

**INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR PERIOD ENDING 30<sup>TH</sup> JUNE 2011**

*To:* **Cabinet**

*Date:* **6<sup>th</sup> September 2011**

*From:* **LGSS: Director of Finance**

*Electoral  
division(s):* **All**

*Forward Plan ref:* **N/A** *Key decision:* **Yes**

*Purpose:* **To present financial and performance information to assess progress in delivering the Council's Integrated Plan.**

*Recommendations:* **That Cabinet:**

- 1. Analyses resources and performance information and notes the remedial action currently being taken and considers if any further remedial action is required.**
- 2. Approves the Waste Private Finance Initiative (PFI) credits virement of £2,690,756 from Environment Services to the Corporate Financing budget (see section 3.2).**

|   |
|---|
| Name: Nick Dawe   |
| Post: LGSS: Director of Finance   |
| Email: <a href="mailto:Nicholas.Dawe@cambridgeshire.gov.uk">Nicholas.Dawe@cambridgeshire.gov.uk</a> |
| Tel: 01223 699236   |



|   |
|---|
| Name: Steve Count   |
| Portfolio: Resources and Performance  |
| Email: <a href="mailto:Steve.Count@cambridgeshire.gov.uk">Steve.Count@cambridgeshire.gov.uk</a> |
| Tel: 01223 699173   |

## 1. PURPOSE

To present financial and performance information to assess progress in delivering the Council's Integrated Plan.

## 2. OVERVIEW

The following table provides a snapshot of the Authority's performance to date and forecast performance at year end by value, Red Amber Green traffic light reporting system (RAG) status and direction of travel. Information on the Balance Sheet Health is updated quarterly (June, September, December and March).

| Area                              | Measure   | End of Month Status |   | Month DoT | Forecast Year-End Status |     | Year DoT |
|-----------------------------------|---|---------------------|---|-----------|--------------------------|-----|----------|
| Revenue Budget                    | Variance (£m)                                     | +£6.5m              |  Amber (A) |           | +£6.3m                   | Red |          |
| Basket Key Performance Indicators | Number at target (%)                              | -                   | -   |           | -                        | -   |          |
| Capital Programme                 | Number of projects to budget and time (%)         | 76%<br>(133 of 175) |  A       |           | 76%<br>(133 of 175)      | A   |          |
| Balance Sheet Health              | Variance of net borrowing activity from plan (£m) | -£51m               | -   |           | -£10m                    | -   |          |

2.1 The key exceptions included in the summary analysis are:

- Revenue Budget; overall the budget position is showing a forecast year-end overspend of £6.3m (1.6%). This is a significant increase from last month, where an overspend of £2.3m was forecast. This is mainly the result of a £4.8m pressure being reported within Adult Social Care – Older People this month. See section 3.2 for details and suggested actions.
- Key Performance Indicators; key performance measures are still under development. Discussions at Resources and Performance Overview and Scrutiny Committee and Cabinet highlighted that there are two audiences for performance indicators, internal management and the public externally. External measures should be clear and easy to understand, focused on outcomes, and reflect the areas of most interest to

residents. There should also be a small set. Work will continue on developing these over August and a proposal will be taken to Resources and Performance Overview and Scrutiny Committee on 9 September and Cabinet on 27 September.

- Capital Programme; at present 133 out of 175 current projects are forecast to be on time and budget. The projects not to time and budget are mainly as a result of slippage and cuts to the programme. See section 4.2 for details and suggested actions.
- Balance Sheet Health; end of quarter (June) figure shows the variance of actual net borrowing (a positive figure represents additional borrowing than what was planned). This can vary considerably due to the profile of cashflows throughout the year. There were no investments at the end of the quarter (June) resulting in a projected borrowing requirement of £51m. An underspend of -£1m is currently forecast. See section 5.2 for details and suggested actions.

