributory feature for switch on and special festive events supported in 12 centres.

St. Peters Square Phase 3

The work on phase 3 which commenced in Feb 2010 is now almost complete. The top surface of the car parking spaces is due May 2010.

Town Centres Rivers

Works have been ordered for Ford Street, Newbridge Lane and Knightsbridge and are on-going. The remaining programme is to be re-phased into 2010/11 and work planned includes the treatment of Japanese Knotweed.

Gateway Facelifting

Due to issues with planning permission, a consultation exercise is currently underway to recommence the design of the Market & Underbank Gateway Entrance Features – the aim is for them to be installed in 2010/11.

There have been issues with the Hatworks Chimney lighting scheme in relation to the lighting units which has led to some delay. However the issues have now been resolved and NPS are preparing planning applications for submission.

THI Hillgate

A revised planning application is currently under consideration by the council. Non-grant assisted works have commenced on Institute/ Clarkes buildings and graveyard, including the installation of security fencing to the whole site.

Support for the Plaza

The Plaza refurbishment was completed on 10th December 2009 and repayment of the £100k loan to fund internal décor works has now commenced.

Transportation Capital Programme Progress at 31 March 2010

Overview of Progress to 31 March 2010

The table below highlights the key schemes in the programme

Expenditure as at 31 March 2010 £000	Scheme	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
5,373	LTP and SEMMMS Integrated Transport	5,430		(57)	4,583	
142	PIF	140		2		
854	Highways Structures	935		(81)	1,275	
850	Dan Bank Slope Stabilisation	850		0	1,866	
566	Highways Maintenance	566		0	2,500	
2,500	Invest to Save	2,500		0	1,500	2,000
21	Merseyway Carpark	27		(6)	0	931
	Unallocated			0	0	3,000
882	LTP Highways Maintenance	882		0	1,506	
2,839	Retaining Walls Major Scheme	2,839	0		3,588	2,162
467	S278 Schemes	467		0		
145	Other	145		0		
	Local centre & shop front improvements				150	
	Improved Street Lighting				120	
14,639	TOTAL	14,781		(142)	17,088	8,093

Expenditure as at 31/03/2010 £000	Resources	2009/10 Programme		2009/10 Variation	2010/11 Programme	2011/12 Programme
		£000	£000			
0	Supported Borrowing Ringfenced					
2,080	Non Ringfenced	2,161		(81)	2,781	2,000
8,942	Capital Grants	8,999		(57)	10,037	3,162
2,142	Unsupported Borrowing	2,140		2	4,270	2,000
21	Directly Funded Borrowing	27		(6)	0	931
954	External Contributions	954				
500	Capital Receipts	500				
0	Commutated Sums					
0	Revenue Contributions (RCCO)					
14,639	TOTAL	14,781		(142)	17,088	8,093

Transportation Capital Programme Amendments

Scheme 2009/10 £'000		2010/11 £'000	2011/12 £'000	Funding Source	Reason
Playbuilder	(30)			Grant	Virement to CYP - match funding for Playbuilder
Dan Bank Slope Stabilisation	(1)			Grant	Final grant settlement
Retaining Walls	654			Grant	Increase in grant funding
S728 schemes	83			Ext Cont	Allocation of funding
LTP and SEMMMS Integrated Transport	400			Various	Reallocation of financing
Highways Structures	(153)			Various	Reallocation of financing
Highways Maintenance	66			Various	Reallocation of financing
LTP Highways Maintenance	(842)			Various	Reallocation of financing
S278 Schemes	384			Various	Reallocation of financing
Other	145			Various	Reallocation of financing
Various	(288)			Ext Cont	Allocation of grant funding
Various	288			Grants	Allocation of grant funding
LTP and SEMMMS Integrated Transport	(57)	57		Grant	Rephase to 2010/11
Highways Structures	(81)	81		SB	Rephase to 2010/11
Merseyway Carpark	(6)		6	USB	Rephase to 2011/12
Local centre & shop front improvements		150		USB	Allocation of 10/11 PIF Capital Funding - virement from finance portfolio
Improved Street Lighting		120		USB	Allocation of 10/11 PIF Capital Funding - virement from finance portfolio
Total	562	408	6		

Transportation Capital Programme - Progress on Specific Schemes

Bridges and Structures

Highway Structures

At Q4 all projects completed. Springswood Culvert scheme, Great Egerton Street Bridge, High Street support beam, Merseyway Concrete Repairs, Otterspool Bridge, Cataract Bridge, Compstall Bridge and Dan Bank Phase 2 trial piling schemes completed by the end of Quarter 4.

Retaining Walls

Hanson Mews, Dog Hole Clough, Tan Pit, Longhurst Lane and Dooley Lane Retaining Walls all now complete. Brinksway, Brinksway Trading Estate, Springmount Retaining Wall and Royal Oak retaining walls all on site.

Highways

All schemes successfully delivered within programme.

Integrated Transport

ITCs

Works to bus stop schemes on Airport Routes and the Hyde Corridor are complete. Three additional phases for Bramhall, Romiley and The Heatons are planned for next year and the signal junction at Stockport Road and Lower Bents Lane as part of the Hyde Road corridor is also set for next year.

The Sainsbury Transport Package has progressed with Hazel Grove Station and Chester Road underway in the last quarter and progressing in to the following year. Commercial Road, Bramhall Moor Lane, and Dialstone Lane traffic management schemes are all scheduled for next year.

SEMMMS

Marple, Hollins Lane / Chadwick Street

The re-phased works on Chadwick Street Car Park and the scheme around the junction of Hollins Lane and Stockport Road is complete apart from some re-paving around Bus Stop improvements which is outstanding and is planned for the next financial year.

Woodley Precinct

The scheme is complete.

Cycling and Walking Schemes

Routes along canals and through Parks have progressed well and will continue with additional funding set for next year. Tangshutts Park linking a route with safer routes to schools has been complete with lighting and pathway improvements. Sustrans contributions are to be used for completing the route in Romiley before the end of June 2010.

Offerton Estate

The scheme to provide bus stop improvements is complete and further proposals are all planned for the next financial year with an additional allocation.

Controlled Pedestrian Crossing Upgrades

Thirteen crossing and junction sites were all delivered successfully to programme and a new programme is scheduled to include two outstanding sites, but this is dependant on additional external funding.

Cheadle Traffic Management

The scheme has been completed now with United Utilities completing the power connections.

Romiley Precinct

This scheme to re-pave and add street furniture features to the area outside the Forum was rapidly progressed and completed in this quarter and has received many plaudits.

Integrated TransportDidsbury Road

Work has rapidly progressed through all the phases and near completion. Work for Phase 2 is complete apart from having to return to do some snagging. Phase 3 was well underway with Phase 4 now in progress, which finalises the scheme at the Stockport end of the corridor. Phase 4 will continue in the first quarter for continuity of work at the year end when there is less construction work available, but will draw to completion.

Cheadle Heath Junctions

The two major junctions in Cheadle Heath along Edgeley Road are under construction. The junction with Bird Hall Lane is near completion with some reinstatement work required. Works for bus stops and other paving in Cheadle Heath have also been completed but major works to the carriageway involve traffic restrictions and temporary traffic management are continuing utilising holiday periods to minimise disruption where possible.

Local Safety Schemes

The programme is substantially complete.

Hillgate and Market Place

The final completion along Hillgate's footways depends on re-development schemes in the area and funded through these, but Covent Garden is now complete. The Market is complete and the final phase for Millgate and Churchgate was completed in this final quarter to avoid the Christmas period, so all these projects are now successfully complete this financial year.

Milestones since last Report**Highways**

The schemes delivered are as follows:-

I2S Footway Programme -
 Footway improvements 27 no
 Footway slurry seal 4 no

Carriageway Preventative Programme –
 C/way surface dressing 6 no
 C/way micro asphalt 7 no

Carriageway Structural Programme –
 C/way resurfacing 19 no

PIF Drainage Programme -
 Network improvements 8 no

Integrated Transport

General Scheme Progress

There has been excellent and accelerated progress of schemes for many of the larger more complex schemes through from design to the construction stage. This has provided a significant amount of work and expenditure in the final quarter as predicted and planned with just a few of the larger schemes being completed in the next quarter. A new programme has been developed for the coming year and progress is already being made on these schemes.

Medium Term Outlook

Integrated Transport

This is the final year of LTP2 and SE MMMS ITE funding and GMITA is developing LTP3 with an accompanying funding bid for the next three. The local authorities are supporting the development of LTP3 and developing local programmes in accordance with the bid guidance. However the level of funding which will be available is unclear.

Highways

No major issues at this stage.

Prudential Indicators

The table below compares the Prudential Indicators as reported in the 2009/10 Executive Capital Programme Report to the 2009/10 actual outturn.

Prudential Indicator	2009/10 Estimate	2009/10 Actual
Capital Expenditure	£000	£000
Non – HRA	56,051	56,107
HRA	29,822	34,681
TOTAL	85,873	90,788
Ratio of financing costs to net revenue stream	%	%
Non – HRA	7.88	7.60
HRA	16.50	11.79
Capital Financing Requirement as at 31 March 2009	£'000	£'000
Non – HRA	245,804	242,568
HRA	123,821	127,611
TOTAL	369,625	370,179
Incremental impact of new capital investment decisions on council tax	£	£
Non – HRA	0.03	0.15
HRA	0.00	0.00

Explanation of Prudential Indicators used

Ratio of financing costs to net revenue stream

This is the proportion of the Net Revenue Budget to be made up of financing costs (interest payable in respect of borrowing and leases, premiums/discounts for the repurchase of debt written out to revenue, interest and investment income, revenue provision).

Capital Financing Requirement

The capital Financing Requirement measures the authority's cumulative underlying need to borrow as a result of capital investment.

Incremental impact of new capital investment decisions on Council Tax and Housing Rents

This indicator demonstrates the impact of the capital programme on the council tax and housing rents. There is no impact where capital expenditure

is met from grants, external contributions, capital receipts and revenue financing. However, where capital receipts fund capital expenditure there is an opportunity cost of interest from the receipts that would have otherwise been invested.

EXPLANATION OF TERMS

Supported Capital Expenditure Revenue – Non Ring Fenced

The Government will include within the Formulae Spending Share for Capital Financing, the capital financing costs of the borrowing for this element of the capital programme. The Council can spend the money on any capital scheme. However, experience shows that particularly in Housing, Education and Transport, if expenditure significantly departs from the guidelines, the individual Government Department reduces future funding if expenditure is lower than the guideline.

Supported Capital Expenditure Revenue - Ringfenced (or specific)

The Government will include in the Formulae Spending Share for Capital Financing, the capital costs of the borrowing for this element of the capital programme. This borrowing is given for specific services and cannot be transferred to another service.

Supported Expenditure Capital

The government have identified particular areas where the support for capital expenditure will be made by way of a capital grant. Currently where grants are made they can only be used for the purposes for which they are given and are therefore ringfenced.

Other Capital Grants

The Council receives grants from many sources for capital purposes. These include English Heritage and National Lottery Funds. These can only be used within the parameters set by the grants making organisation.

Capital Receipts

- Sale of Council Houses and Repayment of Mortgage Advances – 75% of the receipts have to be paid over to the Government, 25% are retained by the Council as General Fund Receipts and can be used by any service.
- Sale of HRA Land – 50% of the sale of council housing land can be utilised for any project. The balance is paid over to the Government.
- Sale of general council land – 100% of the sales of other land can be utilised on any projects.

Revenue Contributions

The Council can make contributions to fund capital from its revenue budget. Specific revenue contribution can be made from earmarked reserves, the Council's share of the Standards Fund and the major repairs allowance received through Housing Subsidy.

Commuted Sums

Cash contributions received from developers that must be utilised for a specific capital purpose.

CRMG SCRUTINY COMMITTEE
 EXECUTIVE MEETING
 COUNCIL MEETING 9

27 July 2010
 9 August 2010
 September 2010

TREASURY MANAGEMENT ANNUAL REPORT 2009/10 and TREASURY MANAGEMENT POLICY STATEMENT and PRACTICES

Report of the Corporate Director, Business Services

SUMMARY REPORT HIGHLIGHTS

1. INTRODUCTION

- 1.1 This report informs CRMG, the Executive and the Council Meeting on the operation and effectiveness of the Council's Treasury Management function for 2009/10.
- 1.2 The Treasury Management Policy Statement and Practices were fundamentally reviewed and rewritten in 2009 in response to CIPFA's revised Code of Practice for Treasury Management. Since their last approval by Council in February 2010 there have been no amendments to report.

2. OPENING and CLOSING TREASURY POSITION

- 2.1 The Council's debt and investment position at the beginning and the end of the financial year is given in section three of the full report.
- 2.2 The average debt portfolio interest rate has moved marginally over the course of the year from 4.55% to 4.59%; changes for long-term fixed rate and temporary debt are detailed in paragraph 7.2.
- 2.3 Comparison can be made with the average overall borrowing rate of the 136 Councils taking part in the CIPFA benchmarking exercise of 5.20% indicating Stockport is maintaining borrowing costs well below the average rate.
- 2.4 The portfolio rate for investments has reduced from 5.38% to 4.17% between years as higher rate investments matured and dropped out of the portfolio and new investments made were closely linked to lower available short-term rates, however this rate is still appreciably higher than the Bank Rate due to strategies implemented in 2008/2009 aimed at protecting the Council's investment returns in a falling rate environment. Strategies implemented to achieve this position are given in greater detail in paragraph 10 of the main report.

