

Committee(s)	Date:	Classification:	Report No:	Agenda Item No:
Overview and Scrutiny Cabinet	2nd December 2008 3rd December 2008	Unrestricted		
Report of: Assistant Chief Executive Director of Resources Originating Officer(s) Lucy Sutton, Performance Manager Martin McGrath, Financial Planning and Systems Manager		Title: Strategic Plan and Corporate Revenue Budget Monitoring report 2008-09 Performance to 30th September 2008 Wards affected: All		

1 SUMMARY

- 1.1 Effective performance monitoring and reporting is crucial to the way the Council drives improvement in services. This report draws together the performance monitoring reports on the Strategic Indicators and General Fund Revenue Budget. Combining our performance and financial reporting in this way strengthens the Council's robust performance management arrangements.
- 1.2 This is a combined service and financial performance report, which covers the authority's progress against the actions in the Strategic Plan, key performance indicators and its financial position to the end of September 2008 (Quarter 2). This report includes monitoring updates for:-
- The Strategic Plan.
 - Strategic and Priority performance indicators.
 - Corporate Revenue Budget Monitoring.
- 1.3 The performance information is contained in the report appendices as follows:
- Appendix 1 provides a Progress Report on the Strategic Plan to 30 September 2008
 - Appendix 2 provides an overview of performance and comments on each Strategic indicator (Tower Hamlets Index)
 - Appendix 3 provides a chart showing in-year direction of travel for each THI key indicator
 - Appendix 4 provides an overview of performance and comments on each Priority Indicator.
- 1.4 Compared to a total net budget of £294.917m, spending is projected to total £292,940m. This represents a projected underspend of £1.977 for the authority on the General Fund revenue budget for the current financial year which is an increase in the position as reported in the first quarter's report. A number of directorates are reporting overspends and it will be important

for Corporate Directors to act to contain these overspends in the coming months.

1.5 Overall, performance against Strategic Plan activities is not as strong as would be hoped, with only 60% of all due activities completed on time. Further analysis is included within the report which gives a more positive message, indicating that the majority of overdue activities will nevertheless be completed by January 2009. There are also some areas of concern on performance against our key Strategic Indicators with only just over half of those targets for which data is available met or nearly met (within 10% of target) at the mid-year period. However, performance against our other Priority indicators is better – nearly all targets (68%) were met or nearly met.

1.6 The table below provides headline performance for the Strategic Plan monitoring (Section 3), performance indicator monitoring (Section 4) and Financial performance monitoring (Section 5).

Directorate	Spend Against Budget	Strategic Plan Activities Completed on Time	Strategic Indicators on Target or within 10%	Priority Indicators on Target or within 10%
Adults Health & Well-Being	<i>GREEN</i> Underspend (1.98%)	<i>N/A</i> 0 (None Due)	<i>GREEN</i> 2 (100%)	<i>AMBER</i> 2 (50%)
Chief Executive's	<i>AMBER</i> Overspend 1.61%	<i>AMBER</i> 1 (50%)	<i>GREEN</i> 1 (100%)	<i>N/A</i> 0 (None Due)
Children's Services	<i>AMBER</i> Overspend 0.91%	<i>GREEN</i> 4 (80%)	<i>RED</i> 2 (40%)	<i>AMBER</i> 24 (60%)
Communities, Localities & Culture	<i>GREEN</i> Overspend 0.37%	<i>GREEN</i> 3 (75%)	<i>AMBER</i> 8 (73%)	<i>GREEN</i> 15 (94%)
Development & Renewal	<i>AMBER</i> Overspend 3.7%	<i>RED</i> 0 (All 3 Overdue)	<i>AMBER</i> 4 (67%)	<i>GREEN</i> 13 (81%)
Resources	<i>GREEN</i> Underspend (6.64%)	<i>RED</i> 0 (1, Overdue)	<i>RED</i> 2 (22%)	<i>AMBER</i> 6 (67%)
Whole Council	<i>GREEN</i> Underspend (0.67%)	<i>AMBER</i> 8 (53%)	<i>AMBER</i> 19 (56%)	<i>AMBER</i> 61 (70%)

2 RECOMMENDATIONS

Overview and Scrutiny Committee is requested to:

- 2.1 Review and note the performance information set out in the report.
- 2.2 Consider any further action or research required to ensure performance improvement and recommend Cabinet accordingly.

Cabinet is requested to:

- 2.1 Consider any further action requested by the Overview and Scrutiny Committee;
- 2.2 Review and note the progress against Strategic Plan activities and milestones (Section 3 and Appendix 1);
- 2.3 Review and note performance against targets for Strategic Indicators (Section 4.3 and Appendix 2)
- 2.4 Review and note performance against targets for Priority Indicators (Section 4.10 and Appendix 3)
- 2.5 Note the projected outturn for Directorate service budgets and for the total General Fund net expenditure budget for 2008/2009 in section 5.2 and Appendices 5A-G.
- 2.6 Note the projected outturn for Directorate Trading Accounts for 2008/2009 as detailed in section 6.2 and Appendix 6.
- 2.7 Approve the virements over £250,000 as referred to in paragraph 7.1 and detailed in Appendix 7
- 2.8 Agree the budget target adjustments as detailed in section 8 and Appendix 8.
- 2.9 Note the performance against Service Improvement Growth targets in section 9.1.
- 2.10 Note the projected spend against Area Based Grant (ABG) as detailed in section 10.1
- 2.11 Note the 2008/09 performance against savings targets as detailed in section 11 and Appendix 9.

