

Cheshire East Council

Cabinet

Date of Meeting:	7 th November 2017
Report of:	Director of Finance and Procurement (Section 151 Officer)
Subject/Title:	Mid-Year Review of Performance 2017/18
Portfolio Holder:	Cllr Paul Bates, Finance and Communications

1. Report Summary

- 1.1. This report outlines how the Council is managing resources to provide value for money services during the 2017/18 financial year. The report highlights financial and non-financial pressures and performance and provides an overview of progress towards achievement of the priority outcomes set out in the Corporate Plan 2017 to 2020.
- 1.2. 2017/18 is presenting a challenging year for local authorities across the UK as revenue budgets come under severe pressure due to the combined effects of rising inflation, increased demand for services and continuing reductions in government funding. Demand led financial pressures in the People Directorate are currently exceeding forecasts in both Children and Adults Services. This pressure is more significant as previous one-off mitigation, such as financial contributions from health services, are unlikely to continue, which exposes an additional underlying shortfall in certain budgets.
- 1.3. The Council's mid-year forecast overspend is estimated at £5.8m compared to the 2017/18 Budget. This is an improvement of £4.2m compared to quarter one due to robust mitigation and remedial action. However, the forecast identifies a £0.7m increase in the potential overspend within services, which is now forecast at £9.9m. This increase in service costs reflects further growth within Children's Social Care Services (of £1m), set against an improved forecast within the Corporate Directorate (of £0.3m).
- 1.4. Central Budgets and actions identified by the Section 151 Officer at quarter one, mitigate the latest forecast overspend within services by £4.1m, to reach the current net forecast of £5.8m. At quarter one the forecast included £17.7m of potential financial pressures, which were being partially mitigated by services, to leave a potential overspend of £10m. The report included options to fund the potential £10m through changes to Capital

Financing, early-payment of pensions deficits, capitalisation of transformation costs and the use of reserves.

- 1.5. At mid-year the changes to Capital Financing and early redemption of the pension deficit are resolved and are therefore included within the forecast outturn. The changes to capital financing reflect the flexible use of capital receipts, within the existing Strategy and have been verified by the Council's treasury management advisors and external auditors. The Capital Financing budget requirement is reduced by £6m for 2017/18, although £1.9m of this relates to backdated adjustments, which are being allocated to earmarked reserves creating a net £4.1m improvement in the forecast. The early redemption of past service pension deficits improves the forecast by £0.8m, and is based on the impact of improved cashflow to the pension fund.
- 1.6. Robust action continues and may reduce the forecast deficit and return the budget to a balanced position, specifically in relation to reviewing the funding of costs of transformation activities and an appropriate use of available reserves which will also include recent decisions to fund the payment of sleep-in allowances.
- 1.7. Further mitigating actions potentially totalling £5m (not included in Annex 1) are identified below. These actions would reduce the forecast deficit to £0.8m, meaning further options will continue to be explored.

Options to further reduce the forecast revenue budget deficit:

Revenue reductions relating to capital - £2m	Capitalising some costs associated with major projects and funding transformation activity from capital receipts.
Potential Use of reserves - £3m	Income from Council Tax & Business Rates has been accumulated to mitigate costs of non-collection and appeals as well as from growth that has exceeded forecasts. Accounting for the liabilities in this area has proved accurate so it is reasonable to consider release of some of these reserves now.
	Financing the Capital Programme is a long term strategy and to date reserves have been built up to avoid an increase in the annual Capital Financing Requirement (CFR). To date the CFR has not been exceeded, and if MRP reductions are practical then reserves previously built up can be released.

- 1.8. Against this extremely challenging financial backdrop it is pleasing to note that the Council has continued to perform strongly, delivering positive outcomes in each of the six priority areas identified by the Corporate Plan.
- 1.9. In quarter two, a few examples of good performance were:

- Four 'Connected Communities' Centres have opened this quarter
- A new initiative to safeguard vulnerable residents was launched
- The Council will receive a share of £7.25m of funding to extend roll-out of faster broadband
- New pay and display parking machines were installed
- 89.7% of all schools were rated 'good' or 'outstanding' at the end of quarter two, including 92% of primary schools
- Provisional figures show excellent GCSE and A-Level results once again for Cheshire East students
- The Council sealed formal adoption of its Local Plan following three years of submissions and a total of more than 60,000 comments during 11 separate rounds of public consultation
- The Housing Standards & Adaptations team won the national Foundations 'Adaptations Service of the Year' award
- In quarter two we had our first cohorts of social workers endorsed as Advanced Practitioners
- The Council has appointed Public Concern at Work (PCaW) to deliver additional whistleblowing support to complement and review our current arrangements
- The Council's Customer Contact Centre at Macclesfield was one of four finalists for the Contact Centre of the Year award, by Call Northwest.

