

Cabinet

Date of Meeting: 09 June 2020

Report Title: 2019/20 Financial Outturn

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

Report Author: Alex Thompson – Director of Finance & Customer Services
(Section 151 Officer)

Senior Officer: Jane Burns – Executive Director of Corporate Services

1. Report Summary

- 1.1. This report outlines how the Council has managed its resources to provide value for money services during the 2019/20 financial year. The report includes a revenue outturn summary and detail on financial performance for the year within service areas and central budgets.
- 1.2. The financial outturn for Cheshire East Council is balanced for 2019/20, in that gross income is matched to gross expenditure with the appropriate use of earmarked reserves. General Reserves will remain unchanged at £10.3m. 2019/20 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 as well as facing rising costs associated with the response to the COVID-19 pandemic.
- 1.3. The Covid-19 emergency started to impact on the Council's finances in March 2020, resulting in an increase in costs of £1m. Central Government has provided emergency grant funding; the first instalment being paid on 27th March. This has therefore been used to fund the impact in 2019/20 so that the identified expenditure has not affected the Council's outturn or

reserves position, although for transparency it is shown under the relevant Directorates.

- 1.4. At the third quarter, reported to Cabinet on 4th February 2020, the Council was forecasting a potential overspend of up to £6.8m compared to the 2019/20 Budget. Mitigating actions were proposed to minimise the impact of this forecast. These actions included the application of capital receipts from sale of shares (c.£2.4m) and the re-alignment of and appropriate use of earmarked reserves to support General Reserve balances (c.£4.4m).
- 1.5. The outturn position for 2019/20 is reported at £6.043m, which increases to £7.096m with the inclusion of the additional spending on Covid-19. The outturn position of £6.043m presents a positive comparison to the third quarter forecast of £6.832m and actually indicates a small improvement. Further detail is provided in the following table and Appendix 1.

Table 1: Total Net Budget has been overspent by £7.096m, which includes Covid-19 expenditure of £1.053m

Directorate	Budget £000	Outturn (excluding Covid 19) £000	Covid 19 Expenditure £000	Outturn £000	Over/(Under spend) £000
People	170,434	176,587	648	177,235	6,801
Place	73,120	72,750	387	73,137	17
Corporate	30,369	31,990	18	32,008	1,639
Total Services	273,923	281,327	1,053	282,380	8,457
Central Budgets	8,266	6,905	-	6,905	(1,361)
Total Net Budget	282,189	288,232	1,053	289,285	7,096
Funding	(282,189)	(282,398)	(1,053)	(283,451)	(1,262)
Additional use of Reserves	-	(5,834)	-	(5,834)	(5,834)
Funding Position	-	-	-	-	-

- 1.6. When the position was reported at third quarter overspending was identified as occurring due to demand led pressures in the People Directorate, past service pension costs and delays associated with efficiency savings included within service budgets. These identified pressures remained at year-end although the financial impact of past service pension costs reduced from £1m to £0.4m based on revised valuations.
- 1.7. Financial pressures in the People Directorate have increased by £1.9m since the third quarter review. This is mainly due to Covid-19 expenditure (£0.6m), an increase in the bad debt provision for Adult Social Care (£0.4m), which recognises an up to date and appropriate level of financial risk from possible non-collection of debt; increased transport costs (£0.4m)

and additional staffing pressures in the Special Educational Needs & Disability (SEND) team.

- 1.8. The Place Directorate is reporting an improved outturn position compared to third quarter. The Outturn position of £73.1m includes Covid-19 expenditure of £0.4m and the creation of new earmarked reserves for Flood Recovery Works, Parking Studies and the Highways Winter Service.
- 1.9. Pressures in the Corporate Directorate increased by £0.4m since third quarter. Included in this figure is £0.7m of costs relating to revenue expenditure associated with the Best4Business project and MARS (Mutually Agreed Resignation Scheme) payments that are to be covered by the Flexible Use of Capital Receipts. The underlying position for the Directorate after these have been accounted for centrally is an outturn of £0.9m over budget.
- 1.10. Outturn within Central Budgets has improved by £2.2m linked to the revised forecasts for pension liabilities; the Apprenticeship Levy and the additional use of Capital Receipts. A reduction has been applied to the bad debt provision following a review of the policy in line with IFRS9.
- 1.11. A drawdown of reserves will be required to fund gross expenditure in the year. This was previously recognised at third quarter as part of the mitigating actions and is set out in Appendix 1 (Net Position). This also takes account of the application of the capital receipts from sale of shares (£2.4m), as this amount has been taken from the financing reserve as an alternative.
- 1.12. Expenditure on the capital programme is £123.4m against a forecast spend of £132.7m at third quarter. The underspends will be carried forward to 2020/21 and budgets will be re-profiled as part of the outturn reporting. Capital receipts in year amounted to £10.5m against a forecast of £7.2m.
- 1.13. The Council's wholly owned companies produced a positive outturn for the year, with an overall operating profit of £494,000 for the Group.
- 1.14. A summary of the Council's achievements since May 2019 has been collated. This includes information on how the Council has responded positively to a number of major incidents during the year, including a short summary of the COVID-19 response. The Appendix also includes nominations for awards.
- 1.15. The attached Appendices set out details of the Council's financial and non-financial performance in 2019/20:

Appendix 1 – Revenue Outturn Summary 2019/20 – Provides the final revenue outturn position for the period 1st April 2019 to 31st March 2020.

Appendix 2 – Grants – includes details of capital and revenue grants received during 2019/20.

Appendix 3 – Debt Management

Appendix 4 – Reserves

Appendix 5 – Achievements and Awards

The Capital Outturn and Treasury Management position will be reported in a subsequent Cabinet report.

2. Recommendations

That Cabinet

- 2.1. Note that gross expenditure has been balanced to gross income with the appropriate allocation of reserves.
- 2.2. Note the financial impact of the COVID-19 emergency on the 2019/20 budget and the use of the emergency funding to cover this cost.
- 2.3. Note the debt management position.
- 2.4. Note the reserves position.
- 2.5. Note the achievements during the year.
- 2.6. Approve the supplementary revenue estimate of £790,265 relating to the increase in Public Health grant received. This is additional to the estimated amount approved in the budget report.
- 2.7. Recommend to Council to approve:
 - 2.7.1. fully funded supplementary revenue estimate above £1,000,000 in accordance with Financial Procedure Rules as detailed in (**Appendix 2 Table 1**).

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.

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 £770m, with a balanced net revenue budget for 2019/20 of £282.2m.
- 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 £123m.

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 final outturn 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. 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 30th November 2020 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 2019/20, as reported at quarter three, was used to inform the budget setting process for 2020/21. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2020/21 budget, or highlights potential underlying issues that can be managed in future budget setting cycles

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 2021/24 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 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 2019/20 budget and the level of general reserves were factored into the 2020/21 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 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](#)

[Mid Year Review of Performance 2019/20](#)

[Third Quarter Review of Performance 2019/20](#)

[Statement of Accounts 2019/20](#)

10. Contact Information

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

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