3 STRATEGIC PLAN

- 3.1 The Council's performance framework requires members to consider our progress against Strategic Plan Activities every 6 months. This report is a monitoring update on the first 6 months of the plan. This report consists of a summary of the number and proportion of milestones achieving red, amber or green traffic lights and analysis of the milestones, in particular the reasons for unsuccessful implementation.
- 3.2 Appendix 1 details the progress of all activities and milestones. Where an activity has been completed, it is marked as Completed (Green). Where an activity is not due for completion yet (31 October was taken as the cut-off for this report), and managers consider that progress is on track to meet the

deadline, it is marked as On Target (Amber) and the percentage complete is given to provide Cabinet with an indication of the work already carried out. Where an activity is at risk of not meeting the deadline, or the deadline has passed (as at 31 October), the activity is marked as Overdue (Red) and again, the percentage complete is provided. In addition, managers have provided comments for all overdue activities to explain why the deadline was missed; what is being done about it; and by when the activity will be completed.

Performance

- 3.3 The Council's Strategic Plan sets out our 14 strategic priorities and targets for the period 2008/09.
- 3.4 Currently there are 66 activities, and 168 milestones in the Strategic Plan. Of the total activities and milestones included within the plan, 15 activities and 78 milestones were due for completion between April and September 2008. All activities and milestones within the Strategic Plan, regardless of due date, have been monitored and are included in Appendix 1.
- 3.5 Strategic Plan performance is measured against the progress milestones for each key activity. Depending on progress against milestones, the activity is allocated one of three performance levels:
- RED = Activity Overdue; deadline has expired or high risk of being missed
- AMBER = Progress is on track to meet the deadline; deadline not yet reached
- GREEN = Activity Completed; outcomes achieved.
- 3.6 Tables 3 and 4 provide a progress update by Community Plan Theme and directorate respectively for activities and milestones due by 30 September 2008. The percentage figure for green and red activities is as a percentage of all activities and milestones due for completion between April and September 2008.

Table 1: Activities and Milestone Progress by Theme

A = Activities M = Milestones

	Due April – September 08		Total Green		Total Red	
	A	M	A	M	A	M
One Tower Hamlets	4	13	1	8	3	5
A Great Place To Live	3	13	1	11	2	2
A Prosperous	4	23	3	16	1	7

Community						
A Safe and Supportive Community	2	18	1	12	1	6
A Healthy Community	2	11	2	7	0	4
Total	15	78	8	54	7	24
%	100%	100%	53.33%	69.23%	46.66%	30.76%

Table 2: Total Activities and Milestones by Directorate

	Due April – September 08		Total Green		Total Red	
	A	M	A	M	A	M
Adults Health & Well Being	0	7	0	4	0	3
Chief Executives	2	3	1	1	1	2
Children's Services	5	29	4	21	1	8
Communities, Localities & Culture	4	25	3	18	1	7
Development & Renewal	3	10	0	7	3	3
Resources	1	4	0	3	1	1
Total	15	78	8	54	7	24
%	100%	100%	53.33%	69.23%	46.66%	30.76%

3.7 Overdue Activities

3.7.1 The table below details the overdue activities, their original due date, the date by which the activities are now expected to be completed, and the reason for failing to achieve:

Activity	Directorate	Due date	Reason for failing to achieve	New expected date for completion
01.01.03a. Implement partnership structure and governance changes to strengthen decision making and	CLC	September 2008	Communication strategy delayed to November 2008, further comment requested to identify reason. LAP Action plans delayed to January 2009 to ensure fits with the	January 2009

