

<b>Committee:</b> Overview & Scrutiny	<b>Date:</b> 1 April 2014	<b>Classification:</b> Unrestricted	<b>Report No:</b>
<b>Report of:</b> Acting Corporate Director Resources  <b>Originating officer(s)</b> Kevin Miles, Chief Accountant; Kevin Kewin, Service Manager		<b>Title:</b> <b>Strategic Performance and Corporate Revenue and Capital Budget Monitoring Q3 2013/14 (Month 9)</b>  <b>Wards Affected:</b> All	

## Executive Summary

This monitoring report details the financial position of the Council at the end of Quarter 3 compared to budget, and service performance against targets. This includes year-end projection updates for the:

- General Fund Revenue and Housing Revenue Account; and
- An overview of performance for all of the reportable strategic measures.

## Recommendations:

The Overview and Scrutiny Committee is recommended to:

- Review and note the Quarter 3 2013/14 performance; and
- Note the Council's financial position as detailed in section 3 and appendices 1-3 of this report; and
- Note that Cabinet will approve capital estimates for ESCW as set out in Appendix 4a

### **1. REASONS FOR THE DECISIONS**

- 1.1. Good financial practice requires that regular reports be submitted to Council/Committee setting out the financial position of the Council against budget, and its service performance against targets
- 1.2. The regular reporting of the Strategic Performance and Corporate Revenue and Capital Budget Monitoring should assist in ensuring that Members are able to scrutinise officer decisions.

## **2. ALTERNATIVE OPTIONS**

- 2.1. The Council reports its quarterly budget against spend, its capital monitoring and its Strategic Performance.
- 2.2. Significant variations, trends and corrective action are reported in the body and appendices of the report. No alternative action is considered necessary beyond that included below and this report is produced to ensure that Members are kept informed about decisions made under the delegated authority.

## **3 DETAILS OF REPORT**

### **3.1 Finance Overview**

#### **3.1.1 General Fund**

As at the end of December 2013, all Directorates are forecasting a breakeven position on an overall net budget of £298m, except for minor variances within Resources and Chief Executives Directorates that are both reporting underspends of £54K and £51K respectively, giving a forecast underspent outturn variance of £105K (less than 0.001%)

#### **3.1.2 HRA**

The HRA is projecting an overall underspend of £2.3M, this equates to 2.6% based on budgeted income of £86.4m.

#### **3.1.3 Capital Programme**

Directorates have spent 37% of their capital budgets for the year (£79.9m against budgets of £214.4m). Further information is provided in section 4 of the report and Appendix 4.

Appendix 4a includes recommendations for the adoption of capital estimates for two projects in order not to delay matters before the next main ESCW programme report to Cabinet.

### **3.2 Strategic Measures**

- 3.2.1 The Strategic Measures set enables the Council to monitor progress against our priorities. Of the 29 measures reportable this quarter (including subset of measures), 10 (35%) are at or exceeding the standard target (lower bandwidth), with a further 7 (24%) meeting or exceeding the stretched target (Green).

More detailed performance and financial information is contained in the following report appendices:

- Appendix 1 - lists budget/target adjustments (including virements) for the General Fund and capital budget movements.
- Appendix 2 - provides the budget outturn forecast by Directorate and explanations of any major variances.
- Appendix 3 - provides the budget outturn forecast and explanations of major variances for the HRA.
- Appendix 4 – provides details of the capital programme and explanations of any major variances.
- Appendix 4a – provides details of new ESCW Capital programme schemes
- Appendix 5 – provides an overview of performance for all of the reportable strategic measures.

