

Committee(s)	Date:	Classification:	Report No:	Agenda Item No:
<b>Overview &amp; Scrutiny</b>	<b>1<sup>st</sup> December 2009</b>	<b>Unrestricted</b>		
<b>Report of:</b>  <b>Assistant Chief Executive Director of Resources</b>  <b>Originating Officer(s)</b> <b>Louise Russell, Head of Strategy &amp; Performance</b> <b>Alan Finch, Head of Corporate Finance</b>		<b>Title:</b>  <b>Performance and Corporate Revenue Budget Monitoring report 2009-10</b>  <b>Performance to 30th September 2009</b>  <b>Wards affected: All</b>		

### **Reasons for urgency**

The report contains performance and finance information for the period between 1<sup>st</sup> April 2009 and 30<sup>th</sup> September 2009. The report could not be included for dispatch with other agenda items, due to the time necessary to collect and review the data. The review included liaison with partner agencies and other external bodies for confirmation of performance and finance data. The information should be reviewed by Cabinet while it remains reasonably current. The Chief Finance Officer is of the view that the financial information is of pressing importance and should be considered by Cabinet at the earliest opportunity. In the circumstances, the Overview and Scrutiny Committee should also consider the performance information on an urgent basis.

## **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 progress with the 2009-10 Strategic Plan, the Council's Strategic Performance Indicators, the General Fund Revenue Budget and the Housing Revenue Budget. Combining our performance and financial reporting in this way strengthens the Council's robust performance management arrangements.
- 1.2 This combined service and financial performance report covers the authority's progress up until the end of September 2009 (Quarter 2). This includes 6 month monitoring updates for:
  - the Council's Strategic Plan;

- all Strategic indicators that are available to be reported in this period;
- Corporate Revenue Budget Monitoring; and
- Progress with savings and improvement initiatives.

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

- Appendix 1 provides an overview of performance for all of the Council's Strategic Indicators (the Tower Hamlets Index) which represent the key priorities for the Council;
- Appendix 2 provides the budget outturn forecast & explanation of major variances for Directorates;
- Appendix 3 contains Trading Accounts forecast outturn & explanation of variances;
- Appendix 4 lists budget/target adjustments;
- Appendix 5 contains progress against planned efficiency savings; and
- Appendix 6 reports progress against Service Improvement Growth plans.

#### 1.4 Finance Overview

1.4.1 This report projects an overspend on the General Fund revenue budget of £3.741m, an increase of £2.296m from the position reported at the first quarter. In addition, there is a projected overspend on the Housing Revenue Account of £1.900m, an increase of £0.309m from the first quarter position. This is a sharp increase in the overspend which is largely brought about because Adults, Health & Wellbeing is no longer reporting a net underspend.

1.4.2 Discussions with Tower Hamlets Homes since the end of September indicate that the over spend position on the Housing Revenue Account may have worsened substantially since the end of the second quarter. At the time of writing this report, clarifications are being sought, but it appears that the projected over spend for the financial year may be in the region of £3.500m - £4.000m, across a number of budgets but the largest item related to repairs and maintenance. If this is borne out, it would bring HRA Balances below the prudent level. In the circumstances, it will be appropriate for Cabinet to receive a further report setting out the full position and actions proposed by officers and

the Tower Hamlets Homes to address it, and this report will be submitted to Cabinet on 13<sup>th</sup> January.

1.4.3 Any net over spend reported at the end of the financial year will need to be funded from reserves; General Fund Reserves in the case of the General Fund and HRA balances in the case of the HRA. General Fund Reserves are currently at an adequate level and in addition there is currently a contingency of £1.700m arising from the lower than expected NJC pay settlement for 2009/10.

1.4.4 However, actions will need to be taken within Directorates over the rest of the financial year, in accordance with Financial Regulations, to contain spending within budgets. A number of mitigating actions have already been identified and further work will need to be undertaken to identify either offsetting areas of underspend, reductions in costs or potential sources of additional income in order to balance the outturn position.

