

<b>Committee/Meeting:</b> <b>Cabinet</b>	<b>Date:</b> 7 <sup>th</sup> September 2011	<b>Classification:</b> Unrestricted	<b>Report No:</b> CAB 033/112
<b>Report of:</b> <b>Corporate Director Resources</b>  <b>Originating officer(s)</b> Peter Hayday, Service Head Financial Services, Risk & Accountability Michael Keating, Service Head One Tower Hamlets		<b>Title:</b> Strategic Performance and Corporate Revenue and Capital Budget Monitoring Q1 2011/12 (Month 3) Report to the end of June 2011.  <b>Wards Affected:</b> All	

<b>Community Plan Theme</b>	All
<b>Strategic Priority</b>	All

## **1 SUMMARY**

- 1.1 Effective performance monitoring and reporting is crucial to the way the Council drives improvement in services. This is the first combined performance report covering the Council's Strategic measures and financial position for the current financial year. It covers the first quarter April to June 2011. Combining our performance and financial reporting in this way strengthens the Council's robust performance management arrangements.
- 1.2 This report was considered by Overview & Scrutiny at its meeting on 6<sup>th</sup> September.
- 1.3 This performance report covers the authority's progress to date in 2011/12 (Quarter 1) against budget and service performance targets. This includes year end projection updates for the:
- General Fund Revenue and Housing Revenue Account;
  - Capital Programme; together with
  - An overview of performance for all of the reportable strategic measures.
- The Strategic Measures Set represents the key priorities for the Council in 2011/12.

## 1.4 Finance Overview

1.4.1 As at the end of the first quarter (30<sup>th</sup> June 2011) Directorates are forecasting spend in line with service budgets. However there are a number of risks that are detailed in the report, although at this stage it is anticipated that these can be contained through a mix of mitigating actions and specific risk provisions.

1.4.2 Cabinet is being asked to approve budget virements as set out in Appendix 3 of this report. There is no net impact on the Council's 2011-12 budget as a result of these virements: an allocation of £2.1m relates to the growth risks for which provision was included in the MTFP approved by Full Council in March 2011 and the other main virements relate to the movement of budgets between corporate costs and Children's (CSF) and Resources.

### 1.4.3 Housing Revenue Account

The projected outturn on the HRA is a break even position in line with the budget and the position reported last month.

### 1.4.4 Capital Programme

Directorates have spent 12.1% of their capital budgets for the year (£20.674m against budgets of £171.328m), and have projected a year-end underspend of £2.915m or 1.7% of the budget. However this assumes Cabinet approval to re-phase some £14 million of BSF works from 2011/12 across the 3-year programme. Any resources not spent in the current financial year would be required to fund the capital programme in future years. The overall programme remains affordable within available resources.

## 1.5 Strategic Measures

Quarter 1 data is currently available for 16 measures. Of these ten are within their target range, and six are below the target range. Eight measures have improved compared to last year's Quarter 1 performance.

1.6 More detailed performance and financial information is contained in the report and appendices, as follows:

- Appendix 1 - provides the estimate budget outturn and explanations of major variances for Directorates for the General Fund
- Appendix 1a - provides a subjective analysis of forecast variances
- Appendix 2 - provides the estimate budget outturn and explanations of major variances for the HRA
- Appendix 3 – a schedule of new virements requiring Cabinet approval.
- Appendix 4 – provides details of the capital programme and details of how the initial 2011/12 capital budget has changed.

- Appendix 5 – provides an overview of performance for all of the reportable strategic measures. The Strategic Measures Set represents the key priorities for the Council in 2011/12.

## **2. DECISIONS REQUIRED**

### **Cabinet is recommended to:-**

- 2.1. Review and note the Quarter 1 2011/12 performance;
- 2.2. Note the Council's financial position as outlined in paragraphs 3 and 4 and Appendices 1-4 of this report; and
- 2.3. Approve the budget virements detailed in Appendix 3.

### **Reasons for the Decision**

Quarterly updates on the position of the capital programme and revenue expenditure against budgets are provided to Cabinet for information. This is the forecast position for the year as at the end of June 2011. The requested budget virements are to fund growth risks for which provision was included in the MTFP approved by Council in March 2011 and re-align service budgets as per paragraph 1.4.2 above.

### **Alternative Options**

Non approval of the budget transfers will mean affected Directorates will not be in a position to provide services within budget limits.