#### 4. REVENUE

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

SUMMARY	Latest Budget £'000	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Forecast Outturn £'000	Variance £'000
Chief Executive	9,696	7,273	7,792	519	9,642	(54)
Communities, Localities and Culture	76,786	54,437	50,911	(3,526)	76,786	0
Development and Renewal	19,744	14,868	12,512	(2,356)	19,744	0
Education, Social Care and Wellbeing	223,724	174,642	146,735	(27,907)	223,724	0
Resources	6,542	4,905	55,753	50,848	6,491	(51)
Corporate Costs / Capital Financing	(38,686)	(29,013)	5,805	34,818	(38,686)	0
<b>Total</b>	<b>297,806</b>	<b>227,112</b>	<b>279,508</b>	<b>52,396</b>	<b>297,701</b>	<b>(105)</b>

4.2 Significant Outturn and Year-to-date variances are explained below, detailed explanations at vote level are shown in the detailed budget analysis in Appendix 2.

4.3 **Chief Executive** **£54k Underspend**

The forecast levels of budgeted income are lower than anticipated to date and therefore has increased the pressure on the 2013-14 budget. However, this risk is expected to be managed within the overall performance of the Chief Executives budget.

4.4 **Communities, Localities & Culture** **NIL**

A breakeven position is forecast for the financial year. Depreciation and Premises Recharges have been posted in January (Period 10) which will bring the current spend to date in line with the profiled budgets. Other smaller variances relate to timing delays due to suppliers submitting invoices for payments.

4.5 **Development and Renewal** **NIL**

A breakeven position is forecast for the financial year.

4.6 **Education, Social Care and Wellbeing** **NIL**

The General Fund and the Schools Budget within Education Social Care and Wellbeing are reported as being balanced at year end. There are, however, significant risks (vacancy management, auto pension enrolment and savings associated with the review of management and support services) with both budgets that could make significant calls on Directorate-wide reserves or which could deplete unallocated DSG to a level that requires retained budget reductions in 2014/15.

The variance to date is down to expenditure for schools and capital charges being adjusted at year end.

4.7 **Resources** **£51k Underspend**

Resources is forecasting an overall underspend of £51k. However, there is a forecast overspend within Customer Access which principally relates to savings associated with the closure of one stop shops which is currently not proceeding. In 2013/14 this can be funded out of one-off underspends within ICT services, however, longer term plans for managing this risk in 2014/15 will need to be agreed.

At the time of the Period 9 monitor the Housing Benefit Subsidy had only been received until the end of October, giving rise to an abnormally large variance

to date of £50M overspent. However a further £43m in subsidy was processed during January which is matched to Period 8 & 9.

The position as at period 10 is currently £12m overspent pending the claims due before year end. Current estimates support the assumption that this budget will come in on target.

**4.8 Corporate Costs & Capital Financing** **NIL**

A breakeven position is forecast for the financial year. Spend to date variance is due to items such as depreciation and minimum revenue provision being processed at year-end.

**4.9 Housing Revenue Account (HRA)** **£2.3M underspend**

The overall projected HRA underspend is the net result of a number of variances, the main one being that the actualisation of 2012/13 service charges is anticipated to result in higher than budgeted income, mainly due to an increase in the number of rechargeable repairs in 2012/13 – this element equates to approximately £1.1m. The actualisation process also generated an additional £0.6m; this reflects the recharging to leaseholders of an element of all appropriate costs incurred in 2012/13.

Rental income is also forecast to be higher than budgeted due to a lower than anticipated level of voids and fewer Right to Buy sales than anticipated in the first nine months of the year, although it should be noted that sales are now taking place in greater numbers.

It is currently projected that energy costs will be lower than budgeted, although this is a volatile budget and costs may increase if there is a period of prolonged cold weather. There has also been unbudgeted income received in 2013/14 in respect of the recovery of costs incurred as part of various stock transfers carried out a few years ago, and it is currently expected that capital fee income will be higher than estimated, however, any underspends within this budget heading will enable revenue resources to be set aside to finance part of the non grant element of the Decent Homes capital programme, as agreed by Cabinet in September 2011 and re-confirmed in May 2013.