### 3. REVENUE BUDGET, ISSUES AND ACTIONS

3.1 A more detailed analysis of financial performance is tabled below:

#### Key to abbreviations

ES - Environment Services

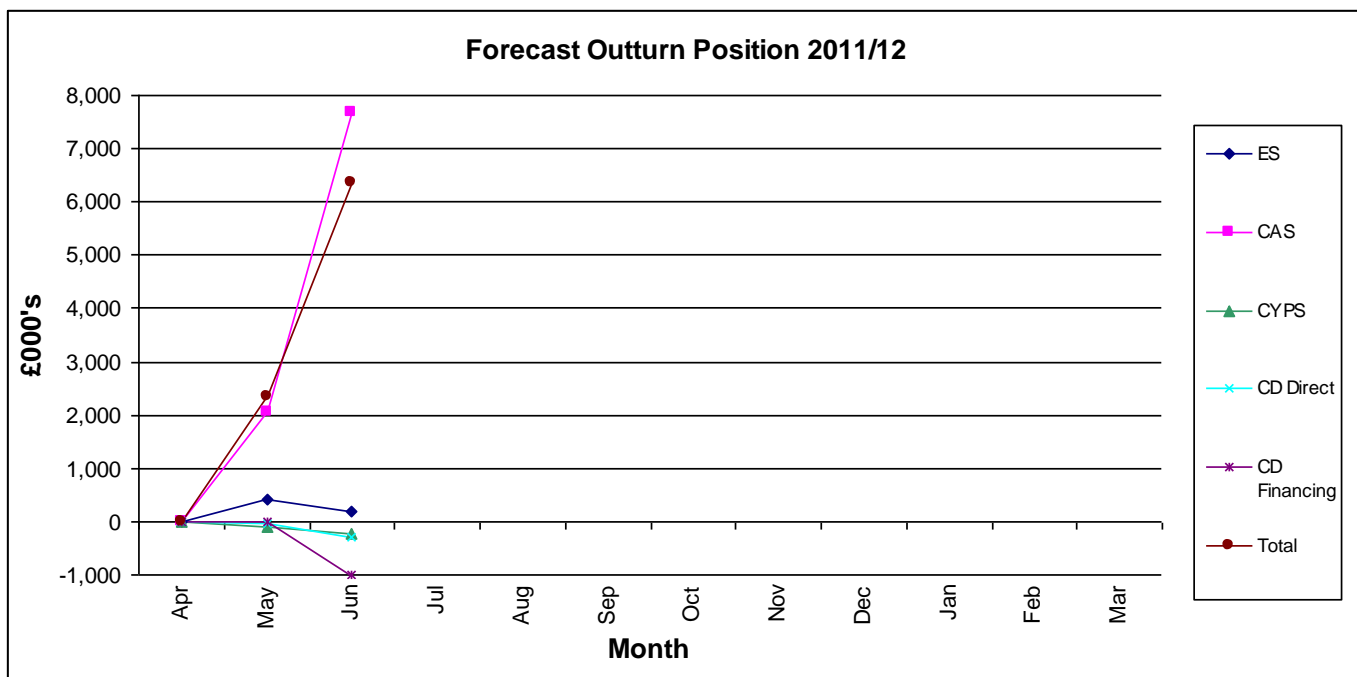
CAS - Community and Adult Services

CYPS - Children and Young People's Services

CD - Corporate directorates LGSS Local Government Shared Services

DOT - Direction of travel

| <b>Outturn<br/>Variance<br/>(May)<br/>£000</b> | <b>Service</b>                    | <b>Budget<br/>for<br/>2011/12<br/>£000</b> | <b>Current<br/>Variance<br/>£000</b> | <b>Forecast<br/>Outturn<br/>(Jun)<br/>£000</b> | <b>Forecast<br/>Outturn<br/>(Jun)<br/>%</b> | <b>Overall<br/>Status</b> | <b>D<br/>o<br/>T</b> |
|--|-----------------------------------|--|--------------------------------------|--|---|---------------------------|----------------------|
| 410  | ES                                | 58,843                                     | -1,417                               | 193  | 0.3%  | A                         | ↑                    |
| 2,051  | CAS                               | 168,274                                    | 4,223                                | 7,681  | 4.6%  | R                         | ↓                    |
| -93  | CYPS                              | 109,628                                    | -731                                 | -221   | -0.2%                                       | G                         | ↑                    |
| -20  | CD Direct                         | 31,092                                     | 69                                   | -302   | -1.0%                                       | G                         | ↑                    |
| 0  | CD Financing                      | 33,420                                     | 418                                  | -1,000   | 0.0%  | G                         | ↑                    |
| <b>2,348</b>                                   | <b>Total Service<br/>Spending</b> | <b>401,257</b>                             | <b>2,562</b>                         | <b>6,351</b>                                   | <b>1.6%</b>                                 | <b>R</b>                  | <b>↓</b>             |
| 0  | Financing Items                   | -1,756                                     | 3,891                                | -16  | 0.9%  | G                         | ↑                    |
| <b>2,348</b>                                   | <b>Total Spending<br/>2011/12</b> | <b>399,501</b>                             | <b>6,453</b>                         | <b>6,335</b>                                   | <b>1.6%</b>                                 | <b>R</b>                  | <b>↓</b>             |



