

Cheltenham Borough Council

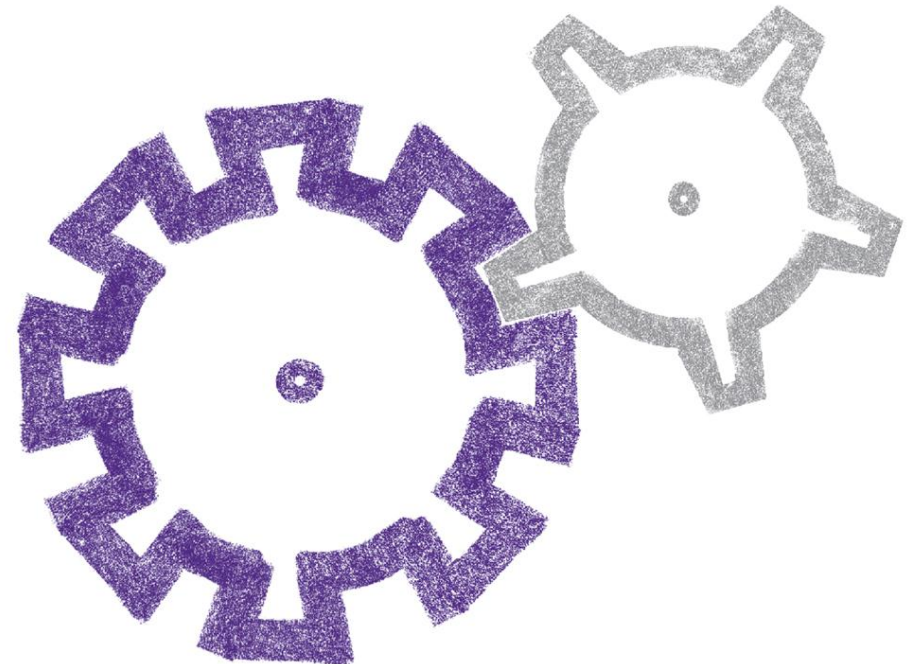
Review of the Council's *Arrangements* for Securing Financial Resilience

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Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VFM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces some risks and challenges during 2013/14 and beyond, its current arrangements for achieving financial resilience are adequate.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	<p>Arrangements meet or exceed adequate standards. Adequate arrangements identified and key characteristics of good practice appear to be in place.</p>
Amber	<p>Potential risks and/or weaknesses. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.</p>
Red	<p>High risk: The Council's arrangements are generally inadequate or may have a high risk of not succeeding</p>

Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011/12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015/16 and 2016/17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013/14 and 2014/15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014/15, with local authorities being exempt from additional savings in 2013/14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013/14 and 2014/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015/16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

Local Context

Cheltenham Borough Council is situated on the edge of the Cotswold Hills and has an estimated population of 115,300 (2010 mid-year). Cheltenham is the largest town in Gloucestershire and is one of Britain's spa towns and home to a number of renowned music and cultural festivals, historic buildings as well as Cheltenham Racecourse .





Although a relatively affluent place there are some areas of deprivation and poverty within the Borough. To address these needs, the Council has adopted a strategic commissioning approach which puts a strong focus on designing community-focused outcomes and working much more closely with other parts of the public service and the voluntary and community sector and making objective, transparent, evidence-based decisions about how services should be provided and by whom.

There are a number of challenges facing the Council including bridging the funding gap, delivery of its town centre regeneration aspirations, service improvement and service commissioning. The Council is innovative and has put in place extensive plans to ensure that services are delivered at a reasonable cost.

The Council has engaged in a savings programme (bridging the gap) which is expected to save the Council £3.3m over the 5 year period to 2017/18. Savings will come mostly from further re-organisation, use of shared services, commissioning and property management.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	<p>In comparison to the Audit Commission's nearest neighbours, the Council's financial performance is generally in line with the average and is consistent with the trends indicated by other councils. The Council does have a negative working capital ratio when the comparator group average is a positive working capital ratio. Council tax collection and NNDR collection rates remain high but there was a small reduction in the NNDR collection rate for 2012/13. Whilst sickness absence has increased, it is still in line with averages for local government and the public sector. Sickness levels are not currently being reported to Cabinet.</p>	 Green
Strategic Financial Planning	<p>The Council has sound arrangements in place to plan its finances over the next five years. The Medium Term Financial Strategy 2012/13 to 2017/18 incorporates financial forecasts, budget gaps and savings plans to bridge the gaps. The MTFS is usually reviewed annually but this did not happen in 2012/13 but it has been updated subsequently. The Bridging the Gap strategy is reviewed each year as part of the budget setting process so that savings can be incorporated into the budget and the savings plan extends beyond the period of the Corporate Plan. There is evidence of benchmarking being used as a strategic planning tool with each individual business case incorporates benchmarking. Performance against key financial indicators is reported to Cabinet annually as part of the annual Treasury Management report.</p>	 Green
Financial Governance	<p>The Council has good arrangements in place to ensure understanding of the financial environment with appropriate engagement from stakeholders and Members. There are appropriate financial governance and monitoring arrangements in place at Member and officer level with quarterly financial reporting and annual performance reporting to Members. The Council is considering whether its performance management arrangements remain fit for purpose given the significant service changes during the year and the continuing focus on commissioning.</p>	 Green
Financial Control	<p>The Council's track record of strong financial management continued during 2012/13 with council services being delivered within revised budget, with an overall residual underspend of £201,801. The establishment of GO Shared Services (providing Human Resources, Payroll, Finance and Procurement functions shared with Cotswold DC, Forest of Dean DC and West Oxfordshire DC) was a new initiative during the year. Internal Audit gave 'limited assurance' opinions on some of the core financial systems as a result of the GO shared service arrangements not being in place or fully embedded. It is not yet clear if the finance team have sufficient capacity given the teething problems that have arisen.</p>	 Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	<p>The Council should monitor its working capital ratio to ensure that no financial risk arises from having current liabilities in excess of current assets.</p> <p>Performance monitoring reports to members should include a workforce reports covering areas such as sickness absence.</p>			
Strategic Financial Planning	The Council should consider reporting on key financial ratios more regularly than annually, say every six months.			
Financial Governance	The Council should consider, as planned, whether the existing performance management arrangements are fit for purpose for the future strategy of the Council. i.e. to respond to the continuing focus on commissioning.			
Financial Control	The Council should monitor the impact of the transfer of finance staff to GO Shared Services to assess the risk of a capacity problem arising, especially if teething problems continue.			