Activity	Directorate	Due date	Reason for failing to achieve	New expected date for completion
accountability			Core strategy (LDF).	
01.02.01b. Co-ordinate the Council's marketing and communications activity under the Brighter Borough theme to maximise impact and improve value for money.	CE	June 2008	Consumer research indicated that respondents did not favour the proposed strapline. More research is recommended, in the form of an EEL readers' poll. The EEL survey proposal is being discussed with the Leader w/c 27 October 2008.	January 2009
01.02.02. Develop a Workforce strategy to recruit and develop a workforce to deliver priorities and reflect the community.	RES	September 2008	The WFTRC strategy, jointly with the PCT, identifies a number of key tasks and activities, many of which have started but yet to show the impact. Key to this is workforce data to set targets across both organisations. This is expected in January 2009 for the council (later in the PCT). Positive actions have been taken to plan the implementation of the full WFTRC strategy with all activities complete by March 2009.	March 2009
02.01.02b. Commission a strategic review of our retained housing stock.	D&R	July 2008	The overcrowding strategy and action plan was incorporated into the Housing Strategy. Discussions are ongoing regarding the procurement strategy for the delivery of decent homes, it is likely to be completed in January 2009.	January 2009
02.03.01e. Progress the High Street 2012 concept including public realm improvements, improved provisions for pedestrians, reductions in street clutter and accessibility improvements.	D&R	September 2008	The High Street 2012 Vision Study commenced in April and will now report in early November. The reason for slippage has been the need to extend the Community Consultation and stakeholder engagement activities within the study due to the high level of interest in the initiative.	November 2008
03.02.02b. Update evidence base and develop an economic development strategy to better inform key priorities for the	D&R	September 2008	The Wider Economic Development Strategy Paper will be incorporated into the Wider Economic Assessment due to new Government guidelines. An Employment	Employment Strategy, January 2009. Other milestones during

Activity	Directorate	Due date	Reason for failing to achieve	New expected date for completion
borough.			Strategy will go to Cabinet in Jan 09. The wider economic assessment will be prepared by 2010.	2009/10.
04.01.04. Improve access to and quality of support to children and young people with disabilities and their families.	CS	September 2008	This activity is overdue because Senior manager posts responsible for delivering the positive parenting programme were unfilled. Post holders are now in place and are driving the recruitment process.	January 2009

More detailed information is contained in Appendix 1.

3.8 Managers' comments suggest that the majority of overdue activities are expected to achieve their expected outcomes by January 2009.

3.9 Other risk areas

3.9.1 In addition to the 7 overdue activities, 26 milestones within wider activities are overdue. Of these, the majority relate to an activity which is currently predicted to be completed on schedule. For some, however, the managers' monitoring comments have indicated that there are risks to the completion of the overall activity by its due date. These, and their new estimated date for completion, are included in the table below.

Activity	Directorate	Due date	Reason for failing to achieve	New expected date for completion
02.01.01. Through effective shaping policy, ensure supply of affordable and low cost home ownership	D&R	March 2009	We are unlikely to achieve end of year targets due to the impact of the economic downturn, and subsequent impact on house building. Completion of some schemes has already been delayed. We are identifying with RSL/developers, on a scheme by scheme basis, any adjustments needed to forecast completion dates, any other influences that may cause potential delays, and potential solutions.	To be advised following meetings with RSLs/developers

Activity	Directorate	Due date	Reason for failing to achieve	New expected date for completion
02.02.02. Develop a strategic commissioning approach to mainstream grants and other 3rd sector support	CE	March 2009	Responsibility for update of Third Sector Strategy transferred to Assistant Chief Executive in October 2008. Next step is appointment of an internal secondment project manager for the Third Sector and Community Empowerment - by middle of November 08.	July 2009
03.01.02d. Develop new ways of communication and engagement with children and young people, parents, families and partners. Use this to promote take-up and access to services, and inform service design and delivery	CS	November 2008	We have put in place a number of communications initiatives to ensure that Children, Young people and their families are fully engaged in the development of our services. We now plan to write a strategic framework ensuring lessons are learned from these initiatives, by the end of the 2008 calendar year.	December 2008
03.03.03. Develop a Cultural Industries Strategy	CLC	October 2009	Delayed in order to better link with the emerging Local Development Framework.	February 2009
03.01.03a. Complete a refresh of the Idea Store Strategy	CLC	November 2008	Consultation delayed until end of December 2008 following decisions to change the methodology from citizens' panels to on the street survey. The methodology was changed to match the resources available to complete the task. The report has been delayed until May 2009 because CMT decided to include a more detailed evaluation of the future of the Lifelong Learning Service and some additional decision making and review stages.	May 2009
04.01.01a. Implementation of agreed programme for integrating commissioning and service provision across health and social care	AHWB	March 2009	Slippage largely due to service review within PCT. Unlikely to be completed by the end of the year and so therefore will be rolled over to 2009/2010.	March 2010

Activity	Directorate	Due date	Reason for failing to achieve	New expected date for completion
04.01.03. Further reduce the incidence of homelessness in the borough and improve support to individuals and families experiencing homelessness.	AHWB	March 2009	The specific target of 10% reduction in homeless acceptances against last year's "all time low" is unlikely to be achieved until planned changes to the Allocation Policy are introduced..	During 2009/10 financial year

More detailed information is contained in Appendix 1.

4 PERFORMANCE INDICATORS

4.1 This is the first six-month monitoring report for the new sets of Strategic Indicators and Priority Indicators, covering the period to September 2008. The Strategic and Priority indicators are the top two tiers of our performance framework. They are:

1. Strategic Indicators - consisting of the National Indicators and local indicators in our LAA, and some measures of corporate health (such as sickness absence) and customer satisfaction (annual residents survey). These are monitored corporately every two months as the Tower Hamlets Index and quarterly in the joint strategic and budget monitoring report.
2. Priority Indicators – these are the rest of the National Indicator set with a small number of (usually ex-BVPI) indicators that provide important measures of our services. We monitor these every six months.