3. TREASURY STRATEGY FOR 2009/10

- 3.1 The Council's treasury strategy for 2009/10 approved by Council on 26 February 2009, was based on the view that there was an intensifying global recession which would not only require central bank rates to be cut to unprecedented historically low levels, but could also require further action from central banks to reverse the downward path of economies.
- 3.2 The effect on interest rates for the UK was therefore expected to be as follows:

Shorter-term interest rates - The “average” City view anticipated that Bank Rate would fall to 0.5% and remain there at the end of 2009 due to the scale of the recession before starting to rise back towards more normal levels in 2010, though it would be 2012 before Bank Rate returned to around 4.5%. 90

Longer-term interest rates - The view on longer-term fixed interest rates, 50 years, was that they would remain around 3.90 - 3.95% during 2009/10 with the 25 year rate being about 10 – 15 basis points (bps) higher.

3.3 The **Borrowing Strategy** for 2009/10 was as follows:

- 3.3.1 Variable short-term borrowing rates would be cheaper than long term borrowing and therefore were expected to be attractive throughout the financial year compared to simply taking long term fixed rate borrowing.
- 3.3.2 Under 10 year PWLB rates were expected to provide good value and would enable the Council to spread maturities away from a concentration in long dated debt. The most opportune time to borrow appeared to be later in the financial year; consequently temporary borrowing would be taken until such time as it is more cost efficient to fix into shorter-term PWLB. The trigger point for considering new fixed rate long term borrowing was set at 2.50%.
- 3.3.3 Consideration would also be given to borrowing fixed rate market loans at 25 to 50 basis points below the PWLB target rate.

3.4 The **Investment Strategy** for 2009/10 was as follows:

- 3.4.1 Investments would be made with reference to core balances, cash flow requirements and the outlook for short-term interest rates and would be run down throughout the year where possible due to the low Bank Rate, this would also mean a reduction in exposure to counterparty and interest rate risk on the investment portfolio.
- 3.4.2 The Council had already made £32m of investments during 2008/2009 that span the financial year (at an average rate of 6.55%), e.g. longer dated deposits into 2009/10 and 2010/11. This was a specific strategy implemented to fix and therefore guarantee investment returns into 2009/10 ahead of aggressive cuts in the Bank Rate during 2008/09. This would temporarily inflate the overall investment rate throughout 2009/10 when available market investment levels were at an all time low.
- 3.4.3 A further strong theme has been the major emphasis on mitigating risk by giving heightened preference to security and liquidity at a time when the world banking system was still under stress and pending the issue, later in 2009, of new CIPFA and statutory guidance on investing. Therefore for its cash flow generated balances, the Council would utilise Money Market Funds (MMF) as their primary function is to cater for cash of less than 30 days that needs to be managed for maximum safety, liquidity and yield; this is seen as increasingly necessary due to present and anticipated credit risk in the financial markets.

4. THE ECONOMY and INTEREST RATES IN 2009/10

- 4.1 During 2009/10 the Monetary Policy Committee (MPC) was focused on mitigating the impact of the deepest and longest recession the UK economy had experienced for many years.
- 4.2 Despite keeping Bank Rate at an unprecedented low of 0.5% all year, the MPC also had to resort to extreme measures in terms of pumping liquidity into the money markets through quantitative easing by purchasing £200bn gilts and corporate bonds. This had the effect of boosting prices for gilts and corporate bonds and therefore bringing down yields, so also reducing borrowing costs for both the corporate and public sector.
- 4.3 It was notable that the increase in money supply in the economy generated by this programme brought the credit crunch induced spread between Bank Rate and 3 month LIBID (investment rate that depositors could earn) down from 0.95% at the beginning of the financial year to zero during August 2009.
- 4.4 The dominant focus in 2009/10 was on quarterly GDP growth figures. The recession bottomed out in quarter one of 2009. There was then major disappointment that the end of the recession failed to materialise in quarter three 2009 but the fourth quarter of 2009 did then see economic growth return at +0.4%.
- 4.5 Inflation has not been a major concern of the MPC as it fell back below the 2% target level from June to November. However, it did spike upwards to reach 3.5% on the back of the unwinding of the temporary cut in VAT to 15% on 1 January 2010. This was not seen as a cause for alarm as this spike was expected to fall out of the inflation index and inflation was forecast by the Bank of England to fall back under target by the end of 2010.

5. BORROWING RATES IN 2009/10

- 5.1 PWLB borrowing rates for 2009/10 are summarised in paragraph 6.
- 5.2 Target borrowing rates were revised in quarter two of the financial year in line with market projections and are given in paragraph 7.1.4 (under 10 years up to 3.75%).

6. BORROWING OUTTURN 2009/10

- 6.1 In quarter three at the most opportune time for long-term rates the Council borrowed its full £40m requirement for 2009/10 with a mixture of a market loan and PWLB borrowing.
 - On 8 October 2009 the Council forwarded dealt a market loan of £20m out of 26.02.10 at 3.40%
 - On 9 October the Council borrowed £20m from the PWLB out of 13 October 2009 for 9.5 years at 3.49%.
- 6.2 This split allowed the achievement of borrowing with great certainty in a shorter time frame from the PWLB at the low point for the financial year, whilst also securing market funding at low levels ahead of anticipated rate rises and receiving the cash later in the financial year to again negate as far as possible credit risk. This approach provided a spread to the portfolio in line with the current maturity structure and strategy and certainly in line with cashflow predictions.

- 6.3 As a comparative performance indicator, the average 9.5-10 year PWLB maturity loan interest rate for 2009/10 was 3.93%

7. DEBT RESCHEDULING

No debt rescheduling was undertaken in 2009/10.

8. INVESTMENT OUTTURN FOR 2009/10

- 8.1 Investment rates in 2009/10 are given in paragraph 10.1.
- 8.2 New investments made in the first half of the financial year were kept deliberately minimal to mitigate counterparty risk.
- 8.3 The opportunity was also taken to reduce debt levels/new borrowing by running down investment balances in order to further reduce exposure to counterparty risk and provide savings to debt management costs.
- 8.4 Enhanced priority was given to security and liquidity in order to reduce counterparty risk to the maximum possible extent.
- 8.5 Quarter three of the financial year when the Council took funding of its borrowing requirement and consequently began investing its increased cashflow balances in two Money Market Funds; this has provided the security of AAA rated pooled investment products with daily liquidity.
- 8.6 Two 364 day investments also matured in the quarter three of 2009 (£2m and £3m) and were re-invested for a further 364 days at an attractive rate of 3%.
- 8.7 The Council achieved a substantially enhanced return on the its investments during 2009/10 from strategies implemented during 2008/2009 when the Council locked in investments prior to cuts in the Bank Rate at enhanced levels.
- 8.8 Portfolio Performance:
- 8.8.1 During 2009/10 the Council's combined investments (long and short-term) generated a rate of return of 4.17%, this can be compared against an un compounded 7 day LIBID rate of 0.42% (3 month LIBID rate 0.725%) representing a large out performance. The Sector return on their 'model portfolio' for the year was 1.716%.
- 8.8.2 Further comparisons can be made for investment performance from the results of the CIPFA benchmarking for 2009/10 investments, which concluded that the Council achieved an investment return during 2009/10 second highest of all 136 club members (4.17% compared to an average of 1.85%) and highest in the comparator group of 15 other Councils (average return 2.02%).

9. CONCLUSIONS

- 9.1 The Council's treasury management function has had another successful year achieving good results despite extraordinarily low and prolonged market rates the Council's investment performance has excelled achieving an annual return of 4.17% significantly outperforming all benchmarks and comparators.

- 9.2 Debt costs have been minimised during 2009/10 and remain below the average level of the CIPFA Benchmarking members.

CRMG SCRUTINY COMMITTEE
EXECUTIVE MEETING
COUNCIL MEETING

27 July 2010
9 August 2010
September 2010

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TREASURY MANAGEMENT ANNUAL REPORT 2009/10 and TREASURY MANAGEMENT POLICY STATEMENT and PRACTICES

Report of the Corporate Director, Business Services

FULL REPORT

1. INTRODUCTION AND BACKGROUND

1.1 CIPFA Code of Practice

1.1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management 2001 was adopted by this Council on 25th February 2002 and this Council fully complies with its requirements.

1.1.2 The primary requirements of the Code are as follows:

- i Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- i Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- ii Receipt by the Council of an annual treasury management strategy report (including the annual investment strategy report) for the year ahead and an annual review report of the previous year.
- iii Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.1.3 Treasury management in this context is defined as:

"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.1.4 The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2009/10

1.2 Treasury Management Policy Statement and Practices

1.2.1 In the light of the Icelandic banking crisis of October 2008, CIPFA amended their code of practice on Treasury Management in the Public Services (the Code), Cross-Sectoral Guidance Notes and the template for the Treasury Management Policy Statement during 2009.

- 1.2.2 Consequently, the Treasury Code of Practice Statement, Treasury Management Policy Statement and the detailed Treasury Management Practices Statements were all updated and approved by Council Meeting on 25 February 2010.
- 1.2.3 As the Treasury Management Policy Statement and Practices were fundamentally modified and re-written in February 2010 understandably there have been no further changes in this short timescale, hence there are no amendments to report at this time.

2. ANNUAL REVIEW TREASURY MANAGEMENT REPORT 2009/10

This annual review report for the previous financial year covers:

The Council’s treasury position as at 31 March 2010;

- The strategy for 2009/10;
- The economy in 2009/10;
- Borrowing rates in 2009/10;
- The borrowing outturn for 2009/10;
- Debt rescheduling;
- Compliance with treasury limits and Prudential Indicators;
- Investment rates and investment outturn for 2009/10;
- The Manchester Airport loan conversion;
- A review of Council Housing finance reform proposals.

3. TREASURY POSITION AS AT 31 MARCH 2010

The Council’s debt and investment position at the beginning and the end of the year was as follows:

	FINANCIAL YEAR 2009/10		FINANCIAL YEAR 2008/09	
	£m	%	£m	%
	31.03.10		31.03.09	
FIXED RATE FUNDING:				
PWLB	234.491	5.12%	214.839	5.27%
Market (LOBO)	67.500	4.03%	47.500	4.30%
Market (Temporary)	20.425	0.44%	0	0%
	322.41	6	262.339	
VARIABLE RATE FUNDING:				
Market (Temporary)	0.328	0.35%	35.661	0.52%
Market (Bonds)	0.028	3.01%	0.028	4.71%
	0.355		35.689	
TOTAL DEBT	322.772	4.59%	298.028	4.55%
TOTAL INVESTMENTS	22.620	4.17%	39.950	5.38%
NET DEBT	300.152		258.078	

4. THE STRATEGY FOR 2009/10

- 4.1 The Council's treasury strategy for 2009/10 approved by Council on 26 February 2009, was based on the view that there was an intensifying global recession which would not only require central bank rates to be cut to unprecedented historically low

levels, but could also require further action from central banks to reverse the downward path of economies.

- 4.2 Bank Rate was expected to continue falling from 2.0% in December 2008 to 0.5% in March 2009 and then stay there throughout 2009/10 before starting to rise in the second quarter of 2010. However, there was a downside risk to this forecast if the recession proved even deeper and longer than expected at that time; this would mean that the first rise in Bank Rate would be delayed.
- 4.3 The effect on interest rates for the UK was therefore expected to be as follows:
- 4.3.1 **Shorter-term interest rates** - The “average” City view anticipated that Bank Rate would fall to 0.5% and remain there at the end of 2009 due to the scale of the recession before starting to rise back towards more normal levels in 2010, though it would be 2012 before Bank Rate returned to around 4.5%.
- 4.3.2 **Longer-term interest rates** - The view on longer-term fixed interest rates, 50 years, was that they would remain around 3.90 - 3.95% during 2009/10 with the 25 year rate being about 10 – 15 basis points (bps) higher.
- 4.4 **The adopted treasury strategy** – the strategy agreed by the Council Meeting based upon the above forecast, was as follows:
- 4.4.1 The major issue for treasury management in 2009/10 has been the huge difference between investment rates and borrowing rates that has emerged during this recession due to: -
- the unprecedented fall in Bank Rate
 - the disappearance during the year of the margins over more normal investment rates caused by the credit crunch as the Bank of England’s quantitative easing operations had the desired effect of easing the supply and cost of credit in the economy during 2009.
- 4.4.2 A further strong theme has been the major emphasis on mitigating risk by giving heightened preference to security and liquidity at a time when the world banking system was still under stress and pending the issue, later in 2009, of new CIPFA and statutory guidance on investing. This has therefore resulted in more of our investment portfolio being moved into investment instruments with lower rates of return but higher security and liquidity. This has contributed to a fall in total investment earnings compared to previous years.
- 4.4.3 The running down of investment balances during the year has also meant a reduction in exposure to counterparty and interest rate risk on the investment portfolio.
- 4.4.4 Consequently, in order to balance the impact of any losses in investment income, there was a major re-evaluation of the benefits of new borrowing, whereby significant treasury management savings could be achieved by running down investment balances instead of taking new borrowing in order to finance new capital expenditure or to replace debt maturing during the first part of the financial year. Whilst this provided savings during 2009-10 in terms of debt management costs, the Council was mindful of both interest rate risk and refinancing risk moving forward, in the event that interest rates start to rise. The risk being that borrowing costs may start to rise throughout 2010/11 due to market concerns regarding sovereign debt levels and the re-emergence of inflationary pressures. The Council continuing and proactively

monitored this position in association with its treasury management advisors, Sector 96 throughout the financial year

- 4.4.5 An option was taken to draw some shorter term (under 10 years) borrowing during the later part of the year (at lower long-term interest rates) for some of the financial year 2009/10 borrowing requirement and to forward borrow the remaining requirement. This assisted in lowering debt servicing costs in the short-term whilst at the same time providing a degree of budget certainty for debt management budgets. This has reduced the risk of deferring the entire borrowing requirement until later years when interest rates could be higher.
- 4.4.6 This Authority has also examined the potential for making premature debt repayments in order to reduce investment balances more quickly. However, the level of premiums that would have been incurred and the increase in risk exposure to significantly higher interest rates for new borrowing than current new borrowing rates and/or debt currently held, made this option unattractive.
- 4.4.7 The risks intrinsic to shorter term variable interest rates were such that, when compared to historically low long term funding costs, that the Council would benefit from having a stable, longer term portfolio by drawing longer term fixed rate funding.
- 4.4.8 The Council operated both borrowing and investment portfolios and as a consequence was at lower risk from being impacted by a sharp, unexpected rise in short-term variable interest rates. The strategy for the year was therefore to maintain a balance of funding at shorter-term rates to match short-term investments thus maintaining balanced treasury risk.