The HRA Medium Term Financial Plan (MTFP) presented to Cabinet in February 2014 included a 2013/14 year-end variance of £0.5m, therefore, any year-end variance that is more favourable than this represents additional resources to the HRA in excess of those assumed in the MTFP. These resources could be used towards the financing of the various recently approved new supply schemes that the Authority will be undertaking, which

would reduce the need to borrow, and as result, will lead to lower debt charges in the HRA.

Further detail and explanation can be found in the Capital Monitoring Q3 – Appendix 4.

#### 4.10 Income Collection Performance Targets

Details of income collection during 2013/14 are shown below:

<b>Income Stream</b>	<b>Collected in 2012/13 %</b>	<b>2013/14 Target to 31.12.13 %</b>	<b>2013/14 Collected to 31.12.13 %</b>	<b>Direction of Travel</b>
Business Rates	99.69	74.70	88.18	↑
Central Income	91.00	88.00	83.75	↓
Council Tax	95.10	71.37	71.33	↓
Housing Rents	99.72	98.00	100.03	↑

Business Rates and Housing Rents are above target. Council Tax is just below target. Although central income is below target cash collection and allocation has improved significantly in the last quarter.

## 5. **CAPITAL**

5.1 The capital budget for 2013/14 now totals £214.4m, decreased from the £221.3m reported for the second quarter due to the re-profiling of scheme budgets into future years.

5.2 Details of all the changes to the capital budget are set out in Appendix 1.

5.3 Total capital expenditure to the end of Quarter 3 represented 37% of the revised capital programme budget for 2013/14 as follows:

	<b>Annual Budget as at 31-Dec-13</b>	<b>Spend as at 31-Dec-13</b>	<b>% Budget Spent</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>TOTALS BY DIRECTORATE:</b>			
Education, Social Care and Wellbeing	18.766	10.249	55%
Communities, Localities and Culture	11.987	4.877	41%
Development and Renewal	29.303	5.154	18%
Building Schools for the Future (BSF)	42.859	37.569	88%
Housing Revenue Account (HRA)	101.326	22.026	22%
Resources	0.128	0.000	0%
Corporate GF provision for schemes under development	10.000	0.000	0%
<b>GRAND TOTAL</b>	<b>214.369</b>	<b>79.875</b>	<b>37%</b>

This compares with £94.4m (52%) at the same stage last year.

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

	<b>Annual Budget as at 31-Dec-13</b>	<b>Projection 31-Mar-14</b>	<b>Forecast Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>TOTALS BY DIRECTORATE:</b>			
Education, Social Care and Wellbeing	18.766	16.444	-2.322
Communities, Localities and Culture	11.987	11.987	0.000
Development and Renewal	29.303	16.849	-12.454
Building Schools for the Future (BSF)	42.859	49.025	6.166
Housing Revenue Account (HRA)	101.326	56.059	-45.267
Resources	0.128	0.128	0.000
Corporate GF provision for schemes under development	10.000	0.000	-10.000
<b>GRAND TOTAL</b>	<b>214.369</b>	<b>150.492</b>	<b>-63.877</b>

Programme slippage of £63.9m is currently being projected. It should be noted that this figure includes a £10m provision for General Fund capital schemes which is not yet allocated to individual schemes. The remaining forecast in-year underspend is due to slippage on HRA, D&R and education schemes, though these are expected to be spent in future years.

5.5 The total approved budget, taking into account the whole life of all capital schemes, is currently £864.7m against which spend of £834.7m is forecast resulting in a total underspend variance of £30m. The main reason for this underspend is that a £30m borrowing provision was set aside in the budget, of which £20m relates to a credit arrangement which will fund the development of Poplar Baths and Dame Colet House. The other £10m is not currently allocated to specific schemes.