1.10. Areas requiring further improvement also identified as:

- The need to increase the number of Adult Social Care assessed within 28 days to above 50%
- The need to increase the number of adults seen within 10 days following referrals for drug and alcohol treatment
- The need to increase screening for young people with potential STI's
- To increase the number of children that have a health assessment by a paediatrician within 20 working days of entering care
- To reduce the percentage of referrals to Children Social Care which result in a child assessed as not in need
- To increase capital receipt disposals to be in line with original forecast
- To reduce the enquiry and legal costs related to planning appeals
- The need to increase the number of project highlight reports completed on time.

1.11. The attached report, **Annex 1**, sets out details of how the Council is performing in 2017/18. It is structured into three sections:

Section 1 Summary of Council Performance - brings together the positive impact that service performance and financial performance have had on the six Council Outcomes during the year.

Section 2 Financial Stability - provides an update on the Council's overall financial position. It demonstrates how spending in 2017/18 has been funded, including the service budgets, grants, council tax & business rates, treasury management, centrally held budgets and reserves.

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

2. Recommendation

2.1. Cabinet is asked to consider and comment on the mid-year review of 2017/18 performance, in relation to the following issues:

- The summary of performance against the Council's six Strategic Outcomes (**Section 1**);
- The projected service revenue and capital outturn positions, overall financial stability of the Council, and the impact on the Council's reserves position (**Section 2**);
- The delivery of the overall capital programme (**Section 2, paragraphs 179 to 187, Appendix 4 and Appendix 5**);
- Fully funded supplementary capital estimates and virements up to £250,000 approved in accordance with Finance Procedure Rules (**Appendix 6**);
- Changes to Capital Budgets made in accordance with the Finance Procedure Rules (**Appendix 9**);
- Treasury management investments and performance (**Appendix 10**);
- Management of invoiced debt (**Appendix 12**);
- Use of earmarked reserves (**Appendix 13**);
- Update on workforce development and staffing (**Section 3**);
- The intention of the S.151 Officer to identify further financial mitigation, in relation to the Council's 2017/18 revenue budget, through a review of the calculation of the Minimum Revenue Provision, (**Appendix 15**) and the funding of other revenue costs through capitalisation or the appropriate use of available reserves;
- The intention to implement a flexible use of capital receipt strategy to be approved by full council (**Appendix 14**).

2.2. Cabinet is asked to approve:

2.2.1. Supplementary revenue estimates to be funded by additional specific grant (**Appendix 11**).

2.3. Cabinet is asked to recommend that Council approve:

2.3.1. Fully funded supplementary capital estimates and virements above £1,000,000 in accordance with Financial Procedure Rules as detailed in **Appendix 8**.

2.3.2. The Supplementary Capital Estimate of £12.6m for Poynton Relief Road as detailed in **Appendix 8** and **paragraphs 183-185**.

- To approve the forward funding of developer contributions to the scheme and to approve the underwriting, in principle, of any necessary gap funding required to deliver the proposed relief road.
- That the scheme budget profile be adjusted accordingly in the capital programme.

2.3.4 The use of the flexibility to apply capital receipts to fund transformation projects as detailed in **Appendix 14**.

2.4. Cabinet is asked to recommend that Council note:

2.4.1. The financial implications of the change in the Minimum Revenue Provision (MRP) policy to the use of the annuity method as detailed in **Appendix 15**.

3. Other Options Considered

3.1. The 2017/18 Budget sets out a financial framework for Council services, which is approved and then adjusted in-year in accordance with the Constitution. Approval limits within the Constitution may require approval by members of the authority and non-financial changes, such as options to vary ways of working, staffing changes and reviews to levels of services delivery are applied within an approved policy framework.

3.2. Options such as a freeze on spending, or stopping fulfilment of vacancies are considered as part of the management review of expenditure throughout the year.

