

Committee/Meeting: Overview and Scrutiny	Date: 5 th July 2011	Classification: Unrestricted	Report No:
Report of: Corporate Director Resources Originating officer(s) Michael Keating, Service Head One Tower Hamlets Alan Finch, Service Head Financial Services, Risk & Accountability		Title: Strategic Performance and Corporate Revenue and Capital Budget Monitoring – Year End Report 2010/11. Wards Affected: All	

Community Plan Theme	All
Strategic Priority	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 progress with the 2010-11 Strategic Plan, the Council's Strategic performance indicators, remaining National Indicators and the financial position for year end 2010/11. Combining our performance and financial reporting in this way strengthens the Council's robust performance management arrangements.
- 1.2 This report will be considered by Cabinet at its meeting on 6th July.
- 1.3 This performance report covers the authority's progress for 2010/11 (Quarter 4). This includes year end monitoring updates for:
- Revenue and Capital Budget Outturn;
 - The Council's Strategic Plan;
 - All Strategic performance indicators and the remaining ex-national indicators that are available to be reported in this period.

Finance Overview

1.3.1 Measures taken by officers during the financial year to contain spending within budget have been largely successful. In addition the Council successfully responded to £4m in grant cuts introduced by the Government part way into the financial year. At the end of the financial year there is an overall underspend of £67,000 in Directorate budgets after proposed transfers to and from Reserves, this compares with the overspend of £463,000 as at Quarter 3. The reasons are detailed in the Month 12 Revenue Outturn Report. However the payment of severance and redundancies necessary to deliver savings from the start of the 2011/12 financial year uses reserves of £5.7 million, as agreed by Members in December.

1.4.2 HRA

The reported forecast overspend of £73,000 at Quarter 3 has changed to an overspend of £38,000 as at year end.

1.4.3 Capital position

Capital budgets generally underspend because of the difficulty of programming expenditure accurately between years. Directorates have spent 75.6% of their capital budgets for the year (£143.233m against budgets of £189.345m), which represents an underspend of £46.112m or 24.4% of the budget. This is mainly driven by underspends in Children, Schools and Families, Building Schools for the Future and HRA spending programmes, which have been forecast throughout the year.

1.4 Strategic Plan

At year end 66% of the activities within the Council's Strategic Plan have been completed, and 34% (24) are overdue. Of the overdue activities, 14 are 75% or more complete and have missed only one milestone – these have been assessed as Amber (near complete).

1.6 Strategic Measures

40% of the Strategic indicators which are reportable are on target, and 58% have improved performance since 2009/10. This is the last year that we will report on National Indicators as the Coalition Government has now abolished the Set.

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

- Appendix 1 - lists budget/target adjustments
- Appendix 2 - provides the estimate budget outturn and explanations of major variances for Directorates for the General Fund

- Appendix 3 - provides the estimate budget outturn and explanations of major variances for the HRA
- Appendix 4 - shows Directorates use of Reserves and requests for carry forward funding from 2010/11 to 2011/12
- Appendix 5 - shows details of transformation savings delivered in 2010/11
- Appendix 6 – provides details of the capital programme spending undertaken in the year
- Appendix 7 – shows details of capital receipts allocations requested to be carried forward as part of the Local Priorities Programme
- Appendix 8 - provides an overview of performance for the Council's Strategic Plan activities and milestones
- Appendix 9 - gives an overview of performance for all of the Council's Strategic Indicators which represent the key priorities for the Council.

2. DECISIONS REQUIRED

The Overview and Scrutiny Committee is recommended to:-

- 2.1. Review and note the Quarter 4 Year End 2010/11 performance
- 2.2. Note the Council's financial position as outlined in paragraphs 3 and 4 and appendices 1-7 of this report; and
- 2.3. Note the transfers to and from contingencies and earmarked reserves, as set out in the report and at appendix 4. These are being tabled to Cabinet for approval.

3. REVENUE

3.1 The following table summarises the expected outturn position for the General Fund. This position may change in finalising the Statement of Accounts if new information requires the material amendment of estimates used.

