

Cabinet

Date of Meeting: 12 June 2019

Report Title: 2018/19 Financial Outturn and Review of Performance

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication
Cllr Jill Rhodes - Public Health and Corporate Services

Senior Officer: Alex Thompson – Head of Financial Support & Procurement
(Acting Section 151 Officer)

1. Report Summary

- 1.1. This report outlines how the Council has managed its resources to provide value for money services during the 2018/19 financial year. The report includes a revenue outturn summary, a summary of financial performance for the year, as well as associated appendices to show how the Council has achieved against the outcomes contained within the Corporate Plan.
- 1.2. The financial outturn for Cheshire East Council is balanced for 2018/19, with gross income matching gross expenditure and the appropriate use of earmarked reserves, meaning General Reserves remain unchanged at £10.3m. This is despite the fact that 2018/19 presented a challenging year for the Council, in common with other 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. Despite financial pressures in 2018/19 statutory duties of the Council were still delivered within the relevant statutory parameters and the associated inspection frameworks. In this environment the ability to deliver financial savings whilst maintaining service standards across the Council was extremely challenging.
- 1.4. The Council has continued to perform strongly, delivering positive outcomes in each of the six priority areas identified by the Corporate Plan. In delivering outcomes the Council has worked with residents, businesses and its partners to achieve positive outcomes.

- 1.5. The main financial challenges during the year related to demand led pressures exceeding forecasts in the People Directorate relating to the costs of Childrens Services.
- 1.6. Financial pressures experienced in 2018/19 have been addressed for 2019/20 as part of the budget setting process. These also included costs in Environmental Operations, delays associated with achieving some of the efficiency savings included within service budgets, increased B4B project revenue cost and anticipated additional costs relating to the way that holiday pay is calculated. Additional costs incurred in addressing these issues are being offset by the draw down of earmarked reserves to balance to a net budget in 2018/19.
- 1.7. Expenditure on the capital programme is £97m. The revised budgets for 2018/19 total £153.8m and underspends against these budgets will be slipped into 2019/20 and re-profiled as part of the outturn reporting. Capital receipts in year amounted to £6.3m against a forecast of £5.9m.
- 1.8. The Council's wholly owned companies produced a positive outturn for the year, with reserves increasing by £1.0m for the Group. In accordance with contractual arrangements, £0.4m will be reported as Company Reserves with £0.6m being transferred to the Council.
- 1.9. The Council's Corporate Plan sets out 6 Priority Outcomes and 2018/19 has seen important improvements in each area. Examples evidenced within Appendix 2 highlight how outcomes are being achieved. For example: People were helped to continue to live independently; Capital work programmes increase the number of school places available; National targets exceeded for waste recycling; and we are achieving higher than national results in GCSE and A-Levels to give people the education they need in order to thrive.
- 1.10. At outturn a few examples of good performance were:
 - 27 community venues have celebrated becoming Connected Communities Centres, with 21 of these opening in 2018/19
 - The Carriageway Improvements Programme saw 533,606m² of carriageway resurfaced by 2018/19 year-end
 - As of March 2019, 88% of Cheshire East schools are Good or Outstanding
 - All Green Flag and Green Heritage awards were retained this year
 - The Sport England Active Lives Survey reported that Cheshire East is the most active Borough in North West
 - Our registration service received a bronze award for 'reinventing local services' at the annual iESE (the public sector transformation partner) national awards
 - We finalised TOGETHER, our shared definition of coproduction in Cheshire East, which sets out how we will work together as equal

partners to improve, develop and deliver services towards a common goal for all of our children, young people, families and adults

- Cheshire East is top of the North West league table for the take-up of the 30 hours' free childcare scheme
- Our new Adult Safeguarding Trainer delivered training to 571 Care Staff working in a Care Home or Domiciliary setting in quarter four
- Annual Economic Output (Gross Value Added) was £13.5bn which is greater than both the rate of growth in England and the North West
- Performance and turnaround of Major Planning Applications start at 74% against a target of 90%
- The Council continues to reduce tonnage of CO2 emissions from its buildings; 8,306 tonnes against a target of 8,322 tonnes

