

## **Finance Sub-Committee**

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<b>Date of Meeting:</b>	22 September 2021
<b>Report Title:</b>	Group Outturn 2020-21
<b>Report of:</b>	Alex Thompson: Director of Finance and Customer Services
<b>Report Reference No:</b>	FSC/03/21-22
<b>Ward(s) Affected:</b>	Not applicable

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### **1. Executive 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 2020/21 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 Outturn is reported as part of the Statutory Accounts and is therefore subject to audit. The audited Accounts will be presented to the Audit and Governance Committee on 25<sup>th</sup> November 2021.
- 1.3.** The attached Appendices set out details of the Council's financial performance in 2020/21:

**Appendix 1 – Narrative from the Draft Group Accounts** – Provides context of the area and its people, commentary on performance and introduces the financial statements of the Council and the wider Group of Companies for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.

**Appendix 2 – Grants** – includes details of capital and revenue grants received during 2020/21.

**Appendix 3 – Capital Outturn and Requests for Supplementary Capital Estimates and Virements**

## **Appendix 4 – Reserves**

### **2. Recommendations**

- 2.1.** Finance Sub-Committee is asked to note the contents of the report and each appendix.
- 2.2.** Finance Sub-Committee is asked to approve:
  - 2.2.1.** Supplementary Capital Estimates (SCE) up to and including £1,000,000 and Capital Virements up to and including £5,000,000 in accordance with Financial Procedure Rules as detailed in Appendix 3, Annex C.
- 2.3.** Recommend to Council to approve:
  - 2.3.1.** supplementary capital estimates over £1,000,000 in accordance with Financial Procedure Rules as detailed in Appendix 3, Annex D.
  - 2.3.2.** fully funded supplementary revenue estimates over £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.** The recommendations within the Third Quarter Report (TQR) and the Medium-Term Financial Strategy were clear in the treatment of the outturn and future reserve balances:

- 5.1.1.** COVID-19 related spending or income losses should be isolated and set against COVID-19 funding. Any surplus or deficit should be managed via the COVID-19 Earmarked Reserve.
  - 5.1.2.** Any surplus or deficit in non-COVID-19 related budgets should be managed via the MTFS Earmarked Reserve.
  - 5.1.3.** The Reserves Strategy highlighted a target level for General Reserves of £11.5m compared to a forecast position of £10.3m at 31<sup>st</sup> March 2021.
  
- 5.2.** The COVID-19 emergency started to impact on the Council's finances in March 2020. Central Government has provided emergency grant funding; the first instalment being paid on 27<sup>th</sup> March 2020 and further instalments in year totalling £15.8m. This has therefore been used to fund the impact of the pandemic in 2020/21. Pandemic related expenditure and income losses has not therefore affected the Council's outturn or reserves position, although for transparency it is shown under the relevant Directorates.
  
- 5.3.** At outturn actual COVID-19 funding of £5.2m is available to carry forward to the reserve in-line with the TQR forecast of £5.1m. No additional general funding was received in the final quarter but funding for passported grants and Contain Outbreak Management Funding / Test and Trace money continued to be received.
  
- 5.4.** COVID-19 financial updates have been presented at Cabinet meetings since June and mitigating activity was identified to minimise the financial impact on the Council's reserves. Initial forecasts in April 2020 saw financial pressure in excess of the Council's total reserves, but appropriate financial control and good liaison with government has seen a more realistic position being presented. The overall position has not varied significantly throughout the year, but management and sound financial control over the funding has been highly effective in mitigating the risks to the MTFS.
  
- 5.5.** The financial outturn for Cheshire East Council is an underspend of £1.2m. This is net of allocations to useable reserves of £14.7m. Further detail is provided in the following table and Appendix 1.