5. THE ECONOMY AND INTEREST RATES

- 5.1 2008 was a momentous year when one financial institution after another in America either collapsed or was taken over in the wake of the credit crunch, culminating in the failure of Lehman's Brothers in September 2008 which then triggered the collapse of the Icelandic banks and the near collapse of three major UK banks. These three banks then needed another round of major Government support in January 2009. This prolonged financial shock caused a worldwide recession to gather in pace and intensity during 2009/10 which dragged the UK economy down into its deepest and longest recession for many years.
- 5.2 During the autumn of 2008, the Monetary Policy Committee (MPC) had been preoccupied with the alarming escalation of the rate of inflation propelled by earlier increases in the price of oil, commodities and energy. Inflation peaked in September 2008 on CPI at 5.2%, way over the target rate of 2%. However, the MPC soon had to radically change course as it became ever clearer that inflation would rapidly decline as the credit crunch would plunge world economies into a major recession. An unprecedented cut of 1.5% in Bank Rate in November 2008 was followed by a 1% cut in December 2008 to 2.0% and then further cuts of 0.5% each month until 0.5% was reached in March 2009.
- 5.3 The 2009/10 financial year started with markets still badly disrupted, the real economy suffering from a lack of credit, short to medium term interest rates at record lows and anxiety as to how or when recovery would take place.

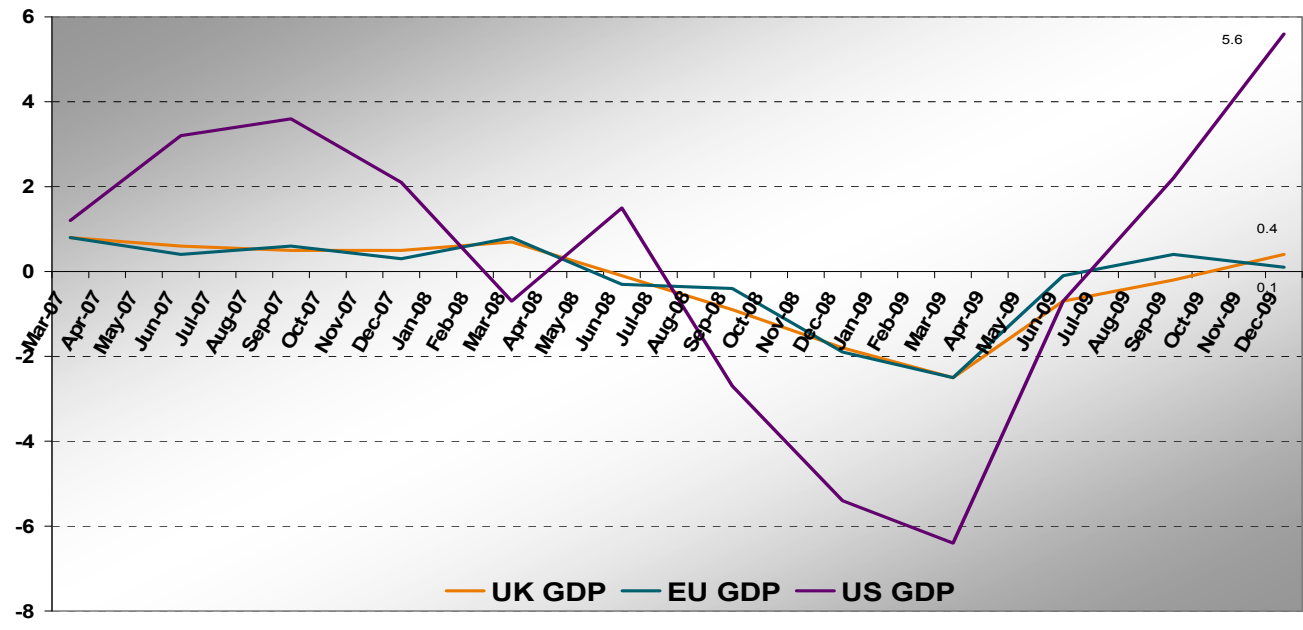
5.4 However, even the rapid reduction in the Bank Rate before the beginning of the year was unable to mitigate the impact on the economy. Consequently, in March 2009 the MPC resorted to a programme of 'quantitative easing' to pump liquidity into the money markets in order to stimulate growth, by purchasing gilts and corporate bonds; this had the effect of boosting their prices and therefore reducing yields, so also lowering borrowing costs for both the corporate and public sectors. This programme of quantitative easing was progressively expanded during 2009 until it reached a total of £200bn of purchases in November. For the rest of the financial year, the MPC left further quantitative easing on hold in case growth in the economy needed further support. It was notable that the increase in money supply in the economy generated by this programme brought the credit crunch induced spread between Bank Rate and 3 month LIBID (investment rate that depositors could earn) down from 0.95% at the beginning of the financial year to zero during August 2009. Bank Rate itself remained unchanged at 0.5% all year.

QTR	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
GDP (Q/Q%)	0.7	0.6	0.5	0.5	0.6	-0.1	-0.7	-1.8	-2.5	-0.6	-0.2	0.4

5.5 The dominant focus in 2009/10 was on quarterly GDP growth figures. As can be seen from the table above and the graph below, the recession in the UK bottomed out in quarter one of 2009. There was major disappointment that the end of the recession failed to materialise in quarter three 2009 and the first figure issued for quarter four 2009 was a further huge disappointment at only +0.1%. However, subsequent revisions saw that revised upwards to first +0.3% and then +0.4%.

The movement in GDP figures (economic growth) for the United Kingdom, Europe and the United States is illustrated in the graph below.

GDP % quarter / quarter



5.6 Inflation has not been a major concern of the MPC during the year as it fell back below the 2% target level from June to November. However, it did spike upwards to reach 3.5% on the back of the unwinding of the temporary cut in VAT to 15% on 1

January 2010. This was not seen as a cause for alarm as this spike would fall out of the inflation index after one year and inflation was forecast by the Bank of England to fall back below target by the end of 2010 and to stay below 2% during 2011 and 2012 due to the large amount of surplus capacity in the economy which would keep wage inflation well damped down.

- 5.7 The year was marked by two opposing outlooks in the financial markets. The pessimists expect weak UK growth, or even a double-dip recession, to depress economic activity and hence corporate profits and share prices, so causing gilt prices to rise and long term gilt yields and P WLB borrowing rates to therefore linger at historically low levels for a prolonged period.
- 5.8 Conversely, the optimists expect a lively return to growth in the UK led by a rebalancing of the economy resulting from increased exports driven by rapid recovery in the US, EU and the rest of the world. This would boost corporate profits and share prices thus depressing gilt prices, hence causing long term gilt yields to rise to much higher levels which would then be underpinned by major concerns about the total level of debt issuance by the Government to finance the annual deficit. Accordingly, there have been fluctuations in rates during the year as the market moved between one view then the other.
- 5.9 The financial year ended with markets gradually gaining in confidence and optimism that the economy was on the path to recovery, although it appeared to be fragile. This optimism was enhanced by a return to strong economic growth in the US towards the end of 2009. The year also saw a major resurgence in share prices in the US, UK and Europe from a very depressed level in March 2009 on the back of this rise in optimism.
- 5.10 There were concerns in the US and UK that consumers would be reluctant to spend as they would be focusing on reducing levels of debt and would struggle to pay mortgages when they end their short term discounted rates at a time when switching mortgages to cheaper rates is still not a readily available option. Consumers were also mindful of the increases in taxation coming up and the threat to jobs from impending public sector reductions in expenditure. The UK economy depends on strong growth in the EU, its major trading partner, in order to benefit from export led growth. However, the continuing reluctance of EU consumers to spend leaves an uncomfortable question mark in this area.
- 5.11 On the positive side, the supply of credit had improved considerably during the year and the credit crunch induced spread between Bank Rate and 3 month LIBID had evaporated. The equity market ended in buoyant mode with shares being at their highest level for nearly two years. Unfortunately, buoyancy in the equity markets meant gilt prices had fallen and long term yields (and so P WLB long term borrowing rates) were getting near to their peak for the year. The bond markets ended the year with concerns about a possible Greek government debt default and commentators were remarking that both Greece and the UK were running similar size annual deficits as a percentage of GDP (expected to be over 12%). However, the UK was in a much stronger position than Greece e.g. due to its much lower level of total debt. However, there were frequent comments from credit rating agencies around a possible threat that the UK government could lose its AAA credit rating if after the general election there was not a credible plan for how the promised reductions in the annual budget deficit would actually be achieved.

5.12 Central bank movements for 2009/10 can be found in Appendix Two.

6. BORROWING RATES IN 2009/10

Variations in most PWLB rates this year have been within a fairly limited band compared to previous years with the largest spread being 1.12% in the 10 year in the table below.

- 6.1 5 year PWLB:** This started the year at 2.54% and then fell to a low for the year of 2.47% on the following day before then rising sharply to hit a peak of 3.29% in July. From there it fell till until reaching 2.54% in October and then rose back up to a peak of 3.13% in January. It finished the year at 2.89%.
- 6.2 10 year PWLB:** This started the year at 3.36% and then fell to a low for the year of 3.30% on the following day before then rising sharply and rose to hit a peak of 4.15% in July. From there it fell until reaching 3.55% in October and then rose back up to a peak of 4.42% in February. It finished the year at 4.19%.
- 6.3 25 year PWLB:** This started the year at 4.28% and then peaked in the 4.70s during June – August before falling back to a bottom of 4.07% in October. From there it rose again towards the end of the year to return to the 4.70s and peaked at 4.83% in February. It finished the year at 4.67%.
- 6.4 50 year PWLB:** This started the year at 4.57% and then peaked at 4.85% in June before falling back to a bottom of 4.18% in October. From there it rose again towards the end of the year and peaked at 4.79% in March. It finished the year at 4.70%.

PWLB BORROWING RATES 2009/10 (1-50YR)										
	1YR	2YR	3YR	4YR	5YR	10YR	25YR	50YR	1 month variable	
01.04.09	0.83%	1.41%	1.89%	2.26%	2.54%	3.36%		4.28%	4.57%	0.80%
31.03.10	0.83%	1.41%	1.95%	2.45%	2.89%	4.19%		4.67%	4.70%	0.65%
HIGH	1.20%	1.91%	2.48%	2.94%		3.29%	4.42%	4.83%	4.85%	0.80%
LOW	0.68%	1.29%	1.79%	2.20%	2.47%	3.30%		4.07%	4.18%	0.55%
Spread	0.52%	0.62%	0.69%	0.74%		0.82%	1.12%	0.76%	0.67%	0.25%
Average	0.90%	1.53%	2.08%	2.53%	2.90%	3.93%		4.49%	4.51%	0.63%
High Date	09.06.09	12.06.09	12.06.09	24.07.09	28.07.09	22.02.10	22.02.10	02.06.09	01.04.09	
Low Date	16.09.09	09.10.09	09.10.09	02.04.09	02.04.09	02.04.09	09.10.09	09.10.09	17.07.09	

7. BORROWING OUTTURN FOR 2009/10

7.1 Treasury Borrowing

- 7.1.1** The borrowing requirement for the 2009/10 is linked to the approved capital programme and is net of the annual minimum revenue provision set aside from the revenue budget for debt repayment. The estimated increase in the Capital Financing Requirement for 2009/10 was £40m.
- 7.1.2** The change in borrowing between years is given in paragraph 3.1.
- 7.1.3** There was a concentration in short-term borrowing in the first half of the financial year to take advantage of the low Bank rate; for the same reason investments were run down, which also mitigated credit risk.

