



**Report To:** Leader and Cabinet

15 September 2016

**Lead Officer:** Alex Colyer – Executive Director, Corporate Services

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## 2016-17 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 attached in **Appendix D** and to endorse the suite of Key Performance Indicators previously agreed by EMT in consultation with Portfolio Holders and attached in **Appendix B1**

### 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**,
  - (b) endorse the suite of Key Performance Indicators and Corporate plan outcome measures, previously agreed by EMT in consultation with Portfolio Holders and attached at **Appendices B1-B2**,
  - (c) approve the Strategic Risk Register and Matrix set out in **Appendix D-E**.

### 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 2016/17, providing updates in respect of:
  - The Financial Position at 30 June 2016, showing variance between 2016/17 original budgets and actuals for Q1, as at the end of June 2016;
  - The Corporate Plan 2016-2021, agreed by Council in February 2016;
  - Key monthly, quarterly and annual Performance Indicators at 30 June 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 2016-2021 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.
- Agreed 2016-2017 priorities for our Crime and Disorder Reduction Partnership around protecting vulnerable residents, tackling dwelling burglary and building community resilience.
- With partners, we are supporting Sustainable Parish Energy Partnership (SPEP) partners to set up Repair Cafés in a number of villages. A first Histon Repair Café was held on 18 June and new repair cafes in Fulbourn and Waterbeach are also planned to take place in the Autumn.

#### ***Homes for our Future***

- Consultation underway on planning application for the first 92 homes at Northstowe.
- Keys handed over to 20 new tenants following completion of affordable housing scheme at Swavesey.

#### ***Connected Communities***

- Consulting 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 (96 acquisitions at 31 July 2016), in-house Enforcement Agent (fee income of £6,400), Equity Share (two sales produced £30k 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) and Corporate Plan outcome measures**

9. EMT, in consultation with Portfolio Holders, previously identified key performance indicators (KPIs) which provide a strategic overview of organisational health. Performance against these indicators is set out in **Appendix B1 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 as it was felt this did not provide meaningful information for Members on performance delivery. It has always been problematic framing the Affordable Homes provision as a performance measure, particularly when reported against quarterly targets, as delivery is mainly outside of the Council's control. Furthermore, there are issues around the timeliness of data for the monitoring of completions, as well as the identification of an effective method of target setting. Any KPI relating to the delivery of affordable housing should be aligned to the objectives within the Housing Strategy, which is due for renewal. As part of the development of a new Strategy, a Members Briefing will be arranged to look at the current issues facing Housing and consider the options for developing a new KPI, which will be incorporated into the new Strategy.
11. Subsequent to the EMT meeting of 23 March, a requirement for closer monitoring of Land Charges performance has been identified through the promotion of the following performance indicator to Key Performance Indicator status:  
  
'Average days taken to respond to Land Charges search requests'  
  
This gives recognition to the area's prominence as a customer-facing service, impacting directly upon the smooth and timely completion of property purchase, whilst reflecting the appetite for improvement given the concern that processing times have exceeded intervention level in the first three months of the year.
12. To provide focus on key major development milestones, a new performance indicator was approved at the EMT meeting of 23 March around the '% of Development Delivery Agreements (DDAs) on target'. DDAs set negotiated targets for key major development milestones, incorporating determination and subsequent delivery of new homes and associated community facilities. This KPI aligns to Corporate Plan objectives to meet or exceed the desired pace of housing delivery, and to ensure new communities provide thriving, healthy, safe and attractive places to live. At present we are working to define a singular process and standardised DDA approach across Greater Cambridgeshire. In doing so we will be working with Cambridgeshire Ahead. Whilst this work is ongoing, data relating this KPI remains unavailable.
13. Key Performance Indicators and Corporate Plan outcomes identifying what success would look like for each action, and how this would be measured, were considered by Scrutiny and Overview Committee at its April 2016 meeting. The Committee recommended that these measures be approved, subject to further development work in respect of the 'Living Well' objective.
14. Further development work has been undertaken, and incorporated into the Corporate Plan 2016-2021. Cabinet is invited to formally and collectively endorse the suite of Key Performance Indicators and Corporate plan outcome measures, attached at **Appendices B1-B2**.

## Key Performance Information

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 actuals for the Q1 of the year – as at the end of June 2016. Below is a summary of the quarterly variances.

	Q1 Variance	
	Compared to Working Budget	
	£'000	%
General Fund	(845.1)	(14)
Housing Revenue Account (HRA)	(542.4)	(10)
Capital	(1,853.8)	(18)

17. The HRA variances relate to higher rental income and demand-led lower than budgeted work requirements.
18. The Capital variance relates to the anticipated additional spending on a number of refurbishment and housing improvement projects as well as unutilised grants received at the start of the year.
19. A Summary position statement is provided at **Appendix C**. Significant items are listed in **Appendices C1, C2 and C3**.