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Key Indicators

Introduction






This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Schools Reserves - Balances to DSG allocations

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

- Canterbury District Council
- Cheltenham Borough Council
- Colchester District Council
- Exeter City Council
- Gloucester City Council
- Harrogate Borough Council
- Ipswich Borough Council
- Maidstone Borough Council
- North Hertfordshire Borough Council
- Rushmoor Borough Council
- Tunbridge Wells Borough Council
- Warwick Borough Council
- Watford Borough Council
- Worcester City Council
- Wyre Forest District Council

Key Indicators

Area of focus	Summary observations	Assessment
Liquidity	<p>Cheltenham's working capital ratio as at 31.3.2012 was, at 0.62, towards the lower end of its comparator group (see slide 22). A ratio of 1 indicates that current assets match current liabilities. The Council will need to satisfy itself that arrangements are in place to meet all its future liabilities as they arise.</p> <p>Council Tax and NNDR collection rates remain high. In 2012/13 the Council Tax collection rate was as expected, i.e. 98.2%, compared to a District Council average of 98.1%. The NNDR collection rate was slightly lower than expected at 98% compared to a District Council average of 98.1%.</p>	 Green
Borrowing	<p>Cheltenham's long term borrowing to tax revenues ratio as at 31.3.2012 was, at 3.85, slightly higher than the average for the comparator group of 3.2. (see slide 26) Borrowing of £54.674m was marginally lower than average and income from tax revenues of £14.204 was significantly below average. Borrowing in 2011/12 included £27.4m in respect of Housing Revenue Account self financing arrangements.</p> <p>The Council are compliant with the Prudential Code and performance against the indicators in 2012/13 was reported to members as part of the out-turn reporting process. Performance was broadly consistent with expectations.</p>	 Green
Workforce	<p>The Council continues to reduce its directly employed workforce as it focuses on its commissioning role. Sickness absence data is regularly reported to the leadership team and periodic reports go to Overview and Scrutiny Committee. The latest report being in January 2012. For 2012/13 the average days of sickness absence per full time equivalent, was 7.04 compared to the latest national public sector average figures of 7.9 days for 2011/12 and the Council's target of 7.5 days. Any comparison with previous years is of limited value given the significant numbers of staff that transferred out of the Council to UBICO and GO shared services during 2012/13. Until the new arrangements settle down we have concluded an amber rating is appropriate.</p>	 Amber
Performance Against Budgets: revenue & capital	<p>Despite a challenging savings programme the Council underspent against its revenue budget in both 2011/12 and 2012/13. In 2012/13 the Council spent £11.625m on capital projects and grants, compared with the revised budget of £14.435m.</p>	 Green
Reserve Balances	<p>Total reserves of are in line with the comparator group average (see slide 24), although the General Fund balance of £2.253m at 31.13.2012 was lower than the average of £4.3m. In 2013.14 the General Fund balance fell slightly to £2.021m but the level of balances is in line with the Council's policy and external guidance received.</p>	 Green

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Strategic Financial Planning






Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFP	<p>The Medium Term Financial Strategy is focussed on delivering the annual corporate action plan, agreed budget and eliminating the potential budget gap with specific measures to achieve savings. The budget gap strategy is updated annually to reflect changes in the annual corporate action plan and annual budget and incorporates all the measures planned to eliminate the budget gap for the next 5 years. The MTFP was not updated in 2012/13 but has been updated subsequently. The Bridging the Gap savings plan is agreed in time to be incorporated within the annual budget. The savings plan extends beyond the life of the current corporate plan and progress is discussed by the Bridging the Gap working group monthly. As a consequence of the volatile economic climate no longer term plan covering say 10 years exists as the Council feels that monitoring against such a long term horizon is not appropriate given the recent spending round announcement only covered the period to 2015/16.</p>	 Amber
Adequacy of planning assumptions	<p>The budget forecasts made in setting the MTFP and particularly the 2013/14 revenue & capital budgets respond to both local and national issues. The key considerations within the 2013/14 budget included:</p> <ul style="list-style-type: none"> - Providing a standstill budget with growth only as a result of statutory requirements or on an invest to save basis - A freeze on increasing Council Tax in line with the Government's request, on the basis that it will be funded through a specific grant equivalent to a 1% increase - The impact of the introduction of the change in Council Tax, Benefits and NNDR - Consideration of price, fees and charges (increase 2.5%) and pay inflation (increase 1%) and prevailing interest rates 	 Green
Scope of the MTFP and links to annual planning	<p>The Council's MTFP reflects the corporate strategy and annual action plan.</p>	 Green
Review processes	<p>The MTFP is reviewed each year prior to the budget setting process. Benchmarking is used as a strategic planning tool with each individual business case incorporates benchmarking. Performance against key financial indicators is reported to Cabinet annually as part of the annual Treasury Management report. We feel that more regular reporting of these ratios would be re-assuring to members.</p>	 Amber
Responsiveness of the Plan	<p>The MTFP is responsive to changing circumstances with both short term and long term measures taken to eliminate the budget gap. Budget savings initiatives are subject to option appraisal e.g. GO shared services, and UBICO. Savings required and set out in the Bridging the Gap strategy are built into annual budgets.</p>	 Green

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Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
 - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
 - Actions have been taken to address key risk areas.
 - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement



- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).




Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	<p>The Executive Board and Leadership team fully understand the financial environment in which they operate. There is regular communication with members regarding changes in the financial environment such as the pooling of business rates and the localisation of council tax.</p> <p>Quarterly budget reports clearly set out the financial pressures facing the Council. The Corporate risk register recognises financial risks such as reducing business rates.</p> <p>Governance arrangements have been reviewed recently as a result of the introduction of the GO Shared Services partnership between Cheltenham Borough Council and Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council.</p>	 Green
Executive and Member Engagement	<p>The Section 151 officer is part of the Council's leadership team which meets regularly to discuss key strategic, financial and performance issues.</p> <p>Senior management engage with Cabinet portfolio holders on the budget setting process and produce reports for Overview and Scrutiny Committee and Cabinet. e.g. HR reports and business cases,</p> <p>During 2012/13, the Council's Audit Committee operated as an effective committee providing robust challenge.</p>	 Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Overview for controls over key cost categories	<p>The Audit Commission's Value for Money profile 2011/12 show that Council spending is broadly in line with other similar Council's. However, spending on culture and sport per head is in highest 10% of district councils. Culture spending is down about 8% in 2012/13. Cheltenham is a spa town with significant heritage and culture offerings and enhancing this offering is part of the Council's corporate strategy. Spend on housing services per head is also high and in the top 20% of District Council's. This is due mainly to high advice costs The Council is currently reviewing its housing strategy to reduce these costs. Sustainable economy costs were also comparatively high and this was largely due to the highways agency agreement with the County Council which ended on 31.3.2013. Expenditure was down in 2012/13..</p> <p>The formation of UBICO waste and environmental services company and the establishment of the Go Shared Services partnerships in 2012/13 are a large part of the Council's savings programme</p>	 Green
Budget reporting: revenue and capital	<p>The Council's corporate strategy on which the annual budgets are based takes into account comments from stakeholders via the place survey conducted in 2010. Budgets are based on complete and accurate information.</p> <p>The quarterly budget monitoring reports to Cabinet are comprehensive and include a suite of reports covering relevant information on revenue, capital expenditure, variances, forecast HRA and Treasury Management.</p> <p>The explanations for the variances against income and expenditure are in sufficient detail for Members to understand the reasons and the implications. As savings are incorporated within the budget, these are monitored along with other budget vaaiations.</p> <p>The Council is considering whether its performance management arrangements remain fit for purpose given the significant service changes during the year and the continuing focus on commissioning</p>	 Green
Adequacy of other Committee/ Cabinet Reporting	<p>Full Council receive reports from Cabinet members on key projects e.g. UBICO and GO shared services following so consideration by both the Overview and Scrutiny Committee (who receive reports from individual task groups) and Cabinet e.g. budget proposals, corporate strategy and governance reports.</p>	 Green

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Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department




- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.





Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	<p>The budget setting process is largely unchanged from previous years. Full Council approved the 2013/14 budget in its meeting on 8 February 2013. There is robust scrutiny of the budget before it is set as the budget was considered by a budget sub-group of the Overview and Scrutiny Committee on 7 January 2013 and their comments considered by Cabinet on 5 February 2013 prior to the budget being recommended to Full Council.</p> <p>Budgetary control arrangements are set out in the Council's Financial Regulations and annually reflected in a Budget strategy and process report which is received by Cabinet. Internal Audit's recent report on budgetary control concluded that the system of expected control, although sound, had some weaknesses. In particular budget managers felt that although they had had support from the GO Shared Services, they would benefit from further training to fully exploit the functionality of the new system.</p> <p>The Council manages its budgets effectively and this is demonstrated by the good track record in achieving the overall budget. The Council underspent its budget in 2011/12 by £149,777 and by £174,086 the previous year. The unaudited 2012/13 accounts show an underspend of £201,801.</p>	 Green
Performance against Savings Plans	<p>The 'Bridging the Gap' programme has delivered savings and additional income to bridge the £1.1m funding gap in 2012/13, with £1.245m of further savings anticipated for 2013/14. A significant element of the savings plan relates to re-organisation, shared services and commissioning. A project board has been set up for both UBICO and GO Shared Services and these board receive regular reports on savings against targets.</p>	 Green
Key Financial Accounting Systems	<p>The Council's 2012/13 financial statements were produced for the first time by the GO Shared Services team using the new ERP financial system for the first time. Internal Audit concluded for 2012/13 that the Council's internal control arrangements covering financial systems were satisfactory but some of the systems operated by GO Shared Service received a limited assurance assessment. Internal Audit made a number of recommendations which are being implemented to improve the situation for the future. The Council's Annual Governance Statement recognises that action plans are in place and confirms that the Client Officer Group will manage a further review of progress in 2013/14. None of the issues raised by Internal Audit represented a significant risk to our audit of the Council's accounts.</p>	 Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	<p>The Finance Team is largely provided by GO Shared Services. The 2012/13 accounts were produced by 30 June as planned and it is too early to say whether or not sufficient capacity exists (we have therefore rated this area as amber).</p>	 Amber
Internal audit arrangements	<p>The Internal Audit service is delivered by Audit Cotswolds which also provides services to other local councils. The aim of the partnership is to enhance the resilience and skills base of the service. The service through 2012/13 was delivered by a team with a variety of professional backgrounds including CIPFA.</p> <p>The Internal Audit Plan for 2012/13 was risk based with a clear link between audit activity and the Council's risk management process. The majority of planned activities were completed in the year and all work had been completed as at 19 June 2013, although some reports relating to GO Shared Services were not finalised.</p> <p>In line with the requirements of the Accounts and Audit Regulations 2011, Audit Cotswolds undertook a self assessment of the service against the CIPFA 2006 Code of Practice for Internal Audit in Local Government. This identified no areas of non-compliance and only a small number (4%) of partial compliance.</p>	 Green
External audit arrangements	<p>In 2011/12 the Council's external auditors, KPMG concluded that the financial statements gave a true and fair view of the council's financial position and concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>	 Green
Assurance framework/risk management	<p>The Council has a risk management policy which is reviewed and updated annually. The corporate risk register is reviewed by the Senior Leadership Team monthly with residual risks are scored and prioritised and monitored quarterly by the Economy and Business Improvement Overview and Scrutiny committee and Cabinet.</p>	 Green

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Key Indicators of Financial Performance

Working Capital - Benchmarked

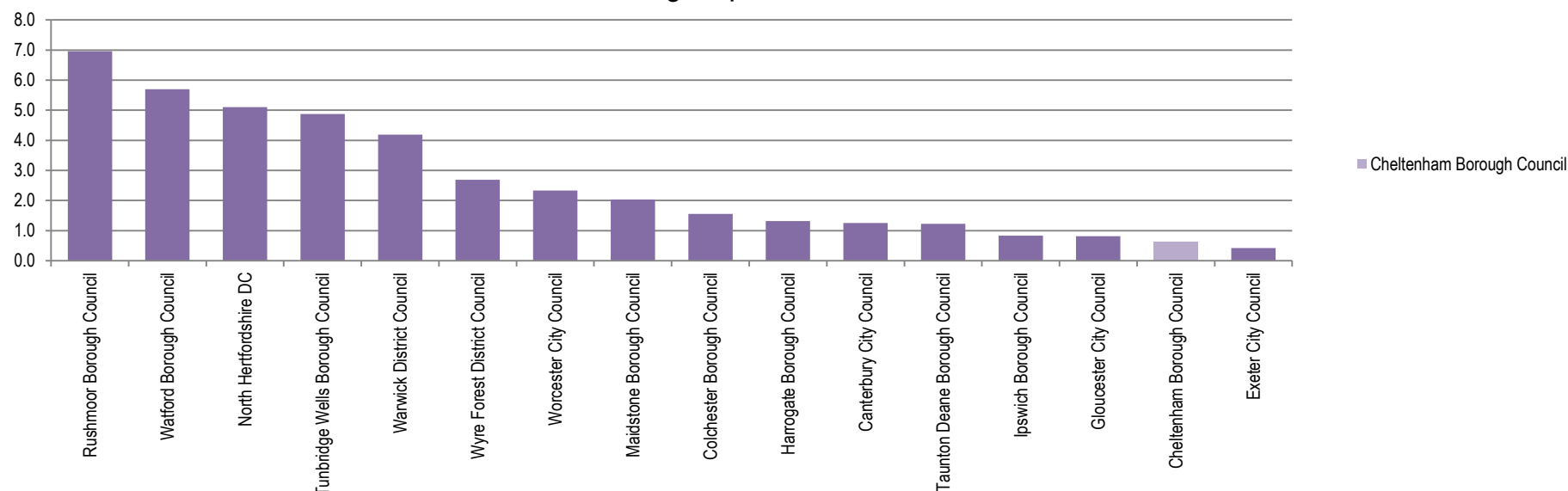
Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

Findings

Cheltenham's working capital ratio as at 31.3.2012 was, at 0.62, towards the lower end of its comparator group. A ratio of 1 indicates that current assets match current liabilities. The Council will need to satisfy itself that arrangements are in place to meet all its future liabilities as they arise. The ratio fell in 2011/12 from 0.89 but has recovered slightly in 2012/2013 to 0.85 (source unaudited accounts).