### 3.2 Key exceptions and emerging issues are identified below.

| Service | Key Exceptions   | Impacts and Actions  |
|---------|--|--|
| ES      | <p>A total Service overspend of £193k is forecast at year-end. This is a decrease in the forecast overspend of £217k from last month.</p> <p>Waste PFI: balanced budget forecast at year-end.</p> <p>There are no new exceptions to report this month.</p> | <p>The previously reported pressure (£400k) is likely to be offset by accrued savings, with forecasts being regularly updated throughout the year.</p> <p>In line with the Integrated Planning Process for 2011/12, where grants were treated as a corporate resource and distributed out to the Services accordingly, it is proposed to transfer the Waste PFI credits budget to Corporate ownership to be consistent with this approach.</p> <p>Cabinet are therefore asked to approve the virement of £2,690,756 from ES to the Corporate Financing budget.</p> |

| Service | Key Exceptions   | Impacts and Actions  |
|---------|--|--|
|         | See the ES Finance and Performance Report for details of individual variances (link provided in section 7.1).  |  |
| CAS     | <p>A total Service overspend of £7.7m is forecast at year-end. This is an increase in the forecast overspend of £5.6m from last month.</p> <p>Older People: £4.8m overspend is forecast at year-end.</p> | <p>Cambridgeshire Community Services (CCS) issued the June 2011 financial statements mid July 2011.</p> <p>The current forecast is that the pool would overspend by £9.1m in 2011/12 (with the council's share being £4.8m).</p> <p>This value is based on the assumption that the actions being taken as detailed in the action plan (see below) will have no beneficial impact on the bottom line during the year.</p> <p><i>Suggested actions:</i></p> <ul style="list-style-type: none"> <li>• A detailed action plan has been agreed between Commissioners and Providers (CCS) with strict targets. This action plan covers: <ul style="list-style-type: none"> <li>◦ Reablement</li> <li>◦ Review of block contracts</li> <li>◦ Use of extra-care sheltered housing</li> <li>◦ Working with providers to contain cost of care</li> <li>◦ Best use of block purchased residential and nursing home placements</li> <li>◦ Timely financial assessments for people with eligible needs whose personal financial resources fall below the threshold for financial support from the local authority.</li> <li>◦ Maximum number of residential/nursing home placements to promote full use of more cost effective community services.</li> <li>◦ Reducing the offer to people eligible for social care services</li> </ul> </li> </ul> |

