

## 2019/20 Final Outturn

### People Directorate

FINAL OUTTURN (GROSS Revenue Budget £646.3r)	Revised Budget (NET)	Outturn Excluding Covid-19 Expenditure	Covid-19 Expenditure	OUTTURN		CHANGE FROM TQR		
				OUTTURN	NET Over / (Underspend)	TQR Forecast Over / (Underspend)	Change from TQR (net outturn)	Change from TQR (net outturn excluding covid-19 Expenditure)
	£000	£000	£000	£000	£000	£000	£000	£000
<b>People</b>								
Directorate	883	720		720	-163	-614	451	451
Children's Social Care	36,995	40,656	9	40,665	3,670	3,837	-167	-176
Education & 14-19 Skills	14,471	15,104	212	15,316	845	27	818	606
Prevention & Early Help	8,221	7,717		7,717	-504	-321	-183	-183
Adult Social Care Operations	24,743	26,226	427	26,653	1,910	1,568	342	-85
Commissioning	85,121	86,164		86,164	1,043	428	615	615
Public Health	0	0		0	0	0	0	0
	170,434	176,587	648	177,235	6,801	4,925	1,876	1,228

The overspend for Children and Families (C&F) for 2019/20 is £3.8m. The main driver for this figure is the pressure on the agency placements budget within Children's Social Care.

The number of cared for children stood at 533 at 31<sup>st</sup> March 2020 reflecting an increase of 49 during the financial year. That is broken down into 182 admissions and 133 children leaving care. While care budgets were uplifted for 2019/20, this increase in numbers continues to place a strain on existing budgets of £3.7m.

The service is actively engaged in reducing the pressure on the agency placements budget through a combination of measures including:

- Increasing the number of foster carers.
- Working as part of a regional adoption collaboration to increase adopters.
- Opening up a number of smaller children's residential homes to meet need and provide value for money.
- Regular reviews of placements to ensure needs are met at the appropriate cost and improved gatekeeping.
- Trialling different methods of providing care which have benefitted from Government investment in previous years.
- Further projects being planned for 2020/21 to move to a "bespoke" service offer and undertake further challenge of costs.

Other key pressures include:

Transport (£0.4m pressure) – this is provided through the Council owned company Transport Service Solutions Ltd (TSS). The C&F Directorate and TSS staff have been working for several years to make significant savings to the management fee. This is continuing to prove a challenge as options are limited without impacting on service delivery.

Special Educational Needs and Disability (SEND) staffing (£0.7m pressure) where the service is using agency staff to fill permanent roles and catch up on Education Health and Care Plans (EHCP) production.

The SEND service has seen a significant rise in activity levels and there is a pressure on the grant used to provide funding for children with SEND in various settings. This has led to a £4.2m overspend against the Council's Dedicated Schools Grant. The Council has a Dedicated Schools Grant (DSG) Reserve balance of £1.6m at April 2019. Throughout the year the pressure on that budget of £4.2m has taken that to a £2.6m credit reserve

This is a result of pressures on the high needs budget from additional volumes and complexity of cases of children with EHCPs and more expensive independent provision. A significant number of measures to address this are being taken forward including:

- Restructuring the SEND team and increasing capacity.
- Using new systems to improve monitoring and forecasting.
- Updating an analysis of SEN Need across the borough.
- Expanding local SEND provision and opening new facilities to reduce the need for expensive placements. This is taking time to deliver.
- Piloting a new banding system for funding pupils with SEND to give schools greater flexibility on how the funding is used.

The Adult Social Care (Operations and Commissioning) and Public Health budgets remains under continued pressure across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years, and relate to meeting the needs of our most vulnerable residents and this has been recognised in the 2019/20 budget where growth has been allocated. Adult Social Care Commissioning have responded to this challenge by commissioning the care at home and care with accommodation market to ensure there is a better offer to service users and more certainly for providers. In addition to this the Adult Social Care Commissioners have also introduced an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors. Additional costs at the end of the year linked to the Covid-19 Pandemic have created additional pressure for the Adults service budget.

The final outturn position is £2.95m overspent in 2019/20, the main large variances contributing to this pressure are-

**£1.93m** of Care4CE overspend due to the unachievable savings targets, these have been removed in the MTFs so will not be a pressure in 2020/21.