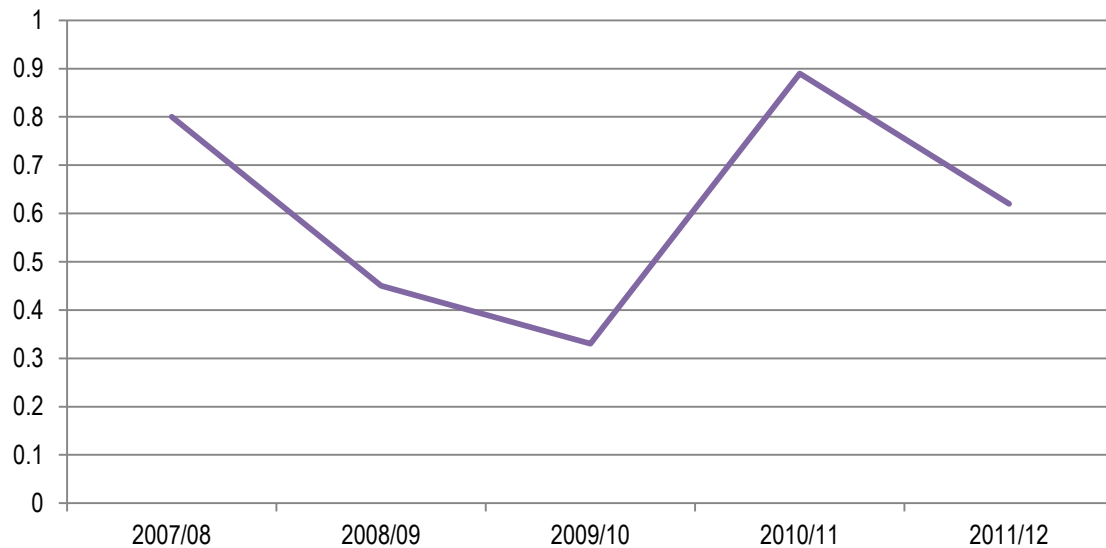
Working Capital ratio - 2011-12



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

Working Capital - Trend



The Council's working capital ratio varies year to year but remains negative i.e. below 1

Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

Usable Reserves - Benchmarked

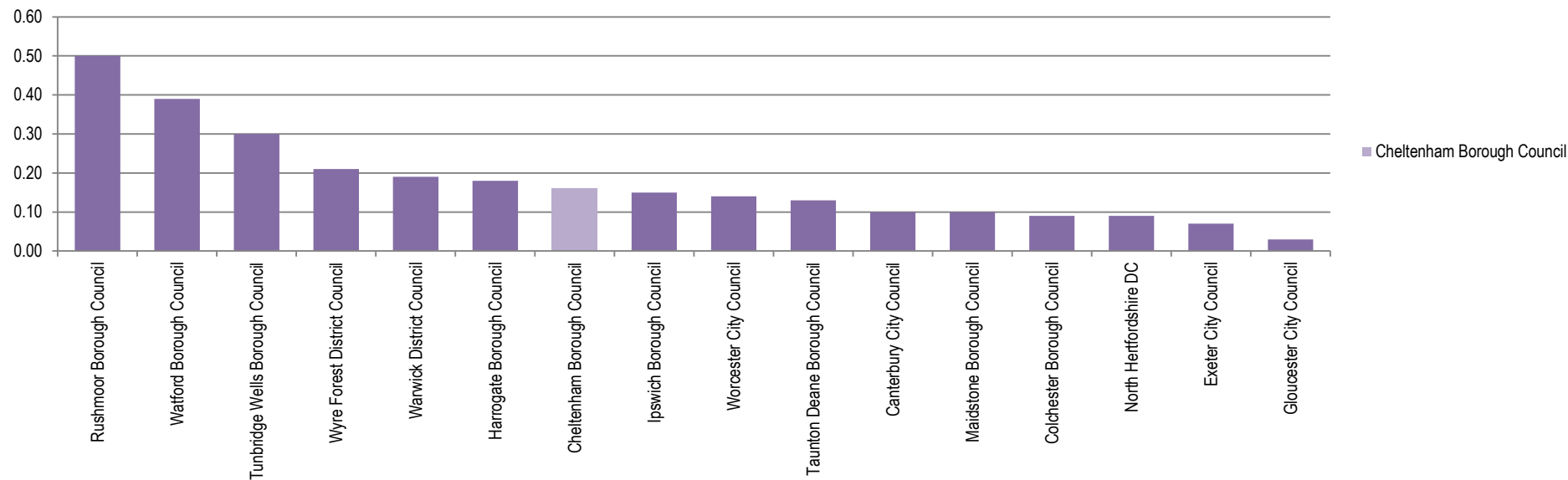
Definition

This shows total capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

Findings

Cheltenham's usable reserves to expenditure ratio is typical of its comparators

Usable Reserves to Gross Revenue Expenditure ratio 2011-12



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

Useable Reserves - Trend by Type

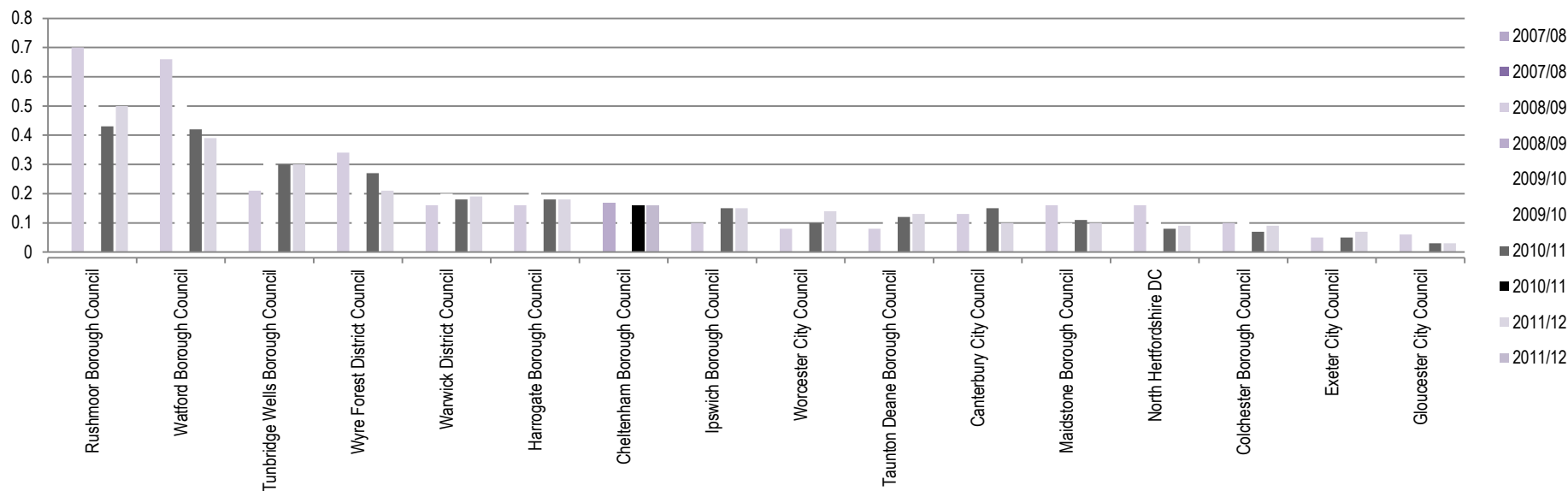
Definition

This shows the trend in usable reserves

Findings

Cheltenham's usable reserves have been relatively static over the past 5 years which is typical of the comparator group.

Usable Reserves to Gross Revenue Expenditure ratio - trend [in order of 2011-12]



Key Indicators of Financial Performance

Long Term Borrowing to Tax Revenue - Benchmarked

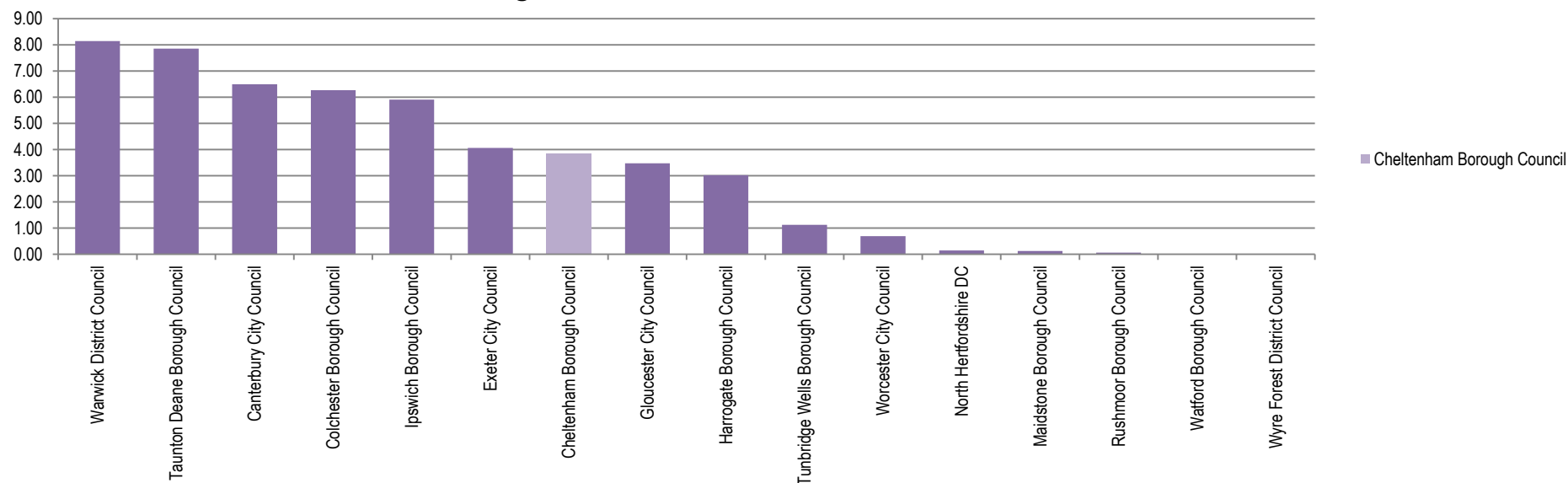
Definition

Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

Findings

Cheltenham's ratio of 3.85 indicates that it has long term borrowing which exceeds tax revenue by almost four times. Cheltenham's ratio is reasonable and consistent with its comparators whose average is 3.2. In 2011/12 Cheltenham's long term borrowing increased by £24.7m as a result of the self financing settlement in respect of the Housing Revenue Account. Prior to that in 2010/11 Cheltenham's ratio would have been much closer to 1 at 1.59.

