


| | |
|--|---|
| Cabinet 1 October 2014 |  TOWER HAMLETS |
| Report of: Chris Holme, Corporate Director Resources | Classification: Unrestricted |
| Strategic Performance and Corporate Revenue and Capital Outturn Q1 2014/15 (Month 3) | |

| | |
|-------------------------------|--|
| Lead Member | Cabinet Member for Resources. Cllr Alibor Choudhury |
| Originating Officer(s) | Kevin Miles, Chief Accountant. Louise Russell, Service Head, Corporate Strategy and Equality |
| Wards affected | All |
| Community Plan Theme | All |
| Key Decision? | No |

Executive Summary

This monitoring report details the financial outturn position of the Council at the end of Quarter 1 compared to budget, and service performance against targets. This includes year-end position for the:

- General Fund Revenue and Housing Revenue Account; and
- An overview of quarter 1 performance for all of the reportable strategic measures.

Recommendations:

The Mayor in Cabinet is recommended to:

- Note the Council's financial performance compared to budget for 2014/15 as detailed in Sections 3 to 7 and Appendices 1-4 of this report.
- Review and note the 2014/15 quarter 1 performance for strategic measures in Appendix 5.

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 annual outturn position against budget for both revenue and capital net spend. It also reports 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 This monitoring report details the financial position of the Council at the end of June 2014 (Month 3) compared to budget. The report includes details of;
 - General Fund Revenue and Housing Revenue Account;
 - Capital Programme;
 - Performance for strategic measures.

3.2 General Fund

As at the end of June 2014, all Directorates are forecasting a breakeven position on an overall net budget of £293.9m, except for Education, Social Care & Welfare who are showing a £2.1m overspend. This will result in a potential Outturn position of £296.0m, (less than 1% of the net budget). ESCW have identified the factors driving the overspend and will keep CMT and Members updated on the latest position and action taken to minimise the impact.

3.3 HRA

The HRA is projecting an underspend position of £0.45m for 2014/15. This is less than 0.5% of the total budgeted income of £90.6m.

3.4 Capital Programme

Directorates have spent 7% of their capital budgets for the year (£15.3m against budgets of £208.7m).

- 3.5 More detailed financial information is contained in the following report appendices:

- Appendix 1 - lists Revenue and Capital budget / target adjustments (including virements).

- Appendix 2 - provides the General Fund budget outturn forecast by Directorate and explanations of any major variances.
- Appendix 3 – provides the budget outturn forecast for the HRA
- Appendix 4 – provides the projected Capital Monitoring outturn position
- Appendix 5 – provides a performance summary of the Strategic Measures

4 **FINANCE OVERVIEW**

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 |
|--------------------------------------|--------------------------------|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------------|
| Law, Probity and Governance | 9,472 | 2,367 | -350 | -2,717 | 9,472 | 0 |
| Communities, Localities and Culture | 77,976 | 19,786 | 11,454 | -8,332 | 77,976 | 0 |
| Development and Renewal | 15,802 | 3,889 | 5,158 | 1,269 | 15,802 | 0 |
| Education, Social Care and Wellbeing | 217,865 | 53,134 | 41,363 | -11,771 | 219,965 | 2,100 |
| Resources | 7,455 | 1,866 | -6,886 | -8,752 | 7,455 | 0 |
| Corporate Costs / Capital Financing | -34,637 | -8,659 | 1,023 | 9,682 | -34,637 | 0 |
| Total | 293,933 | 72,383 | 51,762 | -20,621 | 296,033 | 2,100 |

4.2 Year-to-date variances are explained in the detailed budget analysis in Appendix 2. A summary position for each service directorate is set out below.

4.3 **Law Probity and Governance**

Nil

The LP&G directorate (formally Chief Executive's Dept.) is forecasting a nil outturn variance for the financial year.

4.4 Communities, Localities & Culture Nil

The monitoring for June 2014 assumes a nil variance for the financial year. This assumes that all growth proposals, indexation requirements and use of earmarked reserves will be added to the CLC base for 2014/15. The achievement of the Depot Consolidation MTFP saving target of £200k will need to be flagged up as a risk to the Council due to the delay in being able to implement the delivery of the saving, which impacts on a number directorates and not just CLC.

4.5 Development and Renewal NIL

The D&R directorate is forecasting a nil outturn variance for the financial year.

4.6 Education, Social Care and Wellbeing £2.1m Overspend

The extent of the financial pressures being experienced, principally by Adults Social Care packages is such that there is insufficient grants and reserves within the Directorate to cover the whole forecast amount. A forecast overspend of £2.1m is currently included.

A Financial Recovery (officer) Group has been established to work through the policy, process, systems, service and other financial issues associated with stress testing financial assumptions and control for Adults Social Care. The work that this group oversees will be vital to restoring stability and visibility to the financial issues for ASC packages. More detail on the work of this group and the management actions undertaken by the directorate to manage the overspend and risks of a higher overspend will be available in the quarter 2 report.