SUMMARY	Adjusted Budget £'000	Actual Spend £'000	Variance £'000	Transfers to/from reserves** £'000	Variance £'000
Adults Health and Wellbeing	102,727	105,025	2,298	(2,275)	23
Chief Executive	18,097	18,130	33	(33)	0
Children, Schools and Families	100,332	100,371	39	(39)	0
Communities, Localities and Culture ⁺	79,547	78,883	(664)	645	(19)
Development and Renewal	17,555	19,775	2,220	(2,213)	7
Resources	15,437	15,999	562	(689)	(127)
Corporate Costs/Capital Financing	11,845	14,145	2,300	(2,251)	49
Sub-total	345,540	352,328	6,788	(6,855)	(67)
Redundancy payments funded from general reserves and contingencies previously agreed by Cabinet	0	5,706	5,706	(5,706)	0
Area Based Grant	42,053	42,053	0	0	0
TOTAL	387,593	400,087	12,494	(12,561)	(67)

+ includes budgeted parking income of £4.596m contribution to general fund. Additional parking control surplus of £610,000 taken to parking control account

The table reflects the use of reserves agreed by Members during the financial year including funding set aside to meet the cost of implementation of measures to deliver savings in 2011/12 and later years.

** Appendix 4 sets out the recommended payments into and out of earmarked reserves into departmental resources. Cabinet are asked to approve these transfers.

Contingencies were set aside in the 2010/11 budget to enable the authority to deal with the consequences of downsizing the organisation. Some of this has already been allocated by Members to help fund the cost of redundancies and

to enable Children, Schools and Families to maintain certain Early Intervention Grant funded programmes until the end of the school year. Funding will also be required on an invest to save basis to facilitate the decant of Anchorage House and generate substantial savings to the Council from 2013/14 onwards and £4 million now needs to be set aside from contingencies to help fund these costs.

Broad explanations of variances from budget are as follows:

3.2 Adults, Health and Wellbeing £23,000

The Directorate's forecast overspend has reduced from the Quarter 3 position of a £218,000 overspend.

When the Directorate identified that it would potentially overspend at the beginning of the financial year, this was reported to the Directorate Management Team who subsequently identified and agreed a number of key action points to be delivered. These were aimed to mitigate any increase in the overspend and reduce the current overspend forecast. The Directorate ensured at this time that it maximised its use of historic balances and reserves, the former were used in full during 2010/2011. The Directorate Management Team then monitored this action plan to ensure the necessary action was having the desired effect and this saw a gradual decrease in the forecast overspend position. The risk of an overspend was also included at this time in the corporate risk register.

The Directorate implemented a new care management system in June 2010 and then subsequently in October 2010 the financial module of the system. The majority of commissioning expenditure is processed through the system which accounts for approximately 70% of the Directorate's expenditure. The risks associated with the financial module were highlighted in the budget monitoring reports previously in addition to the corporate risk register. From the go live of the system in October 2010, the Directorate invested heavily in ensuring the integrity and data quality of the system as the information is a critical information source for the Directorate for both activity and financial data. The data integrity work of the system work has now been completed. While the work was being provided, this did see a movement in the commissioning forecasts. Due to officers being aware of the risk associated with these commitments, officers were both realistic and prudent in their reporting for commissioning. This did however see a movement in the final position for the Directorate at the 31st March 2011 compared with quarter 3.

3.3 Chief Executives **NIL**

This is in line with the Quarter 3 forecast. £650,000 of reserves have been applied to fund election costs during the year as previously reported to Council.

3.4 Children, Schools and Families **NIL**

The outturn position is in line with the forecast as at Quarter 3.

3.5 Communities, Localities and Culture **(£19,000)**

At Quarter 3, the Directorate was expected to breakeven. An under spend on the outturn position was achieved through implementation of a sickness management process. This was effective in reducing the level of sickness in the Directorate which was further supported by the reduction in agency cost.

3.6 Development and Renewal **£7,000**

The overspend has reduced from that projected in Quarter 3 (£245,000). Funding of £220,000 from the Homelessness Prevention Reserve has been used to alleviate budgetary pressures in respect of the Homelessness service. These pressures have been regularly reported to Members during the financial year.

The net variance of £7,000 assumes that £2.213 million of reserves will be applied. These reserves will be utilised to finance specific one-off projects, including the finalisation of the core property data work stream in time for the 2011 Census; the digitalisation of planning and land charge records; and the Local Development Framework. Also included in the application of reserves is £1.1 million of financing in relation to negotiations with Tower Hamlets Schools Ltd (THSL), the Authority's PFI delivery partner, in respect of the PFI and BSF projects. This is part of the funding of £2.5 million that was set aside for this purpose from General Fund balances, as previously agreed by Cabinet.