## 1.5 Performance Overview

### 1.5.1 Strategic Performance Indicators

As of the end of September 2009, 44 strategic indicators can be reported and the majority of these have maintained or improved upon 2008/09 performance.

Recycling performance continues to improve and is on track to meet its 2009/10 target. Housing provision indicators (number of net homes provided & number of affordable homes delivered) are off target – targets were set before the onset of the economic downturn, which has impacted on performance. This is an issue recognised nationally and we are in the process of renegotiating targets with Government in light of the economic context.

Educational attainment indicators are provisional at this point and while some are off target, the majority are showing a positive direction of travel. The number of 16 to 18 year olds not in education, employment or training (NEET) is on track for 2009/10 target. Although employment indicator data is also on target it should be noted that this data is sourced externally and there is a time lag on reporting; our projections indicate that we should nevertheless achieve year end targets.

The number of serious acquisitive crimes per 1000 population has exceeded its September target and overall strategic crime indicators are making good progress for end of year targets.

Mid-year rate of improvement for under-18 conceptions is off target but the rolling 12-month trend is very encouraging and showing a strong direction of travel.

Corporate health measures, such as percentage of complaints completed on time and response time to members' enquiries are on or exceeding targets. Sickness absence is not improving on 2008/09 performance, although it is still better than the local government average. The Council's Performance Review Group has initiated a council-wide review to improve performance

In total, 3 indicators have been identified as being at risk of not achieving their target by year-end and these have been assessed by the Council's Performance Review Group to ensure that robust action plans for improvement are in place.

#### 1.5.2 Strategic Plan

Overall, performance against the 2009/10 Strategic Plan has been good, with relatively uniform progress made against activities in all 5 Community Plan themes.

As of the end of September 2009 15% of the activities within the Council's Strategic Plan were Complete, with 56% On Target for completion within scheduled deadlines, 16% Delayed and 12% currently Overdue.

## 2. RECOMMENDATIONS

**Overview & Scrutiny** is requested to:

- 2.1 Review and note the performance information set out in the report:
  - The progress against Strategic Plan activities; and
  - Performance against targets for the Strategic Indicators.
- 2.2 Note that officers are taking management action as set out in Section 5 of the report to contain spending within budget.

- 2.3 Note that a report will be submitted to January Cabinet on the position of the Housing Revenue Account and any actions needed to address it.

### **3 STRATEGIC PERFORMANCE INDICATORS**

- 3.1 Performance against the Strategic Indicators for the period April 2009 to September 2009 is set out in Appendix 1. The performance update includes 2009/10 targets, Q2 2009/10 actuals, outturn commentary and direction of travel charts for each indicator. Direction of travel charts summarise performance against target and top quartile performance information where available.
- 3.2 Of the 83 indicators in the Strategic Indicator set, 44 can be reported in this quarter.
- 3.3 Of the 41 applicable indicators, 14 of the performance indicators (34.14%) are on track to achieve their end of year target (GREEN). Areas where performance is well above the estimated level for the end of year target are as follows:
- Overall employment rate (working age) – exceeded by 12.38%
  - Number of serious acquisitive crimes per 1,000 population – exceeded by 21%
  - Arson incidents – number of deliberate primary fires per 10,000 population – exceeded by 40.2%
  - Number of deliberate secondary fires per 10,000 population – exceeded by 81.4%
  - Carers receiving needs assessment or review and a specific carer's service, or advice and information – exceeded by 14.72%
  - Number of households who considered themselves as homeless who approached the local authority's housing services, and for whom housing advice casework intervention resolved their situation – exceeded by 10%
- 3.4 Provisional outturn data is available for a number of educational attainment and other Children's indicators. Despite good direction of travel, the following 5 indicators have not met 2009/10 targets:
- Reduction in 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 not met