3.1 The following table summarises the current expected outturn position for the General Fund.

SUMMARY	Latest Budget £'000	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Forecast Outturn £'000	Variance £'000
Adults Health and Wellbeing	99,424	22,090	22,056	(34)	99,424	0
Chief Executive	10,628	2,657	2,734	77	10,628	0
Children, Schools and Families+	82,210	20,552	82,998	62,446	82,210	0
Communities, Localities and Culture	70,400	14,096	14,020	(76)	70,400	0
Development and Renewal	16,995	4,249	4,146	(103)	16,995	0
Resources	10,373	2,594	3,284	690	10,373	0
Corporate Costs/Capital Financing	15,843	356	232	(124)	15,843	0
<b>TOTAL</b>	<b>305,873</b>	<b>66,594</b>	<b>129,470</b>	<b>62,876</b>	<b>305,873</b>	<b>0</b>

+ Variance to date explanations is included within paragraph 3.3

As can be seen from the table the Directorates are forecasting spend for the year in line with the net service budgets. However, there are a number of significant budget pressures in some service areas which are currently being managed and which are set out in detail below.

The table also shows a significant year-to-date variance in Children's, Schools and Families which is explained in Section 3.3 below. Other smaller year-to-date variances are explained in the detailed budget analysis in Appendix 1 with an analysis of budget variances against expenditure type detailed in Appendix 1A.

### 3.2 Adults, Health and Wellbeing

**Projected variance Nil**

Although at the end of month three Adults Health and Wellbeing are forecasting a break even position the Directorate continues to have a number of budget risks as a result of demographic changes:

#### **A Transition Clients for Learning Disabilities**

The Directorate submitted a growth bid as part of the 2011/12 budget setting process for Learning Disability clients entering the Directorate from the Children Schools and Families Directorate. The forecast funding requirement for this financial year was £0.6m.

The current forecast by the Directorate is that expenditure to be transferred from the Children Schools and Families Directorate for the 2011/12 financial year is £0.7; £0.1m more than had been expected. This represents the part year effect of 61 clients. The average unit cost per client is £12,125 which is higher than anticipated and has been affected by two care packages which are both over the cost of £50,000 per annum (one of these clients has a care package of £104,030).

## **B Dementia Clients**

The Directorate submitted a growth bid as part of the 2011/12 budget setting process for Older People with dementia. The forecast funding requirement for this financial year was £2.1m.

The current forecast by the Directorate is that expenditure on supporting clients with dementia into elderly and mentally infirm residential placements is likely to be broadly in line with this projection.

## **C NHS Social Care Funding**

The forecast increased budget pressure of the above areas of service demand totals £2.8m. However, it is currently planned to meet this additional cost through the application of additional funding made available through the NHS to support Social Care expenditure. This funding is the subject of a Section 256 agreement.

The total funding made available to the Directorate in 2011-12 through this agreement is £3.7m. The balance of £0.9m is needed to meet the joint objectives of the Primary Care Trust (PCT) and the Council which are set out in the agreement.

Whilst this will offer a potential savings opportunity in 2011-12 of up to £2.8m this may not be mirrored in 2012-13 as the funding for that year has still to be confirmed and the Directorate will need to agree a business plan with the PCT for the use of any future funding.

### **3.3 Children, Schools and Families Projected variance NIL**

At present, the directorate is reporting that it will be able to operate within budget for 2011/12.

Nonetheless, underlying pressures of £0.9m in Building and Technical Services (BATS), Buildings & Development and Transport have no long-term funding to support them and will need to be addressed. This will involve:

- scaling down the activity in the BATS team on supporting schools' capital projects such that it operates sustainably;
- reprioritising support staff posts within CSF, through the Management and Administration review, to ensure that an affordable building development function is available; and

- considering policy changes to home-school travel in line with the recent internal review. This function, however, has a savings target of £0.3m over three years and the underlying budget pressure is in excess of £0.5m; the combination of these two may require some revisiting of the medium term financial forecast for this item, but not at this stage.

The expenditure to date for the department is significantly different to the profiled budget. The £62.4m variance includes full-year commitments of £46.5m and a further £10.2m of schools expenditure to be funded from the DSG. The balance of approximately £6.0m represents the difference between actual grant income received to date and the associated income profile. This is a timing difference which will un-wind over the course of the year.

### **3.4 Development and Renewal Projected variance NIL**

A breakeven position is currently forecast, however the Directorate is actively reviewing the Third Sector requirement for savings opportunities where there is a net risk of a £0.2m overspend.

