



Report To: Leader and Cabinet

17 November 2016

Lead Officer: Acting Chief Executive

2016-17 SECOND QUARTERLY POSITION STATEMENT ON FINANCE, PERFORMANCE AND RISK

Purpose

1. To provide Cabinet with a statement on the Council's position with regard to its General Fund, Housing Revenue Account (HRA) and Capital budgets, corporate objectives, performance indicators and strategic risks. Integrated reporting in this way gives EMT and Members the opportunity to examine any areas of concern and decide on the appropriate action.
2. To approve the Strategic Risk Register and Matrix attached at **Appendix D-E**.

Recommendations

3. Cabinet is invited to:
 - (a) consider, comment on and note the Council's provisional financial position together with the performance and risk matters and contextual information set out in the report and **Appendices A-C**, and
 - (b) approve the Strategic Risk Register and Matrix set out in **Appendix D-E**, incorporating the proposed changes set out in paragraph 28 of the report.

Reasons for Recommendations

4. These recommendations are required to enable Members to maintain a sound understanding of the organisation's financial position, performance and risk, and the local context in which it operates. 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.

Background

5. This is the second quarterly position statement for 2016/17, providing updates in respect of:
 - The Financial Position at 31 August 2016, showing variance between 2016/17 original budgets and the provisional Outturn;
 - The Corporate Plan 2016-2021;
 - Key monthly, quarterly and annual Performance Indicators at 30 September 2016, and
 - The Strategic Risk Register.
6. The Strategic Risk Register and Matrix form the record of corporate risks the Council currently faces in the achievement of strategic aims and delivery of services, together with control measures to address / seek assurance over the risks.

Corporate Plan 2016-2021

7. The Corporate Plan 2015-2020 sets 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 are working to attain our Vision through three Strategic Aims around four strategic objectives: Living Well, Homes for our Future, Connected Communities, and an Innovative and Dynamic Organisation, and 21 accompanying actions. Detailed commentary on progress and achievements with each of the actions, 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 significant milestones during the year to date, including:

Living Well

- Successful delivery of Parklife 2016 community event, attracting over 5,000 visitors to Milton Country Park to try a number of new sporting activities.
- Active and Healthy 4 Life GP exercise referral scheme from April to September, has seen 140 referrals to the scheme compared with 66 for the same period last year.

Homes for our Future

- Construction of the first homes at Northstowe has begun.
- Keys handed over to 20 new tenants following completion of affordable housing scheme at Swavesey.

Connected Communities

- Consultation concluded on eight-point plan to tackle congestion in and around Cambridge, as part of City Deal.
- Devolution proposal for Cambridgeshire and Peterborough agreed in principle, which would transfer significant powers and funding locally.

An Innovative and Dynamic Organisation

- Commercial initiatives generating income: Ermine Street Housing (110 acquisitions at 30 September 2016), in-house Enforcement Agent (fee income of £14k), Equity Share (£140k profit).
- Updated Organisational Development Strategy for staff and Members agreed, to take us towards Platinum Investors in People status in 2018.

Key Performance Indicators (KPI)

9. Cabinet has agreed a suite of key performance indicators (KPIs) which provide a strategic overview of organisational health. Performance against these indicators is set out in **Appendix B attached**, with accompanying commentary.
10. The EMT meeting of 23 March recommended the replacement of ‘number of **affordable homes started on exception sites**’ with a new KPI, which was to be

developed in collaboration with Planning Policy and Housing Strategy. This was a consequence of the previous KPI falling largely outside of the council's control. The previous KPI also failed to reflect ongoing work to bring exception sites forward (these can take up to 5 years to start) or to account for development brought forward in the absence of a 5-year land supply.