- Narrowing the gap between the lowest achieving 20% in the Early Years Foundation Stage profile and the rest – missed by 11.1%
- Progression by 2 levels in English between KS1 and KS2 – missed by 3.3%
- Achievement of at least 78 points across the Early Years Foundation Stage with at least 6 in each of the scales in Personal Social and Emotional Development and Communication, Language and Literacy – missed by 5.1%
- Achievement of 5 or more A\*- C grades at GCSE or equivalent including English and Maths – missed by 10.2%

The following 4 indicators have not met 2009/10 targets and their direction of travel is deteriorating:

- Reduction in number of schools where fewer than 55% of pupils achieve level 4 or above in both English and Maths at KS2 – 8 schools as opposed to a target of 1
- Achievement at level 4 or above in both English and Maths at KS2 – missed by 7.6%
- Improving A Level attainment – A level average points score per student in Tower Hamlets – missed by 14.2%
- Percentage of children in Year 6 with height and weight recorded who are obese – missed by 8.9%

3.5 The following indicators are flagged as at risk of not achieving year end target:

- The percentage of the top 5% of LA staff who are from an ethnic minority
- Percentage of the top paid 5% of staff who have a disability
- Working age people claiming out of work benefits in the worst neighbourhoods

3.6 24 indicators have improved performance in comparison to this time last year or since the 08/09 year end outturn. The Council's Performance Review Group has reviewed all indicators identified as at risk of not achieving their year end target to ensure that robust action plans for improvement are in place.

3.7 Response to Overview and Scrutiny Queries 6th October 2009

At Overview and Scrutiny meeting on the 6<sup>th</sup> October 2009, the committee raised a number of performance queries regarding the June/July Strategic Indicator Performance Report.

The majority of the queries have been responded to by making changes to our performance report and appendix, therefore it was felt unnecessary to circulate individual written responses.

**3.7.1 Consideration that the units of measure for data relating to some of the performance indicators required additional clarity**

We have amended the PI description column of Strategic and Priority indicator reporting to include not only the unit of measurement, but also how the indicator is calculated. This should provide greater clarity as to the methodology behind the indicator, and what the indicator is measuring.

**3.7.2 Clarification was sought and given as to why some targets for July were identical for the annual 2009/10 target whilst others were different.**

The process for in year target setting for each indicator differs depending on the indicator. For example, some indicators are measured using a rolling average (e.g. members' enquiries, sickness), and therefore the monthly target will be the same as the annual target. The targets represent an agreed performance standard. Whereas other indicators aim to improve performance throughout the year, and show a month on month improvement, for example, acquisitive crime and additional homes provided.

**3.7.3 Additional data was requested regarding Sickness Absence in order to ascertain whether there was a connection between annual appraisals undertaken and sickness absence.**

Managers are required to keep copies of PDRs and one to one meeting notes for each of their staff. Any concerns about attendance, including sickness, are recorded by the manager on them.

Directorate Human Resource Teams routinely ask managers to confirm they have held meetings under the Sickness Management Procedure once records show one of their employees has reached a trigger point. Corporate Human Resources carried an audit of a random sample of the management of employees' absence during 2008/9. This confirmed that in all cases examined managers had applied the Sickness Procedure and were keeping appropriate records.

Monitoring reports are produced for PRG and CMT on a quarterly basis with PRG identifying Service Heads with the highest levels of sickness in their teams and requiring them to attend to explain how they are managing absence in their service. Names of managers who fail to

complete their absence returns are circulated to CMT to instruct managers in their Directorate to complete it. The Chief Executive raises any concerns with members of CMT during their 1-1s.

Occupational Health has also been restructured to ensure a good level of service, staffed by permanent employees, is available to support managers. In addition, a Healthy Workplace Manager has been recruited to work across the Council and NHS Tower Hamlets.

**3.7.4 Clarification was sought with reference to Strategic 225 'Average time to re-let property (days) (ex BV212)' as to whether an unchanged target for Tower Hamlets Homes was a typographical error.**

The end year target should have been the same as the in year targets, this has now been amended.