1.11. Areas requiring further improvement also identified as:

- Timeliness of assessments for Education Health and Care Plans (EHCP's) remains a challenge and below target
- Demand on domiciliary care remains high and the number of packages of care have increased and this has led to some delays
- Number of cared for children is reducing but cost of care is remaining static

1.12. Additional and supporting detailed performance data is reported for information to Scrutiny committees. The quarter three Place Scorecard was received by the Environment and Regeneration Overview and Scrutiny Committee on 18 March 2019. The quarter two Children and Families Scorecard was received by the Children and Families Overview and Scrutiny on 28 January 2019. The latest Adults and Public Health Scorecards were received by the Health and Adult Social Care and Communities Overview and Scrutiny Committee on 7 February 2019.

1.13. The attached Appendices set out details of how the Council has performed in 2018/19:

Appendix 1 – Revenue Outturn Summary 2018/19 – Provides the final revenue outturn position for the period 1st April 2018 to 31st March 2019.

Appendix 2 – Achievements against the Corporate Plan - Provides highlights of Council activities, and achievements, from working with partners and the community throughout 2018/19. 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 2018/19.

Appendix 4 – Requests for Supplementary Capital Estimates and Virements

Appendix 5 – Debt Management

Appendix 6 – Reserves

Appendix 7 – Treasury Management Annual Report

2. Recommendation/s

That Cabinet:

- 2.1. note the balanced revenue position.
- 2.2. note the capital outturn position.
- 2.3. note the debt management position
- 2.4. receive the Treasury Management Annual Report for 2018/19 as detailed in Appendix 7.
- 2.5. recommend to Council to approve:
 - 2.5.1. fully funded supplementary capital estimates above £1,000,000 in accordance with Financial Procedure Rules as detailed in **(Appendix 4 Table 6)**;

3. Reasons for Recommendation/s

- 3.1. The Council monitors in-year performance through a reporting cycle, which includes outturn reporting at year-end. Reports during the year 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 provides strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.
- 3.4. It also meets the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

4. Other Options Considered

- 4.1. Not applicable

5. Background

- 5.1. Monitoring performance is essential to the achievement of outcomes within the Corporate Plan. This is especially important in evidencing the achievement of value for money across 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 375,000 local people. Gross annual spending is over £740m, with a balanced net budget for 2018/19 of £269.8m.
- 5.2. The management structure of the Council is organised in to three directorates, People, Place and Corporate. The Council's 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, as forecast at the third quarter review. Capital Expenditure for the year was £97m.
- 5.4. The Council complied with all of its legislative and regulatory requirements in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities. Overall the level of borrowing reduced in year by £12m with average interest rates on long and short term borrowing of 2.72%. The Council held £28m of invested funds at 31st March 2019 with an average income return of 2.14% in year.

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 of 2018/19. 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. 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.
- 6.1.3. 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.

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 final accounts will be approved by 31st July 2019 following external auditing and associated recommendations to the Committee.
- 6.2.3. Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council.
- 6.2.4. The forecast outturn for 2018/19, as reported at quarter three, was used to inform the budget setting process for 2019/20. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2019/20 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 2019/20 budget.

6.3. Policy Implications

- 6.3.1. This report is a backward look at Council activities during the final quarter.
- 6.3.2. 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 2020/23 medium term financial strategy.

6.4. Equality Implications

- 6.4.1. 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.

6.5. Human Resources Implications

- 6.5.1. This report is a backward look at Council activities at outturn 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 to which they 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 2018/19 budget and the level of general reserves were factored into the 2019/20 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 / Cared for Children

6.8.1. The report provides details of service provision across the borough, acknowledges the ofsted report and notes the overspend on Children in Care.

6.9. Public Health Implications

6.9.1. This report is a backward look at Council activities at the fourth quarter 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 to which they relate.

7. Ward Members Affected

7.1. All

8. Consultation & Engagement

8.1. As part of the budget setting process the Pre-Budget Report 2018/19 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 2018/19](#)

[Medium Term Financial Strategy 2018/21](#)

[Mid Year Review of Performance 2018/19](#)

[Third Quarter Review of Performance 2018/19](#)

[Statement of Accounts 2018/19](#)

10. Contact Information

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

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