

# Cheshire East Council

## Cabinet

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| <b>Date of Meeting:</b>  | 6 <sup>th</sup> February 2018  |
| <b>Report of:</b>        | Interim Executive Director of Corporate Services (Section 151 Officer) |
| <b>Subject/Title:</b>    | Third Quarter Review of Performance 2017/18                            |
| <b>Portfolio Holder:</b> | Cllr Paul Bates, Finance and Communication                             |

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### 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. At the third quarter the Council's forecast overspend is estimated at £0.1m compared to the 2017/18 Budget. This is an improvement of £5.7m compared to quarter two due to continued robust mitigation and remedial action. The reduction within services during the quarter is £0.5m, with a forecast overspend of £9.4m. The improvement is mainly due to reduced costs in Children's Social Care Services.
- 1.4. Further options to reduce Central Budgets by £5.0m have been included in the forecast outturn at quarter three. These include the part release of the collection fund management reserve relating to a review of non-collection and appeals and use of capital receipts to fund transformation activity. Additional grants of £0.3m have been received in the quarter giving an overall forecast underspend of £9.3m within central budgets.

- 1.5. This is a significant improvement compared to quarter one where the forecast included £17.7m of potential financial pressures, which were partially mitigated by services, to leave a potential overspend of £10m.
- 1.6. At mid-year the changes to Capital Financing and early redemption of the pension deficit were resolved and were included within the forecast outturn reducing the potential overspend to £5.9m.
- 1.7. As reported above at quarter three there is a small forecast overspend of £0.1m. Robust action continues to further reduce the forecast deficit, returning the budget to a balanced position.
- 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 three, a few examples of good performance were:
  - The Welcome Café, Longridge Estate, Knutsford and Audlem Community Centre both became Connected Communities Centres
  - The Council introduced Public Spaces Protection Order to tackle dog fouling and control of dogs
  - A new report placed Cheshire East as the top performing area in the North West for 'economic wellbeing'
  - Latest Gross Value Added (GVA) figures estimate the local economy at £11.59bn, a growth of 2.9% per annum during the period 2012-16
  - The Council scooped Best Tourism Marketing Project of the Year at the Marketing Cheshire Awards for Stage Three of the Tour of Britain
  - Cheshire East has achieved the third-lowest level of young people not in education, employment or training (NEET) in the UK
  - The 'Emotionally Healthy Schools' programme launched across Cheshire East
  - The Housing Strategy 2018-2023 went out for consultation during the quarter
  - Our recycling rate was confirmed at 55.2%, placing us in the top 10% of all authorities in England
  - Crewe Lifestyle Centre was shortlisted for the Community benefit category by the Royal Institute of Chartered Surveyors
  - The Carers' Living Well Fund pilot scheme was launched on 1st November 2017 and is available until 31st March 2018
  - The Council approved a new constitution, marking its first update since 2009
- 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%
  - To improve the percentage of staff Personal Development Reviews completed for the previous year and initiated for the current year

- To reduce the inquiry and legal costs related to planning appeals
- Recovery of invoiced Housing Benefits overpayments
- 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

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 third quarter 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 156 to 165, Appendix 4 and Appendix 5**);
- Fully funded supplementary capital estimates up to £500,000 approved in accordance with Finance Procedure Rules (**Appendix 6**);
- Capital virements up to £1,000,000 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**);
- Supplementary revenue estimates to be funded by additional specific grant (**Appendix 11**).
- Management of invoiced debt (**Appendix 12**);
- Use of earmarked reserves (**Appendix 13**);
- Update on workforce development and staffing (**Section 3**);

### **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 £264.8m.
- 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 third quarter stage, action continues to ensure that the Council's reserves strategy remains effective following identification of a potential overspend of £0.1m (0.05%) against a net revenue budget of £264.8m. Forecast capital expenditure in the year is £111.0m.

### **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 third quarter 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 third 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 three (October to December 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 three 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](#)

[Mid-Year Review of Performance 2017/18](#)

### Contact Information

- 9.2. Contact details for this report are as follows:

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