	All years budget as at 31-Dec-13	Projection 31-Dec-13	Variance
	£m	£m	£m
Education, Social Care and Wellbeing	102.402	102.402	0.000
Communities, Localities and Culture	75.505	75.505	0.000
Development and Renewal	42.986	42.986	0.000
Building Schools for the Future (BSF)	325.531	325.531	0.000
Housing Revenue Account (HRA)	288.079	288.079	0.000
Resources	0.220	0.220	0.000
Poplar Baths & Dame Colet House	20.000	0.000	-20.000
Corporate GF provision for schemes under development	10.000	0.000	-10.000
<b>GRAND TOTAL</b>	<b>864.723</b>	<b>834.723</b>	<b>-30.000</b>

- 5.6 Capital receipts received in 2013/14 from the sale of Housing and General fund assets as at 31<sup>st</sup> December 2013 are as follows:

<b>Capital Receipts</b>		
	£m	£m
Receipts from Right to Buy (38 properties)	3.871	
less pooled amount paid to DCLG	-1.504	2.367
<b>Sale of Housing Land</b>		
Queens Head PH	0.350	
Enfranchisement	0.070	
Cotall Street	0.610	1.030
<b>Sale of General Fund assets</b>		
Travelodge site	2.910	
Sale of subsoil at Wapping Pier Head	0.300	
Overage Payments (Wapping Lane)	0.008	
		3.218
<b>Total</b>		<b>6.615</b>

The allocation of these receipts against capital projects will be considered alongside other resources when setting the 2014/15-2016/17 capital programme.

## **6. STRATEGIC PERFORMANCE MEASURES**

- 6.1. The strategic measures enable the Council to monitor progress against priorities outlined in the Strategic Plan. The strategic measures reflect the Council's continued commitment to set itself stretching targets. They are reviewed on an annual basis as part of the refresh of the Strategic Plan to



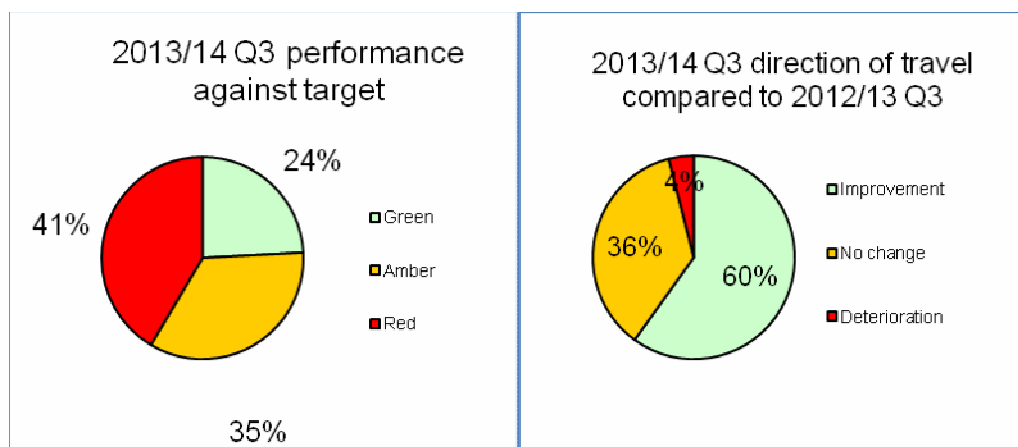
ensure that they remain fit for purpose. Where necessary, there will also be in-year reviews of the measures.

- 6.2. Appendix 5 illustrates the latest performance against our strategic measures. Performance against the current stretching target is measured as either 'Red', 'Amber' or 'Green' (RAG). Should performance fall below the standard target – indicated as the dotted red line, it is marked as 'Red'. Should it be at or better than the standard target, but below the stretched target – indicated as the solid green line, it is 'Amber'. Where performance is at or better than the stretched target, it is 'Green'. Performance is also measured against the equivalent quarter for the previous year, as a 'direction of travel'. Where performance is deteriorating compared to the same time last year, it is indicated as a downward arrow ↓, if there is no change (or less than 5% change, or no statistically significant change for survey measures) it is neutral ↔, and where performance has improved compared to the previous year, it is indicated as an upward arrow ↑.
- 6.3. Data for the following strategic measures were not available in time to report within the Quarter 2 report, but is now available, and is included in appendix 5.
- Smoking quitters
  - Percentage of household waste sent for reuse, recycling and composting
  - Homelessness prevention

