

Cabinet

Date of Meeting: 12 June 2018

Report Title: 2017/18 Financial Outturn and Review of Performance

Portfolio Holder: Cllr Paul Bates - Finance and Communication
Cllr Paul Findlow - Corporate Policy and Legal Services

Senior Officer: Jan Willis - Interim Executive Director of Corporate Services
(Section 151 Officer)

1. Report Summary

- 1.1. This report outlines how the Council managed its resources to achieve both positive outcomes and value for money in the delivery of services during the 2017/18 Financial Year. The report includes a narrative from the Council's Draft Group Accounts, to highlight financial performance within the year, as well as associated appendices to show how the Council has achieved against the outcomes contained within the Corporate Plan as well as other important financial matters.
- 1.2. The financial outturn for Cheshire East Council is balanced for 2017/18, with gross income matching gross expenditure, meaning General Reserves remain unchanged at £10.3m. This is despite the fact that 2017/18 presented a challenging year for the Council, in common with all local authorities across the UK, as revenue budgets came under severe pressure due to the combined effects of rising inflation, increased demand for services and continuing reductions in government funding.
- 1.3. At Quarter One (reported to Cabinet in September 2017) financial pressures that could have led to a deficit of up to £17.7m were identified. Mitigating action was detailed in the report to show how a balanced position could be achieved. These actions have been managed throughout the year to deliver the balanced outturn.
- 1.4. Demand led financial pressures in the People Directorate have exceeded forecasts in both Children and Adults Services. For example the number of cared for children and adults receiving support have been at unprecedented levels. Further financial pressures have been experienced in Waste Services, Planning and Transport. Pressures have been mitigated through re-commissioning activity, vacancy management and significant reviews of central budgets alongside changes to Capital Financing.

- 1.5. The Council's wholly owned companies produced an overall profit of £833,000 in 2017/18, prior to contractual profit sharing. This was made up of surpluses achieved on the delivery of services to the Council (£558,000) and commercial returns from services supplied to external customers (£275,000).
- 1.6. Of the Group's profits, £334,000 was retained by the companies, as per contractual arrangements, and £499,000 was added to the companies-related earmarked reserve held by the Council. As at 31st March 2018, retained company balances stands at £613,000; and the Council's earmarked reserve at £1.7m, made up of accumulated profit shares to date, offset by certain items of approved expenditure, and pending further committed usage early in 2018/19 (after which the balance will stand at some £1.5m). Taken together with the annual reductions in management fees delivered since the companies were formed in 2015 this represents a substantial return on the Council's investment in its ASDVs (Alternative Service Delivery Vehicle).
- 1.7. During 2017/18 Ansa developed a new joint venture, forming a subsidiary company with Staffordshire Moorlands and High Peak Borough Councils, Alliance Environmental Services, which itself made a surplus of £39,000 from efficiencies in the delivery of waste collection services in the High Peak area.
- 1.8. The Council has continued to perform strongly, delivering positive outcomes in each of the six priority areas identified by the Corporate Plan. This report provides evidence of how the Council has been engaging with residents, businesses and its partners to achieve positive outcomes.
- 1.9. The Council's Corporate Plan sets out 6 Priority Outcomes and 2017/18 has seen important improvements in each area. Examples evidenced within Appendix 2 highlight how outcomes are being achieved. For example: People feel safe in the area; Gross Value Added (GVA) has increased in Cheshire East; educational achievement has improved; waste to landfill has ended as a primary means of disposal; life expectancy in Cheshire East is higher than the national average; and efficiencies have been delivered across corporate services, including significant reductions in expenditure on ICT.
- 1.10. A number of key indicators provide further evidence of good performance:
 - 6 Connected Communities centres were opened
 - 88 organisations received £155,913 of funding contributing to £1,134,963 worth of community projects
 - We became the local authority with the third-lowest level of NEETs (Not in Employment, Education or Training) in the UK