11. Work is ongoing between Planning Policy and Housing Strategy to identify the most effective monitoring arrangement for the delivery of new affordable housing, and more specifically to meet the City Deal additional 1,000 homes commitment. This work is being taken forward as part of the emerging Housing Strategy, and will be subject to a Member Workshop during November 2016.
12. **Land Charges** search response days was included within the KPI suite following the identification of performance issues following an internal restructure and loss of key staff. Two additional officers have been recruited with address the backlog of applications, which has now cleared. Performance improved from 28.4 days in July to 21.1 in September.
13. To provide focus on key major development milestones, a new performance indicator was approved at EMT (23/03/16) around the '% of Development Delivery Agreements (DDAs) on target'. We are working to put in place DDAs with applicants by end of 2016 to ensure a clear agreed work programme for timescale delivery, and to help budget/resource planning. Draft DDAs are in place for the four housing parcels at Northstowe, with sign-off pending final timescale agreement. The principle is agreed for putting DDAs in place at Bourn Airfield, Waterbeach and Northstowe Phases 2&3 - strategy and milestone sequences are being prepared to allow DDAs to be completed.
14. Data relating to the validation of planning applications is now available and is reported as PN508 within Appendix B.
15. The data in **Appendix B1** 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.

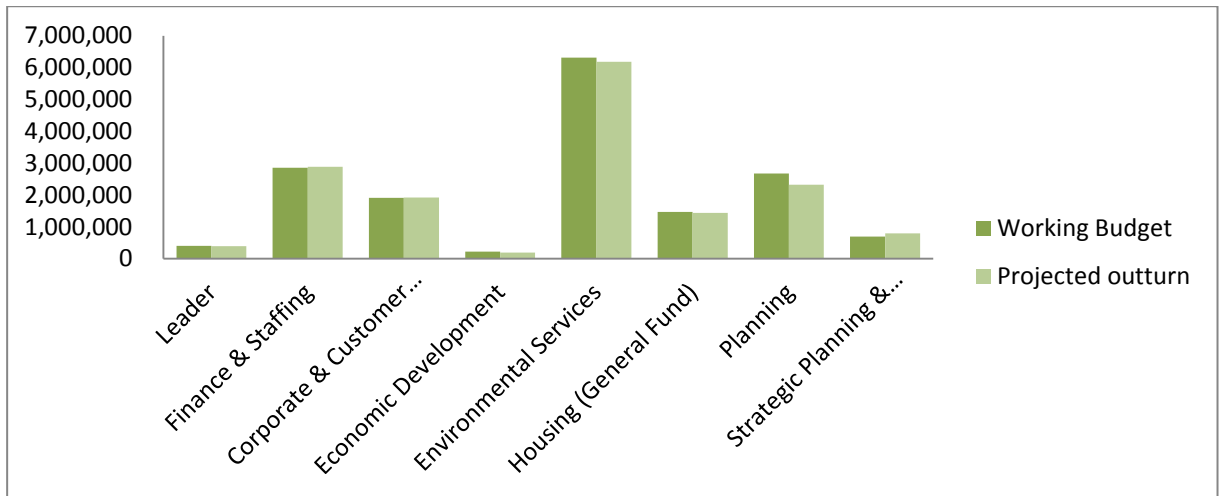
Finance: General Fund, HRA and Capital

16. This position statement is reporting on the variance between the 2016/17 working budgets and the projected Outturn for the Q2 of the year – as at the end of August 2016. Below is a summary of the provisional outturns.

