

Report To: Leader and Cabinet
Lead Officer: Alex Colyer – Executive Director, Corporate Services

14 July 2016

2015-16 YEAR-END POSITION STATEMENT ON FINANCE, PERFORMANCE AND RISK

Purpose

1. To provide Cabinet with:
 - A provisional 2015-16 outturn position statement on General Fund, Housing Revenue Account (HRA) and Capital expenditure and income, including requests for budget rollovers from 2015-16 to 2016-17;
 - a statement on the 2015-16 year-end position with regard to the Council's corporate objectives and performance indicators, and
 - the Strategic Risk Register.

Integrated reporting in this way gives EMT and Members the opportunity to examine any areas of concern and decide on the appropriate action.

Approval of capital and revenue budget rollovers constitutes a key decision, notice of which was first published in the March 2016 Forward Plan.

Recommendations

2. Cabinet is requested to;
 - (a) Consider, comment on and note the Council's provisional financial outturn position, together with the overview of Corporate Plan 2015-2020 achievements and performance against key performance indicators set out in the report and **appendices A-E** attached;
 - (b) approve the capital and revenue budget rollovers totalling £9,370,180 (including approval for £3,869,485 of revenue resource required to finance rephrased capital expenditure), as listed in **Appendices E(1) General Fund Revenue, E(2) HRA Revenue and E(3) Capital**, to be carried forward into the 2016-17 financial year, and
 - (c) Approve the Strategic Risk Register at **Appendix F** attached.

Reasons for Recommendations

3. These recommendations are required to enable Cabinet to understand the organisation's financial position and performance. This contributes to the evidence base for the ongoing review of priorities and enables, where appropriate, redirection of resources to reflect emerging priorities and address areas of concern.
4. Rollovers are required to be submitted to Cabinet as, subject to approval, they will result in increases in 2016-17 budget estimates for specific, exceptional items that were originally included in the 2015-16 estimates but will now fall in 2016-17. Rolling over revenue and capital budgets will allow the re-phasing of specific expenditure into 2016-2017 as stated in the proposal forms, summarised in **Appendices E(1), E(2) and E(3)** attached.

5. The Strategic Risk Register and Matrix form the record of corporate risks the Council currently faces in the achievement of strategic aims delivery of services, together with control measures to address / sources of assurance over the risks.

Background

6. This is the final position statement for 2015/16, providing updates in respect of:
 - The financial position at 31 March 2016, showing the original budget for 2015/16, and variance between the working budgets and the provisional outturn;
 - The Corporate Plan 2015-2020, agreed by Council in February 2015;
 - Key Performance Indicators at 31 March 2016; endorsed by Cabinet in September 2015, and
 - The Strategic Risk Register.

Corporate Plan 2015-2020

7. The Corporate Plan 2015-2020 set out the following Vision for the Council:

‘South Cambridgeshire will continue to be the best place to live, work and study in the country. Our district will demonstrate impressive and sustainable economic growth. Our residents will have a superb quality of life in an exceptionally beautiful, rural and green environment.’

8. We worked to attain our Vision through three Strategic Aims around the themes of Engagement, Partnerships and Well-being. Detailed commentary on achievements and outcomes against each of the 12 objectives, bringing together relevant finance and performance information, is set out in **Appendix A** attached. Whilst many of the aims and objectives within the plan reflect ongoing long-term priorities, we have reached a number of significant milestones during the year. For example, we:
 - Launched an on-line form for benefits applications and a new public website;
 - Completed major consultations on transport improvements schemes as part of the Greater Cambridge City Deal;
 - Begun work on the construction of new Council homes at Swavesey, Foxton and Linton.
 - Completed, and agreed to extend, a successful housing company trial, providing much-needed local housing for rent whilst generating financial returns;
 - Completed modifications to our draft Local Development Plan within a challenging timescale, submitting modifications for Public Examination in March 2016
 - Agreed ‘Primary Authority’ arrangements to provide regulatory support and advice to Aldi and John West Tuna Co.
 - Introduced Key Account Management arrangements with major businesses and organisations in the district;
 - Obtained the Gold Award of the Investors in People standard
 - Resolved to grant planning permission for 3,500 homes and associated infrastructure at Northstowe (Phase 2); we have since received a planning application for 92 units from the first housebuilder seeking to develop the site.
 - Submitted a successful application for an Enterprise Zone including key sites in the district, which would further stimulate the local economy.