Long Term Debt to Tax Revenue ratio 2011-12



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

Long-term borrowing to Long-term assets - Benchmarked

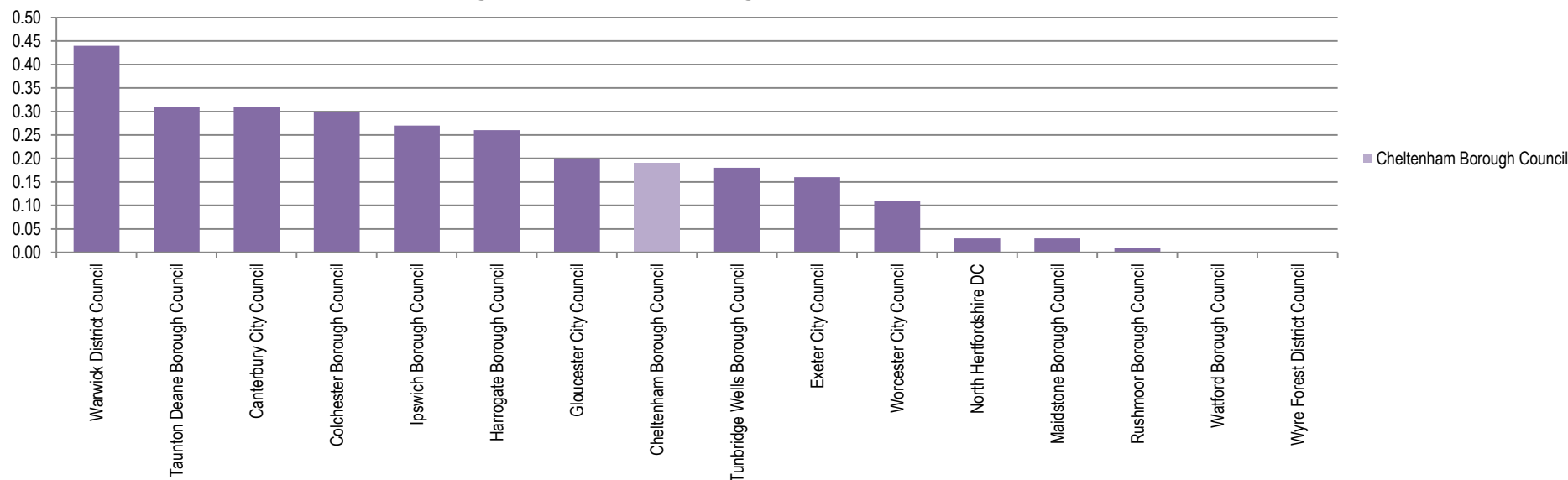
Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

Findings

This shows that the Council's long term borrowing represents approximately one fifth of its long term assets - i.e. long term borrowing does not exceed its long term assets. Cheltenham's ratio of 0.19 is consistent with the comparator group.

Long Term Debt to Long Term Assets ratio 2011-12



Key Indicators of Financial Performance

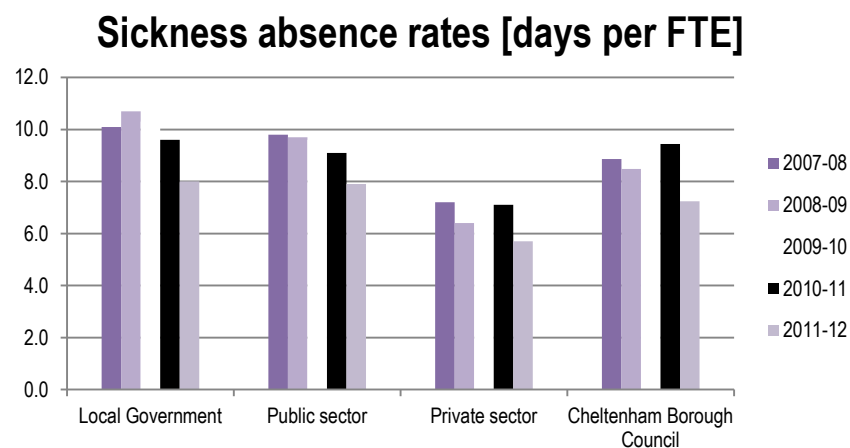
Sickness Absence Levels

Background

The average sickness absence level for the public sector in 2011/12 was 7.9 days per FTE, whilst the private sector average was 5.7. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. For example:

- London Borough of Croydon reduced absence from 12.5 days to 6.4 days over two years due to a new tougher sickness absence management.
- Cambridgeshire County Council reduced sickness absence levels to 5 days per employee using an approach built on a relationship of trust with staff and empowering managers to take control of absence management.

Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR10, given the context of significant pressures on staff to deliver "more for less".



Findings

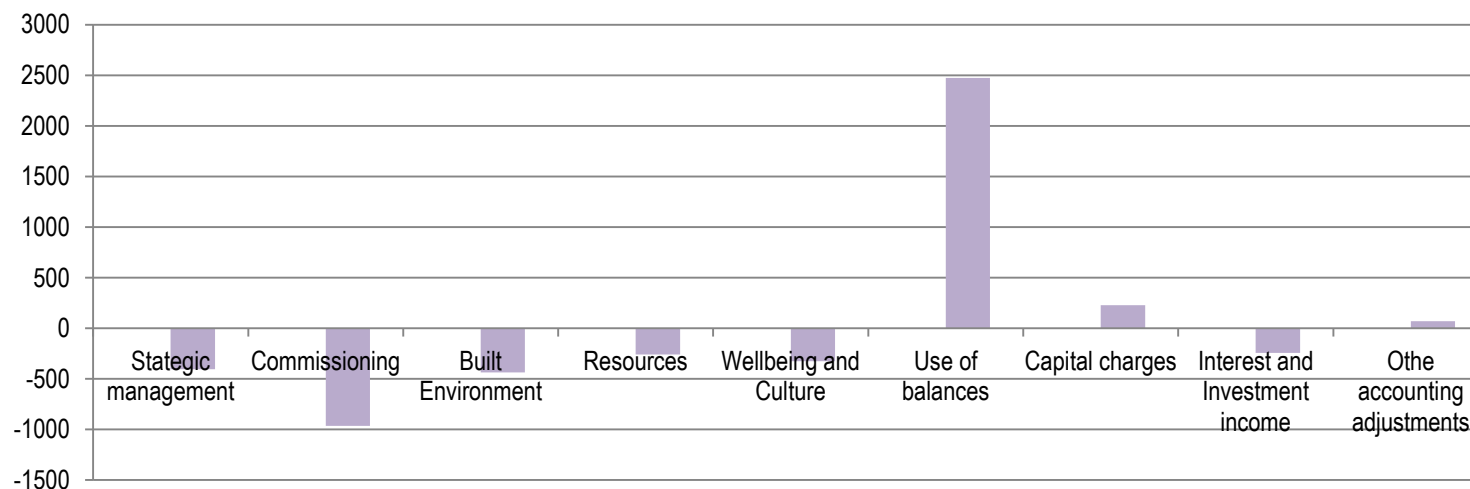
Cheltenham's sickness absence levels have been fairly consistent over the past four years and generally below the public sector average. As a result of the transfer of staff to UBICO and GO) in 2012/13 the reported figure for 2012/13 is 7.04 days which compares with the target figure of 7.5 days.

Note: The figure for 2011/12 is an estimate based on six months data only.

Source: Cheltenham Borough Council

Key Indicators of Financial Performance

Performance Against Budget: Major Variances from Working Budget

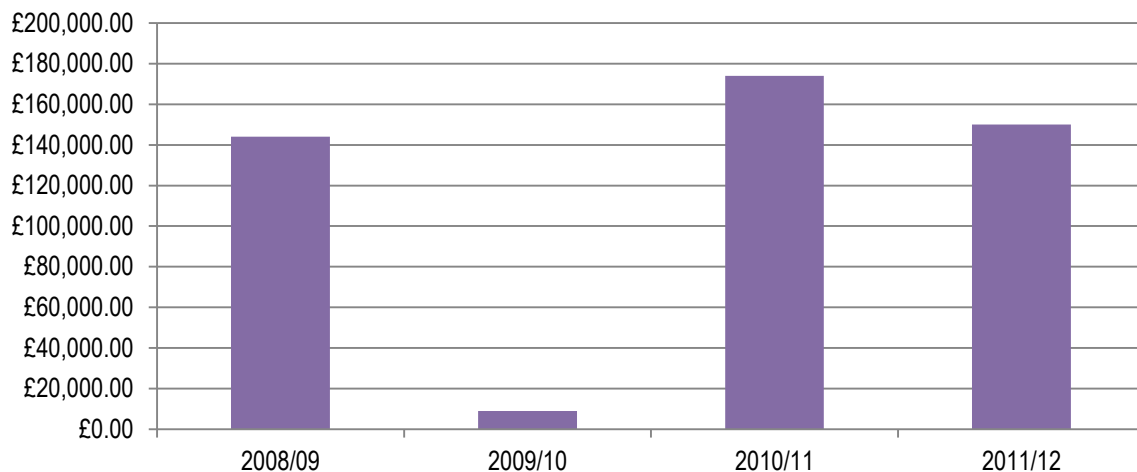


The Council has reported an underspend against each service line. in 2012/13. The total underspend against budget was £201,801

Source: Unaudited Accounts

Key Indicators of Financial Performance

Performance Against Budget: Track Record



The Council has made a surplus of between £7k and £174k for each of the past four years. A reported surplus of just over £200k has been made in 2012/13.

Note: The 2008/09 figure excludes a VAT windfall refund of £1.1m

Source: Unaudited Accounts



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