



Report To: Scrutiny and Overview Committee
Lead Officer: Head of Finance

22 November 2018

2018-19 Q2 POSITION STATEMENT: PERFORMANCE, FINANCE AND RISK

Purpose

1. To provide Scrutiny and Overview Committee with a statement on the Council's Q2 position with regard to its General Fund, Housing Revenue Account (HRA) and Capital budgets and performance indicators (by exception), for consideration, comment and onward submission to Cabinet. Integrated reporting in this way gives Officers and Members the opportunity to examine any areas of concern and decide on the appropriate action.
2. The Strategic Risk Register is currently under management review. It will be reported to Cabinet in the near future, incorporating the new draft priorities of the new Administration as formulated in November Cabinet report.

Recommendations

3. Scrutiny and Overview Committee is invited to review the provisional forecast outturn position together with the performance indicator results and comments in this report and appendices attached, recommending, where appropriate, any actions, including redeployment of resources, required to address issues identified for consideration by Cabinet.

Reasons for Recommendations

4. These recommendations are required to enable Members 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.
5. A workshop to set out the new Administration's vision of the Strategic Risk Register will be set up to follow on from the Risk training workshop provided on 13 November 2018. This will form the basis of the refreshed Strategic Risk Register, which will be then presented to Members.

Background

6. This is the second quarterly position statement for 2018/19, providing updates in respect of:
 - Quarter 2 Key Performance Indicators exceptions, as identified by CMT (31st October 2018); and
 - The Financial Position at 30 September 2018, showing variance between original budgets and actuals for the period (**Appendix C**).

Key Performance Indicators (KPIs)

7. Cabinet has agreed a suite of 31 Key Performance Indicators (KPIs) to provide a strategic overview of organisational health. Performance against Key Performance Indicators, plus accompanying narrative, was reported in full to CMT on 31st October 2018.
8. Within their review of full KPI results, CMT identified exceptions for onward submission to Scrutiny and Overview Committee and Cabinet, as detailed in **Appendix A**. These exceptions are made up of all Red and Amber results (as defined in paragraph 9), plus Green results where CMT have identified that exceptional performance or circumstances have taken place.
9. The data in **Appendix A** 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

10. This position statement is reporting on the variance between the 2018/19 working budgets and the projected Outturn for the year as at Q2.
11. The table below shows the adjusted provisional forecast outturn figures for the year 2018-19:

	Variance to profiled budget to date		Forecast variance at year end	
	£'000	%	%	%
General Fund	33	0.2	(352)	(1)
Housing Revenue Expenditure	(614)	(20)	(216)	(1)
Housing Revenue Income	(109)	1	(237)	(1)
HRA Capital	(6,158)	(63)	(5,260)	(23)
GF Capital	55	5	(491)	(10)

12. Position report for Q2 is set out at **Appendix C** attached. In a change of format from prior years, this year the report is set out by Directorate, rather than by Portfolio.

13. The Q2 actual position for the General Fund shows a small overspend, due to the variances to budget profile in the Corporate Services and, to lesser extent, to the costs included in overheads, such as Accountancy and ICT Development. This is offset by the service costs savings in Planning as detailed below:
- Planning staffing – For year to date there is an underspend of (£530k) on staff budgets, of which (£260k) related to Development Management. A continued underspend is anticipated to remain despite ongoing efforts to fill vacant posts as recruitment of senior staff is extremely challenging. Efforts to fill key roles will nevertheless continue and the figure may therefore reduce through the remainder of the year in the event these efforts are successful.
 - Planning service costs (legal and compensation). The total underspend on legal budgets within Planning amounts to (£190k), of which (£159k) is within Development Management. The (£114k) underspend on compensation falls all within Development Management. The budget for legal and compensation is not likely to be fully spent this year as a result of a reduction in 5 year land supply appeals and the slippage of the appeal timetable for a major public inquiry appeal in the south of the district – which will require a roll over of the budget into next year. This cost was to be funded by withdrawal from a Planning Earmarked Reserve.
 - Planning income - Income for year to date is higher than budgeted. This is due to the local plan not being adopted in the financial year of 17/18 as expected. The budget for 18/19 was set with the expectation of the local plan being approved and adopted in 17/18. As this was not the case, planning were still receiving "5 year land supply applications" up to and include month 5 of this year. In October the local plan was adopted and it is anticipated that "5 year land supply" applications will now drop off and fee income decline in future months.
14. General Fund Capital showing a small overspend of 55k for the year to date based on expenditure from the Rolled over projects, however the Outturn projection is £500k underspend, most of which will be subject to Rollover requests due to the delays in the project implementation.
15. Projected General Fund Outturn is also positive and can be separated into £617k saving on salaries costs, £500k income in excess of budget and £377k overspend on Service cost, these include Agency staff where they are used to cover existing vacancies.
16. HRA underspend for the year to date is partly driven by timing variances and is expected to reduce for the Outturn.
17. HRA Capital budget is based on the original budget for the year, however, the New Build capital investment plan has been re-phased in the HRA MTFS with £4.8m removed from current year & re-allocated over the following four years