- Co-located Cambridge City Council waste operations at the Waterbeach Depot and put in place a shared management team, which will save £140k per annum;
- Launched shared ICT, Building Control and Legal Services.

Key Performance Indicators (KPI)

9. Cabinet has endorsed a suite of 36 key performance indicators (KPIs) to provide a strategic overview of organisational health. Of these, 12 have been identified as outcome measures of success linked to the principal Corporate Plan themes of Engagement, Partnerships and Wellbeing. Performance against these indicators is set out in **Appendix B** attached.
10. The data in Appendix B shows actual performance against target and intervention levels, which were agreed at the beginning of the year by directors in consultation with Portfolio Holders. The Council uses a ‘traffic light’ system to denote performance, whereby:
- **Green** signifies performance targets which have been met or surpassed;
 - **Amber** denotes performance below target but above intervention level. It is the responsibility of service managers to monitor such performance closely, putting in place remedial actions at the operational level to raise standards as required.
 - **Red** denotes performance below the intervention level. This represents underperformance of concern, and should prompt interventions at the strategic level which are likely to involve the reallocation of resources and proposals to redesign how services are provided.

Finance: General Fund, HRA and Capital Outturn

11. This position statement is reporting on the variance between the 2015/16 working budgets and the provisional outturn at the end of March 2016. A summary is below; October 2015’s figures are included for comparative purposes, with the HRA October 2015 position restated to reflect that a projected favourable capital variance directly impacts the use of revenue resources as funding*:

Projected / Provisional Outturn compared to Working Budget	October 2015		March 2016		Movement (Appendix C)
	Adverse (Favourable)				
	£	%	£	%	£
General Fund	(231,490)	(1.43)	(357,778)	(2.20)	(126,288)
Housing Revenue Account (HRA)*	(3,999,000)	(13.68)	(5,149,964)	(17.62)	(1,150,964)
Capital	(4,460,000)	(20.87)	(8,161,152)	(37.07)	(3,701,152)

12. The favourable variance in the provisional General Fund outturn as at March 2016 is mainly because of additional Planning Fee Income, which was higher than had previously been forecast. It should be noted that budget holders actively manage costs down, leading to favourable variances, either one-off in-year, or that continue to have an ongoing effect in future years. Services continue to be delivered and performance maintained, as described elsewhere in this report.

13. The Council delivered savings of £408,270 during 2015/2016. The resulting shortfall of £261,730 partially offset the favourable variance in respect of planning fee income. The overall target of £670,000 will be met and surpassed in a full year from 2016-2017, as shown in the table below and reflected in the current MTFS agreed by Council in February 2016.

Areas identified to meet additional income/savings target	Savings Target £	Savings in 2015-16 £	Full-year income / savings £
Single Shared Waste Service and other waste initiatives	125,000	125,000	125,000
Increased Planning Pre-App fee income	100,000	102,880	100,000
Supplies & Services procurement	50,000	50,000	50,000
Systems Contract Terminus Review *	25,000	0	0
Office Space Management	25,000	28,890	25,000
Shared Services / Commercialisation Programme **	50,000	0	150,000
Ermine Street Housing			250,000
Sub-total	375,000	306,770	700,000
Other income/savings to be identified	295,000		
Fuel savings in Refuse and Street Cleaning		100,000	100,000
Recruitment portal fee		1,500	1,500
Total	670,000	408,270	801,500

* It is now anticipated that savings previously expected from the Systems Contract Terminus Review will be delivered indirectly through the ICT shared service.

** Figures included within relevant portfolios.

14. The provisional HRA outturn is predominantly due to a reduced requirement for revenue funding of capital expenditure, which was £5,652,600 lower than estimated, due to:
- The need to re-profile expenditure in respect of new build activity, as schemes progress through the design, planning and delivery phases. The authority is developing a new build pipeline programme with the new Housing Development Agency, which should enable greater throughput of new build schemes should funding allow.
 - The need to reschedule expenditure in respect of the provision of existing homes, particularly in respect of a scheme in Gamlingay, where it has taken time to relocate residents and identify a scheme which the authority can afford to deliver on the site in light of the financial pressures facing the HRA at present.
 - Challenges faced in the delivery of improvements to the housing stock due to internal and contractor staffing capacity, coupled with a specialist contractor ceasing to trade part way through the year.