The Schools Budget is reporting an improved position with forecast unallocated DSG at year-end now looking to be £4.367m.

4.7 Resources Nil

The Resources directorate is forecasting a nil outturn for the financial year.

The variance to date is primarily due to the Housing Benefit Subsidy, the first quarter of which has been posted to the account in June (£69m).

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.

5. Housing Revenue Account

£0.45m underspend

The overall projected HRA underspend is the net result of a number of variances, the main ones being that energy costs are forecast to be lower than budgeted, although this is a volatile budget and costs may increase if there is a period of prolonged cold weather. In addition, the 2014/15 budget included a sum of £1.3m in respect of additional costs due to an increase in employer pension contributions; however, current forecasts indicate that the actual increase in costs will be significantly lower than this. Rental income is currently forecast to be lower than budgeted; this is mainly due to the number of Right to Buy sales that are forecast to take place in 2014/15 – there have been 50 Right to Buy sales in the first quarter of this year.

6. CAPITAL

6.1 The capital budget now totals £208.7m, increased from the £166.9m approved by Cabinet in February 2014. This is mainly due to the inclusion of unspent budgets from 2013/14 carried forward into 2014/15.

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

6.3 Total capital expenditure to the end of Quarter 1 represented 7% of the revised capital programme budget for 2014/15 as follows:

| | Annual Budget as at 30-Jun-14 | Spent to 30-Jun-14 | % Budget Spent |
|--|----------------------------------|-----------------------|-------------------|
| | £m | £m | % |
| TOTALS BY DIRECTORATE: | | | |
| Education, Social Care and Wellbeing | 31.379 | 2.537 | 8% |
| Communities, Localities and Culture | 13.853 | 0.602 | 4% |
| Development and Renewal | 19.159 | 0.913 | 5% |
| Building Schools for the Future (BSF) | 6.073 | 3.937 | 65% |
| Housing Revenue Account (HRA) | 126.214 | 7.346 | 6% |
| Corporate GF provision for schemes under development | 12.000 | 0.000 | 0% |
| GRAND TOTAL | 208.678 | 15.335 | 7% |

This compares with 2.8% at the same stage last year.

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

| | Annual Budget as at 30-Jun-14 | Projection 31-Mar-15 | Forecast Variance |
|--|--|---------------------------------|------------------------------|
| | £m | £m | £m |
| TOTALS BY DIRECTORATE: | | | |
| Education, Social Care and Wellbeing | 31.379 | 22.160 | -9.219 |
| Communities, Localities and Culture | 13.853 | 12.237 | -1.616 |
| Development and Renewal | 19.159 | 19.107 | -0.052 |
| Building Schools for the Future (BSF) | 6.073 | 6.073 | 0.000 |
| Housing Revenue Account (HRA) | 126.214 | 126.214 | 0.000 |
| Corporate GF provision for schemes under development | 12.000 | 12.000 | 0.000 |
| GRAND TOTAL | 208.678 | 197.791 | -10.887 |

Programme slippage of £10.9m is currently being projected. The projection does not reflect an underspend but is due to timing differences between years. Any amount of slippage will be spent in future years. The main reason for the variance is as follows:

- **Basic Need and Condition Improvement (£9.1m)**

The forecast in-year variance is due to schemes yet to be developed. These schemes are unlikely to spend in the current year but will spend all resources in future years. The grant funding for this programme is able to be carried forward to be used in future years and all resources will be fully spent. The budget will be re-profiled from quarter 2.

6.5 The total approved budget, taking into account the whole life of all capital schemes, is currently £984.7m against which spend of £984.7m is forecast to result in a total nil variance.

| | All year budget as at 30-Jun-14 | Projection (all years) | Variance |
|---|------------------------------------|---------------------------|--------------|
| | £m | £m | £m |
| Education, Social Care and Wellbeing | 147.979 | 147.979 | 0.000 |
| Communities, Localities and Culture | 76.609 | 76.609 | 0.000 |
| Development and Renewal | 38.395 | 38.395 | 0.000 |
| Building Schools for the Future (BSF) | 325.532 | 325.532 | 0.000 |
| Housing Revenue Account (HRA) | 364.242 | 364.242 | 0.000 |
| Corporate GF provision for schemes under development | 32.000 | 32.000 | 0.000 |
| GRAND TOTAL | 984.757 | 984.757 | 0.000 |

6.6 Capital receipts received in 2014/15 from the sale of Housing and General Fund assets as at 30 June 2014 are as follows:

| Capital Receipts | | |
|--|--------|--------------|
| | £m | £m |
| Sale of Housing assets | | |
| Receipts from Right to Buy (50 properties) | 5.116 | |
| less pooled amount paid to DCLG | -0.394 | |
| | | 4.722 |
| Sale of General Fund assets | | |
| Overage Payments (Wapping Lane) | 0.446 | |
| | | 0.446 |
| Total | | 5.168 |

Retained Right to Buy receipts must be set aside to meet targets on housing provision as set out in regulations governing the pooling of housing capital receipts, so they must be ringfenced for this purpose and are not available for general allocation.

