

**Report To:** Leader and Cabinet

10 September 2015

**Lead Officer:** Executive Director, Corporate Services

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## **2015-16 FIRST 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 Members the opportunity to examine any areas of concern and decide on the appropriate action.
2. To approve the Strategic Risk Register and to endorse the suite of Key Performance Indicators, previously agreed by EMT in consultation with Portfolio Holders and attached at **Appendix B**.

### **Recommendations**

3. Cabinet is invited to:
  - (a) consider, comment on and note the Council's provisional financial outturn position, together with the performance and risk matters and contextual information set out in the report and **appendices A-C**;
  - (b) endorse the suite of Key Performance Indicators, previously agreed by EMT in consultation with Portfolio Holders and attached at **Appendix B**, and
  - (c) approve the Strategic Risk Register and Matrix set out in **Appendices D-E** and the allocation of risks to Members (i.e. portfolio holders) as well as officers, as Risk Owners.

### **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 first quarterly position statement for 2015/16, providing updates in respect of:
  - The Financial Position at 30 June 2015, showing variance between 2015/16 working budgets and the provisional Outturn;
  - The Corporate Plan 2015-2020, agreed by Council in February 2015;
  - Key monthly, quarterly and annual Performance Indicators at 30 June 2015; agreed by EMT in consultation with Portfolio Holders, 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 delivery of services, together with control measures to address / sources of assurance over the risks.
7. There are a number of strategic factors creating overall pressure on the organisation, including, for example: City Deal; shared services; Government announcements; devolution; July 2015 Budget; and Local Plan. The effect of these on resources and capacity to deliver is compounded by the authority not being able to recruit in certain key areas. Overall performance should be viewed in the context of these pressures and constraints.

### ***Corporate Plan 2015-2020***

8. 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.'
9. We are working to attain our Vision through three Strategic Aims around the themes of Engagement, Partnerships and Well-being. 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:
  - Agreed business cases for shared ICT, Building Control and Legal Services, due to be implemented on 1 October 2015;
  - Taking forward City Deal initiatives, preparing a consultation on bus priority measures along the A428/A1303 corridor and agreeing proposals for a Housing Development Agency, Skills Service and Smarter Cambridgeshire digital connectivity workstream;
  - Obtaining the Gold Award of the Investors in People standard;
  - The Joint Development Control Committee resolving to grant planning permission for 3,500 homes and associated infrastructure at Northstowe (Phase 2);
  - Preparing a revised timetable for the additional work required to address the concerns of the Planning Inspector following the suspension of the Local Plan process.

### ***Key Performance Indicators (KPI)***

10. Management team members, in consultation with Portfolio Holders, have provisionally agreed a suite of 35 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. Cabinet is requested to endorse the revised suite of KPIs for 2015-2016, identifying any alterations or additions which may be deemed appropriate.
11. 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**

12. This position statement is reporting on the variance between the 2015/16 working budgets and the projected Outturn at the end of June 2015. Below is a summary of the provisional outturns.

	June's Projected Outturn	
	Compared to Working Budget	
	£	%
General Fund	49,900	0.31
Housing Revenue Account (HRA)	(23,100)	(0.08)
Capital	0	0.00

13. The General Fund June variance is mainly because of the balance of savings still to be identified.
14. The HRA variances relate to apportionment of Departmental Account variations.
15. Within the Capital programme the Housing Portfolio Holder has given approval to fund £500,000 of additional work from Commuted Sums.
16. A Summary position statement is provided at **Appendix C**. Significant items are listed in **Appendix D**.

**Income**

17. 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 2015/16 £	Period Budget For June £	Actuals For June £	Forecast Outturn Variance £
Land Charges – Fees	(297,360)	(54,090)	(49,786)	0
Trade Waste – Income	(635,000)	(635,000)	(677,411)	(42,400)
Refuse Recycling – Credits	(660,000)	0	(299)	0
Paper Recycling – Income	(384,000)	(32,000)	0	0
Taxi Licensing - Fees & Charges	(155,230)	(24,660)	(31,007)	0
Licences under Acts - Fees & Charges	(113,650)	(5,170)	(11,865)	0
Travellers Sites – Rents	(109,420)	(24,280)	(26,018)	0
Development Control – Fees	(900,000)	(225,000)	(343,258)	(120,000)
Development Control - Pre-App Fees *	(160,000)	(15,000)	(44,413)	(20,000)
Building Control – Fees	(340,000)	(85,000)	(102,640)	0
New Communities - Charges for Services	(195,000)	(45,000)	(12,195)	0

