

OPEN

Corporate Policy Committee

11 July 2023

Provisional Financial Outturn 2022/23

Report of: Alex Thompson: Director of Finance and Customer Services

Report Reference No: CP/9/23-24

Ward(s) Affected: Not applicable

Purpose of Report

- 1 This report provides members with an overview of the Cheshire East Council provisional outturn for the financial year 2022/23. Members are being asked to consider the financial performance of the Council. The report also proposes treatment of year end balances that reflects risks identified in the Medium-Term Financial Strategy which was approved by Council in February 2023.
- 2 Highlighting financial performance across all Departments, and within Central Budgets shows how the Council is achieving its financial strategies and managing financial control and accountability.
- 3 Reporting the financial outturn at this stage, and in this format supports the Council's vision to be an open Council as set out in the Corporate Plan 2021 to 2025. In particular, the priorities for an open and enabling organisation, ensure that there is transparency in all aspects of council decision making.
- 4 The report also provides an early update on performance in 2023/24, in respect of the approved budget policy changes made in the MTFS 2023/24-27, at Council in February 2023.

Executive Summary

- 5 This report outlines how the Council managed its resources through sound financial planning, monitoring, and reporting to achieve outcomes and value for money. 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 priorities contained within the Corporate Plan as well as other important financial matters.

- 6 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 28 September 2023.
- 7 The annexes and appendices attached to this report set out details of the Council's financial performance:
- 8 **Annex 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 April 2022 to 31 March 2023.
- 9 **Annex 2** – Sets out the financial stability context and reasons for the outturn position. The annex contains an appendix for each service committee relating to revenue and capital budgets, debt and reserves. The Corporate Policy Committee will also receive appendices with updates to the Treasury Management Strategy and Investment Strategy as at 31 March 2023.
- 10 **Annex 3** – Update on performance from the MTFS 2023-27 on approved budget policy change items. A full review will be provided in at First Review in the September cycle of Committee meetings.

RECOMMENDATIONS

The Corporate Policy Committee is recommended to:

1. Consider the overall financial performance of the Council in the 2022/23 financial year, as contained within the report, as follows:
 - a) A Net Revenue Overspend of £6.0m against a revised budget of £318.7m (1.9% variance) funded by the drawdown of £5.2m from the MTFS Earmarked Reserve and a reduction in the planned contribution to General Reserves by £0.8m.
 - b) General Reserves closing balance of £14.1m.
 - c) Capital Spending of £116.4m against an approved programme of £125.2m (7.0% variance).
2. Consider the contents of each of the following annexes:
 - a) **Annex 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 April 2022 to 31 March 2023.

- b) **Annex 2 – Financial Stability** section provides information on the overall financial stability and resilience of the Council. Further details are contained in the appendices.

- **Appendix 1** Adults and Health Committee.
- **Appendix 2** Children and Families Committee.
- **Appendix 3** Corporate Policy Committee.
- **Appendix 4** Economy and Growth Committee.
- **Appendix 5** Environment and Communities Committee.
- **Appendix 6** Finance Sub-Committee.
- **Appendix 7** Highways and Transport Committee.
- **Appendix 8** Update to the Treasury Management Strategy.
- **Appendix 9** Update to the Investment Strategy.

- c) **Annex 3 – Update on tracked MTFS 2023-27 approved budget policy change items.**

3. Approve 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 **Annex 2: Appendix 6, Section 4, Table 5.**

4. Note that Council will be asked to approve:

- a) Fully funded supplementary revenue estimates over £1,000,000 in accordance with Financial Procedure Rules as detailed in **Annex 2: Appendix 6, Section 2, Table 3.**
- b) Capital Supplementary Estimates over £1,000,000 in **Annex 2: Appendix 6, Section 4, Table 6.**

5. Recommend to Service Committees to:

- a) Consider the financial performance of the Council in the 2022/23 financial year relevant to their terms of reference.
- b) Consider the delegated decisions relating to supplementary revenue estimates for specific grants coded directly to services in accordance with Financial Procedure Rules as detailed in **Section 2 of each Committee Appendix (Annex 2).**
- c) Approve supplementary revenue estimates (SRE) over £500,000 up to and including £1,000,000:
 - i) Children and Families Committee **Annex 2: Appendix 2, Section 2, Table 2.**
- d) Consider the update on performance with regard to the MTFS 2023-27 approved budget policy change items, in respect of Services within the remit of the Committee.