7.1.4 By quarter two the market indicated that short-term rates would only remain into 2010 by which time longer-term rates were widely predicted to have risen due to the Government's massive gilt issuance to fund huge amounts of public borrowing and significant monetary stimulus to the economy provided by the Bank of England. The Council's strategy was therefore to lock in longer-term funding prior to expected rate rises and accordingly revised its target borrowing rates in line with new market projections:

50yr PWLB	4.50%
25yr PWLB	4.35%
10yr PWLB	3.75%
5yr PWLB	2.80%

7.1.5 Quarter Three was the optimum time for the Council to borrow with long-term rates having fallen below the Council's target borrowing level; accordingly

- On 8 October 2009 the Council forward dealt a market loan of £20m directly with RBS with drawdown commencing on 26 February 2010 at 3.40% (40yrs). The maturity date is 26 February 2050 with no fees. The loan is callable by RBS after 3 years and every 3 years thereafter.
- On 9 October 2009 the Council borrowed £20m from the PWLB with drawdown commencing 13 October 2009 for 9.5 years at 3.49%.

7.1.6 To summarise the Council took its full £40m borrowing requirement for 2009/10 with a mixture of a market loan and PWLB borrowing. The timing and split of this borrowing allowed the Council to borrow relatively cheaply from both the PWLB and the money markets ahead of anticipated rate rises. It also meant half of the requirement could be drawn down at a later date to avoid temporarily inflating investment balances thus mitigating credit risk. This approach provided a spread to the portfolio in line with the current maturity structure and strategy.

7.1.7 As comparative performance indicators, average PWLB maturity loan interest rates for 2009/10 were:

1 year	0.90%
9.5 - 10 year	3.93%
24.5 - 25 year	4.49%
49.5 - 50 year	4.51%
1 month GBR variable	0.63%

7.2 Debt Performance

7.2.1 As highlighted in paragraph 3.1 above the average debt portfolio interest rate has increased marginally over the course of the year from 4.55% to 4.59% but this does reflect some significant changes for long-term fixed rate debt, temporary debt and investments.

7.2.2 The increase in fixed rate debt between years is a consequence of new PWLB borrowing of £20m taken in 2009/10 less the proportion of PWLB airport annuity loans paid in year and the additional £20m market loan in the form of a LOB O. The

percentage reduction between years for both classes of long dated debt is due to new borrowing being taken at lower than the average portfolio rate. There was a shift from short-term variable rate borrowing between years to short-term fixed rate borrowing at reduced levels below the Bank rate (having remained at a historical low of 0.50% for the whole of 2009/10). Comparison can be made with the average overall borrowing rate of the 136 Councils taking part in the CIPFA benchmarking exercise of 5.20% indicating Stockport is maintaining borrowing costs well below the average rate.

7.2.3 The portfolio rate for investments has reduced from 5.38% to 4.17% between years as higher rate investments matured and new investments made were closely linked to lower available short-term rates. This rate is still appreciably higher than the Bank Rate due to strategies implemented in 2008/09 aimed at protecting the Council's investment returns in a falling rate environment. Strategies implemented to achieve this position are given in greater detail in paragraph 10.

7.2.4 In summary, the approach during the year was:

- To finance new capital expenditure and maturing debt from investments in the first half of the year to minimise counterparty risk. This is also maximised treasury management budget savings as investments rates were much lower than most new borrowing rates.
- To draw some longer term fixed rate debt later in the year, to take advantage of low long term rates and reduce exposure to fluctuations in short term interest rates; and
- To borrow at short term variable rates, as they were generally lower than longer term rates and were not expected to rise significantly within the next year; and
- To maintain borrowing at short term rates to minimise any corresponding risk from maintaining short-term investments.

8. DEBT RESCHEDULING

8.1 2009/10 began with the expectation that longer-term PWLB rates would be on a rising trend during the year and that shorter term rates would be considerably cheaper. However, moving from long term to short term debt would mean taking on a greater risk exposure to having to re-borrow longer term in later years at considerably higher rates than most of the long term debt currently in the debt portfolio. Short term savings could be achieved by internally financing new capital expenditure and replacing maturing debt by running down existing cash balances which were only earning minimal rates of interest due to the fact that Bank Rate was kept at 0.5% all year. Reducing cash balances also meant reduced counterparty risk on the investment portfolio.

8.2 The structure of PWLB rates which has been in place for around 2½ years has significantly reduced opportunities for restructuring debt. The Council will continue to monitor rate movements and seek out restructuring opportunities but these are likely to be few and far between.

9. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council did not breach the treasury limits and Prudential Indicators set out in the Council's Annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix One.

10. INVESTMENT OUTTURN FOR 2009/10

10.1 Investment Rates in 2009/10

10.1.1 At the start of 2009/10, investment rates were enhanced by a substantial credit crunch induced margin. However, the Bank of England's quantitative easing operations had the desired effect of improving the supply of credit in the economy and so these margins were eliminated by half way through the year. Consequently, investment rates fell markedly during the first half of the year,

- **Overnight rate (O/N):** this varied little during the year within a range of 0.38-0.49%.
- **3 month rate:** from a high point for the year of 1.50% on 1 April 2009, the rate fell gradually to reach a low of 0.42% in September before finishing the year at 0.52%.
- **12-month rate:** this started the year at a credit crunch enhanced rate of 1.93% and fell steadily until reaching 0.85% in September. Since then it has risen to finish the year at 1.19% as the market looked ahead to when the MPC would have to start raising Bank Rate from its then current rate of 0.50%.

INVESTMENT RATES 2009/10						
	O/N	7 Day LIBID	1 Month	3 Month	6 Month	1 Year
01.04.09	0.49%	0.55%	0.89%	1.50%	1.73%	1.93%
31.03.10	0.41%	0.41%	0.42%	0.52%	0.76%	1.19%
HIGH	0.49%	0.55%	0.89%	1.50%	1.73%	1.93%
LOW	0.38%	0.38%	0.38%	0.42%	0.61%	0.96%
Spread	0.12%	0.17%	0.51%	1.09%	1.13%	0.97%
Average	0.40%	0.42%	0.47%	0.73%	0.94%	1.29%
High Date	01.04.09	01.04.09	01.04.09	01.04.09	01.04.09	01.04.09
Low Date	09.09.09	02.10.09	18.09.09	29.09.09	29.09.09	28.09.09

10.2 Investment Activity 2009/10

10.2.1 The Council manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The Council generally invests for a range of periods from overnight to 364 days and occasionally longer, dependent on the Council's cash flows, interest rate view, interest rates on offer and consistency with financial plans.

10.3 Investment Strategy

10.3.1 In the current economic climate it is considered appropriate to keep investments short term (less than 365 days) and only invest with highly credit rated financial institutions in line with the Council's credit criteria. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during 2009/10.

- 10.4.3 During 2009/10 the Council's combined investments (long and short-term) generated a rate of return of 4.17%. This is based on no compounding of interest and can be compared against an uncompounded 7 day LIBID rate of 0.42% (3 month LIBID rate 0.725%) representing a large out performance. The Sector return on their 'model portfolio' for the year was 1.72%.
- 10.4.4 Further comparisons can be made for investment performance from the results of the CIPFA benchmarking for 2009/10 investments, which concluded that the Council achieved an investment return during 2009/10 second highest of all 136 club members (4.17% compared to an average of 1.85%) and highest in the comparator group of 15 other Councils (average return 2.02%).
- 10.4.5 The Council's return exceeds both these comparators significantly and compares very favourably with returns generated by fund managers despite the low bank rate.
- 10.4.6 No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

11. MANCHESTER AIRPORT LOAN CONVERSION

- 11.1 The Council administered a number of annuity and maturity PWLB loans on behalf of Manchester Airport PLC with the Council repaying the interest and principal elements and consequently being reimbursed for the majority of these payments by the airport (excluding some elements for the land).
- 11.2 The total of these loans administered on behalf of the airport was a long-term debtor of £7.246M as at 31 March 2009 (short-term element £0.326m repayable in 2009/10 - total debtor £7.573m). This arrangement existed across the 10 Greater Manchester Councils, each holding a proportion of the airport debt.
- 11.3 The Manchester Airport loans were converted on 9 February 2010 into one loan being for 45 years at 12% interest being payable on 30 September and 31 March.
- 11.4 The amount of Manchester Airport debt outstanding by each authority payable to the Greater Manchester Debt Admin Fund, which is the part of the debt attributable to borrowings by the former County Council for Airport purposes and as part of the Statutory Instrument each of the 10 local authorities are responsible for a proportion of the principal and interest in accordance with the formulae set out in the 1986 order. This debt is shown in the balance sheet as a deferred liability.
- 11.5 Under the 1994 Facility Agreement, the airport covenanted to make these payments to the Fund to cover the obligations of the 10 authorities under the Statutory Instrument. Following conversion of these loans the individual Authorities resumed payment of the principal and interest, in accordance with the Statutory Instrument instead of the airport and the outstanding balance of this debt is included in the converted loan of each Authority.
- 11.6 The value of the airport loans at the date of conversion taking into account repayments made during 2009/10 was £7.295m and the additional amount from the GMDAF £1.885m.

- 11.7 Interest received on the newly converted loan of 12% is at an inflated rate to the PWLB loans to which the loans formerly related and will therefore provide a small income stream to the Council. The authorities have sought to limit their revenue outgoings by deferring annual principal repayments on the conversion as the outstanding balance will not become fully repayable for 45 years. As the principal payment has been deferred, this simply means that the Council will continue to receive a constant rate of interest (12%) on the value of the earmarked (converted) loans that are being repaid annually by the Council.

12. REVIEW OF COUNCIL HOUSING FINANCE REFORM PROPOSALS

- 12.1 The previous Government issued a consultation document in July 2009 which sought local authority views on the option to replace the current HRA subsidy method of financing with a "self-financing" option. This option looks to abolish the subsidy system and allocate those remaining stock-holding authorities with an amount of debt that the Government believes those authorities can sustain by retaining rents and Right to Buy income.
- 12.2 Draft proposals suggest that the debt which would be allocated to Stockport MBC is currently lower than our existing HRA debt.
- 12.3 The consultation period ends on 6th July 2010. The Council and Stockport Homes are keen to see a system for housing finance that allows local priorities and the needs of the Borough's residents to be met through a sustainable financial model and system that embeds local decision making.
- 12.4 It is the Council's view that self financing offers the chance to change the current system to one that is fairer, more sustainable and provides a system that is able to take more account of local priorities and the needs of the Borough's residents.
- 12.5 The offer as per the details contained within the prospectus provides the Council and Stockport Homes with a self financing model that meets future investment requirements and allows for real and long term business planning for the Council's housing stock that will take account of local priorities and investment decisions.
- 12.6 It is therefore hoped the current system for Council housing finance is recognised as being unfair and that the self financing proposals will be implemented.

13. CONCLUSIONS

- 13.1 At the end of the 2009/10 financial year the UK recession appeared to be over, although the economic figures provided little comfort to the previous Government who at that time were preparing to seek re-election.
- 13.2 The public sector is looking at a decade of spending cuts caused to a large extent by the recent financial crisis and recession.
- 13.3 The main economic indicators suggest that the recession may be over but that economic growth has not yet started in earnest. CPI Inflation is higher than 3% and is well above the Bank of England's target, unemployment is around 8% and interest rates remain at an historic low. This is in comparison to the US where economic growth is clearly happening. Household spending was hit by the rise in VAT and the

bad weather and the recovery continued to fail to create new jobs. The UK's trade position deteriorated, despite the weak pound. 106

13.4 The Council's treasury management function has had another successful year achieving impressive results compared to benchmarks.

- Despite extraordinarily low and prolonged market rates the Council's investment performance has excelled achieving an annual return of 4.17% significantly outperforming all benchmarks and comparators.
- Debt costs have been minimised during 2009/10 and remain below the average level of the CIPFA Benchmarking members.

13.5 The Council has had as their first priority the security of invested funds and its policy to place appropriate parameters (in terms of credit quality), to organisations with whom it invests. This has safeguarded the Council's investments during 2009/10.

12. RECOMMENDATIONS

The Executive is asked to recommend that the Council Meeting note the contents of the report

PRUDENTIAL INDICATORS

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2009/10	2009/10
	ORIGINAL	ACTUAL
		(as at 31.03.10)
£m		£m
Authorised limit for external debt -	380.715	325.868
Operational boundary for external debt -	359.475	325.868
Upper limit for fixed interest rate exposure		
expressed as:-		
Net principal re fixed rate borrowing/investments	359.475	305.540
Upper limit for variable rate exposure		
expressed as:-		
* Net principal re variable rate borrowing/investments	107.842	(2.293)
Upper limit for total principal sums invested for over 364 days	20.000	10.000

Maturity structure of fixed rate borrowing during 2009/10	INDICATOR UPPER LIMIT	INDICATOR LOWER LIMIT	ACTUAL % as at 31.03.10
under 12 months	35%	0%	7.21%
12 months and within 24 months	45%	0%	0.40%
24 months and within 5 years	50%	0%	2.56%
5 years and within 10 years	50%	0%	8.21%
10 years and above	100%	50%	81.52%

The introduction of the Prudential Code from April 2004 required the authority to set a range of prudential indicators that include the 'authorised limit' and 'operational boundary'. The prudential indicators are forward estimates and the prudential code allows the indicators to be revised, if necessary, throughout the financial year. The authorised limit establishes the outer boundary of the authority's borrowing.