| Service                                 | Key Exceptions  | Impacts and Actions   |
|---|---|---|
|   | <p>Learning Disability Services is currently reporting a material variance at year-end (£2.3m) – as reported last month.</p> <p>See the CAS Finance and Performance Report for details of individual variances (link provided in section 7.1).</p>  | <ul style="list-style-type: none"> <li>◦ Prevention initiatives involving the whole NHS and social care system focusing on maintaining health and wellbeing and avoiding the need for social care or hospital admissions.</li> <li>• As a consequence of this action plan, the current forecast is that £2.2m of costs could be removed from the bottom line overspend prior to year-end. This will result in the County Council's shared of the overspend being £4.8m.</li> <li>• Adult Services Management Team is actively developing a Plan B, to drive out further savings prior to the end of the financial year, with the target to hit a balanced budget if at all possible.</li> </ul> |
| CYPS                                    | <p>A total Service underspend of -£221k is forecast at year-end. This is an increase in the forecast underspend of £128k from last month.</p> <p>There are no exceptions to report this month.</p> <p>See the CYPS Finance and Performance Report for details of individual variances (link provided in section 7.1).</p> | n/a   |
| CD<br>(including LGSS Cambridge Office) | <p>A total underspend of -£1.3m is forecast at year-end. This is an increase in the forecast underspend of £1.3m from last month.</p>   |   |

| Service | Key Exceptions  | Impacts and Actions  |
|---------|---|--|
|         | <p>Debt Charges: -£1m underspend forecast at year-end.</p> <p>Cambridgeshire Community Network (CCN) is currently reporting a material variance at year-end (-£460k) – as reported last month.</p> <p>See the CD Finance and Performance Report for details of individual variances (link provided in section 7.1).</p> | <p>This is due to a combination of interest rate expectations and debt levels being lower than budgeted.</p> |

| Service                                 | Emerging Issues                            | Impacts and Actions  |
|---|--|--|
| ES                                      | Contract Prices                            | <p>Budgets have been built on the assumption that inflation on all non-payroll costs would increase at 2.5%. However, there are already indications that a number of contract prices will increase at a greater level than this, this being particularly true for the Waste PFI, where early indications from the various contract indices suggest that the price uplift could exceed 5%.</p> <p><i>Suggested actions:</i></p> <ul style="list-style-type: none"> <li>• Inflation will be closely monitored by officers during the year as contract prices are updated, with any pressures emerging from this being reported accordingly.</li> </ul> |
| CAS                                     | None                                       |  |
| CYPS                                    | None                                       |  |
| CD<br>(including LGSS Cambridge Office) | Business Support and Facilities Management | <p>Lloyds Bank has given notice that they will be vacating Black Horse House at the end of their current tenancy (October 2011). Strategy &amp; Estates are marketing the space, but there is a risk of a further £166k pressure in 11/12 resulting from loss of income. Should a tenant not be found, the full year pressure going forward would be £440k.</p> <p><i>Suggested actions:</i></p>   |

| Service | Emerging Issues | Impacts and Actions   |
|---------|-----------------|---|
|         |                 | <ul style="list-style-type: none"> <li>Marketing of the space is currently underway and the position will be monitored and forecast outturn updated accordingly when more information is available. Should a tenant not be found, the full-year pressure will need to be addressed during IPP.</li> </ul> |

Note: material variances are considered to be in excess of either +/- 0.5% of the Services' overall net budget plus grants or +/- 0.1% of the Council's net budget plus grants (£400k), whichever is the greater.