3.7 Resources **(£127,000)**

The outturn position is in line with the forecast as at Quarter 3 with an underspend. This is net of the approved transfer of £689,000 of reserves to fund the HR improvement programme.

3.8 Corporate Costs **£49,000**

Corporate costs include the payment of £3 million of redundancy and severance payments made or agreed in 2010/11. This partly funded from reserves and partly funded from Contingencies.

3.9 HRA **£38,000**

In March 2011, Cabinet considered the Quarter 3 budget monitoring report which projected an overspend of £73,000. Financial pressures identified earlier in 2010-11 led to the development and implementation of a budget action plan by Tower Hamlets Homes. The resultant robust monitoring and control of the delegated budget (in particular demand-led activities such as repairs), together with strong income collection performance, have contributed to a small year-end overspend of £38,000. The level of HRA reserves at 31st March 2011 is £12.786 million.

3.10 Risk areas

Risks have been highlighted under appropriate vote heads in Appendices 2 and 3.

3.11 Savings / Efficiency targets

The Outturn Report indicates that directorates have successfully delivered their 2010/11 savings targets. These savings are expected to be permanent and during 2011/12, along with new savings expected for 2011/12, they will be rigorously monitored through the monthly budget monitoring process.

Details of progress against transformation savings targets is shown in appendix 5.

3.12 Income Collection Performance Targets

Details of income collection during 2010/11 is shown below. Other than Housing rents, all other targets were exceeded.

Income Stream	Collected in 2009-10 %	2010-11 Target to 31.03.11 %	2010-11 Collected to 31.03.11 %	Direction of Travel
Business Rates	99.29	98.0	99.6	↑
Central Income	86.33	88.00	90.00	↑
Council Tax	94.40	95.0	95.1	↑
Housing Rents	100.10*	100.01	99.87	↓
PCNs	62.37	62.00	63.09	↑
Service Charges	109.80*	100.00	110.4*	↑

*Collection rates for 2009/10 includes collection of previous years' arrears.

4. CAPITAL

- 4.1 The capital budget at Quarter 3 as approved by Cabinet on 9th March 2011 totalled £204.008m. This has now decreased to £189.345m. This is due in the main part to a re-profiling of the BSF ICT budget.
- 4.2 The projected outturn as reported at Quarter 3 was £154.270m. This has now decreased to £143.233m, representing an underspend of £46.112m (24.4% of the budget). The difference is due to project slippage of £10 million spread across a number of schemes since Quarter 3:

	Annual Budget as at 31-3-11	Spend to 31-Mar-11	Spend (% of budget)	Actual Variance
	£m	£m	%	£m
TOTALS BY DIRECTORATE:				
Communities, Localities and Culture	14.060	13.178	93.7%	-0.882
Children, Schools and Families	34.939	23.565	67.4%	-11.374
Resources	3.594	1.863	51.8%	-1.731
Adults, Health and Wellbeing	1.167	0.767	65.7%	-0.400
Development and Renewal	20.340	8.986	44.2%	-11.354
Housing Revenue Account (HRA)	47.307	37.224	78.7%	-10.083
Building Schools for the Future (BSF)	67.938	57.650	84.9%	-10.288
GRAND TOTAL	189.345	143.233	75.6%	-46.112
MAINSTREAM PROGRAMME				
Communities, Localities and Culture	12.516	11.997	95.9%	-0.519
Children, Schools and Families	32.208	20.630	64.1%	-11.578
Adults, Health and Wellbeing	0.735	0.638	86.8%	-0.097
Development and Renewal	15.332	7.888	51.4%	-7.444
Housing Revenue Account (HRA)	47.307	37.224	78.7%	-10.083
Building Schools for the Future (BSF)	66.838	57.650	86.3%	-9.188
MAINSTREAM TOTAL	174.936	136.027	77.8%	-38.909
LOCAL PRIORITIES PROGRAMME (LPP)				
Communities, Localities and Culture	1.544	1.181	76.5%	-0.363
Children, Schools and Families	2.731	2.935	107.5%	0.204
Resources	3.594	1.863	51.8%	-1.731
Adults, Health and Wellbeing	0.432	0.129	29.9%	-0.303
Development and Renewal	5.008	1.098	21.9%	-3.910
Building Schools for the Future (BSF)	1.100	0.000	0.0%	-1.100
LPP TOTAL	14.409	7.206	50.0%	-7.203
GRAND TOTAL	189.345	143.233	75.6%	-46.112

4.3 The capital programme for 2010/11 has been set on the basis of available capital resources and amended as further resource announcements have been made by Government and other funders, and for Cabinet decisions.