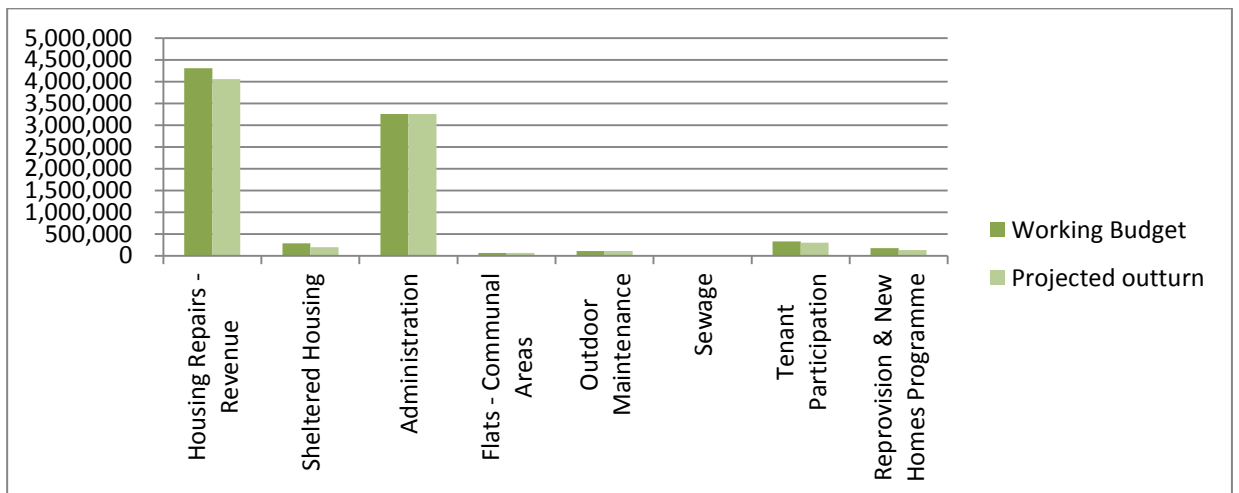
	Q2 Outturn Variance
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	Compared to Working Budget	
	£'000	%
General Fund	(29.1)	(0)
Housing Revenue Account (HRA)	(659.5)	(7)
Capital	(1,878.2)	(10)