## Income

20. 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)	(68,423)	(72,689)	(4,266)
Trade Waste (a) (c)	(715,000)	(715,000)	(711,717)	3,283
Refuse Recycling Credits (a)	(686,000)	0	0	0
Paper Recycling (a)	(294,800)	(24,570)	(24,735)	(165)
Taxi Licensing Fees and Charges	(157,930)	(35,950)	(43,614)	(7,664)
Licences under Acts - Fees and Charges	(113,650)	(18,080)	(22,729)	(4,649)
Travellers Sites Rents	(104,130)	(26,040)	(21,768)	4,272
Development Control Fees	(1,200,000)	(300,000)	(480,702)	(180,702)
Development Control Pre-App Fees	(120,000)	(30,000)	(39,788)	(9,788)
New Communities Charges for Services (b)	(565,000)	(141,255)	(3,409)	137,846

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

(b) Includes budgets for Pre-App Fees.

(c) More information on Trade Waste will be coming to Cabinet in November.

21. 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

22. 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:
- agreement and ownership of the strategic risks facing the Council - the executive role - to the Executive, led by the appropriate portfolio holder;
  - approval of the risk management strategy; advice and assurance regarding the adequacy and effectiveness of risk management - the governance role - to Corporate Governance Committee.
23. 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.
24. The Strategic Risk Register has been reviewed with the nominated risk owners and considered at EMT's meeting on 24 August 2016. 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 D**. The Strategic Risk Matrix, attached as **Appendix E**, shows risk impact and likelihood scores in tabular form.

25. Particular risks to note are:
- (a) **STR29 – Access to Primary Care in Growth Areas.** 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 both Impact and Likelihood as 3 (Medium).
  - (b) **STR22-- Safeguarding the Council's services against climate change.** No incident affecting the Council services has taken place in relation to the climate change in the recent years. It is therefore proposed that this risk is no longer relevant and therefore can be excluded from the Strategic Risk Register.
  - (c) **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 the Impact score be increased from 3 (Medium) to 4 (High) and the Likelihood score be increased from 4 (High) to 5 (Almost Certain).
26. Cabinet is requested to consider the incorporation of two strategic risks around **Devolution**. It is considered that, subject to endorsement of the Devolution deal for Cambridgeshire and Peterborough, there are risks around delivery, governance and resources, which could be described as follows:

#### **RISK 1**

*Threat: Failure of Cambridgeshire Authorities to achieve Devolution within timescales agreed with government (could be 'Failure of implementation programme to deliver on scope, time, quality and cost')*

*Possible causes: Tight timescales, insufficient time and capacity to get structures in place, changes in the political and economic climate, failure of some or all partners to engage fully and/or of associated governance arrangements.*

*Leading to: Delays to the receipt of, or complete loss of powers and funding allocated to the Combined Authority under the devolution deal,*

*Resulting in: Inability of SCDC to deliver its Corporate Plan, financially unviable services, reputational damage for SCDC, wider loss of credibility for Cambridgeshire authorities, reducing the prospect of successful future devolution deals with government.*

#### **RISK 2**

*Threat: Failure of Combined Authority to deliver Devolution effectively*

*Possible causes: Change in local and national economic outlook and/or political priorities, ineffective governance and delivery structures and/or a lack of skills and capacity to deliver them*

*Leading to: Real and perceived 'democratic deficit', lack of proper accountability, the diversion of human and financial resources away from SCDC strategic priorities and failure to deliver key service commitments within the Deal,*

*Resulting in: Inability of SCDC to deliver its Corporate Plan, financially unviable services, reputational damage for SCDC, wider loss of credibility for*

the Combined Authority and all partners within it, reducing the prospect of successful future devolution deals with government.

27. The success of the current Devolution proposal provides not only a significant opportunity to deliver positive outcomes for housing, transport, economic development, skills and care, but also raises the prospect of further deals through which additional powers, responsibilities and funding could be devolved locally. Cabinet is invited to consider how these opportunities can best be reflected within SCDC's current risk management framework, and within strategic planning and business plans.
28. Subject to agreement in principle for the addition of strategic risks around Devolution, Cabinet should also consider risk score and mitigation measures. These could be brought forward for subsequent endorsement once a decision on whether to proceed with the deal is confirmed (following consultation), informed by subsequent consideration of detailed implementation and operational plans.
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 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) whilst steady improvement has been seen within Development Control results over recent months, with further measures to be implemented going forward. The EU referendum result and local devolution proposal 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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