When the limit was set it was consistent with current commitments and existing plans for capital expenditure and funding. The authorised limit is based on estimates of the most likely prudent but not worse case scenario. It also includes additional headroom to allow for operational management, for example unusual cashflow requirements.

The operational boundary is the focus of day to day treasury management activity. The operational boundary is the same as the authorised limit but without the additional headroom included in the authorised limit. The authorised limit is based on expectations of the maximum external debt according to probable, not simply possible, events.

* The upper limits for fixed and variable interest rate exposures (as shown in the table) are related to the Authority's net principal sums outstanding on its borrowing/investments, (as opposed to the Operational Boundary and Authorised Limits which exclude investments). The actual outcome for 2009/10 for variable net borrowings shows a credit balance as the authority had a larger proportion of variable rate investments than variable rate debt as at 31 March 2010.

CENTRAL BANK RATE MOVEMENTS

	UK	UK	UK	US	EU	UK	US	ECB
	MPC	MPC Minutes	Inflation Report	FOMC	ECB	Bank Rate	Fed. Rate	Refi Rate
2008								
Jan	-	-		22		5.50%	3.50%	4.00%
Jan	9-10	23		29-30	10	5.50%	3.00%	4.00%
Feb	6-7	20	13	21 (mins)	7	5.25%	3.00%	4.00%
Mar	5-6	19		18	6	5.25%	2.25%	4.00%
Apr	9-10	23		29-30	10	5.00%	2.00%	4.00%
May	7-8	21	14		8	5.00%	2.00%	4.00%
Jun	4-5	18		24-25	5	5.00%	2.00%	4.00%
Jul	9-10	23			3	5.00%	2.00%	4.25%
Aug	6-7	20	13	5	7	5.00%	2.00%	4.25%
Sep	3-4	17		16	4	5.00%	2.00%	4.25%
Oct	8-9	22		28-29	2	4.50%	1.50%	3.75%
Nov	5-6	19	12		6	3.00%	1.00%	3.25%
Dec	3-4	17		16	4	2.00%	0-0.25%	2.50%
2009								
Jan	7-8	21		27-28 (7 mins)	15	1.50%	0-0.25%	2.00%
Feb	4-5	18	11		5	1.00%	0-0.25%	2.00%
Mar	4-5	18		17	5	0.50%	0-0.25%	1.50%
Apr	8-9	22		28-29	2	0.50%	0-0.25%	1.25%
May	6-7	20	13		7	0.50%	0-0.25%	1.00%
Jun	3-4	17		23-24	4	0.50%	0-0.25%	1.00%
Jul	8-9	22			2	0.50%	0-0.25%	1.00%
Aug	5-6	19	12	11	6	0.50%	0-0.25%	1.00%
Sep	9-10	23		22	3	0.50%	0-0.25%	1.00%
Oct	7-8	21			8	0.50%	0-0.25%	1.00%
Nov	4-5	18	11	3-4	5	0.50%	0-0.25%	1.00%
Dec	9-10	23		15	3	0.50%	0-0.25%	1.00%
2010								
Jan	6-7	20		27	14	0.50%	0-0.25%	1.00%
Feb	3-4	17	10		4	0.50%	0-0.25%	1.00%
Mar	3-4	17		16	4	0.50%	0-0.25%	1.00%

Corporate, Resource Management and
Governance Scrutiny Committee

Meeting: 27 July 2010

Regulation of Investigatory Powers Act 2000: Stockport Council revised code of practice

Report of the Council Solicitor

1. Matter for consideration

- 1.1. The Executive Councillor (Finance) has approved the Council's revised Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (attached as Appendix 1) as a means of ensuring and demonstrating that the Council uses its surveillance powers in a proportionate way and only when necessary with appropriate regard for individuals' right to privacy, in compliance with the Regulation of Investigatory Powers Act 2000. The CRMG Scrutiny Committee is asked to review the revised Code of Practice and the recommended reporting mechanism.

2. Information

- 2.1. The European Convention on Human Rights gives all individuals certain rights; these rights are reflected in UK law by the Human Rights Act 1998. Article 8 states that everyone has a (qualified) right to a private and family life, home and correspondence.
- 2.2. When public authorities carry out covert surveillance which will obtain private information about an individual, it is likely to intrude on that individual's privacy and could be considered to be a breach of his or her Article 8 rights. Public authorities can be sued for such breaches.
- 2.3. The Regulation of Investigatory Powers Act 2000 was introduced to provide a statutory framework to enable public authorities to obtain private information about individuals by carrying out covert surveillance in a way which is compatible with those individuals' Article 8 rights, thereby protecting individuals' privacy and protecting authorities from civil liability.
- 2.4. Local authorities can only carry out certain types of covert surveillance and only if they can show that the surveillance is necessary for the purposes of preventing or detecting crime or of preventing disorder in relation to the authorities' core functions. The surveillance must also be considered to be proportionate in the circumstances of a particular case. Covert surveillance is defined as surveillance which is designed to ensure that the subject is unaware it is taking place.
- 2.5. Under the Regulation of Investigatory Powers Act 2000, for the purposes set out above the Council is able to carry out Directed Surveillance, use Covert Human

Intelligence Sources and acquire communications data such as mobile phone subscriber details.

- 2.6. Stockport Council makes modest use of its powers under the Regulation of Investigatory Powers Act 2000 but regards those powers as an important tool when seeking to investigate the alleged misuse of public funds, harm to the environment and when protecting the local community, amongst other things.
- 2.7. The Council has previously used its surveillance powers to investigate matters of anti-social behaviour, benefit fraud, underage alcohol sales, the sale and production of counterfeit goods, as well as other matters. In all cases the surveillance was considered to be necessary for the prevention and detection of crime and was considered to be proportionate when the suspected offences and impact on the community were balanced against the individuals' right to privacy.
- 2.8. The Council is inspected regularly by the Office of Surveillance Commissioners (OSC) which regulates public authorities' use of the Regulation of Investigatory Powers Act 2000. The Council has recently received a favourable inspection and always implements any recommendations made by the OSC to ensure continued compliance.
- 2.9. In April 2010, the Home Office produced a new statutory Code of Practice which governs how local authorities should act when carrying out covert surveillance in order to comply with the Regulation of Investigatory Powers Act 2000. In line with the new Code, the Council has revised its own Code of Practice to ensure that whenever covert surveillance is carried out, it is done so in compliance with legislation and with due regard to individuals' privacy. The Council's Code of Practice is very closely based on the statutory Home Office Code.
- 2.10. Although the Coalition Government has announced that it plans to change the powers local authorities have under the Regulation of Investigatory Powers Act 2000 and require any covert surveillance to be authorised by a magistrate, until legislation is enacted to enable these changes, the Council is still required to comply with current legislation and statutory Codes of Practice.
- 2.11. The new Home Office Code introduces a requirement for the Council's Code of Practice to be approved by Members. Approval from the Executive Member (Finance) was obtained on 14th June 2010. The Code also recommends that quarterly reports are produced about the Council's use of RIPA so that elected members can ensure that the Council is complying with its own Code of Practice, although it specifically states that elected members should not be involved in making decisions in relation to specific operations and authorisations. It is suggested that these reports are considered by the Corporate, Resource Management and Governance Scrutiny Committee.
- 2.12. It is proposed that the quarterly reports will outline the number of times RIPA has been used, the month of use, the service authorising the surveillance and a general description of the reasons for the surveillance. This information will be presented in the format of a table with any additional accompanying information as appropriate. These reports will enable the Scrutiny Committee to review that

the use of RIPA complies with statutory and Stockport Council Codes of Practice.

- 2.13. The Council's revised Code of Practice will be publicised across the Council to all employees, particularly those who are likely to apply for surveillance. A rolling programme of training is in place for Authorising Officers and a new intranet site – to include the Code of Practice – has been produced to ensure that all employees are aware of the requirements of the legislation.

3. Recommendation

- 3.1. That the Scrutiny Committee reviews the revised Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 attached as Appendix 1 and approves the recommended reporting mechanism.

4. Background papers

- Stockport Council Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000
- Home Office Code of Practice – Covert Surveillance and Property Interference

To access background papers please contact: Claire Naven – Data Protection and Freedom of Information Officer on claire.naven@stockport.gov.uk or 0161 474 4048.

**APPENDIX 1**

**CODE OF PRACTICE FOR CARRYING OUT
SURVEILLANCE UNDER
THE REGULATION OF INVESTIGATORY
POWERS ACT 2000
(RIPA)**

**Council Solicitor
Stockport Metropolitan Borough Council
Town Hall
Edward Street
Stockport
SK1 3XE**

Applications for and authorisation of surveillance & use of Covert Human Intelligence Sources

This document sets out the requirements for obtaining authorisation under RIPA; the persons able to grant authorisation; circumstances when authorisation will be required; and the storage and maintenance of records of authorisation and the forms which Stockport Metropolitan Borough Council use.

Revision history:

v.1	3rd March 2004	RJ
v.2	July 2006	RJ
v.3	September 2007	CN
v.4	December 2009	CN
v.5	May 2010	CN

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STOCKPORT METROPOLITAN BOROUGH COUNCIL

Code of Practice for the carrying out of surveillance and the use of Covert Human Intelligence Sources under the Regulation of Investigatory Powers Act 2000 (RIPA)

1. General introduction

1.1. On the 2nd October 2000 the Human Rights Act 1998 (HRA) came into full force, making it unlawful for a local authority to breach any article of the European Convention on Human Rights (ECHR). Any such breach may now be dealt with by the UK courts directly rather than the lengthy process of using the European Court at Strasbourg.

1.2. Article 8 of the ECHR states:

'Everyone has the right to respect for his private and family life, his home and his correspondence.'

1.3. Those who undertake covert surveillance on behalf of a public authority (whether employees or agents) are likely to breach a person's human rights unless the surveillance is authorised in accordance with the law and is necessary for the **purpose of prevention or detection of crime or disorder**. Authorisations on any other ground will not be in accordance with the Regulation of Investigatory Powers Act 2000 (RIPA). In the light of the implications of the HRA, RIPA passed through Parliament and came into force on 25th September 2000. The codes of practice relating to covert surveillance came into force on the 6th April 2010. This Code of Practice has been specifically drafted for Stockport Metropolitan Borough Council with regard to the said Codes of Practice.

1.4. This Code of Practice only applies to covert surveillance or the use of Covert Human Intelligence Sources (CHIS). Definitions of all terminology follow. It should be emphasised that RIPA will only apply if the surveillance or use of the CHIS is 'covert'. Quite often, such surveillance activities will be done overtly therefore will fall outside RIPA, so it is advisable to be familiar with the definition of 'covert' under RIPA as a starting point.

2. Definitions

2.1. Surveillance

- Monitoring, observing or listening to persons, their movements, their conversations or their other activities or communications.

- Recording anything monitored, observed or listened to in the course of surveillance.
- Surveillance by or with the assistance of a device.

2.2. Covert surveillance

2.2.1. Covert surveillance is defined as 'surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place' and is categorised as either Intrusive or Directed.

2.3. Intrusive surveillance

2.3.1. Intrusive surveillance is defined in section 26(3) of the RIPA as covert surveillance that:

- is carried out in relation to anything taking place on any residential premises or in any private vehicle; **and**
- involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

2.3.2. Surveillance is **not** intrusive if:

- It is carried out by a vehicle tracking device.
- It involves the consensual interception of mail or telecommunications for which there is no interception warrant.
- It involves the use of a surveillance device to observe residential premises or a private vehicle, where the device is not fitted in the premises or vehicle and where the device does not consistently provide information of the quality and detail that would be obtained if the device was actually present on the premises or in the vehicle.

PLEASE NOTE: LOCAL AUTHORITIES CANNOT AUTHORISE OR UNDERTAKE INTRUSIVE SURVEILLANCE UNDER RIPA.

2.4. Directed surveillance

2.4.1. Directed surveillance is defined in section 26(2) of the RIPA as surveillance which is covert, but not intrusive, and undertaken:

- (a) for the purposes of a specific investigation or operation;
- (b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not one

specifically identified for the purposes of the investigation or operation); and

- (c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under this Part to be sought for the carrying out of the surveillance.

2.4.2. Directed surveillance involves the observation of a person or persons with the intention of gathering private information to produce a detailed picture of a person's life, activities and associations. It does not include entry on or interference with property or wireless telegraphy but may include the use of photographic and video equipment (including the use of CCTV).

2.5. Covert Human Intelligence Sources (CHIS)

2.5.1. A person is a covert human intelligence source if:

He or she establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating:

- Obtaining information; or
- Providing access to information to another person; or
- Disclosing information obtained by the use of or as a consequence of such a relationship.

2.5.2. Surveillance by a human intelligence source is covert if:

- It is carried out in a manner calculated to ensure that persons who are subject to surveillance are unaware that it is or may be taking place.
- If a relationship is established or maintained and then conducted in a manner calculated to ensure that one of the parties is unaware of the purpose.
- Any information obtained and disclosed is disclosed in a manner calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

2.6. Confidential material

2.6.1. This has the same meaning as is given to it in sections 98 – 100 of the Police Act 1997. It consists of matters subject to legal privilege, confidential personal information or confidential journalistic material:

- Matters subject to legal privilege include both oral and written communications between a professional legal adviser and his or her client or any person representing his or her client, made in connection with the giving of legal advice to the client or in contemplation of legal proceedings and for the purposes of such proceedings, as well as items enclosed with or reference to in such communications.

