

Cabinet

Date of Meeting: 08 October 2019

Report Title: Mid Year Review (FINANCE) 2019/20

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication

Senior Officer: Alex Thompson – Director of Finance and Customer Services
(Section 151 Officer)

1. Report Summary

- 1.1. This report outlines how the Council is managing resources to provide value for money services during the 2019/20 financial year. The report highlights financial and non-financial pressures and provides an overview of progress towards achievement of the priority outcomes set out in the Corporate Plan.
- 1.2. Local Authority budgets across the UK are being managed against a backdrop of continuing reductions in government funding in 2019/20 as well as inflation rises and increasing demand for services. However, the statutory duties of the Council must still be delivered within the relevant parameters and the associated inspection frameworks. In this environment the ability to deliver financial savings whilst maintaining service standards across the Council is extremely challenging.
- 1.3. At the mid year position the Council's forecast overspend is estimated at £7.5m compared to the 2019/20 Budget. This is mainly due to pressures in the People Directorate, past service pension costs and delays associated with achieving some of the efficiency savings included within service budgets.
- 1.4. With continuing robust action it is expected that the outturn position will return in line with budget by the end of the year. Mitigating actions will include:
 - 1.4.1. A managed restriction of in-year costs to support essential spend only.
 - 1.4.2. Reviewing the level of spending on key contracts.

- 1.4.3. Pricing reviews to ensure costs are being fully recovered where appropriate.
- 1.4.4. Vacancy management.
- 1.4.5. Flexible use of capital receipts to support one-off costs or reduce borrowing costs.
- 1.4.6. Re-alignment of and appropriate use of earmarked reserves to support General Reserve balances.
- 1.5. Forecast expenditure on the capital programme is £175.1m which is in line with the revised budget for 2019/20.
- 1.6. Against this 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.
- 1.7. The attached report, **Annex 1**, sets out details of how the Council is performing in 2019/20. 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.
 - Section 3 Workforce Development** - provides a summary of the key issues relating to the Council's workforce development plan.
- 1.8. Appendices to the annex demonstrate how spending in 2019/20 has been funded, including the service budgets, grants, debt recovery and reserves. Updates are provided on the Capital Strategy, Treasury Management Strategy and Investment Strategy.

2. Recommendations

That Cabinet:

- 2.1. note the contents of the report and the mitigating actions to manage the forecast outturn.
- 2.2. note the contents of Annex 1 to the report.
- 2.3. approve in accordance with Finance Procedure Rules fully funded supplementary capital estimates over £500,000 and up to £1m (**Appendix 4, Annex C**);
 - £628,195 increase to Education and Skills 14-19 due to additional Devolved Formula Grant.
 - £533,171 increase to the Highways Investment Programme relating to the pothole fund.

- 2.4. approve in accordance with Finance Procedure Rules Capital a virement over £1,000,000 and up to £5,000,000 (**Appendix 4, Annex C**);
 - £4,830,000 transfer from the Strategic Capital Project to Best4Business to enable the project to continue, whilst recognising that final scheme costs are under review.
- 2.5. recommend to Council to approve:
 - 2.5.1. fully funded supplementary capital estimate above £1,000,000 in accordance with Financial Procedure Rules as detailed in (**Appendix 4 Annex D**);
 - £5,130,000 increase in the Best4Business budget to recognise the further contribution from Cheshire West and Chester towards this shared project.

3. Reasons for Recommendations

- 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. 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.
- 3.5. 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 £795m, with a balanced net budget for 2019/20 of £282.2m.

- 5.2. The management structure of the Council is organised into 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 the mid year stage, action continues to ensure that the Council's reserves strategy remains effective following identification of a potential overspend of £7.5m (2.7%) against a net revenue budget of £282.2m. Forecast capital expenditure in the year is £175.1m.
- 5.4. The Council complies 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.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legal implications surrounding the process of setting the 2019 to 2022 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 of 2019/20. 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. 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. The forecast overspend at mid year is within the risk assessed level, but if it remains unresolved this could require the Council to deliver a greater level of future savings to replenish reserve balances.

6.2.2. As part of the process to produce this report, senior officers review expenditure and income across all services to support the development of mitigation plans that will return the outturn to a balanced position at year-end.

6.3. Policy Implications

6.3.1. This report is a backward look at Council activities at mid year and predicts the year-end position.

6.3.2. Performance management arrangements support the delivery of all Council policies. The forecast outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2020/24 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 mid year 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.

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 2019/20 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 within Children in Care services.

6.9. Public Health Implications

6.9.1. Public health implications that arise from activities that this report deals with will be dealt with as separate reports to Members or Officer Decision Records as required.

6.10. Climate Change Implications

6.10.1. Any climate change 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 2019/20 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:

[Medium Term Financial Strategy 2019/22](#)

10. Contact Information

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

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