

OPEN

Finance Sub Committee

25 June 2024

Final Outturn 2023/24

Report of: Adele Taylor, Interim Director of Finance and Customer Services (s151 Officer)

Report Reference No: FSC/25/24-25

Ward(s) Affected: Not applicable

Purpose of Report

- 1 This report provides members with an overview of the Cheshire East Council final outturn for the financial year 2023/24. 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 on 27 February 2024.
- 2 To highlight 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 To 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.

Executive Summary

- 4 This report outlines how the Council managed its resources through sound financial planning, monitoring, and reporting to achieve outcomes and value for money.
- 5 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 30 September 2024.

- 6 The annex and appendices attached to this report set out details of the Council's financial performance:
- 7 **Annex 1** – 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. It also includes appendices with updates to the Treasury Management Strategy and Investment Strategy as at 31st March 2024.

RECOMMENDATIONS

The Finance Sub Committee is recommended to:

1. Consider the overall financial performance of the Council in the 2023/24 financial year, as contained within the report, as follows:
 - a) A Net Revenue Overspend of £8.5m against a revised budget of £356.2m (2.4% variance) funded by drawdown from General Reserves.
 - b) General Reserves closing balance of £5.6m.
 - c) Capital Spending of £136.9m against an approved programme of £171.1m (18% variance).
2. Consider the contents of each of the following annexes:
 - a) **Annex 1 – 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** Highways and Transport Committee.
 - **Appendix 7** Finance Sub Committee.
 - **Appendix 7a** Update to the Treasury Management Strategy.
 - **Appendix 7b** Update to the Investment Strategy.
3. Approve the **Children and Families Committee** Supplementary Capital Estimates (SCE) over £1,000,000 and Capital Virements over £5,000,000 in accordance with Financial Procedure Rules as detailed in **Annex 1: Appendix 2, Section 4, Table 4**.

4. Approve the **Highways and Transport Committee** Supplementary Capital Estimates (SCE) over £1,000,000 as detailed in **Annex 1: Appendix 6, Section 4, Table 4.**
5. Note the **Environment and Communities Committee** Capital Budget reductions as detailed in **Annex1: Appendix 5, Section 4, Table 3.** Note
6. Note the **Highways and Transport Committee** Capital Budget reductions as detailed in **Annex1: Appendix 6, Section 4, Table 5.**

Background

- 8 The recommendations within the 2023/24 Financial Reviews and the Medium-Term Financial Strategy (MTFS) were clear in the treatment of the outturn and future reserve balances.
- 9 The MTFS recognised emerging risks such as inflation and particularly the Dedicated Schools Grant (DSG) deficit, which highlighted there is no alternative funding.
- 10 The financial outturn for Cheshire East Council is an overspend of £8.5m. This is net of appropriate allocations to useable reserves. Further detail is provided in **Table 1** and **Annex 1.**

Table 1: Total Net Revenue Budget is overspent by £8.5m

2023/24	Revised Budget	Outturn	Variance	Forecast Variance FR3	Movement from FR3 to Outturn
	(NET)				
	£m	£m	£m	£m	£m
Service Committee					
Adults and Health	138.0	149.8	11.8	5.0	6.8
Children and Families	81.9	90.1	8.2	10.0	(1.8)
Corporate Policy	41.9	37.3	(4.5)	(1.0)	(3.6)
Economy and Growth	24.9	20.4	(4.5)	(2.8)	(1.6)
Environment and Communities	48.2	50.5	2.3	3.1	(0.8)
Highways and Transport	21.1	19.6	(1.5)	(0.2)	(1.3)
Sub-Committee					
Finance Sub	(355.9)	(359.3)	(3.3)	(1.1)	(2.2)
TOTAL	(0.0)	8.5	8.5	13.0	(4.5)

- 11 To balance this position £8.5m was drawn down from the General Fund Reserve (£4.5m less than forecast at Third Financial Review). General reserves have decreased from £14.1m to £5.6m following the utilisation of £8.5m as noted above.
- 12 During 2023/24, a net total of £29.3m was drawn down from Earmarked Reserves and applied to fund the service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding. The closing balance at 31st March 2024 was £32.3m, excluding balances held by schools.
- 13 Expenditure on the capital programme is £136.9m against a revised budget of £171.1m that was reported to the Finance Sub Committee on the 11 January 2024. The underspend of £34.2 will be slipped into 2024/25 and future years. Budgets will be re-profiled as part of the outturn reporting. This level of slippage, at 18%, is a higher variance than 2022/23 (7%).
- 14 The original budget set in February 2023 was £214.7m, during 2023/24 project managers were asked to re-profile their forecasts resulting in the revised forecast of £171.1m. Capital receipts in year amounted to £3.5m 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.