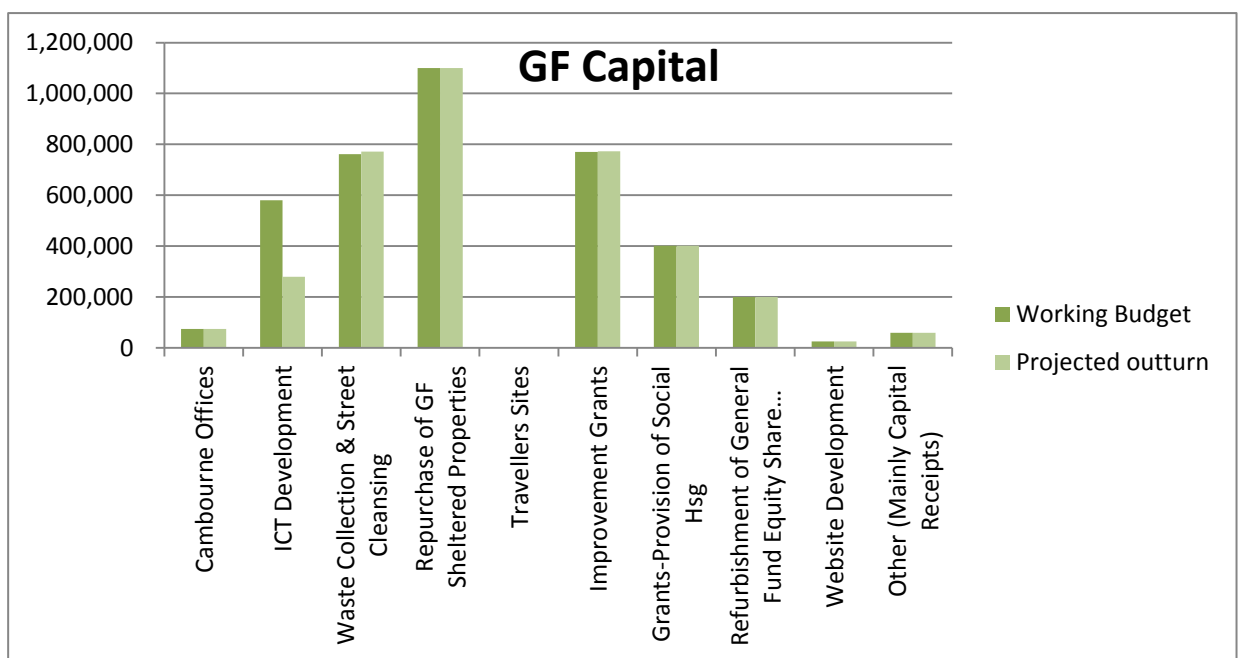
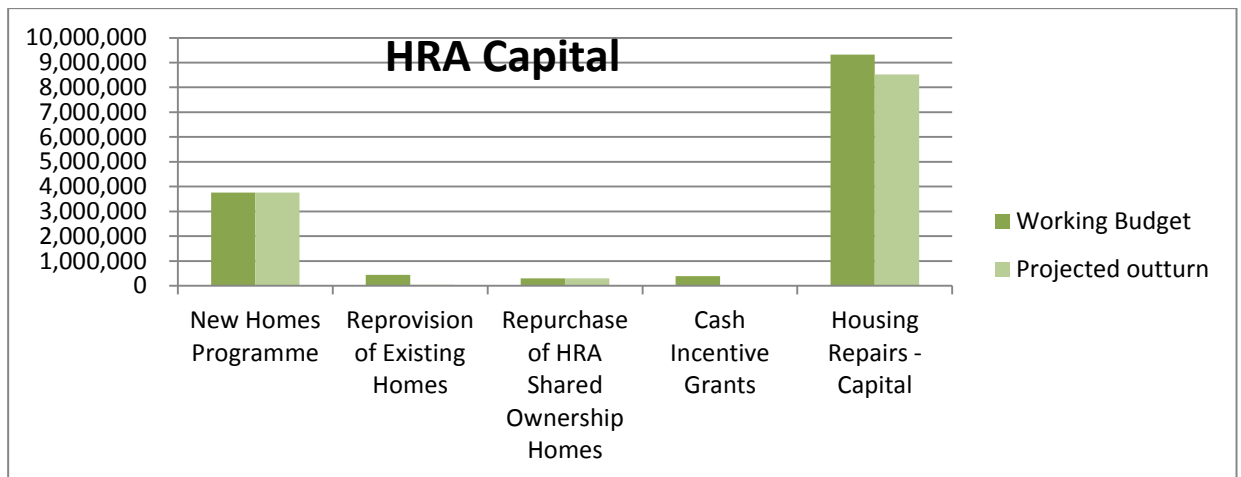
17. The General Fund variance is largely due to the £75K saving on the growth budget in the Shared Waste Service and additional Planning Fee income:



18. The HRA variances relate to savings on the new contract for Cyclical Maintenance works and higher than anticipated rental income:



19. The Capital variance relates to the late start to the building work on Robinson Court, Gamlingay and delays to the improvements work on the non-traditional housing, which is now likely to rollover into the next year as well as unutilised grants received at the start of the year. An additional saving of £300K is anticipated on transfer of the ICT function to the Shared Services:



20. A Summary position statement is provided at **Appendix C**. Significant items are listed in **Appendix C1**.
21. The Summary statement in Appendix C shows a projected General Fund underspend of £29,054, including both Service and Staffing costs. Despite overall underspend, some overspends are in place in staffing lines, primarily due to:
 - the use of Agency Staff within Development Control to carry out work outstanding from previous years, and to cover unfilled vacancies across a number of units
 - unbudgeted market supplements on vacancies to improve staff retention, and
 - a number of new posts not included in the original estimates.
22. Work is currently ongoing to process actual staff costs for the year to date through the service accounts. This will improve the transparency of data in the next Position Statement.

Income

23. 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.