Any resources not utilised in 2015/16, or required to fund rollovers into 2016/17 have been transferred into HRA reserves, and will be available for reinvestment in future years, to offset some of the financial pressures currently facing the HRA.

15. The provisional Capital outturn relates to a combination of the Housing Capital spending that did not occur in the year, as identified above, combined with a number of General Fund capital schemes which were deferred or withdrawn in 2015/16. Investment in potential photovoltaic projects at the Cambourne offices is not anticipated to go forward as originally planned, grants for the provision of social housing were not awarded as anticipated in 2015/16, whilst investment in ICT has been deferred as a result of the introduction of the 3C ICT Shared Service to allow a consolidated approach to future ICT investment.
16. A summary position statement is provided at **Appendix C**. Significant items of variance against the working budget are listed in **Appendices D(1)** in respect of General Fund Revenue, **D(2)** in respect of HRA Revenue and **D(3)** for the Capital position for the authority as a whole.

Rollovers

17. Budget rollover rules are governed by the budget and policy framework rules, as follows:

“Rollover of unspent budget provision from the previous financial year to the current year will only be permitted in exceptional cases (excluding employees). A list of rollovers will be completed and reported for approval to the Finance (and Staffing) Portfolio Holder by 31 July each year. Rollovers may then only be used with the approval of the Section 151 Officer, approval being on an individual basis during the year, when the director/cost centre manager can demonstrate that the current year’s budget is fully spent/ committed and that there are no other sources of funding, including virement. Rollovers are for specific items and cannot be vired.”
18. The items in the 2015-16 budget, listed in **Appendices E(1), E(2) and E(3)**, were underspent at the end of the 2015-16 financial year, but the expenditure will now fall within 2016-17. If approved by the Finance and Staffing Portfolio Holder, the relevant estimate provisions will be rolled forward into 2016-17, only if, or when the S151 Officer is satisfied that the relevant 2016-17 budget has been fully committed. Each of these rollovers will have been approved by the relevant Director and Portfolio Holder before being presented to the Finance and Staffing Portfolio Holder.
19. The March 2016 provisional outturn figures need to be adjusted for rollovers requested. In addition to the rollover requests listed in **Appendices E(1), E(2) and E(3)**, which total £123,130 on General Fund revenue budgets, £3,968,345 on Housing Revenue Account revenue budgets (including £3,869,485 for revenue funding of capital rollovers) and £5,278,705 on the Capital Programme, Cabinet ***is asked to note the following:***
 - (a) The 2015/16 Finance, Policy & Performance staffing budget was underspent by £127,000 (net of the cost of staff seconded from Cambridge City Council). The unused staffing budget will effectively have been returned to General Fund Reserves at the end of 2015/16 and the money is therefore available for Council use from 2016/17. The amount of the underspend is required to fund expected financial management system implementation costs in 2016/17. While not a rollover in the strict sense (unspent employee budgets cannot be rolled forward), it is considered appropriate to formally record it in this report.

(b) Following the implementation of the new 3C ICT Shared Service, there is a collective approach to streamlining ICT investment to generate shared savings. Expenditure planned for 2015/16 has therefore prudently been deferred to ensure appropriate investment with our shared service partners. In addition, the Housing Management IT System will be fully re-tendered, as opposed to upgrading the existing application. This has resulted in £497,900 of expenditure not being incurred during 2015/16, of which £472,000 has been included as a rollover. The headline variances in 2015/16 were:

- £100k - Network Infrastructure Upgrade
- £ 35k - Windows Server Replacement
- £ 25k - Creation of 20TB Storage Array re Information at Work
- £180k - Replace VM Server Environment
- £ 20k - Active Directory Server Environment
- £ 20k - Wi-fi Network Expansion
- £ 92k - Replacement Housing Management System

20. The March 2016 provisional outturn figures need to be adjusted for rollovers and additional budget approvals requested. The table below shows the adjusted net March 2016 provisional outturn figures, taking rollover requests and the additional approval for finance system implementation costs into account:

Outturn compared to working budget	Provisional Outturn March 2016		Rollover requests and new approvals	Adjusted Outturn March 2016	
	£	%		£	£
General Fund	(357,778)	(2.20)	*250,130	(107,648)	(0.66)
Housing Revenue Account (HRA)	(5,149,964)	(17.62)	3,968,345	(1,181,619)	(4.04)
Capital	(8,161,152)	(37.07)	5,278,705	(2,882,447)	(13.09)

* Includes £127,000 additional approval request for finance system implementation costs

Income

21. With declining resources from Government funding, ensuring that income targets are met becomes more important. Itemised below is the current position on major income sources and where appropriate further details are provided in **Appendix D(1)**.