4.2 How We Are Doing

Tower Hamlets Index monitoring August – September 2008

4.3 Performance against the Strategic Indicators in the Tower Hamlets Index for the period July-September (Quarter 2 2008/09) is set out in Appendices 2 and 3.

4.4 There are still six months to the end of the year and comments will reflect steps taken to ensure targets are met.

- 4.5 For a large number of the indicators, data is only available annually. Of the 34 indicators where mid-year data is available, 14 of the performance indicators (41.18%) are on track to achieve their end of year target (GREEN). Areas where performance exceeded target by 10% or better are as follows:
- Reduction of tenanted non-decent homes in homes transferred to RSLs through Housing Choice (better than target by 120.0%)
 - Carers receiving needs assessment or review (70.5%)
 - Households that consider themselves homeless (58.5%)
 - Number of drug users being in effective treatment (46.3%)
 - Number of deliberate secondary fires (26.7%)
- 4.6 A total of 20 indicators (58.82%) are not meeting their second quarter target, of which managers indicate that 5 (14.71%) are predicted to return to target by year end (AMBER), while 15 (44.12%) may not (RED). Indicators that missed target by 10% or worse are:
- Number of schools where fewer than 55% of pupils achieve level 4 or above in both English and Maths at KS2 (target was no more than 1 school but actual was 5)
 - Number of schools where fewer than 30% of pupils achieve 5 or more A*-C grades at GCSE and equivalent including GCSEs in English and Maths (target was no more than 1 school but based on provisional results there are three schools not achieving this threshold. When results are finalised this is expected to fall to two, as one is likely to exceed the threshold.)
 - Improved street cleanliness – graffiti (target was no more than 8% of streets with graffiti, actual was 18%)
 - Number of social rented housing completions for family housing (target missed by 70.1%)
 - Improved street cleanliness – fly posting (66.7%)
 - Number of affordable homes delivered (53.1%)
 - Waiting time for calls to Hot Lines to be answered (30.0%)
 - Rate of proven re-offending by younger offenders aged 10-17 (25.0%)
 - Improved street cleanliness – detritus (23.1%)
 - Top 5% of staff from ethnic minority (19.5%)
 - Working days/shifts lost to sickness absence (17.5%)
 - Invoices paid on time (12.0%)
 - Top 5% of staff who have a disability (11.7%)
 - Complaints completed on time (11.3%)
- 4.7 In this second quarterly monitoring round of 2008/09 there are 41.18% GREEN, 14.71% AMBER and 44.12% RED indicators.
- 4.8 Compared to the last quarterly monitoring period, there is a worrying and significant increase in the number of indicators which are not predicted to meet year end targets (RED).

	GREEN	AMBER	RED
Quarter 1	11 (55.0%)	8 (40%)	1 (5.0%)
Quarter 2	14 (41.18%)	5(14.71%)	15 (44.12%)

- 4.9 Two indicators that were on target (GREEN) in Quarter 1 are now off target for this period, although managers' comments indicate that performance will return to target by year end (AMBER):
- Calls to Hot Lines answered (1.5% off target)
 - Waiting time for calls to Hot Lines to be answered (30% off target)

Priority Indicators Monitoring April – September 2008

- 4.10 Performance against the first monitoring of the Priority Indicators for the first six months of 2008/09 is set out in Appendix 4.
- 4.11 There are still six months to the end of the year and comments will reflect steps taken to ensure targets are met.
- 4.12 For a large number of the indicators, data is only available annually. Of the 87 indicators where data is available, 42 of the performance indicators (48.28%) are on track to achieve their end of year target (GREEN). 14 indicators exceeded target by 10% or better. Areas where performance was better than target by more than 50% are as follows:
- Ethnic composition of offenders on Youth Justice System disposals - Chinese/Other (better than target by 100%)
 - The percentage of hate crime cases with identified perpetrators investigated by the Community Safety Service resulting in formal action (100%)
 - Percentage of the resident population aged 15-24 accepting tests/screen for Chlamydia (80%)
 - Trading standards, levels of business compliance, high-risk premises (52.7%)
- In addition to the indicators which met their target, a total of 17 indicators were on or within 10% of target, equating to 68% of Priority indicators at or near target.
- 4.13 A total of 45 indicators (51.72%) are not meeting their six-month target, of which managers indicate that 8 (9.20%) will return to target by year end (AMBER), while 37 (42.53%) may not (RED). 26 indicators missed target by 10% or worse. Areas where performance is more than 50% off target are as follows:
- Percentage of early retirements (excluding ill-health retirements) as a percentage of the total workforce (target was 0.15% and the actual was 0.49%)
 - Young people within the Youth Justice System receiving a conviction in court who are sentenced to custody (target missed by 156%)

- The average number of days taken to repair a street lighting fault, which is under the control of the local authority - non DNO (target missed by 144.4%)
 -
- 4.14 In this first six-month monitoring round of 2008/09 there are 48.28% GREEN, 9.20% AMBER and 42.53% RED indicators.
- 4.15 As this is the first time that the Priority indicators have been monitored as a set, it is not possible to compare the whole set to previous periods. However, where 2007/08 data is available, it is possible to say that overall 47% of indicators improved since year-end, and over a third of the indicators which missed their target in this period have improved.