### **3.5 Corporate Costs & Capital Financing Projected variance NIL**

The Corporate Cost and Capital Financing budget is currently forecast to spend in line with budget. However, a number of council wide risks are managed through this budget including the risk of one off unbudgeted costs that may arise through the year. At this stage in the financial year no significant risks or slippage to the approved savings programme have been identified.

### **3.6 HRA Projected variance NIL**

The overall projected HRA break-even position is the net result of a number of projected under and overspends. The main variances are, firstly, estate parking, which is forecast to underspend due to the replacement of the previous removal-based parking enforcement contract with a new ticket-based contract that offers improved value for money; secondly, leaseholder & tenant service charge income is projected to be slightly higher than budgeted, although this is subject to the 2010/11 actualisation process; thirdly, it has previously been agreed that expenditure relating to the Housing Options Appraisal would be funded from HRA reserves.

### **3.7 Other Service Areas**

There are no budget variances currently projected in Communities, Localities and Culture, Chief Executive and Resources with no significant budget risks currently identified.

### 3.8 Budget Virements

A number of budget virements have been requested which require Cabinet approval but are reflected in the forecast outturn figures in the above tables and the variance analysis in Appendices 1 and 1A. These virements do not have any net impact on the Council's 2011-12 budget and are set out in detail in Appendix 3.

The virements can be categorised into two broad groupings:

- those which reflect demand/cost growth for which specific budget provision was included in the Medium Term Financial Plan (Appendix B page 49) agreed by Full Council in March 2011 (references 1-4); and
- those where budgets had been divided between Corporate/Capital and the service directorates (Medium Term Financial Plan – Appendix A, page 47) with the view to identifying possible savings opportunities in the early part of 2011-12 which were over and above those in the approved savings programme (references 5-12).

### 3.9 Income Collection Performance Targets

Details of income collection during 2011/12 are shown below.

<b>Income Stream</b>	<b>Collected in 2010/11 %</b>	<b>2011/12 Target to 30.06.11 %</b>	<b>2011/12 Collected to 30.06.11 %</b>	<b>Direction of Travel</b>
Business Rates	99.60	24.49	29.88	↑
Central Income	90.00	70.00	69.00	↓
Council Tax	95.10	23.80	26.11	↑
Housing Rents	99.87	100.00	100.24	↑
PCNs	63.09	53.10	54.10	↑
Service Charges	110.40	27.60	32.80	↑

Income collection rates are currently broadly in line with target.

## 4. CAPITAL

- 4.1 The capital budget at the start of 2011/12 as approved by Cabinet on 9<sup>th</sup> February 2011 totalled £149.8m. This has now increased to £171.3m. This is due in the main part to slippage from 2010/11 being carried forward. Details of all the changes to the capital budget are set out in Appendix 4.

4.2 Total capital spend to the end of Quarter 1 represented 12.1% of the budget for 2011/12 as follows:

	Annual Budget as at 30-Jun-11 £m	Actual Spend as at 30-Jun-11 £m	%
<b>TOTALS BY DIRECTORATE:</b>			
Communities, Localities and Culture	17.860	1.131	6.3%
Children, Schools and Families	24.103	3.840	15.9%
Resources	1.951	0.004	0.2%
Adults, Health and Wellbeing	0.235	0.038	16.2%
Development and Renewal	12.027	5.440	45.2%
Building Schools for the Future (BSF)	78.701	7.162	9.1%
Housing Revenue Account (HRA)	36.451	3.059	8.4%
<b>GRAND TOTAL</b>	<b>171.328</b>	<b>20.674</b>	<b>12.1%</b>

4.3 Projected capital expenditure for the year, compared to budget is as follows:

	Annual Budget as at 30-Jun-11 £m	Forecast to 31-Mar-12 £m	Projected Variance £m
<b>TOTALS BY DIRECTORATE:</b>			
Communities, Localities and Culture	17.860	17.820	-0.040
Children, Schools and Families	24.103	23.172	-0.931
Resources	1.951	1.951	0.000
Adults, Health and Wellbeing	0.235	0.194	-0.041
Development and Renewal	12.027	10.453	-1.574
Building Schools for the Future (BSF)*	78.701	78.632	-0.069
Housing Revenue Account (HRA)	36.451	36.191	-0.260
<b>GRAND TOTAL</b>	<b>171.328</b>	<b>168.413</b>	<b>-2.915</b>

\* This assumes that some £14.0m will be re-profiled into later years in the BSF programme.