#### 4. CAPITAL PROGRAMME, ISSUES AND ACTIONS

4.1 A more detailed analysis of capital performance by programme for individual schemes of £0.5m or greater is tabled below:

| Service | No. of Programmes | No. on Budget | No. on Time | Target end of May              | Actual end of May              |
|---------|-------------------|---------------|-------------|--------------------------------|--------------------------------|
| ES      | 67                | 59            | 66          | 58 schemes to budget and time. | 58 schemes to budget and time. |
| CAS     | 22                | 22            | 6           | 6 schemes to budget and time.  | 6 schemes to budget and time.  |
| CYPS    | 60                | 48            | 55          | 45 schemes to budget and time. | 45 schemes to budget and time. |
| CD      | 26                | 26            | 24          | 24 schemes to budget and time. | 24 schemes to budget and time. |

4.2 Key exceptions and emerging issues are identified below:

| Service | Key Exceptions   | Impacts and Actions |
|---------|--|---------------------|
| ES      | <p>An underspend of -£2.6m is currently being forecast for ES' capital programme in 11/12.</p> <p>Environment &amp; Regulation is currently reporting a material variance (-£2m) – as reported last month.</p> <p>There are no new exceptions to report this month.</p> <p>See the ES Finance and Performance Report for details</p> | n/a                 |



|   |   |  |
|---|---|--|
|   | of individual variances (link provided in section 7.1).   |  |
| CAS                                     | <p>An underspend of -£1.2m is currently being forecast for CAS' capital programme in 11/12.</p> <p>Transformation Initiatives is currently reporting a material variance at year-end (-£1.2m) – as reported last month.</p> <p>See the CAS Finance and Performance Report for details of individual variances (link provided in section 7.1).</p> | n/a  |
| CYPS                                    | <p>A forecast variance of £180k is currently predicted across the CYPS capital programme in 11/12.</p> <p>There are no exceptions to report this month.</p> <p>See the CYPS Finance and Performance Report for details of individual variances (link provided in section 7.1).</p>  | This is due to some capital projects progressing faster than originally planned. |
| CD<br>(including LGSS Cambridge Office) | <p>A balance budget is currently being forecast for CD's capital programme in 11/12.</p> <p>There are no exceptions to report this month.</p> <p>See the CD Finance and Performance Report for details of individual variances (link provided in section 7.1).</p>  | n/a  |

| Service | Emerging Issues | Impacts and Actions |
|---------|-----------------|---------------------|
| ES      | None            |                     |
| CAS     | None            |                     |

| Service | Emerging Issues | Impacts and Actions |
|---------|-----------------|---------------------|
| CYPS    | None            |                     |
| CD      | None            |                     |

## 5. BALANCE SHEET, ISSUES AND ACTIONS (reported quarterly)

5.1 A more detailed analysis of balance sheet health issues is tabled below:

| Measure  | Target end of June | Actual end of June |
|--|--------------------|--------------------|
| Net borrowing activity from plan, £m                             | £352m              | £301m              |
| Level of debt outstanding (owed to the council) – 4-6 months, £m | £0.4m              | £0.4m              |
| Level of debt outstanding (owed to the council) – >6 months, £m  | £1.0m              | £0.9m              |
| Invoices paid by due date (or sooner), %                         | 95%                | 98.3%              |

5.2 Key exceptions and emerging issues are identified below:

| Key exceptions                               | Impacts and actions  |
|--|--|
| Variance of net borrowing activity from plan | Interest rates are projected to rise from 0.5% to 1.0% during quarter four of the financial year 11/12. This will have a favourable affect as short-term borrowing undertaken will be cheaper than budgeted. The Debt Charges budget is currently forecast to underspend by £1m at year-end as a result of this. |

| Emerging issues | Impacts and actions |
|-----------------|---------------------|
| None            |                     |

## 6. EXTERNAL AND CONTEXTUAL ISSUES

6.1 The Government is reviewing the current funding system for local authorities as part of the Local Government Resource Review (LGRR). They want to secure a shift of power from Westminster to people, ending the era of top-down Government by giving new powers to local authorities, communities, neighbourhoods and individuals. The first phase of the LGRR is looking at giving local councils greater financial autonomy. The second phase of the review will look at extending this to communities and local people through Community Budgets. And, it will look at providing greater flexibility for local authorities, their partners and communities to use their resources more effectively.