**£594k** of costs that are shown in the service position in line with reporting requirements, these are funded centrally (£427k of Personal Protection Equipment due to Covid-19 and £165k of C Co (Cipfa consultancy) costs linked to the Care4CE review).

**£598k** contribution to the bad debt provision which reflects some debt tipping over into the 6 month old + category. Most of this change relates to client contribution debt (non-

deferred). Debt levels are reviewed quarterly and the provision is adjusted to reflect fluctuations in numbers of new invoices raised and debts settled or written off. As the value of care costs have increased due to demand and complexity, client contributions and corresponding debt also increases.

The temporary funding used in 2019/20 includes £1.45m of Winter Pressures and £7m of Improved Better Care Fund (iBCF).

### Place Directorate

FINAL OUTTURN (GROSS Revenue Budget £646.3m)	Revised Budget (NET)	Outturn Excluding Covid-19 Expenditure	Covid-19 Expenditure	OUTTURN		CHANGE FROM TQR		
				OUTTURN	NET Over / (Underspend)	TQR Forecast Over / (Underspend)	Change from TQR (net outturn)	Change from TQR (net outturn excluding covid-19 Expenditure)
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Place</b>								
Directorate	654	551		551	-103	0	-103	-103
Environment & Neighbourhood Services	39,607	39,490	278	39,768	161	163	-2	-280
Growth & Enterprise	20,547	20,286	17	20,303	-244	-395	151	134
Highways and Infrastructure	12,312	12,423	92	12,515	203	151	52	-40
	73,120	72,750	387	73,137	17	-81	98	-289

The Place Directorate net expenditure outturn of £72.4m is £0.7m lower than budget.

Included in this number are £0.4m of costs and loss of income related to Covid-19 and £0.5m of costs covered by flexible capital receipts. The underlying position for Place after these have been accounted for centrally is an outturn £1.5m lower than budget.

#### Place Directorate £0.1m underspend

The Council's corporate spending freeze led to savings across a number of areas. In addition, contributions to the Constellation Partnership were not needed in 2019/20.

#### Environment & Neighbourhood Services £0.2m pressure

Mutually Agreed Resignation Scheme (MARS) and Covid-19 costs account for the pressure of £0.2m, excluding these the service would achieve a balanced position.

There has been a large fall in the amount of planning income received in year. Pressures also exist for reduced recycling income and the revenue costs of rolling out food waste recycling. These have been mitigated by staffing vacancies across the majority of services and savings made under the Council's spending freeze, particularly in Libraries. Some of the Local Plan work has moved into 2020/21 thereby creating an underspend which hasn't been carried forward.

### Growth & Enterprise £0.2m underspend

Costs covered by flexible capital receipts and Covid-19 costs total £0.5m within Growth & Enterprise. The underlying position excluding these is an underspend of £0.7m

There are staffing vacancies across the majority of the services, rental income has increased from Farms and the Council has received reimbursement of a subsidy paid to Skills and Growth to operate Fairer Power from prior years. Savings have been made from bringing Skills and Growth and Engine of the North back in-house.

Additional expenditure has arisen from emergency repairs within Facilities Management, but this has been offset by a reduction in planned maintenance. Costs have also been incurred from aborted housing schemes.

### Highways & Infrastructure £0.5m underspend

Costs covered by flexible capital receipts and Covid-19 costs total £0.2m within Highways & Infrastructure. The underlying position excluding these is an under spend of £0.7m.

There are staffing vacancies across the service, with the shortfall predominantly on Civil Enforcement Officers within Parking. There has been lower spend than expected on Parking studies and concessionary fares. Higher income has been received for Highways licences, traffic regulation orders and s38 developer fees. Recharges to capital have also been higher than budget levels.

These have been partially offset by the revenue costs of the flooding which totalled £1.4m.

Earmarked reserve requests have been made to complete the parking studies, for the flood recovery work linked to gully emptying and drainage works and to cover the winter maintenance pressures as a result of the recent Scrutiny call in.