	Budget 2015/16 £	Provisional Actual £	Variance £
Refuse Recycling – Credits	(660,000)	(745,817)	(85,817)
Trade Waste – Income	(635,000)	(677,447)	(42,447)
Paper Recycling – Credits	(384,000)	(345,368)	38,632
Development Control – Fees	(900,000)	(1,531,222)	(631,222)
Development Control - Pre-App Fees	(160,000)	(162,877)	(2,877)
Building Control – Fees	(340,000)	(307,116)	32,884
Land Charges – Fees	(297,360)	(293,337)	4,023
New Communities - Charges for Services	(195,000)	(83,159)	111,841
Taxi Licensing - Fees & Charges	(155,230)	(168,312)	(13,082)
Licences under Acts - Fees & Charges	(113,650)	(121,955)	(8,305)
Travellers Sites – Rents	(109,420)	(80,766)	28,654
Cambourne Offices – Rent	(60,000)	(88,891)	(28,891)

Risk Management

22. The Strategic Risk Register has been updated for the new Cabinet Members and responsibilities and reviewed with the nominated officer risk owners and other members of EMT. Changes proposed to risk descriptions, control measures / sources of assurance, timescales to progress or likelihood / impact scores are highlighted in the draft Strategic Risk Register, attached as **Appendix F**. The draft Strategic Risk Matrix, attached as **Appendix G**, shows risk impact and likelihood scores in tabular form.
23. A particular risk to note is:
- **STR02, Consultation and Engagement.** It is proposed to re-designate this risk from the previous Equalities risk. This risk was originally included in the Register to reflect corporate governance concerns at the time around policy gaps in this area. Following the embedding of a corporate framework to enable the potential equality impacts of the Council's policies, both as an employer and service provider, to be proactively assessed, it is felt that the corporate risk has now reached a very low level.

It is recommended that the risk is re-designated to reflect the wider likelihood of key decisions being challenged on the grounds of insufficient or inadequate consultation, against which proactive equality impact assessment of policies and service delivery decisions provides an important mitigation.

24. EMT considered that following potential risk areas were reflected adequately in service and programme risk registers and therefore did not warrant inclusion in the Strategic Risk Register at this stage; Cabinet is invited to consider these recommendations:
- Increasing commercial / entrepreneurial working covering business planning, securing income / cost management, sales & marketing skills, commercial Terms & Conditions / contracts for commercial staff / ICT support for on-line transactions.
 - ICT delivery risks to the Corporate Plan 2016-2021 Action D(v) 'Embed a 'digital by default' approach to customer access whilst ensuring quality traditional contact channels remain for those requiring them'.
 - Personal and commercial cyber-security in a digital world.
25. In reviewing the Strategic Risk Register and Matrix, Cabinet could:
- (a) add to, delete from, or make other changes to risks, in terms of either the title or detail of the risks or control measures / sources of assurance;
 - (b) alter the assessment scores of risks, in terms of either their impact or likelihood.

Implications

26. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial

27. The Council needs to ensure that it spends within its budgets, because of the impact on the level of balances and the implication for the Medium Term Financial Strategy.

Risk Management

28. The Council's Strategic Risks continue to be proactively managed through control measures to reduce their likelihood and mitigate their impact.

EU Referendum

29. The result of the EU Referendum is likely to have implications for the Council's finance, performance and risk projections. These will be taken into account as part of review processes for the Corporate Plan, MTFs and Strategic Risk Register.

Consultation responses (including from the Youth Council)

30. Corporate Plan aims and actions, and the allocation of resources to deliver them, are based on assessed need and priorities and are subject to consultation each year prior to adoption.
31. The comments of the cost centre managers and directors were requested on the financial position and projected out-turn. Council Action and Performance Indicator updates have been prepared in liaison with lead officers in each directorate.
32. Risk owners and members of EMT have been consulted regarding the draft Strategic Risk Register and Matrix and their responses have been reflected and incorporated where appropriate.

Effect on Strategic Aims

33. Timely and robust consideration of the Council's budgets and corporate plan is vital to ensure corporate priorities are met and strategic risks involved in delivering these identified and managed proactively.

Background Papers: None

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