5 CORPORATE REVENUE BUDGET MONITORING 2008/09 - TO 30/09/08

5.1 Background

5.1.1 This part of the report sets out the financial position for the Council's General Fund revenue budget for the second quarter of 2008/09. It is based on expenditure and service activity until the end of September 2008 and has been obtained from monitoring statements provided by Corporate Directors. Separate reports on the Housing Revenue Account budget and capital programme are set out elsewhere on this agenda.

Corporate Directors have provided the following information in support of their projected outturn and variance figures:

Explanation of Variances:-

- ◆ Explanations for the most significant net variances (greater than £100,000) in both expenditure and income.
- ◆ Details of actions to deal with any variances including whether the actions are on target and, if not, what alternative/additional courses of action have been put in place.
- ◆ Any implications for the 2008/09 and future years' budgets.

5.1.2 Risk areas

- ◆ Explicit monitoring information on the key risk areas identified in the final budget report 2008/09 which was submitted to Cabinet in March 2008.
- ◆ Details of any additional risk factors which have emerged since the budget was set in February.

5.1.3 Virements

- ◆ Virements are transfers of budget allocated for one purpose to another purpose. Financial Regulations stipulate that virements in excess of £250,000 must be submitted to Cabinet for approval.

5.2 Projected Outturn Position

5.2.1 The table below shows the projected outturn position against the latest budget for each directorate which includes the original budget plus carry forwards agreed by Cabinets on 2nd and 30th July 2008 and target adjustments agreed between directorates:

Directorate/Service	Latest Budget	Projected variance as at 30/09/08	Projected variance as % of budget	Status
	£'000	£'000	£000	£000
Adults' Health & Wellbeing	84,877	(1,678)	(1.98%)	Green
Children's Services	80,106	726	0.91%	Red
Communities, Localities and Culture	72,278	265	0.37%	Red
Development & Renewal	14,791	547	3.7%	Red
Chief Executive's	12,227	197	1.61%	Red
Resources	30,638	(2034)	(6.64%)	Green
TOTAL	294,917	(1,977)	(0.67%)	Green

Key to 'Traffic Light System'

The elements in the traffic light system are used to indicate significant outturn variances as follows:-

Red – Potentially detrimental to the finances of the Council

Amber – Previously reported overspend, position improved since the last report

Green – Potentially advantageous to the finances of the Council

5.3 Variance Analysis

The following sections set out explanations of the main variances in each Directorate's budget provided by the relevant Corporate Director.

5.3.1 Adults' Health & Wellbeing

Home Care net underspend £450,000

Following restrictions on referrals in 2007/08 to deal with budget pressures, the service is now accepting referrals for high intensity care packages. To date the demand has been somewhat less than predicted, leading to the projected underspend. Although a £450,000 underspend is the best estimate at this stage, it is anticipated that this will reduce over the remainder of the year, with an even more intensive focus on care at home as an alternative to institutional care.

Elders Commissioning net overspend £513,000

This overspend is attributed mainly to the rising costs of residential and nursing care. There has been a significant increase in referrals for residential and nursing care, mainly related to the high needs of increasing numbers of people with dementia. This continues an already existing trend of increased pressure for places for clients requiring intensive support. Stringent measures have been introduced, to ensure that all alternatives to institutional care are exhaustively explored, before placements are agreed.

Learning Disabilities Commissioning net underspend £684,000

Recent legislation changes that support 'independent living' packages continues to increase demand for direct payments to clients and other service areas. However, as a result of successful negotiations with the Primary Care Trust (PCT) regarding the sharing or distribution of high cost complex client cases that receive intensive support, there is additional income to cover these costs that has contributed to a net underspend. Nevertheless this position is liable to significant change during the year as individual cases are reviewed and re-assessed.

Mental Health Commissioning net underspend £240,000

Expenditure continues to increase in this area with rising residential care costs and therefore care packages. However, successful negotiations with the PCT regarding the allocation and distribution of costs for a number of these complex cases has increased income to cover these costs to project a net underspend. But, due to the nature of the demand for this service this position may change during the year through review and reassessment of individual cases.

Physical Disabilities Commissioning net overspend £168,000

This expenditure variance represents increases in demand for direct payments and other service areas as a result of legislation changes towards more 'independent living' care packages.

Homelessness & Housing Advice Services net underspend £1,084,000

The variance reflects increased temporary accommodation placements, as more households pay administration charges which increases rental income and also administration income from government subsidy.