**3.7.5 With reference to LAANI 151 National 151 Strategic 111 'Overall Employment Rate (working age)' clarification was sought regarding the numbers comprising the increase of 1 percent since the previous month in the Job Seekers Allowance claimant count yet the traffic light indicator remained green.**

A 1% increase in the October claimant count constitutes an additional 1,114.2 residents claiming JSA. If these 1,114.2 residents are subtracted from the employment rate the new employment rate would stand at 61% , remaining above the 09/10 target of 54.9% and the 10/11 (three year target) of 55.7%

Whilst the claimant count can be used as a projection it is important to note that JSA claimants are only one factor influencing the overall employment rate. Increases in the number of JSA claimants do not necessarily directly correlate with decreases in the employment rate. It may be that the employment rate remains static as the number of residents out of work does not change however, an increased number of out of work residents, previously not claiming begin to do so. Hence, an increase in the claimant count will be witnessed. It is also important to note that the source for the employment rate (NI151) is a sampled survey whereas the claimant count is administrative data, counting actual numbers of residents claiming. Hence with differing sources it is important to take projections with some amount of caution.

**3.7.6 With reference to LAANI 117 National 117 Strategic 308 '16 to 18 year olds who are not in education, employment or training**



**(NEET) consideration that whilst the detailed narrative explanation was welcome, a sense of numbers would also be helpful in relation to this important target.**

Performance update commentary has been updated to include the number (439) of 16 – 18 year olds who are not in education, employment or training (NEET). The figure shows we have successfully reduced NEET by 87 young people.

- 3.7.7 With reference to CE 001a Strategic 106 'Response time to Members enquiries - % completed within 10 working days – Corporate' clarification was sought and given regarding the steps being taken with Registered Social Landlords to improve performance, referred to in the narrative. Further clarification to follow in writing.**

We are currently working with Members' Services to provide an up-to-date list of individual RSL performance against this indicator, and the steps being taken to improve performance.

- 3.7.8 Consideration that data entered in month columns should relate to that month and not be the data entered in that month an 8 month time lag was unacceptable i.e. July being the collection point for data relating to December.**

We strive to ensure our performance reporting uses the most up-to-date and timely performance data, and due to legitimate reasons for time lag within data reporting (for example reliance on third parties), sometimes outturn and target will relate to an earlier month.

Performance reporting and commentary will always reflect where there is a time lag in reporting, and what period the data relates to.

## **4 STRATEGIC PLAN 2009/10**

- 4.1 The Council's performance framework requires CMT and 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 2009-10 plan. This report consists of a summary of the number and proportion of activities completed, on target, delayed or overdue and updates on/explanation for delayed and overdue activities.

- 4.2 All activities within the Strategic Plan have been monitored. Each activity and milestone has been assessed as being either: Complete, On Target, Delayed or Overdue. An estimate of percentage complete is

also made. 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.

- 4.3 Currently there are 73 activities, with 260 related milestones in the Strategic Plan.

Of the total activities and milestones included within the plan, 17 activities and 160 milestones were due for completion between April and September 2009. Overall, 8 activities were Completed, 8 activities were Delayed and 1 was assessed as Overdue.

Of the remaining 56 activities (due for completion by end of 2009-10), 3 have been completed, 41 are on target for completion by the agreed deadlines, 4 are likely to be delayed but still completed before year end and a further 8 activities have been assessed as being overdue as they are unlikely to be completed this financial year.

- 4.4 The Council's Performance Review Group has reviewed all activities identified as being at risk of not achieving their year end target to ensure that robust action plans for improvement are in place.

## **5 CORPORATE REVENUE BUDGET MONITORING**

### **5.1 Background**

- 5.1.1 This section of the report sets out the financial position for the Council's General Fund revenue budget and the Housing Revenue Account for the second quarter of 2009/10. It is based on expenditure and service activity until the end of September 2009 and has been obtained from monitoring statements provided by Corporate Directors. A separate report on the capital programme is 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 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 current and future years' budgets.