	Budget	Period	Actuals	Variance
	2016/17	Budget	For June	(positive)/
		For June		negative
	£	£	£	£
Land Charges	(254,360)	(108,934)	(90,994)	17,940
Paper Recycling (a)	(294,800)	(73,710)	(45,427)	28,283
Taxi Licensing Fees and Charges	(157,930)	(65,550)	(71,725)	(6,175)
Licences under Acts - Fees and Charges	(113,650)	(32,820)	(33,919)	(1,099)
Travellers Sites Rents	(154,510)	(43,400)	(44,481)	(1,081)
Development Control Fees	(1,200,000)	(500,000)	(875,093)	(375,093)
Development Control Pre-App Fees	(120,000)	(50,000)	(67,507)	(17,507)
New Communities Charges for Services (b)	(565,000)	(235,425)	(7,508)	227,917

(a) Now a shared service with Cambridge City Council - figures represent those attributable to SCDC only.

(b) Includes budgets for Pre-App Fees

24. Work is ongoing to be able to identify the costs associated with the above income streams as not all of this data is captured at the moment.

Risk Management

25. Risk management best practice is that the executive and governance roles should be carried out separately. These roles were therefore allocated between the Executive and Corporate Governance Committee in February 2010, as follows:

- (a) agreement and ownership of the strategic risks facing the Council - the executive role - to the Executive, led by the appropriate portfolio holder;
- (b) approval of the risk management strategy; advice and assurance regarding the adequacy and effectiveness of risk management - the governance role - to Corporate Governance Committee.

26. Cabinet, led by the designated portfolio holder for risk management, therefore takes executive responsibility for management of the strategic risks facing the Council, including review of the Strategic Risk Register.

27. The Strategic Risk Register and Matrix have been reviewed with the nominated risk owners and other members of EMT. They are attached as **Appendices D-E**.

28. Proposed updates are as follows:

(a) STR30, Devolution Risk - Failure of implementation programme to deliver on scope, time, quality and cost. This risk was identified for possible inclusion in the Strategic Risk Register during the last review. It is therefore proposed that this be included on the register, with initial assessments of Impact 4 (High) and Likelihood as 3 (Medium).

(b) STR31, Failure of Combined Authority to deliver Devolution effectively. This risk was identified for possible inclusion in the Strategic Risk Register during the last

review. It is therefore proposed that this be included on the register, with initial assessments of Impact 4 (High) and Likelihood as 2 (Low).

Note: Inclusion of the above risks is subject to Council approval of the Devolution proposal, and it subsequently progressing with support from other participating authorities. Members are reminded that a Devolution Briefing will take on Thursday 10 November 2016 at 6.30pm.

(c) STR08 - Medium Term Financial Strategy (MTFS). With the introduction of the Efficiency Plan submitted to Government thereby seeking to confirm significant elements of income for the next three years as a control/mitigation, likelihood of the risk occurring has decreased. It is therefore proposed that the relevant risk rating is reduced from 4 (High) to 3 (Medium).

(d) STR03, Illegal Traveller encampments or developments. Significant improvement in the Council's control of Traveller encampments and developments has taken place since the risk was first introduced. It is therefore proposed that the risk is no longer a Strategic risk for the Council and should only be retained and monitored as a service risk on the Planning and New Communities Risk register.

29. 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

30. 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

31. 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

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

Consultation responses (including from the Youth Council)

33. 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.
34. 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.

Effect on Strategic Aims

35. 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.

Conclusion

36. The Council continues to reach important milestones against Corporate Plan objectives, and its revenue, capital and HRA budgets are projected to remain within acceptable variation levels. Strong performance has been maintained in key frontline and support areas of the business, (Council Tax and housing rent collection, percentage of waste diverted from landfill), and there is improvement in development control and missed bins performance. The customer contact service has experienced call wait times which have been higher than desirable due to high volumes and staff vacancies; the service has since recruited to a number of positions, the positive impacts of which are reflected in improved September performance. Complaints handling performance continues to be a concern, in response to which EMT commissioned the Corporate Management group of Service Heads to identify measures to address.

Background Papers: None

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