\* The Budget figure here includes £100,000 additional income from increased Pre-App fee, approved as a contribution towards the 2015/16 additional income/savings target

18. 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**

19. 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.
20. 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.
21. The Strategic Risk Register has been reviewed with the nominated officer risk owners and other members of EMT, and considered at EMT's meeting on 12 August 2015. 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 E**. The draft Strategic Risk Matrix, attached as **Appendix F**, shows risk impact and likelihood scores in tabular form.
22. Particular risks to note are:
- (a) **STR15, Welfare Reform**. Officers are assessing the potential effects of the Government's July 2015 Budget and will consider whether the risk score needs to be increased in the light of that review.
  - (b) **STR24, HRA Business Plan**. The 1% rent cut announced in the July 2015 Budget will effectively take £134m out of the HRA Business Plan and have a significant impact on the Council's build programme. It is therefore suggested that the Likelihood score be increased from 2 (Unlikely) to 4 (Likely).

- (c) **STR25, Increase in numbers in Bed & Breakfast accommodation.** The combined impacts of the welfare benefit changes announced in the July 2015 Budget will impact here. The authority needs to prepare for an increase in homeless applications with the potential risk of paying out £500k to £1m in Temporary Accommodation / B&B costs. It is therefore proposed that the Impact score be increased from 3 (Medium) to 4 (High) and the Likelihood score be increased from 2 (Unlikely) to 4 (Likely).
  - (d) **STR28, Recruitment & Retention.** Difficulties in recruitment and retention, especially in some professional areas, have led to reduced staffing capacity, with associated potential corporate issues. It is therefore proposed that this be included on the Strategic Risk Register, with initial assessments of Impact and Likelihood of 3 (Medium) and 5 (Almost certain), respectively.
  - (e) **STR03, Illegal Traveller encampments or developments.** As additional planning consents have been granted, addressing the identified need from the Gypsy & Traveller Area Needs Assessment, it is suggested that the Impact score be reduced from 4 (High) to 3 (Medium).
23. 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.
24. EMT also considered whether risks should be allocated to Members (i.e. portfolio holders) as well as officers, as Risk Owners, similar to the Corporate Plan, which names portfolio holders and lead directors. EMT recommends that Cabinet approves the Strategic Risk Register and Matrix, and that Cabinet and Corporate Governance Committee approve allocating risks to Members (i.e. portfolio holders) as well as officers, as Risk Owners.

### **Feedback and Complaints**

25. The Council received 28 complaints between 1 April – 30 June 2015, compared to 62 during the corresponding period of 2014-2015. The reduced volume of complaints reflects the introduction of improved work processes, through which customers' concerns can be resolved without escalation into the formal complaints procedure, for example the e-form to report missed bin and assisted collections. 57% of registered complaints were responded to within timescale, substantially below the target of 80%. The lowest response rate within target timescale was in Planning and New Communities, which has undergone restructuring and continues to experience difficulties and recruiting staff. The improvement programme described elsewhere in this report should generate improved complaints response performance. A full report on feedback, complaints and customer satisfaction will be submitted to the Corporate and Customer Services Portfolio Holder's meeting on 4 September 2015.

### **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.

### **Consultation responses (including from the Youth Council)**

29. 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.
30. This report was considered by Executive Management Team on 12 August 2015 and will be considered by Scrutiny and Overview Committee on 3 September 2015. Any recommendations by the committee will be reported at the Cabinet meeting.

### **Effect on Strategic Aims**

31. 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**

32. The Council has reached some important milestones against Corporate Plan objectives during the first quarter of 2015-2016, and its revenue, capital and HRA budgets are projected to remain within acceptable variation levels (albeit at an early stage in the financial year). 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, whilst significant performance issues remain within the Development Control service, plans are underway to address these. Recent government announcements and legislation around affordable housing and welfare reform could have major implications for the future delivery of key objectives, and we have prepared updates to the Strategic Risk Register to reflect these.

**Background Papers:** None

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