Table 2: Total Capital Expenditure and Funding for the financial years 2023/24, and 2024/25 to 2026/27.

	Outturn 2023/24 £m	Three Year Forecast			Total £m
		2024/25 £m	2025/26 £m	2026/27 £m	
Expenditure					
Children and Families	29.0	56.3	32.1	12.3	129.7
Adults and Health	0.1	0.8	0.0	0.0	0.9
Highways and Transport	57.4	66.4	51.4	154.6	329.8
Economy and Growth	39.0	92.6	67.6	22.3	221.5
Environment and Communities	5.6	14.6	17.5	1.4	39.1
Corporate Policy	5.9	14.8	6.5	2.5	29.7
	136.9	245.5	175.1	193.1	750.7
Funding					
Grants and Other Contributions	70.0	189.7	94.5	167.9	522.1
Capital Receipts and Reserves	2.3	3.6	32.0	2.1	40.0
Borrowing	64.6	52.2	48.6	23.1	188.5
Total Funding	136.9	245.5	175.1	193.1	750.7

- 15 The Council's wholly owned companies' core contract expenditure was £45.05m in 2023/24, relating to services provided at cost for the Council. This position includes a net £2.4m of additional costs in year, relating to pay award pressures, significant inflation against contracts and materials, recycling income decline and increased demand for services; partly offset by improvements against fuel spend, income, staffing vacancies, and other mitigations and efficiencies.
- 16 The net increase in cost is reflected in the Council's outturn position, mainly against Environment & Communities Committee services, but also partly against Adults & Health with a net reduction against Highways & Transport Committee functions.
- 17 Ansa and Orbitas realised £0.173m in profits (after tax) from commercial activities. Although Transport Service Solutions (TSS) ceased trading on 31 March 2022, there were residual transactions in 2023/24, as part of winding down the company, generating a £0.023m final dividend payment.
- 18 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

- 19 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

- 20 The recommendations in this report support the 'Reporting' element of the financial cycle.
- 21 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.

- 22 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.
- 23 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

- 24 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 2024. 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.
- 25 Positive variances, compared to the third quarter forecasts in 2023/24, 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.
- 26 General Reserves are used to manage risk, in accordance with the Reserves Strategy. In the Planning cycle for the 2025/26 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

- 27 The legal implications surrounding the process of setting the 2023 to 2028 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 2023/24.

- 28 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

- 29 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.
- 30 The Council's Audit & Governance Committee is responsible for reviewing and analysing the Council's audited position at year-end. Final Group Accounts are due for approval by 30 September 2024 following public scrutiny, external auditing, and any associated recommendations to the Committee.
- 31 The forecast outturn for 2023/24, as reported within the MTFS, was used to inform the budget setting process for 2024/25. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2024/25 budget or highlights potential underlying issues that can be managed in future budget setting cycles.
- 32 At this stage further work is underway to identify whether the variations reported at outturn will form a significant risk to the 2024/25 budget.

Policy

- 33 This report is a backward look at Council activities during the final quarter.
- 34 The final outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2025-29 Medium-Term Financial Strategy.

Equality, Diversity, and Inclusion

- 35 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

- 36 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

- 37 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

- 38 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)

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

Public Health

- 40 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

- 41 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Adele Taylor, Interim Director of Finance and Customer Services (s151 Officer) adele.taylor@cheshireeast.gov.uk Paul Goodwin, Head of Finance & Deputy Chief Finance Officer paul.goodwin@cheshireeast.gov.uk
Appendices:	Annex 1 – Final Outturn 2023/24
Background Papers:	Medium Term Financial Strategy 2023-27 First Financial Review 2023/24 Second Financial Review 2023/24

	<u>Third Financial Review 2023/24</u>
--	---