**Corporate Directorate**

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	£000	£000	£000	£000	£000	£000	£000	£000
<b>Corporate</b>								
Directorate	778	596		596	-182	-234	52	52
Finance and Customer Services	7,550	9,185		9,185	1,635	574	1,061	1,061
Governance and Compliance	9,994	9,753		9,753	-241	385	-626	-626
Services								
Transformation	12,047	12,456	18	12,474	427	463	-36	-54
	30,369	31,990	18	32,008	1,639	1,188	451	433

The Corporate Services Directorate net expenditure outturn of £32.0m is £1.6m more than the budget available, which is a £0.4m shift from the £1.2m overspend forecast at Third Quarter Review (TQR). Included in this figure is £0.7m of costs relating to additional Best4Business (B4B) costs and MARS payments that are to be covered by Flexible Capital Receipts (FCR). The underlying position for the Directorate after these have been accounted for centrally is an outturn £0.9m over budget.

**Directorate (-£0.2m)**

The Corporate Services Directorate area includes the cost of the Chief Executive and associated budgets, and the Executive Director of Corporate Services, along with the temporary three year £280,000 Corporate Services growth. The outturn is due to a £91,000 saving relating to the Admin Review, that is meant to be eliminated by savings achieved through the Corporate Services restructure, being offset by Corporate Services temporary growth budget that will be moved to services once the Corporate Services restructuring has been completed.

**Finance & Customer Services (+1.6m)**

The overall forecast for Finance and Customer Services (F&CS) is a £1.6m overspend which is a £1.0m increase compared to the £0.6m forecast at Third Quarter. Flexible Capital Receipts will be applied to fund revenue costs associated with the B4B project (£0.6m) and MARS payments (£48,000), so the underlying position for F&CS is a £1.0m overspend against the revenue budget. The majority of the over spend is attributable to digital project savings of £0.8m which are unachievable, and the base budget has been reset for 2020/21 and opportunities to relaunch the project will be considered in the future. There has also been an under-recovery of £0.5m on the Benefits Payments centre, and £0.2m savings linked to delays in implementing the Best4Business System. These pressures are partially offset by in-year staffing underspends within Finance and Procurement, and Customer Services.

The B4B project was paused during 2019/20 to enable the project to be re-set and for the capital project budget to be re-based and consequently increased. Staff costs incurred from that point were required to be met from revenue causing an over spend of £0.6m as no budget was available in revenue. The £0.6m of additional costs were incurred on business change work and the equalised costs of staff working on the B4B project employed by both Cheshire East and Cheshire West Councils. These costs cannot be capitalised, as they do not meet the criteria to be charged to the capital project. However, they can be funded by the Flexible Use of Capital Receipts as they still meet the criteria of transformational spend. A revenue budget funded by the Flexible Use of Capital Receipts will be available in 2020/21 to meet any further costs arising from the project that cannot be capitalised.

### Transformation (+0.4m)

In line with the TQR forecast, Transformation overspent by £0.4m. Costs relating to additional MARS payments (£44,000) are to be covered by FCR so will slightly reduce the underlying position.

Human Resources (HR) which includes the cross council MARS saving of £0.3m, part of savings linked to implementing the Best4Business System £0.3m and the shared Transactional Services (TSC) hosted by Cheshire West & Chester (CWaC), was break-even however the CEC HR budget significantly underspent on departmental employee budgets due to secondments, vacancies, maternity leave, and recruitment awaiting a restructure. This is offset by unachieved in-year MARS and Best4Business savings, and TSC overspending by £0.1m. Business Change overspent by £0.3m due to unfunded posts, reduced DSG funding, and a large unachievable income target within Project Management Office. ICT Strategy overspent by £85,000 due to an increase in spend on third-party contracts and an increased number of licences being partially offset by higher than expected project income recovery, ICT Service Delivery overspent by £20,000.

### Governance & Compliance (-£0.2m)

Governance & Compliance underspent by £0.2m which was a £0.6m positive shift from the £0.4m overspend forecast at TQR. Costs relating to additional MARS payments (£49,000) are to be covered by FCR so will slightly increase the underlying underspend. Legal Services overspent by £0.4m compared to the £0.7m forecast at third quarter, due to cost pressures of unbudgeted posts being partially offset by an over-achievement in income. The Director of Governance & Compliance (DoG&C), overspent by £0.1m due to a shortfall in the budget for the DoG&C post. These pressures were offset by underspends in Governance & Democratic Services, and Audit & Risk.