Background

- 11 The recommendations within the 2022/23 Financial Reviews and the Medium-Term Financial Strategy (MTFS) were clear in the treatment of the outturn and future reserve balances.
- 12 The MTFS recognised emerging risks such as inflation and particularly the Dedicated Schools Grant (DSG) deficit, which highlighted there is no alternative funding.
- 13 The financial outturn for Cheshire East Council is an overspend of £6.0m. This is net of appropriate allocations to useable reserves. Further detail is provided in **Table 1** and **Annex 2**.
- 14 **Table 1:** Total Net Revenue Budget is overspent by £6.0m

2022/23 Outturn Review	Revised Budget (NET) £m	Provisional Outturn £m	Provisional Outturn Variance £m	Change since Third Review £m
Service Committee				
Adults and Health	121.7	132.2	10.5	1.6
Children and Families	78.6	83.8	5.2	1.7
Corporate Policy	39.7	39.0	(0.7)	(1.1)
Economy and Growth	23.0	21.3	(1.7)	(0.9)
Environment and Communities	43.6	45.8	2.2	(0.7)
Highways and Transport	13.7	12.1	(1.6)	(1.4)
Sub-Committee				
Finance Sub	(320.3)	(328.2)	(7.9)	(0.9)
TOTAL	-	6.0	6.0	(1.7)
RELEASE OF RESERVES				
MTFS Reserve			(5.2)	-
General Fund Reserve			(0.8)	1.7
TOTAL			-	-

- 15 To balance this position £5.2m was drawn down from the MTFS reserve, as forecast at the Third Financial review, with only £0.8m being required from the General Fund Reserve (£1.7m less than forecast).

- 16 General reserves have increased from £12.6m to £14.1m following the planned contributions to reserves, partly offset by the utilisation of £0.8m as noted above.
- 17 Expenditure on the capital programme is £116.4m against a revised forecast of £125.2m that was reported to the Finance Sub Committee on the 8 March 2023 as part of the Financial Update report. The underspend of £8.8m will be slipped into 2023/24 and budgets will be re-profiled as part of the outturn reporting. This level of slippage, at 7%, is the lowest variance on the Capital Programme in several years.
- 18 The original budget set in February 2022 was £185.2m, during 2022/23 project managers were asked to re-profile their forecasts resulting in the revised forecast of £125.2m. Capital receipts in year amounted to £4.9m against a forecast of £1.0m, in the first instance this improvement reduces potential borrowing costs. Treatment of capital receipts will be considered as part of the review of the Capital Strategy.
- 19 **Table 2:** Total Capital Expenditure and Funding for the financial years 2022/23, and 2023/24 to 2025/26.

	Outturn 2022/23 £m	Three Year Forecast			Total £m
		2023/24 £m	2024/25 £m	2025/26 £m	
Expenditure					
Children and Families	9.3	52.0	34.1	31.7	127.1
Adults and Health	0.0	0.5	0.0	0.0	0.5
Highways and Transport	65.6	69.6	77.4	128.4	341.0
Economy and Growth	21.0	93.4	55.2	78.7	248.3
Environment and Communities	13.2	11.3	16.7	0.6	41.8
Corporate Policy	7.3	13.6	9.7	5.9	36.5
Total Expenditure	116.4	240.4	193.1	245.3	795.2
Funding					
Grants and Other Contributions	53.8	159.9	141.6	139.1	494.4
Capital Receipts and Reserves	2.2	4.9	1.0	33.6	41.7
Borrowing	60.4	75.6	50.5	72.6	259.1
Total Funding	116.4	240.4	193.1	245.3	795.2

- 20 The Council's wholly owned companies' core contract expenditure was £37.94m in 2022/23, relating to services provided at cost for the Council. This position includes a net £1.5m of additional costs in year, relating to pay award pressures, significant inflation against contracts and materials, the legacy effects of Covid and increased demand for services; partly offset by improvements against waste tonnages,

bereavement income and staffing vacancies, and other efficiencies. The net increase in cost is reflected in the Council's outturn position, mainly against Environment & Communities Committee services, but also partly Highways & Transport Committee functions.

- 21 Ansa and Orbitas realised £0.356m in profits (after tax) from commercial activities. Although Transport Service Solutions (TSS) ceased trading on 31 March 2022, there were residual transactions in 2022/23, as part of winding down the company, generating a £0.106m surplus as at 31 March 2023, which will be paid as a final dividend in 2023/24. An interim dividend of £0.291m was paid in-year from TSS to the Council.
- 22 The Department of Levelling Up, Housing and Communities (DLUHC) put in place revised regulations stated that for that came into force on 22nd July 2022. The regulations stated that for the years 2022/23 to 2027/28 the deadline for the accounts to be signed off by has been extended from the 31 July to the 30 September.
- 23 The budget and policy framework sets out rules for managing the Council's financial affairs and contains the financial limits that apply in various parts of the Constitution. As part of sound financial management and to comply with the constitution any changes to the budgets agreed by Council in the MTFS require approval in line with the financial limits within the Finance Procedure Rules.