### **Strategic Performance Measures – Quarter 3 (September - December 2013)**

- 6.4. The number of strategic measures available for reporting fluctuates between periods due to the different reporting frequencies of the measures. Of the 47 measures in the Strategic Set, 29 are reportable this quarter (including previously outstanding Quarter 2 data). Of these, four measures are new or changed for 2013/14:
- Rate of violence with injury crimes (excluding domestic violence).
  - Rate of violence with injury crimes (domestic violence only).
  - Average time between a child entering care and moving in with his/her adoptive family (time to adoption).
  - Percentage of ethnic minority background children adopted (BME adoptions).
- 6.5. For new or significantly changed measures, it is not usually possible to measure direction of travel (because previous quarters are not available); as a result, the proportions allocated to each direction arrow are based on a total of 25. For performance against target (RAG status), proportions are based on the totality of measures being reported this quarter: 29.

- For 96% of measures, we are either matching or exceeding performance compared to this time last year.
- 7 measures (24%) are meeting or exceeding their stretched target (Green), with six of these an improvement from last year (↑) and one a new indicator;
- 10 (34%) are above the standard target but below the stretched target (Amber), with six of these improving (↑) and three remaining unchanged (↔), compared to last year's performance; one measure is new.
- 12 (41%) are below the standard target (Red), with three improving from last year (↑), no change for six measures (↔) and one deteriorating (↓); with two measures being new. Further explanations and assessments of whether we will reach targets by end of the year are included later in this report.
- Overall, 4 indicators do not have comparable data for this time last year and therefore no direction of travel information can be produced.



6.6. There are several strategic performance measures which we report on a quarterly basis but Q3 data is currently not available due to a time lag in reporting. However Quarter 2 data is now available, (which was not previously reported to CMT) and has been provided in the report and appendix for the following indicators:

- Number of Smoking Quitters (NI123) – Q3 due to report around middle of March 2014.
- Percentage of household waste sent for reuse, recycling and composting. We are awaiting confirmation from CLC as to when Q3 data will be made available.

### **Performance Summary**

The following sections detail our performance under two key headings:

- High performing and areas of improvement;

- High risk areas – where we may not achieve our in year targets.

### High Performing Areas – Quarter 3

6.7. Measures that exceeded their stretched target and have improved compared to quarter 3 last year include:

- **Percentage of LP07 or above local authority staff that have a disability;**  
The current performance is 6.39% which is above the target level for this quarter (5.75%) and 1.76 ppt better than this time last year. Action to improve further against target during 2013/14 is as follows -Time to change pledge to increase awareness of mental health issues -Working with staff forum to increase declaration -Setting local targets in directorates -Raising awareness around disability across all groups of staff -Renewed membership of Disability Employers Forum providing advice and guidance.
- **Level of street and environmental cleanliness –detritus;**  
The current performance is 1% and is 1 ppt better than our stretch target (2%).
- **Level of street and environmental cleanliness – fly posting;**  
The performance is 1% and is 1 ppt better than our standard target (2%) and in line with the stretch target (1%). The performance is also nearly 5 ppt better than the previous quarter as well as for the same period last year, which indicates a significant improvement in this area of environmental cleanliness.
- **Percentage of household waste sent for reuse, recycling and composting;**  
The performance for Q2 is 29.26% which is above the stretch target (29.0%) and 2.16 ppt better than this time last year.
- **Overall Employment Rate – Gap with London Average;**  
The employment rate for Tower Hamlets in Q3 is 63.9% compared to the London average of 69.8%. This equates to 118,000 Tower Hamlets residents being in work. The gap between Tower Hamlets and the London average is 5.9%. This compares favourably to this time last year when the gap was 6.6%.  
The employment rate for Tower Hamlets in Q3 is looking positive with an increase of 1.4ppt since last quarter's data release compared to 0.4ppt for the London average rate. The employment rate gap has narrowed 1.0ppt since Q2 reporting and 0.7ppt since this time last year.