5.3.2 Children's Services

Fieldwork – Children's Social Care – net overspend £750,000

There remain significant budget pressures in relation to the requirement to maintain agency staff, in order to provide a safe service and ensure children are safeguarded.

As per the first quarter figures, it has been essential that agency staff are maintained in the service to cover staff vacancies and in addition to this, retaining a quota of agency staff above establishment to meet the increased demand for a service.

A detailed strategy to remodel the service is being undertaken as reported in the first quarter. A key component of this strategy is to put in place systems, processes and support to increase the skill base of social workers.

The emphasis is on developing an early intervention and prevention strategy to reduce service demands and overspend in the medium term. The service's workflow and activity continue to be kept under close scrutiny and review.

PDC – £130,000 net underspend £130,000

Variance is due to an increase in fees and charges received, and the vacancy of the head of PDC.

Trading Account Deficit

A deficit is projected on the Catering & Welfare Trading account and this is explained further in Section 6.

5.3.3 Communities, Localities and Culture

Street Services Management net overspend £138,000

As reported in the first quarter a review of call volumes charges from the Contact Centre are now being more accurately reflected within the Street Management service, resulting in increased costs. It is anticipated that this variance will be offset during the remainder of the financial year but at this stage there is a risk of a budget variance.

5.3.4 Development and Renewal

Development Decisions net overspend £151,000

The Directorate budget includes a high level of income from development fees and land charges. These are forecast to be significantly reduced as a direct consequence of both the current 'credit crunch' and its impact on the property market and the introduction of Home Improvement Packs (HIPS). The first quarter's budget monitoring return projected a shortfall of £325,000 for the financial year. Over the summer months, significant fees were received for major planning applications and this has meant that the projected pressure for the 2008/09 financial year has been eased. It must be stressed however that these are one-off applications and that no more major applications are anticipated in the near future. This will cause severe budgetary pressures in 2009/10 and later years.

Asset Management net overspend £390,000

Expenditure is significantly higher than initially estimated to reflect the costs of the development and implementation of the corporate asset management system, together with the ongoing additional costs that are being incurred to address leasing arrangements, building surveys and backlog health and safety maintenance. In the current financial year these costs are being largely funded through ringfenced reserves established for this purpose, leading to the increased income levels shown.

Regeneration Strategy Sustainability net overspend £225,000

The Local Labour in Construction service has been historically accounted for within the Housing Revenue Account and funded through a combination of Housing Capital, HRA and Section 106 resources. With the establishment of the Arms Length Management arrangements for the HRA, the service must now be funded within the General Fund. The reduced availability of Section 106 resources for LLiC has led to a projected budget pressure in the current and future years.

5.3.5 Chief Executive's Directorate

Communications - £197,000 net overspend

Unbudgeted staffing costs might not be met by extra advertising revenue due to unfavourable commercial conditions. That was the position in September, however this is currently being addressed and the overspend from the latest figures has significantly reduced to £62k and expected to reduce further.

5.3.6 Resources Directorate

Council Tax & National Non Domestic Rates (NNDR) net underspend £841,000

A surplus of around £658k is expected to arise from maximisation of Council Tax Benefits subsidy from government. Also, additional income of

£198k is forecast from fines for non payment of NNDR charges which may increase by the financial year end.

Information Services net overspend £100,000

This overspend is attributable to the additional costs of retaining existing agency staff following a reorganisation of the service and the recruitment of new staff.

Facilities Management net overspend £2,900,000

The Asset and Capital Board has initiated a project to manage these pressures. The medium term financial strategy requires that £800,000 of this overspend pressure needs to be resolved in 2009/10 and a further £600,000 resolved in 2010/11. The budget is also at risk from other pressures including the outcome of the Council's rent review of the East India Dock complex. The project team will bring back options to the Asset & Capital Board before Christmas setting how these meet the targets in the medium term financial strategy.

Capital/Treasury Management net underspend £4,350,000

As reported in the first quarter it is anticipated that the Council will continue to benefit from being able to invest at higher interest rates for much of the year whilst in addition taking advantage of the reduced the cost of external borrowing partly through the normal maturing of long term debt and partly through a restructuring of debt to reduce interest costs during the year. This budget is under constant review due to the current world economic and financial circumstances. Further interest rate cuts may reduce the level of underspend reported.

6 TRADING ACCOUNTS 2008-09

- 6.1 A number of Council services are managed as trading accounts where they recover their costs by charging users to break-even in accordance with accounting requirements and good financial management practice. These trading accounts have been created for a number of reasons such as legislation requirements, the need to charge for services and competitive tendering exercises by the Council. Furthermore, the accounts are reported in order to facilitate better scrutiny of services, performance review and value for money.
- 6.2 The table below shows an overall projected year-end overspend of £0.357m from the Council's trading accounts.

Directorate/Service	Projected Annual Net Variance
	£000
Children's Services – Catering & Welfare Service	457
Development & Renewal	(100)
Communities, Localities & Culture	-
TOTAL	357

6.3 The projected overspend in Children's Services is attributable to increased costs for meals & transport due to high levels of inflation in these areas.

