

# Cheshire East Council

## Cabinet

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<b>Date of Meeting:</b>	13 June 2017
<b>Report of:</b>	Director of Finance and Procurement (Section 151 Officer)
<b>Subject/Title:</b>	2016/17 Financial Outturn and Review of Performance
<b>Portfolio Holder:</b>	Cllr Paul Bates

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### 1. Report Summary

- 1.1. This report outlines how the Council managed resources to provide value for money services during the 2016/17 Financial Year. The report includes narrative from the Council's Draft Group Accounts, to highlight financial performance within the year, as well as associated annexes to show how the Council has achieved against the outcomes contained within the Corporate Plan as well as other important financial matters.
- 1.2. 2016/17 presented a challenging year for local authorities within the UK as issues, such as inflation and increasing demand, were compounded by reductions in government funding. Adult Social Care services in particular have experienced rising caseloads and increasing complexity of care needs as well as rising costs from minimum wage requirements for care providers. This is particularly relevant in Cheshire East as the number of people over 65 years is already higher than national averages and is expected to increase faster than average too. The Council's net expenditure on Adult Social Care services was almost £100m in 2016/17, which is equivalent to three times the required spending on any other service area.
- 1.3. Against a backdrop of challenging circumstances Cheshire East Council has continued to increase satisfaction levels for key services and improve value for money overall. This report provides evidence of how the Council engages with residents, businesses and its partners to achieve positive outcomes.
- 1.4. The Council has continued to build on the achievements of the last three years and the overall financial health, performance, resilience and value for money at the Council has remained strong. The forecast at the end of quarter three was an overspend of £1.7m (or 0.7% against the net budget), which has proved accurate overall, as the outturn position is the same. In line with national trends the position has been strongly influenced by an increase in caseload and costs associated with Children in Care and in

particular from demand for Adult Social Care services. The Council has also had to deal with the collapse of a significant sub-contracted bus provider. Reduced expenditure in Corporate Services have significantly mitigated the final position.

1.5. In quarter four, a few examples of good performance were:

- 89.7% of all schools in Cheshire East were good or outstanding
- Planning application turnaround within timescales improved across all categories
- 398 new affordable homes were delivered, which exceeded targets

1.6. The attached Appendices, set out details of how the Council has performed in 2016/17:

**Appendix 1 – Narrative from the Draft Group Accounts** – Provides context of the area and it's people, commentary on performance and introduces the financial statements of the Council and the wider Group of Companies for the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017.

**Appendix 2 – Outcomes** - Provides highlights of Council activities, and achievements, from working with partners and the community throughout 2016/17. The Appendix is set out in line with the six outcomes contained within the Corporate Plan 2016 to 2020

**Appendix 3 – Grants** – includes details of capital and revenue grants received during 2016/17

**Appendix 4 – Requests for Supplementary Capital Estimates and Virements**

**Appendix 5 – Debt Management**

**Appendix 6 – Reserves**

**Appendix 7 – Workforce Development**

## **2. Recommendation**

2.1. Cabinet is asked to consider and comment on the financial outturn and review of 2016/17 performance, in relation to the following:

- the narrative to the draft Group Accounts, including the financial outturn and impact on the Council's reserves and Balance Sheet (**Appendix 1**)
- summary of performance against the Council's 6 Outcomes contained within the Council's Corporate Plan 2016 to 2020 (**Appendix 1**);
- the final service revenue and capital outturn positions, overall financial stability of the Council, and the impact on the Council's reserves position (**Appendix 1**);

- fully funded supplementary capital estimates and virements up to £250,000 approved in accordance with Finance Procedure Rules (**Appendix 4, Table 5**);
- changes to Capital Budgets made in accordance with the Finance Procedure Rules (**Appendix 4, Table 8**);
- management of invoiced debt (**Appendix 5**);
- use of earmarked reserves (**Appendix 6**);
- update on workforce development and staffing (**Appendix 7**).

2.2. Cabinet is asked to approve:

2.2.1 A Supplementary Capital Estimate of £776,000 funded by the Department of Transport pot hole fund and virements as detailed in **Appendix 4, Table 6**; and

2.2.2 The allocation of additional grant funding totalling £42,280, as shown in **Appendix 3, Table 1**

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 4, Table 7**

### 3. Other Options Considered

3.1. None.

### 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.
- 4.3. This report presents a new opportunity to identify strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.

## **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 2016/17 of £247.9m.
- 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 final outturn, the Council's reserves strategy remains effective with a modest overspend, in line with the Third Quarter Review, of £1.7m (0.7%) against a net revenue budget of £247.9m. Capital expenditure in the year is £78.7m.
- 5.4. The alignment of the financial outturn, with the Council's activities and achievement against the outcomes contained within the Corporate Plan 2016 to 2020, provides evidence to stakeholders of where the Council is achieving of value for money.

## **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 final 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 2013 to 2016 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 final outturn stage in 2016/17. 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. The only 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.

- 7.2.3. 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. The Council's Audit & Governance Committee is responsible for reviewing and analysing the Council's financial position at year-end. The Committee received the Draft Group Accounts on 1<sup>st</sup> June 2017, with final accounts due for approval by 30<sup>th</sup> September 2017 following external auditing and associated recommendations to the Committee.

### **7.4. Equality Implications**

- 7.4.1. This report is a backward look at Council activities in quarter four and provides 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 that 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 four and states the 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 that relate.

### **7.7. Public Health Implications**

- 7.7.1. This report is a backward look at Council activities in quarter four and provides the 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 that relate.

## **7.8. Implications for Children and Young People**

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

## **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 2016/17 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 2016/17](#)

[Medium Term Financial Strategy 2016/19](#)

[First Quarter Review of Performance 2016/17](#)

[Mid Year Review of Performance 2016/17](#)

[Third Quarter Review of Performance 2016/17](#)

## **10. Contact Information**

10.1. Contact details for this report are as follows:

<b>Name:</b>	Jan Willis
<b>Designation:</b>	Director of Finance and Procurement
<b>Tel. No.:</b>	01270 686979
<b>Email:</b>	jan.willis@cheshireeast.gov.uk