- **Rate of personal robbery crimes;**

The performance for Q3 is 3.49 and is on target (3.49) for the cumulative rate (which is the total of quarters 1, 2 and 3).

### **High Risk Areas – Quarter 3**

6.8 As part of the monitoring of our performance each quarter, analysis is undertaken to identify those measures at risk of not achieving their annual targets. This includes measures that are below their standard target and have deteriorated since the corresponding quarter for the previous year.

- **Lets to overcrowded households;**

The total number of lets to overcrowded applicants is 661, which is below the Standard target for December 2013 (750), influenced by fewer properties to let this year - a likely 1,786 based on activity to date compared with last year's 2,435. As forecasted, this measure would have also been affected by an increasing number of offers to non-priority cases and the 10% target set for Band 3 applicants (who are adequately housed) under the Council's lettings plan. However, performance against this measure has continued to remain strong with a total of 3,667 lets to overcrowded households from April 2011 against a Mayoral target of 1,000 lets to overcrowded households per year.

- **A Level attainment (average points scores);**

The final result for 2012/13 A Level attainment (627.6) is 2.7 ppt below our minimum target (644.9) which equates to underachievement of 17.3 points per student. Staff changes in 6th form management across Mulberry School, Sir John Cass School, Tower Hamlets College, and Cambridge Heath (due to dis-aggregation of its three component schools – Morpeth, Oaklands and Swanlea) may have played some role in their underperformance. Overall 7 out of 11 providers exceeded the borough minimum target points per student; however our highest performing schools have relatively small numbers of students in their year 13 A level groups, compared to other schools in the borough. All of the smaller schools have improved their points per student scores for 2012/13.

- **Rate of motor vehicle crime;**

Motor Vehicle crime was recorded as 8.15 for Q3, which is off target (7.01) and an increase of 2.4% compared to the last quarter. The increase is driven by theft of motor vehicles which is showing an increase and theft from motor vehicles a very small decrease i.e. one or two offences. A number of proactive operations and initiatives have been implemented around this issue, with a particular focus on offenders and repeat locations and this crime type is subject to weekly tasking activity.

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

- 7.1 Under Financial Regulations it is the responsibility of senior managers to spend within budgets and, where necessary, management actions will need to be taken over the remainder of the financial year to avoid overspend.
- 7.2 Any variance we incur at the end of 2013/14, or at any time over the forthcoming period, will change the financial position. An overspend will increase the future savings targets required to meet spending cuts, with a potential impact on front-line services; whereas an underspend will reduce the pressure on the councils reserves. The projected figures at this stage do not indicate that this is a significant risk.

## **8. LEGAL COMMENTS**

- 8.1 The report provides performance information, including by reference to key performance indicators and the budget. It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted.
- 8.2 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 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.
- 8.4 When considering its performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don’t. Relevant information is set out in section 8 of the report and officers must consider the need for equality analysis when carrying out any action in discharge of the Council’s functions.

**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 Great Place to Live theme.

**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 & Cohesive theme, however there are no specific crime and disorder reduction implications.

**13. EFFICIENCY STATEMENT**

Efficiencies for 2013/14 are incorporated within the estimated forecast outturn.

## 14. LINKED REPORTS, APPENDICES AND BACKGROUND DOCUMENTS

### Linked Reports

- None

### Appendices

- Appendix 1 - lists budget/target adjustments (including virements) for the General Fund and capital budget movements
- Appendix2 - provides the budget outturn forecast by Directorate and explanations of any major variances.
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### Local Government Act, 1972 Section 100D (As amended) List of “Background Papers” used in the preparation of this report

Brief description of “background papers”

Name and telephone number of holder  
and address where open to inspection.

None