Income

18. With declining resources from Government funding, ensuring that income targets are met becomes vital. Itemised below is the current position on significant income lines, showing actuals only.

19. Key lines of projected additional income are: £114,366 in Development Control; £71,000 in Land Charges; £63,524 in SSWS; £37,730 in Democratic Representation. There is further unbudgeted grant income fully used to fund corresponding staff or service expenditure, including £73,069 in Northstowe – Healthy New Town, £52,620 in Homelessness, £31,709 in Elections.

Please note that Council's income/savings/receipts are shown in brackets, therefore variances in brackets are positive / favourable and without brackets are negative / adverse, i.e. indicate shortfall of revenue for year to date.

Actuals for the year to date

Key lines of income generating activities across the Council	Budget	Budget	Actuals	Variance
	<i>for full</i>	<i>to date</i>	<i>for year</i>	<i>for year</i>
<i>(positive)/negative</i>	<i>year</i>		<i>to date</i>	<i>to date</i>
	£	£	£	£
Waste and Recycling*	(£5,071,380)	(£2,781,990)	(£2,789,282)	(£7,292)
Land Charges	(£254,360)	(£105,985)	(£153,586)	(£47,601)
Other Environmental Health charging services	(£96,150)	(£27,395)	(£26,252)	£1,143
Taxi Licensing Fees and Charges	(£185,090)	(£77,140)	(£86,499)	(£9,359)
Licences under Acts - Fees and Charges	(£117,990)	(£35,315)	(£41,728)	(£6,413)
Private sector leasing scheme	(£58,010)	(£1,200)	£672	£1,872
Travellers Sites Rents	(£112,560)	(£46,850)	(£50,212)	(£3,362)
Development Control Fees	(£3,027,900)	(£1,261,637)	(£1,258,525)	£3,112
Development Control Pre-App Fees	(£175,000)	(£72,910)	(£50,501)	£22,409
New Communities Charges for Services	(£431,240)	(£179,685)	(£154,769)	£24,916
New Communities Pre-App Fees	(£75,000)	(£31,250)	(£117,624)	(£86,374)
Total	(£9,604,680)	(£4,621,357)	(£4,728,306)	(£106,949)

*Shared service with Cambridge City Council - figures represent total for the service.

Request to amend the Capital Program for the current year 2018/19.

20. The capital program for 2018/19 includes £15m lending to Ermine Street Housing for the acquisition of properties.
21. Ermine Street Housing has accelerated acquisitions in the current year and will be requesting Board and Cabinet approval to amend the current business plan to include additional borrowings for acquisition of a proposed 88 properties before 31 March 2019.

22. This will necessitate an increase to the Capital Program for funding to the housing company from £15m to £27m. The £27m lending will be financed by £9m from SCDC cash balances and £18m external borrowing.
23. This will be a re-phasing of the £100m capital program for on-lending to Ermine Street Housing. To date the Council has issued loans to Ermine Street Housing totalling £50.5m.

Consultation responses

24. Council Performance Indicator updates have been prepared in liaison with lead officers in each directorate.

Effect on Strategic Aims

25. Timely and robust consideration of the Council's budgets and corporate plan is vital to ensure corporate priorities are met.

Background Papers: None

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