Currently local authorities receive funding from Central Government through Formula Grant and Specific Grants. Formula Grant is comprised of Business Rates and Revenue Support Grant (RSG). Business Rates are collected locally and forwarded to a central pool. These are then re-distributed to local authorities, along with the RSG, through the complex '4 block model'. Under the LGRR Government are looking at proposals for new funding mechanisms particularly in relation to the localism / retention

of Business Rates. This would allow local authorities to retain their Business Rates and keep any additional funds arising from growth (thereby incentivising local economic growth).

This change is likely to take effect from 2013/14.

6.2 An initial assessment of these issues is set out below.

### External and Contextual Issues; key issues, impact and suggested actions

| Key issues                        | Impacts and actions   |
|-----------------------------------|---|
| Local Government Resources Review | <p>The following risks/issues arise with the proposed system:</p> <ul style="list-style-type: none"> <li>• There is an issue with using the 2012/13 settlement figure as a starting point, as it will mean the flaws and inequalities of the old system will be embedded in any new settlement calculation.</li> <li>• Excessive growth (not yet determined) will be scaled back. The scaled back money will be kept in a separate pot (for which the use has not yet been determined, but it may form some sort of insurance scheme).</li> <li>• As the National Business Rate Bill is linked to RPI each authority must grow at that rate in order to achieve a 0% real terms increase. Therefore, for an authority to achieve positive real terms growth it must exceed the RPI rate of growth. However, since the national bill is limited at RPI, such growth must be to the detriment of other areas.</li> <li>• This is therefore not necessarily an incentive for growth as successful authorities will be required to supplement those that do not secure adequate funds to meet their needs and there will be a finite level of growth after which any funds in excess of this level will be pooled nationally (as indicated above) giving further disincentives for authorities to grow their business rate income.</li> </ul> <p><i>Suggested actions:</i></p> <ul style="list-style-type: none"> <li>• A Project Group is being set up, where preliminary discussions have taken place.</li> <li>• Early workshops on future years Plan and Budget will have greater concentration on economic growth and fiscal policy.</li> <li>• Measures to respond to the review are in place.</li> </ul> |

## 7. FURTHER INFORMATION

7.1 Members requiring further information on issues raised in this report may wish to access the reporting and drill down facilities in CORVU (for performance issues) and the Oracle e-Business Suite for finance issues, or follow the links below:

|                                     |   |
|-------------------------------------|---|
| CYPS Finance and Performance Report | <a href="http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Children+and+Young+Peoples+Services.htm">http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Children+and+Young+Peoples+Services.htm</a> |
| CAS Finance and Performance Report  | <a href="http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Community+and+Adult+Services.htm">http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Community+and+Adult+Services.htm</a>               |
| ES Finance and Performance Report   | <a href="http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Environment+Services.htm">http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Environment+Services.htm</a>                               |
| CD Finance and Performance Report   | <a href="http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Corporate+Directorates.htm">http://www.cambridgeshire.gov.uk/council/finance/spending/monthly/Corporate+Directorates.htm</a>                           |

## 8. IMPLICATIONS

Resources and Performance:

- 8.1 This report provides the latest resources and performance information for the council and so has a direct impact.

Statutory, Legal and Risk:

- 8.2 There are no significant statutory, legal and risk implications.

Equality and Diversity:

- 8.3 There are no significant equality and diversity implications.

Engagement and Consultation:

- 8.4 No public engagement or consultation is required for the purpose of this report.

## SOURCE DOCUMENTS:

|   |                                       |
|---|---------------------------------------|
| ES Budgetary Control Report (June)<br>CAS Budgetary Control Report (June)<br>CYPS Budgetary Control Report (June)<br>CD Budgetary Control Report (June)<br>Capital Monitoring Report (June)<br>Performance Management Report and Corporate Scorecard (June)<br>Aged Debt per Directorate – as at 30 <sup>th</sup> June 2011 | Room 301,<br>Shire Hall,<br>Cambridge |
|---|---------------------------------------|