Total projected expenditure for the year, as advised by Directorates managing capital schemes, totals £168.4m compared with the budget of £171.3m, a forecast underspend of £2.9m. The profiling of the BSF budget across the 3-year programme is currently being reviewed but it is anticipated that some £14.0m will need to be re-profiled into later years. A revised budget profile for BSF will be submitted in the next quarterly report to Cabinet. Any unspent resources at year-end will be required to be carried forward for use in future years.

4.4 Further details of the programme are provided in Appendix 4.

## **5. STRATEGIC PERFORMANCE MEASURES**

- 5.1 The strategic measures enable the Council to monitor progress against its priorities outlined in the Strategic Plan. The Strategic Measures Set is reviewed on an annual basis as part of the refresh of the Strategic Plan to ensure that they are fit for purpose. Where necessary, there will also be in-year reviews of the measures.
- 5.2 The 2011/12 Strategic Plan has been developed in the context of the biggest savings the Council has ever had to make. There have also been significant national changes that will affect local services. The Strategic Plan and measures reflect these important challenges and opportunities for the Council.
- 5.3 The abolition of a number of centrally set performance processes and reporting systems has allowed us to streamline and narrow down our strategic measures, ensuring that they reflect what matters most locally. This is evident in the significantly reduced number of strategic measures in this year's Set. We currently have 38 measures which we will continue monitoring on a quarterly basis.
- 5.4 Changes have also been made to the way we report performance of the strategic measures. A bandwidth approach to monitoring performance has been introduced. Each measure has a target range comprising of a lower bandwidth, which indicates the minimum performance level, and the target. A traffic light system is being used to indicate performance against the target range. Where performance is below the range this will be coloured RED and GREEN where within range. To get a more detailed performance picture, we will also be noting the variance between actual performance and the target. Where actual performance is more than 10% off the target this will be RED, within 10% or less of the target AMBER, and GREEN where it is at or above target. This can be fully seen in Appendix 5.
- 5.5 Performance analysis included within the report is currently based on incomplete data as performance data for some indicators is not yet available. The majority of this is due to time lags in reporting of some measures
- 5.6 Strategic Indicator Performance – Quarter 1 April - June 2011**
- 5.7 Performance against our strategic measures for Quarter 1 2011/12 is set out in Appendix 5.
- 5.8 The number of strategic measures available for reporting fluctuates between periods due to the different reporting frequencies of the measures. Of the 38

measures in the Strategic Set, 16, including subset of measures, (42%) are reportable in this quarter.

5.9 Of the 16 reportable indicators:

- 11 (69%) are within their target range
- 4 (25%) met or exceeded their target;
- 8 (50%) improved based on 2010/11 Quarter 1 outturn; and
- 5 (31%) were below their target range, but 2 of these were less than 10% off their Quarter 1 target.

5.10 We exceeded target on measures, including:

#### Housing

**Number of affordable homes delivered – gross (Strategic208, National155); Number of social rented housing completions for family housing - gross figures only (Strategic223)**

A number of affordable homes schemes and work on family rented units were pushed into 2011/12 which has affected this year's figures significantly. However these changes have been incorporated successfully into this year's targets and progress is looking positive. This is in line with the Council's commitment to housing as one of our key priorities. This is a challenging area of work but we have maintained our commitment and are set to develop this area further as we begin to refresh our Housing Strategy and respond to national policy changes in a local context.

5.11 We have improved performance on a number of measures, compared to this time last year, including:

#### Housing

**Number of affordable homes delivered – gross (Strategic208, National155); Number of social rented housing completions for family housing - gross figures only (Strategic223)**

#### Customer Access

**Overall Satisfaction (Strategic110a)**

We have seen a significant increase in our overall customer access satisfaction rate compared to this time last year, going from 86.8% – 91%. This is reflective of our commitment to providing supportive and responsive services to our residents, and in sustaining this even through more difficult periods of reduced resources and strains on the public sector.

#### **High Risk Measures**

- 5.12 As part of the analysis of each quarter, a risk analysis is undertaken to identify those measures which are at risk of not achieving their targets. This is based on a number of criteria including, whether or not they are currently meeting their Quarter 1 target; whether they are more than 10% off target; whether they are in the top half of performance in relation to London Councils' benchmarking; and whether performance has improved from this time last year. This results in a score out of 4. The following measures have been highlighted as they have produced a risk score of 3 or above.