**Table 1: Total Net Revenue Budget is underspent by £1.2m**

2020/21 Outturn Review (GROSS Revenue Budget £647.2m)	Revised Budget (NET)	Outturn (Including Covid)	Covid related Expenditure	Net Outturn (excluding Covid)	Net Over / (Underspend)
	£m	£m	£m	£m	£m
<b>Service Directorates</b>					
Adults, Commissioning and Public Health	115.3	115.5	3.7	111.8	-3.5
Children and Families	72.0	74.8	1.1	73.7	1.7
Place	74.1	76.1	8.7	67.4	-6.7
Corporate	34.4	34.4	2.6	31.8	-2.6
<b>Total Services Net Budget</b>	<b>295.8</b>	<b>300.8</b>	<b>16.1</b>	<b>284.7</b>	<b>-11.1</b>
<b>Total Central Budgets</b>	<b>44.4</b>	<b>56.4</b>	<b>-0.8</b>	<b>57.2</b>	<b>12.8</b>
<b>Total Net Budget</b>	<b>340.2</b>	<b>357.2</b>	<b>15.3</b>	<b>341.9</b>	<b>1.7</b>
Business Rates Retention Scheme	-49.1	-49.9	0.0	-49.9	-0.8
Specific Grants	-61.5	-78.9	-15.3	-63.6	-2.1
Council Tax	-229.5	-229.5	0.0	-229.5	0.0
Sourced from Collection Fund	-0.1	-0.1	0.0	-0.1	0.0
<b>FUNDING</b>	<b>-340.2</b>	<b>-358.4</b>	<b>-15.3</b>	<b>-343.1</b>	<b>-2.9</b>
<b>Net Position</b>	<b>0.0</b>	<b>-1.2</b>	<b>0.0</b>	<b>-1.2</b>	<b>-1.2</b>

- 5.6.** The 2021-25 Medium Term Financial Strategy includes a planned contribution to general reserves of £1.2m, to increase the reserve from £10.3m to £11.5m. Due to the improved outturn position a contribution will be made from the 2020/21 underspend instead of the 2022 to 2024 Financial Years.
- 5.7.** The Council's wholly-owned companies produced a positive outturn for the year, with an overall net profit of £0.7m for the Group.
- 5.8.** Expenditure on the capital programme is £105m against a forecast spend of £136.4m at Third Quarter. The underspends will be slipped into 2021/22 and budgets will be re-profiled as part of the outturn reporting. Capital receipts in year amounted to £2.2m.
- 5.9.** The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that came into force on 31st March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 and 2021/22. The publication date for audited accounts has been extended from 31st July to 30th September 2021 for all local authority bodies.
- 5.10.** The impact of the transition to the Unit4 ERP system in February 2021, as a replacement for Oracle, was significant. In the circumstances the statutory deadlines for the Statement of Accounts was deemed unachievable, presenting potential risks or error that were not acceptable to the Chief Finance Officer.
- 5.11.** Members of the Audit and Governance Committee were notified informally, and discussions were held with Mazars, the Council's external auditors. A revised deadline was agreed for this financial year only. The draft Accounts

are due to be received by Audit & Governance Committee on 30th September and the timeline for the conclusion of the audit is now 30th November 2021. The new ERP system is anticipated to provide significant improvements in financial control and efficiency beyond this transition period

## **6. Consultation and Engagement**

- 6.1.** As part of the budget setting process the Pre-Budget Consultation 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.

## **7. Implications**

### **7.1 Legal**

- 7.1.1.** The legal implications surrounding the process of setting the 2020 to 2024 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 2020/21.
- 7.1.2.** 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.

### **7.2. Finance**

- 7.2.1.** 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.
- 7.2.2.** The Council's Audit & Governance Committee is responsible for reviewing and analysing the Council's financial position at year-end. The Committee will receive the Draft Group Accounts on 30<sup>th</sup> September 2021, with final accounts due for approval by 25<sup>th</sup> November 2021 following external auditing and associated recommendations to the Committee.
- 7.2.3.** The forecast outturn for 2020/21, as reported at quarter three, was used to inform the budget setting process for 2021/22. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2021/22 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 2021/22 budget.

### **7.3. Policy**

- 7.3.1.** This report is a backward look at Council activities during the final quarter.
- 7.3.2.** The final outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2022/26 medium term financial strategy.

### **7.4. Equality**

- 7.4.1.** 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.

### **7.5. Human Resources**

- 7.5.1.** 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.

### **7.6. Risk Management**

- 7.6.1.** 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 2020/21 budget and the level of general reserves were factored into the 2021/22 financial scenario, budget and reserves strategy.

### **7.7. Rural Communities**

- 7.7.1.** The report provides details of service provision across the borough.

### **7.8. Children and Young People/Cared for Children**

- 7.8.1.** The report provides details of service provision across the borough and notes the overspend on Children in Care.

### **7.9. Public Health**

- 7.9.1.** 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.

## 7.10. Climate Change

7.10.1. There are no direct implications for climate change.

<b>Access to Information</b>	
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Appendices:	Appendix 1 – Narrative from the Draft Group Accounts Appendix 2 – Grants Appendix 3 – Capital Outturn and Requests for Supplementary Capital Estimates and Virements Appendix 4 – Reserves
Background Papers:	The following are links to key background documents: <a href="#">Third Quarter Review (Finance) 2020/21</a>