Risk Areas:

- Explicit monitoring information on the key risk areas identified in the final budget report 2009/10 which was submitted to Cabinet in March 2009.
- Details of any additional risk factors which have emerged since the budget was set in February.

Virements:

- Virements are transfers of budget. 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 any target adjustments agreed between Directorates. The projected outturn position includes any surplus/deficits on trading accounts.

Directorate/Service	Latest Budget £000	Forecast Outturn as at 30/09/09 £000	Projected Variance £000	Status £000
Adults, Health & Wellbeing	88,919	88,965	46	Red
Children, Schools & Families	96,300	97,093	793	Red
Communities, Localities & Culture	75,204	74,904	(300)	Green
Development & Renewal	17,204	17,626	422	Red
Chief Executive's Resources	11,034	11,314	280	Amber
Corporate/Capital	16,291	17,091	800	Red
<b>TOTAL</b>	<b>316,999</b>	<b>320,740</b>	<b>3,741</b>	<b>Red</b>

### 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 - £450,000 overspend

An increase in referrals to the service and the introduction of a reablement pilot have resulted in this increased expenditure.

Government grant has been identified to fund part of the overspend.

Management is controlling the referrals to the In House Homecare Team and will continue to monitor this budget closely.

#### Learning Disabilities Commissioning - £215,000 overspend

There has been an increase in expenditure due to the full year effect of previous transitions care packages for people with complex needs, combined with an increased demand for homecare and individual support. Increased funding from NHS continuing care has partly offset this overspend. Underspends elsewhere in the Directorate will be used to offset this variance.

#### Mental Health Commissioning - £276,000 underspend

An increase in costs and numbers in residential care has been more than offset by additional funding from NHS continuing care and the Working Neighbourhoods Fund.

#### Homeless and Housing Advice Services - £196,000 underspend

The projected underspend is largely due to more administration income than anticipated which is related to the number of homeless households and increased grant funding.

### **5.3.2 Children, Schools and Families**

#### Special Educational Needs - £200,000 overspend

The overspend is attributable to increased home to school transport costs which have arisen because of an increase in the number of pupils with special educational needs. In order to reduce this pressure, where individual new commitments demonstrate a saving to the Dedicated Schools Budget, for example by placing at a local school, the Schools Forum will give consideration to charging transport costs to DSG.

#### Lifelong Learning - £100,000 overspend

The projected overspend results from delays in the implementation of the Lifelong Learning staffing restructure which will deliver planned savings. The implementation has been delayed partly as a result of the Ofsted Inspection.

#### Fieldwork – Children’s Social Care - £626,000 overspend

The continued rise in demand in this area and the additional pressures arising from recent cases in other authorities has resulted in agency staff being maintained in the service to cover staff vacancies and absenteeism. In addition, it has been necessary to provide a quota of agency staff which is over establishment, to meet the increased demand for the service and to ensure children are safeguarded. A systematic recruitment campaign will be launched in the next few weeks to recruit suitably qualified permanent social workers and thereby reduce reliance on agency staff. The Integrated Pathways and Support Team has been established, managing workflow in a multi agency context and has diverted a significant number of cases, thus reducing some of the pressure on the Fieldwork team.

A re-focus on the Children’s Social Care’s response to Children in Need is taking place with work being undertaken to ensure there is a clear remit for CSC teams and a re-focus on supporting partner agencies to support children before any referral to Children’s Social Care, through the work of the IPST and Social Workers based within Extended Schools. This work will be supported by the key strategic development of the creation of a Tower Hamlets Well-being model which will provide a framework for a multi agency/ integrated approach to thresholds for CSC involvement.

#### Child Protection and Reviewing - £151,000 overspend

As mentioned above, Children’s Social Care continues to experience a significant increase in child protection activity and children in need work. In order to maintain the statutory level of service it has been

necessary to employ additional staff. The social worker recruitment campaign and the new Integrated Pathways and Support Team will impact positively on the level of child care activity in the medium term.

