

Cheshire East Council

Cabinet

Date of Meeting:	12 September 2017
Report of:	Director of Finance and Procurement (Section 151 Officer)
Subject/Title:	First Quarter Review of Performance 2017/18
Portfolio Holder:	Cllr Paul Bates, Finance and Communities

1. Report Summary

- 1.1. This report outlines how the Council is managing resources to provide value for money services during the 2017/18 financial year. The report highlights financial and non-financial pressures and performance and provides an overview of progress towards achievement of the priority outcomes set out in the Corporate Plan 2017 to 2020.
- 1.2. 2017/18 is presenting a challenging year for local authorities across the UK as revenue budgets come under severe pressure due to the combined effects of rising inflation, increased demand and continuing reductions in government funding. Demand led financial pressures in the People Directorate are currently exceeding forecasts in both Children and Adults Services. This pressure is more significant as previous one-off mitigation, such as financial support from health services, is unlikely, which exposes an additional underlying shortfall in certain budgets. These pressures have led to an initial forecast overspend in 2017/18 of as much as £17.7m. This level of overspend would represent 6.7% of the Council's net revenue budget and would exceed the level of General Reserves.
- 1.3. To date the Management Team, in reviewing the areas of significant risk, have identified service based opportunities to reduce this overspend by up to £7.7m, leaving a current forecast deficit of £10m. Robust action is being taken to reduce this further and return the budget to a balanced position, specifically in relation to financing existing capital expenditure, reviewing the funding of costs of transformation activities and an appropriate use of available reserves.
- 1.4. The main reasons for the forecast overspend are increases in caseload numbers and complexity that increase costs associated with Children in Care and Adult Social Care, as well as rising costs from minimum wage requirements for care providers. As a result, the People's Directorate is currently forecasting an overspend of £12.8m of which £9.2m relates to Adult Social Care. Overspends of £1.2m and £2.1m are also forecast in

the Place and Corporate Directorates respectively, largely due to pressures on commissioning budgets and partial achievement of productivity and contract savings targets.

- 1.5. In previous years it has been possible to offset overspends in Children’s and Adult Social Care against underspends in corporate and central budgets and one off income. These mitigations will not be available in 2017/18 as the budget setting process was extremely robust in targeting savings in these areas. Alternative mitigation actions potentially totalling £18m have been identified as follows:

Revenue spending reductions - £7.7m (Included within Annex 1)	Mitigating actions identified by services are provided within Annex 1 to this report and include reviewing care packages, vacancy management and improving income collection targets.
Revenue reductions relating to capital and pension costs - £7m (Not within Annex 1)	Revising the basis for calculating Minimum Revenue Provision (MRP) allowing capital financing costs to be reprofiled without increasing the overall costs of managing the Council’s debt portfolio.
	Capitalising some costs associated with major projects and funding transformation activity from capital receipts.
	Realising interest savings associated with the up-front payment of past service pension costs.
Potential Use of reserves - £3m (Not within Annex 1)	Income from Council Tax & Business Rates has been accumulated to mitigate costs of non-collection and appeals as well as from growth that has exceeded forecasts. Accounting for the liabilities in this area has proved accurate so it is reasonable to consider release of some of these reserves now.
	Financing the Capital Programme is a long term strategy and to date reserves have been built up to avoid an increase in the annual Capital Financing Requirement (CFR). To date the CFR has not been exceeded, and if MRP reductions are practical then reserves previously built up can be released.

- 1.6. Against this extremely challenging financial backdrop it is pleasing to note that the Council has continued to perform strongly, delivering positive outcomes in each of the six priority areas identified by the Corporate Plan.

- 1.7. In quarter one, a few examples of good performance were:
- Democratic Services organised successful delivery of Parliamentary Elections at short notice, returning four MPs

- Published National Achievement Rates Tables for education and training at 19 years and over show a Cheshire East rate of 94% compared to a regional average of 78% and a national average of 84%
- 64% of primary pupils achieved the expected standard or higher for combined reading, writing and maths – an increase of 12% on the previous year
- The Council's parks once again scooped 'Green Flag' awards
- Continued improvement in the number of planning applications dealt with within time
- Launch of the Live Well website, enabling residents and carers to source information and advice digitally at the touch of a button
- Strong improvement in delayed discharges at Macclesfield hospital
- £3m more Council Tax and business rates income collected in quarter one than in the same period last year
- Launch of online application service for blue badges

1.8. The attached report, **Annex 1**, sets out details of how the Council is performing in 2017/18. It is structured into three sections:

Section 1 Summary of Council Performance - brings together the positive impact that service performance and financial performance have had on the 6 Council Outcomes during the year.