Consultation and Engagement

- 24 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.

Reasons for Recommendations

- 25 The recommendations in this report support the 'Reporting' element of the financial cycle.
- 26 The overall process for managing the Council's resources focuses on value for money, good governance, and stewardship. The approach to these responsibilities is captured in the Medium-Term Financial Strategy. Financial changes take place during the year and are

authorised in line with the Constitution. This report sets out where further approvals are required.

- 27 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.
- 28 Outturn reporting provides an opportunity to check performance and management of risks against the Medium-Term Financial Strategy. The four-year MTFS is balanced and approved by Council, but risks were identified as part of this process which could require access to reserves. Members had regard to such risks as the deficit in Dedicated School Grant reserves and potential liabilities associated with the Extra Care Housing PFI (Private Finance Initiative) Scheme when approving the budget. To ensure transparency on management of such risks it is proposed that the improvement in the outturn supports an increase in the General Reserves of the Council which enhances overall financial stability.

Other Options Considered

- 29 Outturn reporting could be delayed until post audit, to avoid the risk of provisional figures changing. This is not a recommended option as the audit completion certificate is not expected until September 2023. Delaying the reporting element of the financial cycle minimises the ability to react to issues during in-year monitoring. Provisional reporting has historically been accurate, so it is appropriate to react to the financial information provided in this report.
- 30 Positive variances, compared to the third quarter forecasts in 2022/23, could be allocated to budgets or reserves other than general reserves. This is not recommended as the MTFS has been agreed by Council with clear recognition of emerging risks that require mitigation. General Reserves are used to manage risk, in accordance with the Reserves Strategy. In the Planning cycle for the 2024/25 MTFS members will have to re-consider the robustness of all estimates and the overall adequacy of reserves based on up-to-date information and forecasts, which will include a review of the level of General Reserves

Implications and Comments

Monitoring Officer/Legal

- 31 The legal implications surrounding the process of setting the 2022 to 2026 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 2022/23.

- 32 Other implications arising directly from this report relate to the internal processes of approving supplementary revenue estimates, supplementary capital estimates and virements referred to above which are governed by the Finance Procedure Rules.

Section 151 Officer/Finance

- 33 The Council's financial resources are agreed by Council and aligned to the achievement of stated outcomes for residents and communities. Monitoring and managing performance help to ensure that resources are used effectively, and that business planning and financial decision making are made in the right context.
- 34 The Council's Audit & Governance Committee is responsible for reviewing and analysing the Council's audited position at year-end. The Committee received the Draft Group Accounts on 8 June 2023, with final accounts due for approval by 30 September 2023 following public scrutiny, external auditing, and any associated recommendations to the Committee.
- 35 The forecast outturn for 2022/23, as reported within the MTFS, was used to inform the budget setting process for 2023/24. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2023/24 budget or highlights potential underlying issues that can be managed in future budget setting cycles. It is important to note that the variations reported at outturn have not identified any significant risks to the 2023/24 budget.

Policy

- 36 This report is a backward look at Council activities during the final quarter.
- 37 The final outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2024-28 Medium-Term Financial Strategy.

Equality, Diversity, and Inclusion

- 38 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.

Human Resources

- 39 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.

Risk Management

- 40 Financial risks are assessed and reported on a regular basis, and remedial action taken if required. Risks associated with the achievement of the 2022/23 budget and the level of general reserves were factored into the 2023/24 financial scenario, budget, and reserves strategy.

Rural Communities

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

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

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

Public Health

- 43 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.

Climate Change

- 44 There are no direct implications for climate change.

Access to Information	
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Appendices:	Annex 1 – Narrative from the Draft Group Accounts Annex 2 – Provisional Financial Outturn 2022/23

	Annex 3 – Update on tracked MTFS 2023-27 Approved Budget Policy Change items
Background Papers:	<p>The following are links to key background documents:</p> <p>Medium-Term Financial Strategy</p> <p>First Financial Review 2022/23</p> <p>Financial Review 2022/23</p> <p>Financial Review Update 2022/23</p> <p>2022/23 Financial Update</p> <p>Statement of Accounts and Annual Governance Statement (cheshireeast.gov.uk)</p>