Communications and items held with the intention of furthering a criminal purpose are not matters subject to legal privilege.

- Confidential personal information is information held in confidence concerning an individual (whether living or dead) who can be identified from it and relating to either:
 - his or her physical or mental health; or
 - spiritual counselling or other assistance given or to be given, and which a person has acquired or credited in the course of any trade, business, profession or other occupation, or for the purposes of any paid or unpaid office.
- It includes both oral and written information and also communications as a result of which personal information is acquired or credited. Information is held in confidence if:
 - it is held subject to an express or implied undertaking to hold it in confidence; or
 - it is subject to a restriction of disclosure or an obligation of secrecy contained in existing or future legislation.
- Confidential journalistic material includes material acquired or credited for the purposes of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to such an undertaking.

2.6.2. Extra care should be taken in cases where the subject of the investigation might expect a degree of privacy or where confidential information is involved.

2.6.3. Officers should be aware of the requirement for authorisation of such confidential material to come from the Head of Paid Services or in his absence, the Chief Officer.

2.7. Collateral intrusion

2.7.1. Applications for authorisation should include an assessment of the risk of any collateral intrusion.

2.7.2. There will be a risk of collateral intrusion if the investigation is likely to interfere with the privacy of individuals who are not covered by the authorisation.

2.8. Authorising Officers

2.8.1. The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 No. 521 came into force on 6 April 2010. This consolidates and amends previous orders and states that employees with the rank of Director, Head of Service, Service Manager or equivalent may be appointed as an Authorising Officer and authorise surveillance carried out under RIPA.

2.8.2. Appendix 10 provides a list of Authorised Officers, by reference to their posts and names, who are able to authorise surveillance. Amendments to this list are to be agreed by the Council Solicitor. Any amendments are to be recorded centrally by the RIPA Co-ordinator.

2.8.3. Authorising Officers should not be responsible for authorising their own activities i.e. those operations /investigations in which they are directly involved; however it is recognised that this may sometimes be unavoidable, especially in the case of small organisations or where it is necessary to act urgently. If an Authorising Officer has to authorise a case in which he or she has been involved then this should be highlighted to the RIPA Co-ordinator or where it will be brought to the attention of the Commissioner or Inspector during the next inspection.

2.8.4. If the person who has power to authorise the surveillance is not available, the authorisation must be given by a more senior officer. (Reg 2 S.I.2000 3171).

2.8.5. Formal written authorisation is required to be an Authorised Officer and this will be reviewed on a case by case basis.

2.9. Private information

2.9.1. This includes, 'in relation to a person', any information relating to his or her private or family life, as well as aspects of his or her business or professional life.

3. General provisions about authorisations

3.1. Surveillance must only be authorised where it is believed that the surveillance is necessary under the grounds set out below and is proportionate to what it seeks to achieve.

3.2. To protect privacy and comply with the HRA, all Council services will need to demonstrate that any intrusion into an individual's privacy is essential to an investigation.

3.3. Where surveillance is considered appropriate it will be necessary for it to be authorised before it can commence (except where covert surveillance is carried out by way of an immediate response to events or circumstances which, by their very nature, could not have been foreseen).

3.4. Authorising Officers (see definition above at 2.6 and Appendix 10) will need to satisfy themselves that a defensible case can be made for surveillance activity. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse. It will also make the action less vulnerable to challenge under the HRA.

4. Grounds for authorisation of directed surveillance or use of a Covert Human Intelligence Source

4.1. Authorisation for both types of surveillance may be granted by an Authorising Officer where it is believed that the authorisation is **necessary** and the authorised surveillance is **proportionate** to that which is sought to be achieved. Please see paragraph 6.1 and 6.2 below for a further definition of *necessary* and *proportionate*.

4.2. The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2003 which came into force on the 5th January 2004 places restrictions on the grounds for authorisations under Section 28(3) and 29(3) of RIPA to the following:

'For the purpose of preventing and detecting crime or preventing disorder.'

5. Additional requirements for authorisation of Covert Human Intelligence Sources only

5.1. Covert human intelligence sources may only be authorised if the following additional arrangements are in place:

- There is an employee of the Council with day-to-day responsibility for dealing with the source and for the source's security and welfare.
- There is a senior officer who has general oversight of the use made of the source.
- An officer will be responsible for maintaining a record of the use made of the source.

- Those records will contain any matters specified by the Secretary of State - The Regulation of Investigatory Powers (Source Records) Regulations 2000 set out these matters.
- Records disclosing the identity of the source will not be made available to others except on a need to know basis.

6. What to take into account when authorising surveillance

6.1. Any person giving an authorisation should first satisfy him or herself that the authorisation is necessary on the grounds listed in paragraph 4.1 i.e. that it is necessary for the purpose of preventing and detecting crime and disorder. The application and authorisation should explain why the investigation is necessary i.e. why is it necessary to take **this particular course of action** in order to prevent and detect crime or prevent disorder?

6.2. Once satisfied that the authorisation is necessary, the Authorising Officer will then need to be satisfied that the proposed surveillance is proportionate to the end that it is seeking to achieve. This involves balancing the intrusiveness of the activity on the subject and others who may be affected by the surveillance against the expected outcomes of the surveillance e.g. is a significant crime suspected? Is this affecting the local community? Matters to be considered include, but are not limited to, the cost of carrying out the surveillance against the cost/size of the subject's alleged activities and a consideration of whether the information can be obtained in any other way. It will not be sufficient to simply assert that the proposed surveillance **is** proportionate without stating **why** it is. When considering proportionality, applicants and Authorising Officers must consider any methods already used to try to obtain the information and the outcome of those when explaining why they think that surveillance is a proportionate response, given that it will intrude into other people's privacy. The Authorising Officer must be able to produce evidence to show that the relevant issues have been considered for monitoring purposes e.g. a note of the documents and information available to the Officer at the time the authorisation is given can be included on the authorisation form.

6.3. Authorising Officers must be satisfied that a full and detailed account of the surveillance operation is given on the authorisation form. The Authorising Officer needs to be satisfied that they are fully aware of the nature of the surveillance including the exact location (plans should be provided), how this will be carried out and the identities of the Officers who will carry out the surveillance.

6.4. Particular consideration should be given to collateral intrusion into or interference with the privacy of persons other than the subject(s) of surveillance. This will be taken into account by the Authorising Officer, particularly when considering the proportionality of the surveillance.

6.5. Any Officer authorising surveillance will also need to be aware of particular sensitivities in the local community where the surveillance is taking place or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance. In this regard, it may be necessary to consult local police or other agencies as appropriate where the Authorising Officer considers that conflicts might arise.

7. What happens if the surveillance has unexpected results?

7.1. Those carrying out the covert surveillance should inform the Authorising Officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not either the original subjects of the investigation or covered by the authorisation in some other way. In some cases the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.

8. Collaborative working

8.1. The Council will often work with partners and other organisations e.g. joint operations between the benefit fraud team and the Department for Work and Pensions or the Community Safety Unit and the police. In such cases there may be confusion around who should obtain an authorisation under RIPA.

8.2. If a Council service is acting on behalf of another organisation e.g. the fraud team is acting on behalf of the DWP rather than carrying out its own independent investigation, the DWP should provide the RIPA authorisation. In such cases, the application and authorisation will be completed by the DWP and not the Council.

8.3. If the Council is carrying out its own investigation but it is clear from the outset that operational support will be required as part of the investigation from another organisation e.g. the police, DWP this should be stated in the authorisation.

8.4. Where joint operations are carried out, only one authorisation is required. This minimises the amount of paperwork required and avoids duplication; however in cases where each party to the investigation completes an authorisation, the lawfulness of the activities will not be affected.

9. Duration of authorisations

9.1. Directed surveillance

9.1.1. A directed surveillance authorisation lasts for **three months** unless it is cancelled or renewed.

9.2. Review

9.2.1. Regular reviews of authorisations should be undertaken to assess the need for surveillance to continue. The results of any review should be kept on the Central Record maintained by the RIPA Co-ordinator in Legal Services. There will be a greater need to review authorisations where the surveillance leads to confidential information being obtained or to collateral intrusion. The forms attached at Appendix 3 should be used for reviews.

9.2.2. Where an operation is expected to be completed quickly, the Authorising Officer should ensure that the authorisation is reviewed within a short time period to ascertain whether the surveillance is still necessary and proportionate. Review dates should not be set further than one month in advance. If the surveillance is no longer necessary or proportionate it should be cancelled using the appropriate form immediately. If further surveillance is necessary then a written application to renew the authority must be made using the appropriate form (see Appendix 5). A renewal of a directed surveillance lasts for a period of three months.

9.3. For the use of CHIS

9.3.1. A CHIS authorisation lasts for 12 months unless cancelled or renewed. A juvenile CHIS authorisation lasts for one month unless cancelled or renewed. All authorisations must be cancelled when they are no longer necessary or proportionate.

9.4. Review

9.4.1. Regular reviews of authorisations should be undertaken as with directed surveillance and the guidance given above on reviews applies equally to the use of CHIS.

9.4.2. Regular reviews of authorisations should be undertaken to assess the need for surveillance to continue. The Authorising Officer should review the authorisation, taking into account whether the authorisation is still necessary and proportionate based on the operational requirements. The results of any review should be kept on a Central Record in Legal Services. There will be a greater requirement to review authorisations where the surveillance leads to confidential information being obtained or to collateral intrusion. The forms attached at Appendix 4 should be used for such reviews.

9.5. Renewal

9.5.1. If further surveillance is necessary then a written application to renew the authorisation must be made using the appropriate form at Appendix 6. A renewal of a CHIS authorisation lasts for a further 12 month period.

10. Cancellation of authorisations

- 10.1. The Authorising Officer who granted or last renewed the authorisation must cancel it when they are satisfied that the directed or CHIS surveillance no longer meets the criteria for authorisation. Cancellation should be recorded on the appropriate form at Appendix 7 and 8. All authorisations should be cancelled as soon as they are no longer required and should not be left to expire.

11. Records and documentation

- 11.1. Applications, reviews, renewals and cancellations should be retained and a record kept of all such authorisations. These records will be confidential and should be retained for a period of at least three years from the end of the authorisation. The **original** documentation must be forwarded in an envelope marked 'Private and Confidential' to the appropriate Officer within Legal Services who has management of the Central Record of authorisations. This is currently Claire Naven (RIPA Co-ordinator). From time to time this Officer may change and subsequent changes will be notified to the Authorising Officers.
- 11.2. All documentation relating to an authorisation which forms part of the Central Record will be securely destroyed after a period of three years from the date of cancellation or expiry unless the investigating department can demonstrate it is needed for a longer period. Where it is believed that the records could be relevant to pending or future court proceedings they should be retained for a suitable further period, subject to any subsequent review. Investigating departments must ensure they securely destroy any local copies of documentation in line with this practice.

12. Criminal investigations

- 12.1. All observations should be recorded in accordance with recognised good practice and in compliance with the Criminal Procedure and Investigations Act 1996 (CPIA). Failure to comply with the requirements of CPIA or to ensure that evidence is recorded and retained properly will raise questions about the admissibility of the evidence and whether an abuse of process has occurred. It would therefore seem advisable that wherever possible only surveillance-trained staff should undertake covert surveillance.

13. Roles and responsibilities

- 13.1. The Office of Surveillance Commissioners (OSC) has a duty to keep the exercise and performance of the Council's surveillance powers under review. The OSC will regularly inspect the Council and may carry out unannounced spot checks.
- 13.2. The Council Solicitor is required by law to ensure that the Council does not act unlawfully.

13.3. To ensure that proper monitoring of surveillance activity can be carried out with minimum disruption, records will be retained, maintained and monitored by the RIPA Co-ordinator on behalf of the Council Solicitor.

13.4. The Council Solicitor is the Senior Responsible Officer (SRO) and RIPA Monitoring Officer. The SRO has overall responsibility for ensuring that the Council complies with RIPA. The SRO/RIPA Monitoring Officer will inspect authorisations on a quarterly basis, deliver training to employees and participate in OSC inspections, as well as delivering reports to elected members on the Council's use of RIPA.

13.5. Day-to-day responsibility for RIPA compliance is delegated to the RIPA Co-ordinator (contact Claire Naven – RIPA Co-ordinator: claire.naven@stockport.gov.uk; Corporate Information Services, Stopford House, Piccadilly, Stockport SK1 3XE; or 0161 474 4048). The RIPA Co-ordinator maintains the Central Record and the RIPA intranet site, carries out quality assurance checks on all authorisations submitted, delivers training, provides day-to-day advice on surveillance issues and produces reports to be delivered to elected members.

13.6. Records kept by the RIPA Co-ordinator will be used to:

- remind Authorising Officers of the expiry of authorisations
- check that surveillance does not continue beyond the authorised period
- remind Authorising Officers to regularly review current authorisations
- remind Authorising Officers and applicants to consider the destruction of the results of surveillance operations and associated paperwork in line with retention and destruction guidelines
- at the third anniversary of each authorisation, remind Authorising Officers that the forms of authorisation, renewal or cancellation held locally and in the Central Record maintained by the RIPA Co-ordinator are due to be destroyed unless there is a reason they should be retained for longer.
- receive and investigate complaints by members of the public who reasonably believe that they have been adversely affected by surveillance activities carried out by the Council
- commission and provide training in the law relating to surveillance for Officers who are applying for and authorising surveillance.