## Central Budgets

FINAL OUTTURN (GROSS Revenue Budget £646.3r	Revised Budget (NET)	Outturn Excluding Covid-19 Expenditure	Covid-19 Expenditure	OUTTURN		CHANGE FROM TQR		
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	£000	£000	£000	£000	£000	£000	£000	£000
<b>CENTRAL BUDGETS</b>								
Capital Financing	12,000	12,000		12,000	0	0	0	0
Transfer from/to Earmarked Reserves	-1,897	-1,897		-1,897	0	0	0	0
Collection Fund Management Reserve	-1,000	-1,000		-1,000	0	0	0	0
Other income/Expenditure		-326		-326	-326	-200	-126	-126
Past Service Pensions	163	580		580	417	1,000	-583	-583
NHB Community Fund	1,000	1,000		1,000	0	0	0	0
Income from Use of Capital Receipts	-2,000	-2,834		-2,834	-834	0	-834	-834
Apprenticeship Levy		-618		-618	-618	0	-618	-618
<b>Total Central Budgets</b>	<b>8,266</b>	<b>6,905</b>	<b>0</b>	<b>6,905</b>	<b>-1,361</b>	<b>800</b>	<b>-2,161</b>	<b>-2,161</b>

Outturn within Central Budgets has improved by £2.2m linked to revised forecasts for pension liabilities, the Apprenticeship Levy, increased use of Capital Receipts and a reduction in the bad debt provision following a review of the policy in line with accounting standard IFRS9.

## Funding

FINAL OUTTURN (GROSS Revenue Budget £646.3r	Revised Budget (NET)	Outturn Excluding Covid-19 Expenditure	Covid-19 Expenditure	OUTTURN		CHANGE FROM TQR		
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	£000	£000	£000	£000	£000	£000	£000	£000
<b>FUNDING</b>								
Business Rates Retention Scheme	-47,977	-47,977		-47,977	0	0	0	0
Specific Grants	-15,873	-16,082	-1,053	-17,135	-1,262	0	-1,262	-209
Council Tax	-216,243	-216,243		-216,243	0	0	0	0
Sourced from Collection Fund	-2,096	-2,096		-2,096	0	0	0	0
<b>CENTRAL BUDGETS FUNDING</b>	<b>-282,189</b>	<b>-282,398</b>	<b>-1,053</b>	<b>-283,451</b>	<b>-1,262</b>	<b>0</b>	<b>-1,262</b>	<b>-209</b>

The favourable variance on grants mainly relates to the additional covid-19 emergency funding grant. This offsets the additional costs experienced within the services. The remainder of this grant has been carried forward in a reserve to meet further costs expected next year.

## Net Position

FINAL OUTTURN (GROSS Revenue Budget £646.3r	Revised Budget (NET)	Outturn Excluding Covid-19 Expenditure	Covid-19 Expenditure	OUTTURN		CHANGE FROM TQR		
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	£000	£000	£000	£000	£000	£000	£000	£000
People Directorate	170,434	176,587	648	177,235	6,801	4,925	1,876	1,228
Place Directorate	73,120	72,750	387	73,137	17	-81	98	-289
Corporate Directorate	30,369	31,990	18	32,008	1,639	1,188	451	433
Total Central Budgets	8,266	6,905	0	6,905	-1,361	800	-2,161	-2,161
Funding	-282,189	-282,398	-1,053	-283,451	-1,262	0	-1,262	-209
<b>FUNDING POSITION</b>	<b>0</b>	<b>5,834</b>	<b>0</b>	<b>5,834</b>	<b>5,834</b>	<b>6,832</b>	<b>-998</b>	<b>-998</b>
<b>RELEASE OF RESERVE TO MITIGATE</b>								
Release from Capital Finance Reserve				-2,370	-2,370			
Release from MTFS Reserve				-1,700	-1,700			
Release from Trading Reserve				-1,317	-1,317			
Release from Other Reserves				-447	-447			
<b>RELEASE OF RESERVE TO MITIGATE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5,834</b>	<b>-5,834</b>			
<b>NET POSITION</b>					<b>0</b>			

The outturn position will return to a balanced position with the release of reserves.