6.4 Further details are provided in Appendix 6.

7 VIREMENTS

7.1 Virements are transfers of budget that result in no overall change to the budget of the Council. Under Financial Regulations, virements over £250,000 are required to be approved by the Cabinet. Virements over £100,000 are required to be reported for information and are agreed by the Corporate Directors.

There are virements for Children's Services and Resources, full details of which, may be found at Appendix 7.

8 TARGET ADJUSTMENTS

8.1 Target adjustments are transfers of budget management between services/directorates and are subject to approval by Cabinet.

8.2 On 8th October Cabinet agreed to set aside £1 million from reserves, and £700,000 from the proceeds of emission-based car parking charges to the Parking Control Account to deliver in-year service improvement growth.

8.3 Directorate Budget Adjustments

The following budget adjustments are required in order to reflect accurately the transfer of managerial responsibilities within directorates.

8.3.1 Chief Executive's

8.3.1.1 To transfer management of the Employment (Equality Initiatives) budget (£911,000) to Children's Services.

8.3.2 Development & Renewal

- 8.3.2.1 To transfer the Community Safety & Anti-Social Behaviour budget (£427,900) to Communities, Localities & Culture, who have recently inherited responsibility for these services.
- 8.3.2.2 To transfer the residual Housing Benefits Administration budget of £331,000 to Resources.

8.3.3 Communities, Localities & Culture

- 8.3.3.1 To reflect the transfer of the Sustainability Officer post (£40,000) to the Sustainable Development Team within Development & Renewal.

8.4 As part of the efficiency programme a change in telephone supplier has resulted in the £70,000 savings approved during the 2008/09 budget process. This saving has been allocated to those directorates directly benefiting from this initiative. This does not affect the overall Council budget.

8.5 Asset Rental increase of £4,312,000 is primarily due to the revaluation of assets during 2007/08 and budgets are required to reflect this increase. This is a technical charge to reflect the notional use of assets. This does not affect the overall Council budget.

A further charge will be actioned to reflect the revaluation of assets during this current year.

8.6 Appendix 8 reflects the overall effect on budgets of these adjustments.

9 SERVICE IMPROVEMENT GROWTH

9.1 On 27th February 2008 Cabinet agreed a total of £3,634k Service Improvement Growth for 2008/09. At this stage in the financial year directorates appear to be on target to meet their spend, with the exception of Communities, Localities & Culture, whose Service Improvement Growth relating to the 2008 Tower Hamlets Mela will not be spent during 2008/09. The £130k allocated to this bid will be transferred back into reserves.

9.2 The table below shows areas of current slippage.

Ref	Title	Full Year Budget 2008/09	Spend to 30/09/08	Projected Outturn	Comments
SIG		£'000	£'000	£'000	
AHWP/01	LinkAge Plus	243	0	243	A procurement process has led to new contract arrangements for linkage plus to be mainstreamed. Expenditure will be incurred in the second half of the year as planned.
CLC/02	Participation in Sport & Physical Activity	34	6	34	It is envisaged that this will be fully spent by year-end.
CLC/05	Public Realm Improvement Programme	258	26	258	Number of jobs completed have doubled since team's conception
CLC/06	TH Mela	130	0	0	This funding was not spent on the 2008 Mela and will be transferred back to reserves.
DR/02	Town Centre Project Lead	140	40	140	A recruitment process to appoint a permanent member of staff to this position is currently being undertaken.
DR/04	Subsidy of Burials	321	2	321	The scheme was launched in August 2008. At this stage it is not possible to determine likely take up for the subsidy.
DR/05	Olympic & Paralympic Engagement	210	0	210	Although expenditure has not yet been incurred, it is envisaged that funds will be fully utilised by the end of the year.

10 AREA BASED GRANT

10.1 As agreed by Cabinet on 30th July 2008, a zero-based exercise is currently being undertaken with regards to the way that Area Based Grants are utilised and deliver benefits. The table below sets out how ABG is being utilised in 2008/09 and the projected year end position.

Directorate	Budget to 30/09/08	Spend to 30/09/08	Full Year Budget 2008/09	Comments
	£'000	£'000	£'000	
Adults Health & Wellbeing	2,067	2,067	4,233	It is forecast that there will be no year-end variances.
Children's Services	5,100	3,310	10,199	It is forecast that there will be no year-end variances.

Communities, Localities & Culture	5,833	1,909	11,666	Although there have been some slippage to date it is envisaged that all funds will be fully spent by year-end.
Resources	518	546	1,036	It is forecast that there will be no year-end variances.
Chief Exec's	207	32	414	It is envisaged that funds will be allocated fully by the end of the year.

11 SAVINGS/EFFICIENCY TARGETS

11.1 Savings/Efficiency Targets

11.1.1 Efficiency targets are underway or planned to deliver the cashable savings of £6,346,000 as part of the Council's Budget Strategy for 2008/09.