14. Reporting to elected members

14.1. In line with the Home Office Code of Practice 'Covert Surveillance and Property Interference' issued in April 2010 (section 3.30), this Stockport Council Code of Practice will be approved by the appropriate Executive Councillor on an annual basis to ensure that it remains fit-for-purpose. In addition, the Corporate, Resource Management and Governance Scrutiny Committee will review a quarterly report on the

Council's use of RIPA to ensure it is using its powers in line with the Council's Code of Practice; however elected members should not be involved in making decisions in relation to specific operations and authorisations.

15. Complaints

- 15.1. Any person who reasonably believes they have been adversely affected by surveillance activity carried out by or on behalf of the Council may complain to the Council Solicitor who will investigate the complaint.

Council Solicitor
Stockport Legal Services
Stopford House
Piccadilly
Stockport
Cheshire
SK1 3XE

- 15.2. Such a person may also complain to the Investigatory Powers Tribunal at:

Investigatory Powers Tribunal
PO Box 33220
London
SW1H 9ZQ

16. LIST OF APPENDICES

- APPENDIX 1 - RIPA 2000 PART II APPLICATION FOR **AUTHORISATION FOR DIRECTED SURVEILLANCE**
- APPENDIX 2 - RIPA 2000 PART II **REVIEW OF DIRECTED SURVEILLANCE** AUTHORISATION
- APPENDIX 3 - RIPA 2000 PART II **CANCELLATION OF DIRECTED SURVEILLANCE**
- APPENDIX 4 - RIPA 2000 PART II APPLICATION FOR **RENEWAL OF DIRECTED SURVEILLANCE**
- APPENDIX 5 - RIPA 2000 PART II APPLICATION FOR **AUTHORISATION OF THE USE OR CONDUCT OF A COVERT HUMAN INTELLIGENCE SOURCE**
- APPENDIX 6 - RIPA 2000 PART II **REVIEW OF COVERT HUMAN INTELLIGENCE SOURCE** AUTHORISATION

- APPENDIX 7 - RIPA 2000 PART II **CANCELLATION OF THE USE OR CONDUCT OF A COVERT HUMAN INTELLIGENCE SOURCE**
- APPENDIX 8 - RIPA 2000 PART II APPLICATION FOR **RENEWAL OF THE USE OR CONDUCT OF A COVERT HUMAN INTELLIGENCE SOURCE**
- APPENDIX 9 - ACTIVITIES COVERED BY RIPA 2000
- APPENDIX 10 - LIST OF AUTHORISING OFFICERS

COMMITTEE: CORPORATE, RESOURCE MANAGEMENT AND GOVERNANCE SCRUTINY COMMITTEE

DATE: 27TH JULY 2010

REPORT OF: ASSISTANT CHIEF EXECUTIVE (STRATEGY, AND DEMOCRACY) & CORPORATE DIRECTOR, BUSINESS SERVICES

REPORT TITLE: SCRUTINY REVIEW SELECTION PROCESS

1.0 Purpose

- 1.1 To consider the relationship between the Business Improvement, Transformation and Efficiency (BITE) strategy and the scrutiny review process in the current municipal year alongside the arrangements for scoping of reviews identified under the BITE Strategy.

2.0 Current position

- 2.1 The BITE strategy was developed in order to ensure the viability of the Medium Term Financial Plan. The purpose of the BITE strategy is to ensure the delivery of efficiency savings and improvement in the next financial year and thereafter for the next 2/3 years. The intention is to achieve this through a mix of actions stemming from the Corporate Efficiency Plan, BITE interventions and the “normal” requirement for annual efficiency savings.
- 2.2 In pursuance of this, and following a value for money/benchmarking exercise across the whole of the Council’s operations, some 25 services have been put forward for a more in-depth exploration using the BITE approach to assess the scope for efficiencies and improvement within these targeted areas. This is essentially step 3 of a BITE intervention. It should be noted that apart from this major programme of BITE scoping exercises, it is expected that all other services will continue to contribute to efficiency savings in the normal way.
- 2.3 The services within the remit of this Scrutiny Committee which are included in the scoping exercise and the reason for their inclusion are as follows:

Insurance (Gross Budget £6.6m)

What’s in scope – To better understand claims made against the council’s insurance provision with a view to reducing claims, and to review the management of the claims to ensure that that council is achieving value for money.

Legal Services (Gross Budget £2.027m)

What’s in scope – To better understand the scope of the legal services function to establish the impact of the council’s current policy and practice upon outcomes and value for money.

Print, Scan, Mail (Gross Budget £0.519m)

What’s in scope – There are two distinct aspects to this exercise. The first is to review the current arrangements for print services across the council. The second is to understand the opportunities for efficiencies that might be gained

from aligning the Print Service with the scanning and mail functions within the Business Services Directorate.

Democratic Governance (Gross Budget £1.285m)

What's in scope – To review the functions of area governance, committee services, civic and mayoralty, scrutiny, and elections to ensure that they will meet the future needs of the council.

Consultation and Engagement: See below* (Gross Budget £0.154m within Chief Executive's Directorate)

Marketing and Communications: See below* (Gross Budget £0.782m)

Policy: See below* (Gross Budget £0.288)

Performance: See below* (Gross Budget £0.275m)

*What's in scope – the above four functions are seen as cross cutting activities and so are being scoped on an organisation wide basis to explore possible options for undertaking them in more effective and efficient ways.

- 2.4 The scoping exercise during June and July will involve leaders of the relevant services, supported by members of the Business Improvement Team, Vanguard consultants or a mix of both gaining a more detailed understanding of how their 'system' is currently operating. The exercise will provide benefits for both the team and the organisation.
- 2.5 The scoping exercise will provide the teams with:
- a greater understanding of current performance from a service user perspective
 - an understanding of the scope for improvement
 - an appreciation of the costs associated with delivering the current system and the scope for reducing them
 - an informed choice about what the next course of action should be.
- 2.6 The whole scoping exercise will provide the council with:
- much greater clarity about where the efficiency savings will come from
 - which service areas should progress down the BITE systems intervention/systems thinking route
 - A programme re delivery of projects in year 1
 - A replicable approach for years 2 and 3
- 2.7 The outcomes of the scoping exercise – the anticipated efficiencies and how these might best be realised – will subsequently be reported to the Corporate Leadership Team to determine the programme of action and priorities for levering out efficiency savings. It is expected that some of these efficiency savings will require a policy decision on the part of the Council and therefore elected members will be kept closely informed of the progress.

3.0 Scrutiny Review Process

- 3.1 At the start of the municipal year, Scrutiny Committees identify suitable topics for scrutiny reviews during the course of the year, and other issues that they wish to include within their respective work programmes. The Committees have access to a range of information, including:
- Performance information
 - Issues identified by Area Committees (current issues identified by Area Committees are listed in Appendix 1)
 - An overview of key issues affecting directorates over the next 12/18 months supplied by Corporate Directors.
- 3.2 Last year scrutiny committees were engaged in a process to consider both the priorities of the Council for the next financial year and the medium term financial strategy. To help start planning for the significant challenges that face the Council the Executive requested Scrutiny Committees' views on what they considered should be priorities from 2011/12 onwards given the financial prospects, and also areas where efficiency savings and other cost reductions could be achieved. This took place in the autumn committee cycle. It was a process driven by scrutiny chairs and a final report was prepared that was then considered by the Executive. There were benefits from this process as well as some lessons learnt. The benefits largely focussed on an opportunity to engage members from all parties at an early stage in the financial planning and decision making re priority service areas. Any lessons regarding making sure robust business cases were prepared for members consideration can be incorporated into any further engagement with scrutiny committees in the same way.
- 3.3 This year, Scrutiny Committees also need to have regard to the Coalition Agreement published by the new government and issues within it relating to local government when seeking to identify review topics. Whilst detail is still emerging about how the financial savings required by local government are to be distributed across service areas, scrutiny committees will need to take account of the information announced to date to help inform their review selection. It will be important to ensure that scrutiny committees are kept up to date with the emerging picture for Local Government.
- 3.4 The BITE Strategy is a commitment of significant resources to deliver business improvement and efficiency across the council and to deal with the council's medium term financial strategy. Scrutiny reviews also absorb significant resources from the Policy & Performance team within the Chief Executive's Directorate, as well as within the service areas that are engaged with each scrutiny review.
- 3.5 In order to ensure the most efficient use of resources, it is important that any scrutiny reviews undertaken this year do not duplicate/cut across services that are undergoing systems thinking interventions. It is also possible that the scoping exercises that are to be undertaken shortly may identify issues that would merit scrutiny involvement in subsequent stages of the systems thinking route and the opportunity exists to engage scrutiny committees in the BITE Strategy work.

- 3.6 The Scrutiny Co-ordination Committee on 15 June agreed that the Chair and Vice-Chair of Scrutiny Committees should meet with the relevant Corporate Director to consider the best way forward to identify scrutiny review topics having regard to the BITE strategy and the need to promote best value and efficiency. The outcomes of these meetings will be reported verbally at the Committee meeting.
- 3.7 Once the outcome of the scoping work being undertaken in June /July is known this will be reported to scrutiny committees to further help inform the identification of scrutiny reviews that will add value to improving service delivery across the council.
- 3.8 In relation to wider consultation with scrutiny committees on the priorities and medium term financial strategy, the scrutiny Co-ordination Committee supported a further process for the committees during the autumn cycle to consider any outcomes of the BITE programme including any further consideration of priorities. By this stage the Council should be operating in a climate of more information on the financial picture and this will no doubt require further consideration of our medium term financial strategy for 2011 onwards. The Scrutiny Co-ordination Committee will again drive this process and collectively report back to the Executive.

4.0 Recommendation

- 4.1 Members are requested to consider the process to be followed for identifying scrutiny review topics for the current municipal year and how scrutiny activity can align with any of the BITE service reviews..

Further information

To discuss this report or for further information please contact Steve Callender telephone number 0161 474 3184 or e-mail steve.callender@stockport.gov.uk

Area Committee Suggested Review Topics

The following issues were suggested as potential scrutiny review topics for this Scrutiny Committee by Area Committees:

Issue	Area Committee
The effectiveness of marketing and communications within the Council and advertising for the Council	Bramhall & Cheadle
The Council website	Bramhall & Cheadle
The effectiveness of the scrutiny review process and whether meaningful change takes place as a result of recommendations	Central Stockport
Planning enforcement	Central Stockport

COMMITTEE: CORPORATE, RESOURCE MANAGEMENT AND GOVERNANCE
SCRUTINY COMMITTEE

DATE: 27TH JULY 2010

REPORT OF: ASSISTANT CHIEF EXECUTIVE (STRATEGY AND DEMOCRACY)

REPORT TITLE: AGENDA PLANNING

1) PLANNED AGENDA ITEMS

(Committee Members are asked to note that agenda items are indicative at this stage and will be subject to change and added to following this meeting)

21st September 2010

Item	Type/Purpose
1 st Quarter Corporate Performance Report	Performance report
1 st Quarter Revenue Budget Monitoring Report	Performance report
1 st Quarter Capital Programme Monitoring Report	Performance report
1 st Quarter Treasury Management performance	Performance report
Stockport Survey - Satisfaction levels in Priority 1 areas	Questions/comments
Exec Response to Customer Contact: Street Lighting & Highways Scrutiny Review	Executive response

2) RELEVANT ENTRIES IN JULY 2010 FORWARD PLAN

Decision Reference	Subject Area for Decision	Expected Date of Decision	Decision Maker
FIN 80	Treasury Management Annual Report 2009/10 and Treasury Management Policy Statement and Practices	August 2010	Executive recommendation to Council Meeting

3) PROGRESS ON SCRUTINY COMMITTEE RESOLUTIONS

Date/ Minute No.	Resolution	Progress	Person Responsible
23 rd February 2010 Minute 8 refers	That an update report be submitted to a future meeting detailing progress on the delivery of the Disability Equality Action Plan 2010 - 12	To be included in the Committee's Work Programme for 2010/11	Steven Longden
8 th June 2010 Minute 4 refers	Following an analysis of the Stockport Survey a report to be submitted to a future meeting in relation to reasons why satisfaction levels are lower in Priority 1 areas.	Included in the Committee's Work Programme for September meeting	Sue Thomas

Corporate, Resource Management
and Governance Scrutiny Committee

Meeting: 27 July 2010

Customer Strategy

Report of the Service Director, Business Services

MATTER FOR CONSIDERATION

The Scrutiny Committee is requested to consider the draft Customer Strategy, attached as an appendix to this report, prior to consideration by the Executive.

INFORMATION

This strategy succeeds the Council's previous Customer Services Strategy, "Putting People First". It sets out the progress that has been made under the previous strategy, and outlines a new approach to developing services to better meet customer need.

The strategic objectives of the strategy include:

- Understanding the needs of customers
- Shaping the delivery of Council services to reflect the needs of all customers
- Providing customers with timely and efficient access to council services, information and advice
- Achieving a higher level of customer satisfaction.