#### Great Place to Live

- **Net additional homes provided (Strategic207, National154)**

This indicator does not measure a process which provides an even performance across the year. Completed housing units come in batches, as individual building projects complete, and the completion dates are never evenly distributed throughout the year. 34 units have been cleared and counted on the London Development Database (LDD). This is a provisional outturn only; a large number of net additional units have been completed, however they are currently non reportable via the LDD due to missing plot level breakdowns. If this information is collected from developers an additional 413 units would be reportable. Although developers are under no legal obligation to provide the Council with detailed completions information, processes are still being strengthened to collect outstanding information from them to maximise the numbers reported.
- **Overall employment rate - working age (Strategic311, National151)**

Employment remains one of our top priorities, as we develop and progress a new approach to reducing unemployment and worklessness in Tower Hamlets through our new Employment Strategy. Alongside national initiatives, such as the Work Programme, we are also putting in place a range of programmes and support mechanisms to reach the hard to reach and the most vulnerable in our communities. This is an ongoing commitment which we are confident will see progress over time.

#### Safe and Cohesive

- **Number of most serious violent crimes per 1,000 population (Strategic402, National015)**

There are number of ongoing activities planned to reduce most serious violent crime including the setting up of the Whitechapel Town Centre Team with the strength of 8 Police Constables to address cross ward issues with a key focus on violence.

- **Number of serious acquisitive crimes per 1,000 population (Strategic403, National016)**

Resources have been made available during 2011/12 to enable proactive operations to continue to arrest prolific offenders as well as deter opportunistic criminals. Targets are expected to be met and exceeded at the end of the year.

## **6. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 6.1 Under Financial Regulations it is the responsibility of senior managers to spend within budgets and, where necessary, management actions will need to be taken over the remainder of the financial year to avoid overspend.
- 6.2 Any overspend we incur at the end of 2011/12, or at any time over the forthcoming period, will risk the financial position and would increase the savings targets required to meet spending cuts, with a potential impact on front-line services. We need to be prepared to demonstrate to Members that everything possible has been done to contain expenditure within budgets

## **7. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 7.1 The report provides performance information, including by reference to key performance indicators and the budget.
- 7.2 It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted.
- 7.3 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Monitoring of performance information is an important way in which that obligation can be fulfilled.
- 7.4 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council’s chief finance officer has established financial procedures to ensure the Council’s proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Members to receive information about the revenue and capital budgets as set out in the report.

7.5 Cabinet is asked to agree the virements and budget adjustments set out in Appendix 3. It is for Full Council to set the budget, but the Budget and Policy Framework Procedure Rules permit virements within the limits established by the Financial Procedure Rules.

## **8. ONE TOWER HAMLETS CONSIDERATIONS**

The Council's Strategic Plan and Strategic Indicators are focused upon meeting the needs of the diverse communities living in Tower Hamlets and supporting delivery of One Tower Hamlets. In particular, Strategic priorities include the reduction of inequalities and the fostering of strong community cohesion and are measured by a variety of strategic indicators.

## **9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

An element of the monitoring report deals with environmental milestones within the Safe and Supportive agenda.

## **10. RISK MANAGEMENT IMPLICATIONS**

In line with the Council's risk management strategy, the information contained within the Strategic Indicator Monitoring will assist the Cabinet, Corporate Directors and relevant service managers in delivering the ambitious targets set out in the Strategic Plan. Regular monitoring reports will enable Members and Corporate Directors to keep progress under regular review.

There is a risk to the integrity of the authority's finances if an imbalance occurs between resources and needs. This is mitigated by regular monitoring and, where appropriate, corrective action. This report provides a corporate overview to supplement more frequent monitoring that takes place at detailed level.

The explanations provided by the Directorates for the budget variances also contain analyses of risk factors.

## **11. CRIME AND DISORDER REDUCTION IMPLICATIONS**

The Strategic Indicator set contain a number of crime and disorder items under the Safe & Supportive theme, however there are no specific crime and disorder reduction implications.

## **12. EFFICIENCY STATEMENT**

Efficiencies for 2011/12 are incorporated within the estimated forecast outturn.

## **13. APPENDICES**

- Appendix 1 - provides the estimate budget outturn and explanations of major variances for Directorates for the General Fund
- Appendix 1a - provides a subjective analysis of forecast variances
- Appendix 2 - provides the estimate budget outturn and explanations of major variances for the HRA
- Appendix 3 – a schedule of new virements requiring Cabinet approval.
- Appendix 4 – provides details of the capital programme and details of how the initial 2011/12 capital budget has changed.
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### **Local Government Act, 1972 Section 100D (As amended) List of “Background Papers” used in the preparation of this report**

**No “background papers” were used in writing this report**