- Over 6,000 applications were determined by the Council and 92% of major planning applications were determined within required timescales
 - The three-year target of achieving 1,050 affordable homes was significantly outperformed with 1,371 delivered
 - 2,270 home adaptations were made and the Council won a 'Home Adaptations Service of the Year' award
 - Attendances at Council leisure facilities rose by 11.7% to over 3.3million
 - The Cheshire East Carers & Young Carers Hub was launched
 - The Council achieved more awards wins and short listings than ever before
- 1.11. 2018/19 plans also reflect on the need to improve in some important areas, based on information from the 2017/18 Outturn Report. In particular we will build on the findings and recommendations of an independent culture review through the 'Brighter Future' Culture Transformation Programme. We will also look again at management of sickness levels across the Council, as these did not hit targets that were set in 2017/18. In addition we will use the outcome of an inspection of services across Cheshire East for children and young people with special educational needs and disabilities (SEND) to engage with key stakeholders and produce an Improvement Plan.
- 1.12. The attached Appendices set out details of how the Council has performed in 2017/18:
- 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 1st April 2017 to 31st March 2018.
- Appendix 2 – Outcomes** - Provides highlights of Council activities, and achievements, from working with partners and the community throughout 2017/18. The Appendix is set out in line with the 6 outcomes contained within the Corporate Plan 2017 to 2020.
- Appendix 3 – Grants** – includes details of capital and revenue grants received during 2017/18.
- Appendix 4 – Requests for Supplementary Capital Estimates and Virements**
- Appendix 5 – Debt Management**
- Appendix 6 – Reserves**
- Appendix 7 – Workforce Development**

2. Recommendations

- 2.1. Cabinet is asked to note the contents of the report and each appendix.

2.2. Cabinet is asked to approve:

2.2.1. fully funded supplementary capital estimates above £500,000 in accordance with Financial Procedure Rules as detailed in **(Appendix 4, Table 7)**;

2.2.2. fully funded supplementary capital virements above £1,000,000 in accordance with Financial Procedure Rules as detailed in **(Appendix 4, Table 7)**;

2.3. Cabinet is asked to recommend that Council approve:

2.3.1. fully funded supplementary capital estimates above £1,000,000 in accordance with Financial Procedure Rules as detailed in **(Appendix 4, Table 8)**;

3. Reasons for Recommendations

3.1. The Council monitors in-year performance 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.

3.2. 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 are properly authorised and this report sets out those areas where any further approvals are now required.

3.3. 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.

4. Other Options Considered

4.1. None.

5. Background

5.1. Monitoring performance is carried out to provide evidence of 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 around 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 into 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, as well as highlighting activity carried out in support of each outcome contained within the Corporate Plan.

- 5.3. At final outturn, the Council's reserves strategy remains effective with a zero net variance against the budgeted position, an improvement since the Third Quarter Review, of £0.1m against a net revenue budget of £264.8m. Capital expenditure in the year is £88.2m.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legal implications surrounding the process of setting the 2018 to 2021 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 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.
- 6.1.2. In relation to the approach to the Council's minimum revenue provision (MRP) the Council's Section 151 Officer needs to be content that Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, 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.
- 6.1.3. 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.
- 6.1.4. 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.

6.2. Finance Implications

- 6.2.1. 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.

6.2.2. 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 31st May 2018, with final accounts due for approval by 31st July 2018 following external auditing and associated recommendations to the Committee.

6.2.3. The forecast outturn for 2017/18, as reported at quarter three, was used to inform the budget setting process for 2018/19. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2018/19 budget, or highlights potential underlying issues that can be managed in future budget setting cycles. It is important to note that the minor variations reported at outturn have not identified any significant risks to the 2018/19 budget.

6.3. Policy Implications

6.3.1. 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 2019/22 medium term financial strategy.

6.4. Equality Implications

6.4.1. 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.

6.5. Human Resources Implications

6.5.1. 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.

6.6. Risk Management Implications

6.6.1. 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.

6.6.2. 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 2018/19 financial scenario, budget and reserves strategy.

6.7. Rural Communities Implications

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

6.8. Implications for Children & Young People

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

6.9. Public Health Implications

6.9.1. 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. Ward Members Affected

7.1. All.

8. Consultation & Engagement

8.1. As part of the budget setting process the Pre-Budget Report 2017/18 provided an opportunity for interested parties to review and comment on the Council's Budget proposals. The budget proposals described in the consultation document were Council wide proposals and that consultation was invited on the broad budget proposals. Where the implications of individual proposals were much wider for individuals affected by each proposal, further full and proper consultation was undertaken with people who would potentially be affected by individual budget proposals.

9. Access to Information

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](#)

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

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

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