4. Reasons for Recommendation

4.1. The Council monitors in-year expenditure through a quarterly reporting cycle, which includes outturn reporting at year-end. Quarterly reports reflect financial and operational performance and provide the opportunity for members to note, approve or recommend changes in line with the Council's Financial Procedure Rules.

4.2. The overall process for managing the Council's resources focuses on value for money and good governance and stewardship. Financial changes that become necessary during the year must be properly authorised and this report sets out those areas where any further approvals are now required.

5. Background/Chronology

- 5.1. Monitoring performance is essential to the achievement of outcomes for local residents. This is especially important in an organisation the size of Cheshire East Council. The Council is the third largest in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Gross annual spending is over £720m, with a balanced net budget for 2017/18 of £264.6m.
- 5.2. The management structure of the Council is organised in to three directorates, People, Place and Corporate. The Council's quarterly reporting structure provides forecasts of a potential year-end outturn within each directorate during the year.
- 5.3. At the mid year stage, action is required to ensure that the Council's reserves strategy remains effective following identification of a potential overspend of £5.8m (2.2%) against a net revenue budget of £264.6m. Forecast capital expenditure in the year is £112.3m.

6. Wards Affected and Local Ward Members

- 6.1. All

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1. Performance management supports delivery of all Council policies. The projected outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2018/21 medium term financial strategy.

7.2. Legal Implications

- 7.2.1. The legal implications surrounding the process of setting the 2017 to 2020 medium term financial strategy were dealt with in the reports relating to that process. The purpose of this paper is to provide a progress report at the mid year stage in 2017/18. That is done as a matter of prudential good practice, notwithstanding the abolition of centrally imposed reporting requirements under the former National Indicator Set.
- 7.2.2. In relation to the approach the Council's minimum revenue provision the Council's 151 Officer needs to be content that Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 which requiring local authorities to make a prudent amount of minimum revenue provision are complied with. In addition The Secretary of State has issued statutory guidance on determining the "prudent" level of MRP which the Council is required to have regard to.

7.2.3. The only other implications arising directly from this report relate to the internal processes of approving supplementary capital estimates and virements referred to above which are governed by the Finance Procedure Rules.

7.2.4. Legal implications that arise when activities funded from the budgets that this report deals with are undertaken, but those implications will be dealt within the individual reports to Members or Officer Decision Records that relate.

7.3. Financial Implications

7.3.1. The Council's financial resources are agreed by Council and aligned to the achievement of stated outcomes for local residents and communities. Monitoring and managing performance helps to ensure that resources are used effectively and that business planning and financial decision making are made in the right context.

7.3.2. Any proposals to amend the calculation of the Minimum Revenue Provision will be reported to Council as part of the process to review the Treasury Management Strategy. Any proposal to use reserves to support in-year expenditure will be consistent with the Reserves Strategy or otherwise reported to Council.

7.4. Equality Implications

7.4.1. This report is a backward look at Council activities in the second quarter and predicts the year end position. Any equality implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7.5. Rural Community Implications

7.5.1. The report provides details of service provision across the borough.

7.6. Human Resources Implications

7.6.1. This report is a backward look at Council activities in quarter two (July to September 2017) and states the forecast year end position. Any HR implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7.7. Public Health Implications

7.7.1. This report is a backward look at Council activities in quarter two and provides the forecast year end position. Any public health implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7.8. Implications for Children and Young People

7.8.1. The report provides information on financial and non-financial performance of Council services within the Borough, which includes services to Children & Young People. The recommendations of this report do not include specific proposals that will directly impact on Children & Young People, but the narrative within the report does provide relevant information and updates on Council Services to these groups.

7.9. Other Implications (Please Specify)

7.9.1. None

8. Risk Management

8.1. Performance and risk management are part of the management processes of the Authority. Risks are captured both in terms of the risk of underperforming and risks to the Council in not delivering its objectives for its residents, businesses, partners and other stakeholders. Risks identified in this report are used to inform the overall financial control risk contained in the Corporate Risk Register.

8.2. Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2017/18 budget and the level of general reserves were factored into the 2017/18 financial scenario, budget and reserves strategy.

9. Access to Information/Bibliography

9.1. The following are links to key background documents:

[Budget Book 2017/18](#)

[Medium Term Financial Strategy 2017/20](#)

[First Quarter Review of Performance 2017/18](#)

Contact Information

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