11.1.2 Directorates have indicated that £50k worth of savings will not be achieved in 2008/09. The impact of this will need to be contained within directorates' budgets.

11.1.3 A breakdown of efficiency savings is attached at Appendix 9.

12 INCOME COLLECTION PERFORMANCE 2007/08 & 2008/09 TARGETS

12.1 The table below relates to debt raised since the 1st April 2008, and collected in the year to date. In addition, a proportion of debt is collected as arrears, so a greater proportion of overall debt is collected than these targets suggest. The direction of travel arrows indicate that for most types of debt, performance is above target.

12.2 The 2008/09 targets will be monitored on a regular basis with a further report to Cabinet in March 2009.

Income Stream	Collected In 2007-08 %	2008-09 Target to 30/09/08 %	2008-09 Collected to 30/09/08 %	Direction of Travel
Business Rates	99.6	54	59.7	↑
Central Income	74	76	79.5	↑
Council Tax	94.7	55	54.9	↓
Housing Rent	98.14	97.6	98	↑
Major Works	7.4	5	5.2	↑

Parking Fines (to end to August)	69.4	-	69.4	-
Service Charges	35.3	39.2	28..2	↓

13 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 13.1 This report sets out the performance of the authority against priority performance indicators for the second quarter of the year together with budget monitoring against the General Fund revenue budget, which is the main budget influencing performance in the short term. This represents good practice as it enables performance in both areas to be considered alongside one another and thus actions can be taken on the basis of a balanced overall view.
- 13.2 This report projects a net General Fund underspend for 2008/09 of £1.977m based on spending to the end of September 2008. If this is carried through to the end of the financial year, this will result in an increase in general reserves of the same amount.
- 13.3 The report indicates that five out of six directorates are now projecting an overspend in 2008/09. Financial regulations require corporate directors to take measures to eliminate or reduce the overspend and report this to Cabinet. The fact that most directorates are now reporting overspends may reflect the tightening financial position of the Council, but it nevertheless remains the responsibility of officers too ensure that budgets are adhered to where possible. The corporate director for Resources will be monitoring closely the position to ensure the implications are reported to Members and reflected in financial plans.
- 13.4 The 2008/2009 budget process also included an assessment of the robustness of expenditure and income forecasts including identification of the key risk areas. This report continues the development of that process by explicitly commenting on the current status of those risk areas within Appendix 5A-G.

14 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 14.1 The Local Government Act 1999, Section 3, requires all authorities 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'. Performance monitoring of corporate plans is an important way in which that obligation can be fulfilled and regular monitoring reports to members on performance and actions arising from those reports will demonstrate that the Council has undertaken activity to satisfy the statutory duty.
- 14.2 Under the Local Government Act 1972, the budget monitoring framework underpins the Council's section 151 legal framework to ensure there are

sound and robust systems of financial administration, financial management and strategic financial planning advice for the Authority as a whole. In addition, it enables the Council to plan and control its income and expenditure through the financial year and report to managers and members the Authority's financial position.

- 14.3 Further, the Local Government Act 2003 requires the Chief Finance Officer to review the robustness of the budget estimates and its impact on reserves periodically in year through regular budget monitoring. Also, where there has been deterioration in the Authority's financial position it requires the Authority to take action to address the situation.

15 ONE TOWER HAMLETS CONSIDERATIONS

- 15.1 The Council's Strategic Plan is focused upon meeting the needs of the diverse communities living in Tower Hamlets. The Key Themes reflect diversity issues and there are key equality milestones in relation to delivering One Tower Hamlets.

16 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

18 RISK MANAGEMENT IMPLICATIONS

- 18.1 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.
- 18.2 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.
- 18.3 The explanations provided by the Directorates for the budget variances also contain analyses of risk factors.
- 18.4 The projected favourable variance on the revenue outturn is mainly due to the receipt of interest on investments. This has become a high risk area with the current volatility in the economy and financial markets.

19 EFFICIENCY STATEMENT

- 19.1 The efficiency statement is included within the body of the report at section 11 and Appendix 9; risk factors are covered throughout the report and at Appendix 5A-G.

20 INDEX OF APPENDICES

Appendix	Detailing the following:
1	Strategic Plan Progress Report to 30 September 2008
2	Tower Hamlets Index – overview of performance
3	Tower Hamlets Index - performance chart
4	Performance and comments on each priority indicator
5A-G	Directorates' projected outturns
6	Trading Accounts
7	Virements over £250,000
8	Budget Adjustments
9	Efficiency Savings Targets 2008/09

LOCAL GOVERNMENT ACT, 1972 SECTION 100D (AS AMENDED)

LIST OF "BACKGROUND PAPERS" USED IN PREPARATION OF THIS REPORT

Brief description of "background paper"	Name and telephone number of holder and address where open to inspection		
	Performance Manager	Lucy Sutton	x3186
	Corporate Finance	Martin McGrath	x 4645