Section 2 Financial Stability - provides an update on the Council's overall financial position. It demonstrates how spending in 2017/18 has been funded, including the service budgets, grants, council tax & business rates, treasury management, centrally held budgets and reserves.

Section 3 Workforce Development - provides a summary of the key issues relating to the Council's workforce development plan.

2. Recommendation

2.1. Cabinet is asked to consider and comment on the first quarter review of 2017/18 performance, in relation to the following issues:

- the summary of performance against the Council's 6 Strategic Outcomes (**Section 1**);
- the projected service revenue and capital outturn positions, overall financial stability of the Council, and the impact on the Council's reserves position (**Section 2**);
- the delivery of the overall capital programme (**Section 2, paragraphs 194 to 209 and Appendix 4**);

- fully funded supplementary capital estimates and virements up to £250,000 approved in accordance with Finance Procedure Rules (**Appendix 5**);
- changes to Capital Budgets made in accordance with the Finance Procedure Rules (**Appendix 8**);
- treasury management investments and performance (**Appendix 9**);
- management of invoiced debt (**Appendix 11**);
- use of earmarked reserves (**Appendix 12**);
- update on workforce development and staffing (**Section 3**);
- the intention of the S.151 Officer to identify further financial mitigation, in relation to the Council's 2017/18 revenue budget, through a review of the calculation of the Minimum Revenue Provision and the funding of other revenue costs through capitalisation or the appropriate use of available reserves.

2.2. Cabinet is asked to approve:

- fully funded supplementary capital estimates and virements above £250,000 in accordance with Finance Procedure Rules (**Appendix 6**);
- supplementary revenue estimates to be funded by additional specific grant (**Appendix 10**).

3. Other Options Considered

3.1. None.

4. Reasons for Recommendation

- 4.1. The Council monitors in-year expenditure through a quarterly reporting cycle, which includes outturn reporting at year-end. Quarterly reports 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.
- 4.2. 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 must be properly authorised and this report sets out those areas where any further approvals are now required.

5. Background/Chronology

- 5.1. Monitoring performance is essential to the achievement of outcomes for local residents. This is especially important in 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 370,000 local

people. Gross annual spending is over £720m, with a balanced net budget for 2017/18 of £264.6m.

- 5.2. The management structure of the Council is organised in to three directorates, People, Place and Corporate. The Council's quarterly reporting structure provides forecasts of a potential year-end outturn within each directorate during the year.
- 5.3. At the first quarter stage, action is required to ensure that the Council's reserves strategy remains effective following identification of a potential overspend of £17.7m (6.7%) against a net revenue budget of £264.6m. Forecast capital expenditure in the year is £117.7m.

6. Wards Affected and Local Ward Members

- 6.1. All

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1. Performance management supports delivery of all Council policies. The projected outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2018/21 medium term financial strategy.

7.2. Legal Implications

- 7.2.1. The legal implications surrounding the process of setting the 2017 to 2020 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 first quarter stage in 2017/18. That is done as a matter of prudential good practice, notwithstanding the abolition of centrally imposed reporting requirements under the former National Indicator Set.
- 7.2.2. The only 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.
- 7.2.3. 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.

7.3. Financial Implications

7.3.1. 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.

7.3.2. Any proposals to amend the calculation of the Minimum Revenue Provision will be reported to Council as part of the process to review the Treasury Management Strategy. Any proposal to use reserves to support in-year expenditure will be consistent with the Reserves Strategy or otherwise reported to Council.

7.4. Equality Implications

7.4.1. This report is a backward look at Council activities in quarter one and predicts the year end position. 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 that relate.

7.5. Rural Community Implications

7.5.1. The report provides details of service provision across the borough.

7.6. Human Resources Implications

7.6.1. This report is a backward look at Council activities in quarter one and states the forecast 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 that relate.

7.7. Public Health Implications

7.7.1. This report is a backward look at Council activities in quarter one and provides the forecast 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 that relate.

7.8. Implications for Children and Young People

7.8.1. The report provides details of service provision across the borough.

7.9. Other Implications (Please Specify)

7.9.1. None

8. Risk Management

- 8.1. 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.
- 8.2. 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 2017/18 budget and the level of general reserves were factored into the 2017/18 financial scenario, budget and reserves strategy.

9. Access to Information/Bibliography

- 9.1. The following are links to key background documents:

[Budget Book 2017/18](#)
[Medium Term Financial Strategy 2017/20](#)

Contact Information

- 9.2. Contact details for this report are as follows:

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