RECOMMENDATION

The Committee is invited to comment on and support the draft strategy.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Adrian Moores on telephone number 0161 474 5405 or alternatively email adrian.moores@stockport.gov.uk

Customer Strategy - Stockport Council

A. Current Position

1. Background

The aim of this document is to set out the progress the Council has made so far under its previous Customer Services Strategy "Putting People First" and outline how it wishes to develop end to end service delivery for everyone that interacts with Stockport Council now, and in the future. It is a Customer Strategy as opposed to a Customer Services Strategy and applies to all services within the Council and not just the Customers Services function, where services are accessed.

Under the previous strategy the following progress has been achieved:

- The creation of a dedicated Customer Services function to oversee the development and management of initial access to services over the telephone and face to face
- Continued development of the Contact Centre to the point that initial telephone and email access to most of the Council's services is via the Contact Centre
- Improvements in face to face service delivery through the development of the Stockport *Direct* Centre based at Stopford House, supported by 11 Local Centres located throughout the Borough
- The creation and marketing of Stockport *Direct*, which is the one identity for the provision of services to the residents of Stockport. Existing stakeholders include the Citizens Advice Bureau (CAB) and Stockport Homes as well as the Council
- Development of a corporate Customer Charter
- Development of the Lagan Customer Relationship Management (CRM) system, to the point where many of the service requests in the Contact Centre, are now processed through the system
- The development and implementation of a corporate complaints process using the Lagan CRM system
- The commission of services from other service providers e.g. Family Info Link, FLAG, (For Local Advice and Guidance) SCVS

2. Evidence and Progress

A survey of the Citizen's Panel in Sept 2003 concluded that:

- The majority of citizens that contact the Council (58%) would prefer to do so by telephone.
- 12% would contact the Council by letter
- Only 11% would prefer to contact the Council face to face (primarily for Council Tax, Benefits and Housing).
- 11% would use email

- 8% would use other means e.g. visiting a Councillor.
A survey of the same panel in Dec 2008 has indicated that this has now changed:
- Whilst the preferred means of accessing Council Services is still the telephone (59%), the second preferred means is now by internet and email (24%) and the third is by letter (7%). There has been a marked reduction (only 6%) in those who would visit Council offices
- It is important however to recognise that there are shifts in these figures when considering age and gender. e.g. a higher than average number of women prefer to use the telephone, with a higher than average percentage of 60⁺ preferring face to face
- The recent economic downturn has seen an increase in demand for services which may distort these figs e.g. a higher number of visitors to Council offices for Benefit purposes
- Research indicates that young people prefer on line communication which includes, accessing the internet, e-mails and social networking sites

Until recently the Council has been capturing and measuring levels of Avoidable Contact for NI 14. This indicator has now been abolished and the system that has been introduced to measure and report levels of Avoidable Contact will be adapted to capture data on new measures e.g. Preventable Demand, Pass on and Pass back. These measures will be used to inform the Council's adoption of a 'Systems Thinking' approach to service delivery, which will be centred on a better understanding of customer need and eliminating waste from the customer's perspective.

It is critically important that the Council continues to build on the good work that has already been done in providing services to the residents of Stockport. The delivery of this strategy will result in improved service delivery and end to end customer satisfaction.

In practice the Customer Strategy is very much a part of the Council's mainstream activity, and whilst this document seeks to bring together in one place the major components of the strategy, elements of it are evident in a range of Council documents such as the Council Plan, Information Management Strategy, BITE (Business Improvement, Transformation And Efficiency) Strategy and of course throughout the Council's activities, processes and culture.

B. Blue Print for a New Strategy

1. Purpose of the Customer Strategy

To better understand customer needs and to design services to meet those needs.

For the purpose of this document, a Customer is defined as,
 “An individual, business or other organisation to which Stockport Council provides access to Information, Advice or a service and those that are not accessing the services, to which they would be entitled to”

A broad definition of customer needs;

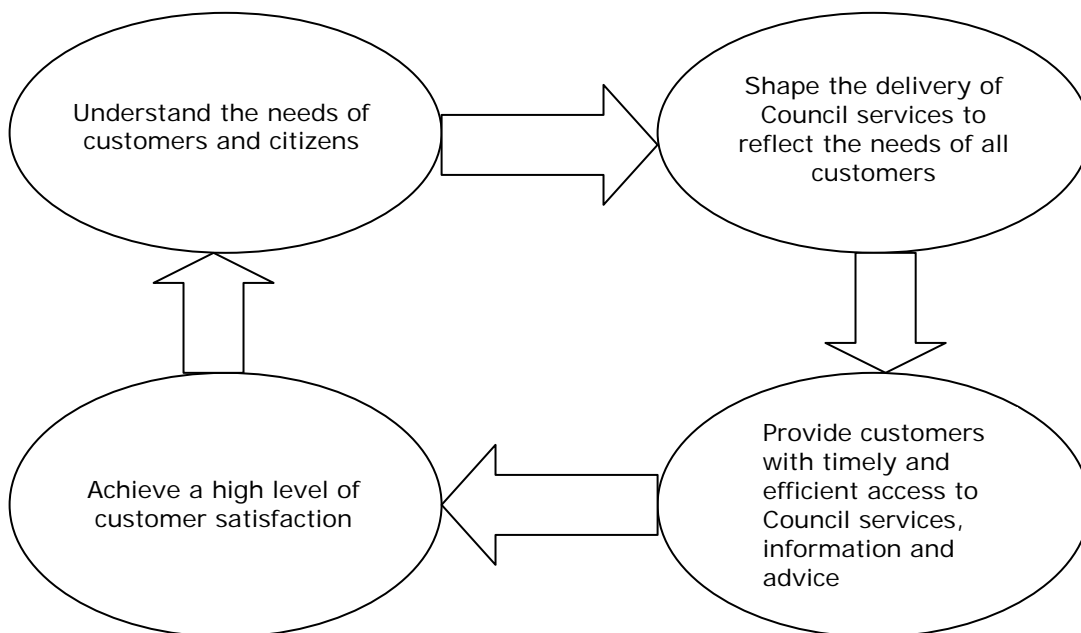
- Information and/or Advice
- Reporting & resolution of a fault
- Request a service (i.e. Social Care Needs Assessment, Application for Benefit, Application for a place at school, Make an appointment to register Birth/Death, etc.)

Strategic Objectives

Within the available resources the Council will aim to:

- Understand the needs of customers and citizens
- Shape the delivery of Council services to reflect the needs of all customers
- Provide customers with timely and efficient access to Council services, information and advice
- Achieve a higher level of customer satisfaction

The objectives of the Strategy will be achieved via continuous improvement to ensure that the Council continues to engage with customers and respond to their needs, as illustrated below.



- Design performance measures that help the organisation to understand and improve its service to customers
- Resolve customer enquiries following first contact
- Improve collaboration & coordination between services within the Council and Strategic Partners
- Engage customers in shaping the way that services are delivered

Indicative Measures

- Customer satisfaction – timely measurement of service performance from a customer point of view
- The percentage of enquiries resolved following first contact
- Value for money / efficiency in the cost of providing services

Further measures will be designed to help understand performance against the purpose of individual services. This will help to understand customer need and design services to better meet need.

2. Principles

There are a number of guiding principles which underpin the application and ongoing development of the Customer Strategy integrated with the Council's service/business planning process:

2.1 A Corporate and Strategic Approach

The strategy will influence how the Council delivers its services to service users and customers and reflect the priorities of the Community Strategy which are;

- A thriving Stockport
- A safer, stronger Stockport
- A healthy Stockport
- A greener Stockport

2.2 Providing Better Value for Money

The Council will seek to promote, achieve and demonstrate value for money in the way in which it delivers its services. It will aim to demonstrate that all services meet service objectives, and the expectations of customers.

The Customer Strategy will promote the elimination of waste within the systems that currently exist to provide services and reduce preventable demand. This will not only improve cost effectiveness, but will also enhance customer satisfaction.

2.3 Affordability and Funding

The Council has finite resources and inevitably has to prioritise the delivery of its services within the available budget. The evidence generated through this strategy will help the Council to make a more informed choice about how to best direct its resources to meet customer need.

Funding for the various projects within the strategy will largely be on the basis that improvements to service delivery and the savings realised. As such Invest to Save and BITE will be sources of funding for the delivery of this strategy.

2.4 Performance Management

The corporate Customer Performance Management Framework will be further developed to reflect a range of customer focussed measures and performance, based upon the measures identified within major workflows.

2.5 Understanding Customer Need

It is accepted that there is a need to develop improved intelligence and insight about our customers, their needs and expectations. It is necessary to review approaches to consultation and communication, to ensure that the Council maintains a current view of customers requirements.

2.6 Eliminating Discrimination and Promoting Equality

At the time of writing, the Council has legal duties to ensure that it eliminates discrimination and promotes equality when delivering services, in relation to race, disability and gender. If the Equality Bill is enacted this year these duties will be extended to include religion and belief, sexual orientation, age and socio-economic status.

In line with these legal duties an Equality Impact Assessment will be carried out on this new Customer Service Strategy to ensure that any potential for discrimination is removed, whilst maximising opportunities to promote equality for all our customers.

The above duties also require the Council to involve and consult the above - mentioned equality groups when reviewing the consultation and communication methods it uses to better 'understand customer need'.

All front facing, customer service employees and managers are required to attend the Council's Diversity & Equality training courses. Additional bespoke training will also be provided to ensure that employees can meet the specific needs of disabled customers and those with poor English.

2.7 Improvement

The Council will seek to improve service delivery, particularly against its agreed priorities. The Customer Strategy will promote and support the achievement of continuous improvements in service delivery and the use of resources in conjunction with the Business Improvement, Transformation and Efficiency (BITE) strategy. Additionally any complaint will be considered an opportunity to improve service delivery and reduce preventable demand.

2.8 Partnership and Collaborative Working

In delivering the Customer Strategy the Council will seek to work effectively with partner organisations within the Borough. It will work with other local authorities (particularly within AGMA – Association of Greater Manchester Authorities) and with relevant regional and national agencies to ‘join up’ the delivery of public services where there is a demonstrable benefit to the Council and its customers.

2.9 Quality Assurance

There will be a set of minimum service delivery standards that all employees must meet and adhere to.

The strategy will promote a culture in which employees take personal responsibility for enquiries made by customers and seek to resolve them at first contact. In situations where enquiries cannot be resolved at first contact employees will work to ensure that customers are kept informed of progress in resolving the matter.

3. **Governance and Delivery**

- 3.1 The Strategy has the support of the council’s Corporate Leadership Team and the Council’s Executive. The Elected Member Champion for this Strategy is the Executive Member for Customer Focus.
- 3.2 The Customer Strategy Board, chaired by the Corporate Director, Business Services and represented at Directorate level by at least a Service Director, will oversee the communication and delivery of the strategy ensuring that a co-ordinated approach is adopted across the Council.

4. **Policies**

- 4.1 There are a number of policies which will underpin the application and ongoing development of the Customer Strategy. Examples include:
 - Corporate Comments, Compliments and Complaints
 - Freedom of Information
 - Data Protection
 - Diversity and Equality Policy
 - Communication Policy
 - Children & Young People Safeguarding Policy
 - Children & Young People Engagement Participation Policy

- Adult Social Care Voice Strategy
- Adult Social Care Putting People First Programme

5. Elements of Service Delivery

- 5.1 It is expected that all employees who interact with customers of the Council, will exercise high levels of customer care and this in turn will lead to;
- Improved customer “end to end experience” and resulting satisfaction feedback
 - Increased employee satisfaction
 - Consistency in delivery across all service areas
 - Improved credibility with residents and businesses
- 5.2 The Council will continue to be committed to both improving services, and making them more accessible. It will give residents and business users a choice of different ways to easily access a wide range of services, information and advice.
- Telephone – The Stockport *Direct* Contact Centre will continue to offer an easy way to access a whole range of Council services by telephone. Additionally, it also handles emails, texts and faxes.
 - Face to Face – The Stockport *Direct* Centre will continue to provide face to face access to information and advice and all Council Services in the Town Centre. Stockport *Direct* Local Centres will continue to support the *Direct* Centre, by providing face to face access to information and advice and Council services from a single point near to their own home.
 - Online – The Council is working toward a more transactional and interactive service. Accessing information and advice, reporting a problem, requesting a service and taking part in online consultation, will be a few of the facilities that will be available in the future.
- 5.3 When the Council commissions external providers to deliver services which have a customer focus, reference to the strategy will be included in all service specifications and providers will be expected to respond with details of how their intended service provision will align with the strategy.

6. Linkages

- 6.1 The Customer Strategy does not exist in isolation; it is a key part of the Council's overall policy framework and will have links to a number of other corporate policies and strategies, in particular:
- Council Plan
 - Medium Term Financial Strategy
 - Information Management Strategy
 - Human Resources Strategy
 - Asset Management Strategy
 - BITE Strategy

- Community Engagement Strategy
- Corporate Communication Strategy (One Place One Voice)

6.2 The Customer Strategy will have particular implications for other resources including ICT with regard to e.g.: -

- Development of CRM
- Development of online communications and services

Such developments will be kept under review and remain focussed upon improving customer service.

6.3 Service Strategies

- Adult Social Care Customer Care Policy
- Children & Young People Plan 2009-11
- Economic Development Strategy

C. Next Steps

The Councils Head of Customer Service will act as the Programme Manager for the implementation of the Strategy. An annual programme of activity is being developed and monitored by the Board to further enable this strategy.