#### Children's Resources – Commissioning - £149,000 underspend

The commissioning budget is large and volatile and changes in demand can be unpredictable and can result in material changes to the forecast outturn. Based on the information currently available there is a projected year end underspend of £149,000.

#### Professional Development Centre - £195,000 underspend

The projected underspend is the result of combining two posts into one, together with improved rental/SLA arrangements with the occupiers of the centre.

### **5.3.3 Communities, Localities and Culture**

#### Drugs Action Team £300,000 underspend

The projected underspend relates to delays in programmes commencing in year. The schemes are grant funded and it is proposed that this income will be carried forward at year end to be utilised in 2010/11. There will therefore be no overall effect on the Directorate budget, after taking into account this transfer to reserves.

### **5.3.4 Development and Renewal**

#### Development Decisions - £332,000 underspend

The Directorate budget includes a high level of income from development fees. These are forecast to decline as a direct consequence of the economic downturn and its impact on the property market. However planning fee income received to date is higher than the comparable budget, although it must be stressed that this is due to various one off large applications being received. There is still a significant level of risk with regard to the remaining months of the financial year.

#### Housing Regeneration – £197,000 overspend

The Housing Regeneration Team has historically been funded from Housing Capital resources. With the focus of the team now centred on the two main regeneration projects at Blackwall Reach and the Ocean Estate, the flexibility for charging schemes is reduced. Alternative funding sources are being sought by the Directorate to mitigate the risk,

for example using Housing and Planning Delivery Grant to fund eligible expenditure.

#### Employment & Enterprise - £249,000 overspend

The Local Labour in Construction service is funded through a combination of Housing Capital, HRA and Section 106 resources and trading income. The service transferred to Development and Renewal from the former Housing Directorate in April 2008 and it soon became apparent that the assumed levels of external funding would not be realised. A review of the service was agreed as part of the 2009/10 budget process in order to ease pressures in future years, however significant pressures remain for the current financial year.

### **5.3.5 Resources Directorate**

#### Administrative Buildings - £800,000 overspend

There are continuing pressures on the Office Accommodation budget arising from delays in disposing of vacant and underused office buildings and increased costs at East India Dock. Mitigating actions are being pursued to contain these costs.

### **5.3.6 Chief Executive's**

#### Communications - £280,000 overspend

As reported to Cabinet in September, weak market conditions continue to reduce advertising income. However, the current deficit projection has reduced by £116,000 compared to the first quarter position. This area will continue to be closely monitored.

### **5.3.7 Corporate & Capital Finance**

#### Capital/Treasury Management £1,700,000 shortfall

In former years the Council has benefited from being able to invest at higher interest rates and enjoyed low external borrowing costs. However, the economy has entered a recession and interest rates have fallen significantly, rates are expected to remain the same for the remainder of 2009/10 and in the medium term and the Council is expecting a significant shortfall in investment income which means the capital financing and investment budget is unlikely to break-even. The position will be kept under review throughout the rest of the financial year.

### 5.3.8 Trading Accounts

Development & Renewal are reporting projected deficits on both Building Control and Local Land Charges trading accounts (total deficit £230,000). Both projected deficits are a direct consequence of the wider economic downturn and the resultant reduction in fee income to the Council. Officers are currently assessing alternative means of minimising the impact. Full details of all trading accounts are held in Appendix 3A-C.