4.4 A summary of the resources used to fund the 2010/11 capital programme is set out as follows:

	Directorate							
	CLC	CSF	Chief Exec	AHWB	D&R	HRA	BSF	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m
Funding Source:								
Capital Grants and Contributions	9.144	10.688	-	0.755	4.602	9.832	57.100	92.121
Developers' Contributions	1.247	0.890	-	-	2.435	0.413	-	4.985
Supported Borrowing	-	8.502	-	-	-	15.500	-	24.002
Prudential Borrowing	-	-	0.796	-	-	0.894	-	1.690
Direct Revenue Financing	2.307	3.414	0.845	-	0.101	0.335	-	7.002
Major Repairs Allowance	-	-	-	-	-	7.641	-	7.641
Capital Receipts (Local Priorities Programme)	0.480	0.071	0.222	0.012	1.848	2.609	0.550	5.792
Total Resources Applied	13.178	23.565	1.863	0.767	8.986	37.224	57.650	143.233

4.5 Further details of the capital programme are provided in Appendix 6.

4.6 A breakdown of the Local Priorities programme allocations and amounts to be agreed for carry-forward to 2011/12 are shown in Appendix 7.

5. STRATEGIC PLAN 2010/11

5.1 The Council's Strategic Plan sets out our strategic priorities and targets for the period 2010/11. The Council's performance management and accountability framework requires CMT and Members to consider our progress against Strategic Plan activities every 6 months. This report is a monitoring update on the full financial year 2010/11. This report consists of a summary of the number and proportion of activities achieving red/amber/green traffic lights and analysis of the activities, in particular the reasons for unsuccessful implementation.

5.2 All activities within the Strategic Plan have been monitored and are included in Appendix 8. There are 71 activities, and 269 milestones relating to these activities in the Strategic Plan. Where an activity has been completed it is marked as Completed (Green).

5.3 An activity which has not been completed this financial year has been marked as Overdue (Red). In addition, those activities which have not been completed this year but which are 75% or more complete and have missed only one milestone have been classified as Delayed (Orange). Managers

have provided comments for all Overdue & Delayed activities to explain why the deadline was missed; what is being done about it; and by when the activity will be completed.

- 5.4 Of the 71 activities included within the plan; 66% (47) have been completed and 34% (24) are overdue. Of the overdue activities, 58% (14) have been assessed as Delayed (near complete).

6. PERFORMANCE INDICATORS

6.1 This is the third and last full year of monitoring against the National Indicator set which has been abolished by the Coalition Government. This report monitors the Council's Strategic Indicators, covering the period to April 2010 to March 2011. The Strategic Indicators are the top tier of our performance framework. They consist of a balanced scorecard of indicators reflecting those measured within our LAA (also now abolished), together with some key measures of customer satisfaction and some measures of corporate efficiency (such as sickness absence). Where information is available, these are monitored corporately every quarter in the joint strategic and budget monitoring report. There are 84 indicators in the Strategic Set.

6.2 Performance analysis included within the report is currently based on incomplete data as performance data for some indicators is not yet available. Validation of social care indicators for example is not expected until mid summer. We will get more complete information within the next few weeks, although, where data sources used to calculate these indicators are external to the council this may take more time.

6.3 Strategic Indicator Performance 2010/11

6.3.1 Performance against Strategic Indicators for the period April 2010 until March 2011 is set out in Appendix 9. The performance update includes 2010/11 targets, 2010/11 actual, 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.

6.3.2 Of the 84 measures in the strategic set, 3 relate to national surveys which have now been abolished by the Coalition Government (the Place and Active People Surveys). Within the Strategic set of indicators, there are 61 where both a target was set and outturn information is available. Of these 61 indicators:

- 26 (42.6%) met or exceeded their target;
- 21 (34.42%) were within range of meeting their target (-10% below);

- 14 (22.9%) were more than 10% off target; and
- 38 (45.2%) Improved based on 2008/09 outturn.

6.3.3 The table below sets out performance against target for Strategic Indicators for all reporting periods in 2009/10, and for 2010/11 to date.