## 5.4 Housing Revenue Account

5.4.1 The report also incorporates the second quarter's financial position for the Housing Revenue Account (HRA) based on income, expenditure and service activity to 30<sup>th</sup> September 2009. The Corporate Director for Development & Renewal reports that:

5.4.2 As at the 30<sup>th</sup> September, the Housing Revenue Account was estimating a £1.900m deficit for the year. However, as set out at 1.4.2. above, the most recent financial reports from Tower Hamlets Homes suggest that this position is substantially worse and points to an overspend of between £3.5-£4.0m. If this is borne out it would bring HRA balances below the prudent level. The source of the overspend is mainly related to the Repairs and Maintenance budget, while the core budget of Tower Hamlets Homes itself would also seem to be heading for an overspend which, since the Company is charged with breaking-even, would also need to be funded from the HRA. The full position is currently being investigated and a further report will need to be submitted to Cabinet on 13<sup>th</sup> January.

## 5.5 Virements

5.5.1 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.

5.5.2 There are a number of virements between Directorates:

Single Status £0.467m

Budget transfer from the Corporate/Capital budget to Adults, Health and Wellbeing to cover the costs of Single Status.



Pay Award 2009-10 £1.359m

Budget transfer to Directorates to cover the costs of the 1% pay award.

One Stop Shops £0.054m

Budget transfer to cover the cost of one stop shops.

Further details relating to these virements are provided in Appendix 4B.

5.5.3 There are also a number of virements within Directorates. Details relating to the proposed transfers between services within both Children, Schools and Families and Adults, Health and Wellbeing are attached at Appendix 4C.

**5.6 Savings/Efficiency Targets**

5.6.1 Efficiency targets are underway or planned to deliver the cashable savings of £5.674m identified as part of the Council's Budget Strategy for 2009/10.

5.6.2 A breakdown of efficiency savings is attached at Appendix 5.

5.6.3 At this stage in the financial year Development & Renewal are reporting that £70,000 of savings relating to the digitalisation programme and the utilisation of IT to produce planning consultation documents will not be achieved during 2009/10. The Directorate is looking for alternative savings to compensate for this.

5.6.4 Communities, Localities and Culture are reporting that £35,000 of savings relating to reduced street lighting maintenance are unlikely to be achieved. The Directorate has identified compensating savings elsewhere in the budget.

5.6.5 Children, Schools and Families have identified a number of savings that have not yet been delivered, some of which may need to be delivered by substitute measures. This is largely as a consequence of the increased pressure on Children's Social Care services, with other savings proposals not expected to be implemented until the second half of 2009/10. Officers are planning alternative savings and compensating underspends in other areas of the budget to ensure that the savings targets are met.

**5.7 Service Improvement Growth**

5.7.1 On 11<sup>th</sup> February 2009 Cabinet agreed Service Improvement Growth for 2009/10. At this stage most Directorates are reporting that targets will be achieved. The exception is the growth item for Subsidy of Burials where take up of the scheme is much lower than anticipated. Appendix 6 provides the details of progress to date in delivering Service Improvement Growth.

## 5.8 Income Collection Performance Targets 2009-10

5.8.1 The table below relates to debt raised since the 1<sup>st</sup> April 2009: in addition, a proportion of debt is collected as arrears, so a greater proportion of overall debt is collected than these targets suggest. The percentage of income collected to 30<sup>th</sup> September 2009 suggests that, for most types of debt, performance is close to target or above target. The collection rates will continue to be monitored on a regular basis.

Income Stream	Collected In 2008-09 %	2009-10 Target to 30-09-09 %	2009-10 Collected to 30-09-09 %	Direction of Travel
Business Rates	98.60	54.00	63.15	↑
Central Income	86.07	85.00	88.77	↑
Council Tax	95.00	48.30	47.44	↓
Housing Rent	99.66	101.00	99.56	↓
Major Works	8.00	9.50	9.50	↔
Parking Fines	63.55	60.00	55.65	↓
Service Charges	57.80	30.00	30.00	↔

### 5.8.2 Performance Analysis

Despite the economic climate, collection activity in most areas is currently performing well, but the authority must be prepared for the impact of the Business Rates Deferral Scheme which could see a drop in collection levels in the second half of the financial year.

This is the first year Council Tax has been paid over 12 monthly instalments so it is difficult to compare performance with last year. It is known however, that benefit claims have increased month on month this year as unemployment has grown, which could have an adverse affect on future collection levels of council tax.

## **6 Summary of recommendations**

**Overview & Scrutiny** is requested to:

- Note the progress against Strategic Plan activities as outlined in section 4;
- Note the performance against targets for the Strategic Indicators as outlined in section 3 and appendices 1;
- Note the projected outturn for Directorate service budgets and the total General Fund net expenditure budget for 2009/10, as outlined in section 5.2 and appendix 2;
- Note the projected outturn in respect of the 2009/10 Housing Revenue Account, as detailed in section 5.4.
- Agree the budget target adjustments and virements as detailed in section 5.5 and appendix 4;
- Note the progress in achieving the budgeted efficiency savings, as outlined in section 5.6 and appendix 5; and
- Note the 2009/10 Service Improvement Growth targets, as detailed in section 5.7 and appendix 6.

## **7 COMMENTS OF THE CHIEF FINANCIAL OFFICER**

7.1 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.

7.2 This report projects a net General Fund overspend for 2009/10 of £3.7412m and a net overspend on the Housing Revenue Account of £1.900m, both based on spending to the end of September 2009. If this

is carried through to the end of the financial year this will result in decreases in general reserves and housing reserves respectively.

- 7.3 As the report points out, the position in relation to the HRA appears to have worsened since the end of September to such an extent that the Council may fall below recommended levels of HRA balances by the end of the financial year if the issue is not addressed. Cabinet will receive a further report setting out the actions necessary at its next meeting. As part of the report it will be necessary for officers to explain how the situation has arisen and the management actions required to correct or improve the situation. The actions will need to ensure not only that the potential deficit is addressed in 2009/10 but that budgets are managed and, if necessary, reserves are built up to the necessary levels during 2010/11. Further advice on the level of HRA balances will be provided as part of the budget setting for 2010/11.
- 7.4 In the case of the General Fund, provision was made in the budget for a local annual pay award of 2.25%. The actual pay award was 1% and consequently £1.700m is now available as a contingency item in the 2009/10 budget. However, Directorates should not manage their budgets on this basis and should continue to take steps to spend in line with budgets, in accordance with financial regulations.
- 7.5 Where overspends are being predicted Corporate Directors, in accordance with Financial Regulations, must keep the position under close, continuous review and, where necessary, identify compensatory savings. Consequently, the Corporate Director – Resources will be monitoring closely those Directorates that have so far projected adverse end of year variances that are material.
- 7.6 The 2009/10 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 development of that process by explicitly commenting on the current status of those risk areas within Appendices 2A-G.

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

- 8.1 The report provides monitoring information relating to key performance indicators and the budget.
- 8.2 It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted and agreements entered into such as the local area agreement. In addition, 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.
- 8.3 As regards the budget monitoring, 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 this for Members to receive information about the revenue budget as set out in the report.
- 8.4 The Council’s Constitution gives the Overview and Scrutiny Committee the function of reviewing and scrutinising the Council’s performance.

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

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

## **10 RISK MANAGEMENT IMPLICATIONS**

- 10.1 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.

- 10.2 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.
- 10.3 The explanations provided by the Directorates for the budget variances also contain analyses of risk factors.

## 11 EFFICIENCY STATEMENT

- 11.1 The Efficiency Statement is covered in Section 5.6 and Appendix 5.

### **INDEX OF APPENDICES**

<b>Appendix</b>	<b>Detailing the following:</b>
1	Strategic Indicator monitoring
2	Budget outturn forecast
3	Trading accounts outturn forecast
4	Budget/target adjustments (virements)
5	Efficiency savings plan monitoring
6	Service Improvement Growth plan monitoring

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

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

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<i>Brief description of "background paper"</i>	<b>Name and telephone number of holder and address where open to inspection</b>		
	Performance Manager	Stephanie Ford	x4361
	Corporate Finance	Gary Moss	x4223