Reporting Period	GREEN	RED
2009/10		
Apr-May	11 (52.38%)	10 (47.61%)
Q1	11 (50%)	11 (50%)
Q2	14 (34.14%)	27 (65.85%)
Q3	14 (42.42%)	19 (57.57%)
Year End	39 (58.2%)	2 (41.8%)
2010/11		
Q1	17 (58.6%)	12 (41.4%)
Q2	20 (69%)	9 (31%)
Q3	21 (63.6%)	12 (36.3%)
Year End	26 (42.6%)	35 (57.4%)

6.3.4 26 of the strategic performance measures (42.6%) have achieved their end of year target (GREEN). Areas where performance is well above the estimated target are as follows:

- (S224) - Percentage residents satisfied with outcome to ASB
- (S225) - Average time to re-let property (days)
- (S206) - People killed or seriously injured in road traffic accidents
- (NI195a) - Improved street and environmental cleanliness – litter
- (NI195b) - Improved street and environmental cleanliness – detritus
- (NI152) - Working age people on out of work benefits. By May 2011 (Q2 data) narrow the gap to the England average rate to a maximum of -5.7 percentage points.
- (NI153) - Working age people claiming out of work benefits in the worst performing neighbourhoods. By May 2011 (Q2 data) extend the lead over the England average rate to at least 3.1 percentage points
- (NI15) - Number of most serious violent crimes per 1,000 population
- (NI33 a+b) - Arson incidents - Number of deliberate fires per 10,000 population – primary & secondary
- (S324) – ESOL Entry Level One Completions
- (NI87) – Secondary school persistent absence rate
- (NI150) – Adults receiving secondary mental health services in employment

A total of 38 (45.2%) indicators have improved performance since 2009/10.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 This report sets out the performance of the authority against priority performance indicators for the year. Financial results reflect the Council's audited final accounts which are to be considered for approval by Audit Committee on 27th September 2011 following receipt of the audit opinion. Draft final accounts will be provided to the external auditors and Audit Committee members in late June.
- 7.2 The presentation of financial results alongside performance outputs represents good practice as it enables performance in both areas to be considered alongside one another and facilitates actions being taken on the basis of a balanced overall view.
- 7.3 The Directorate General Fund overspend has decreased by £530,000 since Quarter 3, partly due to the application of reserves. The planned settlement of redundancy costs was agreed at Cabinet in December and has contributed to reduce overall general fund balances by £5.7 million.
- 7.4 The use of reserves as funding for "invest to save" projects and meeting the costs of downsizing is a vital part of delivering the Council's savings target. This is the appropriate way for reserves to be used as the Council responds to Government cuts. However, as revenues are used up, the scope for using them to deal with potential overspends will diminish. Where overspends are predicted Corporate Directors, in accordance with Financial Regulations, must keep the position under close, continuous review and, where necessary, identify compensatory savings. The Council Management Team has a monthly monitoring process through which it will oversee expenditure against budget. The Corporate Director – Resources will also monitor closely those directorates that have so far projected adverse material end of year variances.
- 7.5 Contingencies set aside at the start of the financial year to fund budget risks are likely to be used in the current financial year and into 2011/12 to assist in delivering the savings required to balance the budget in the wake of ongoing Government grant cuts. Sums have been set aside in respect of redundancy, and there will also be costs arising from project delivery and to manage reductions in specific grants relating to education children's services.
- 7.6 The report also details expenditure against the capital programme. Spend to date of £143.233 represents only 75.6% of the programme. Any unspent capital resources at year end will be carried forward to meet committed spend on agreed projects in future years.

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

- 8.1 The report provides performance information, including by reference 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.
- 8.3 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.
- 8.4 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.

9. 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.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

11. 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.

12. 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.

13. EFFICIENCY STATEMENT

Transformation savings are covered in Appendix 5 of this report.

14. APPENDICES

- Appendix 1 - lists budget/target adjustments
- Appendix 2 - provides the estimate budget outturn and explanations of major variances for Directorates for the General Fund
- Appendix 3 - provides the estimate budget outturn and explanations of major variances for the HRA
- Appendix 4 - shows Directorates use of Reserves and requests for carry forwards
- Appendix 5 - shows details of transformation savings
- Appendix 6 – provides details of the capital programme
- Appendix 7 – shows details of capital receipts allocations requested to be carried forward as part of the Local Priorities Programme.
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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**