7. **STRATEGIC PERFORMANCE MEASURES**

2013/14 Final Outturn Reporting Update

7.1 Since the year end performance reporting was undertaken, final outturns for the following outstanding performance measures are now available and are included in appendix 5.

- ***Number of households who considered themselves homeless who approached the local authority's housing advice service(s), and for whom housing advice casework intervention resolved their situation*** – the final outturn for 2013/14 was 6.59%. The stretch target of 7.9% was missed but the standard target was exceeded

(6.2%), and this performance also represents an improvement on that of the previous year.

- **Percentage of CAF reviews with an improved average score** – the final outturn for 2013/14 was 74.7% against a stretch target of 64%, and the target was therefore exceeded. In addition, the outturn was a significant improvement on the previous year's outturn of 61.6%.
- **Social Care-related quality of life** – the final outturn for 2013/14 financial year is 18.5 (out of a maximum score of 24) for the self-reported experience of social care users. This represents an improvement compared to the previous year.
- **Smoking quitters** – over the course of the last financial year, 1,815 people were helped to quit smoking for a four week period. This measure did not meet the standard target set of 2,686 smoking quitters, and represents deterioration compared to last year when there were 3,260 quits. This was due to taking longer than expected to get community pharmacists onto financial systems and issue them with contracts, following the transition to the council. This issue is now resolved, and relationships have been re-established, which should ensure a return to excellent performance for 14/15.

There remain a small number of measures where 2013/14 year-end outturns are still not available:

- **Annual Resident Survey measures relating to people's perceptions of the Council, community cohesion, and crime and anti-social behaviour** – fieldwork interviews commenced early June, and it is anticipated that outturns will be reported in the Autumn 2014.
- **Percentage of overall council housing stock that is non-decent** – year end data is expected shortly after quality checks have been completed.
- **Rate of violence with injury crimes – DV and non-DV** – due to recent changes within the Metropolitan Police, data relating to violence with injury measures is not currently available.

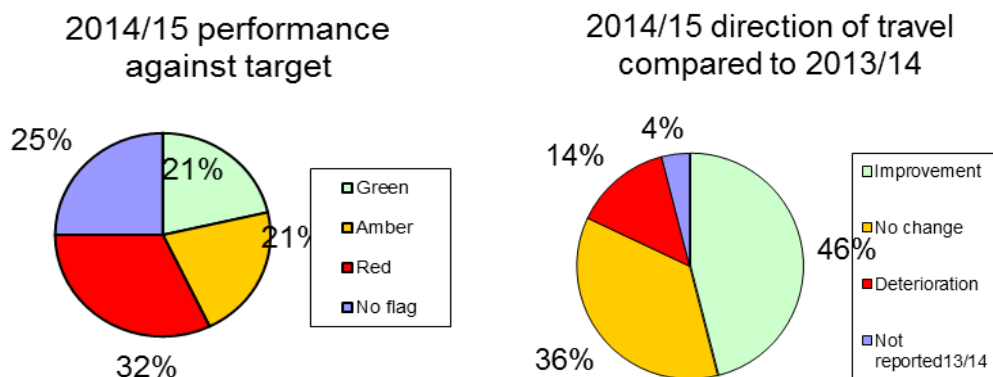
Strategic Performance Measures – Quarter 1 (March-June 2014)

- 7.2 The strategic measures enable the Council to monitor progress against its 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.
- 7.3 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 be worse than 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 ↑.

7.4 The number of strategic measures available for reporting fluctuates between periods due to the different reporting frequencies of the measures. Of the 58 measures in the Strategic Set, including subset of measures, 28 are reportable this quarter, including the four 2013/14 outturns mentioned above, and the provisional figure for KS2 attainment for the year. Of these:

- 6 (21%) are meeting or exceeding their stretched target (Green), with 2 of these an improvement from last year (↑);
- 6 (21%) are better than the standard target but below the stretched target (Amber), with 4 of these improving (↑) and 1 remaining unchanged (↔) compared to last year's performance (the remaining one was not reported at this time last year);
- 9 (32%) are below the standard target (Red), with 2 measures having improved since this time last year, performance remaining unchanged for 4 measures, and 3 deteriorating (↓); and
- The 7 MOPAC measures have yet to have targets agreed by the Community Safety Partnership, and therefore performance against target cannot be reported against these; however, 5 have improved since this time last year, 1 remains unchanged, and 1 has deteriorated.



7.5 There are several strategic performance measures which report on a quarterly basis but Q1 data is currently not available due to a time lag in reporting; these will be available for quarter 2.

- ***Percentage of household waste sent for reuse, recycling and composting (NI192)***
- ***Improved street and environmental cleanliness (detritus; fly-posting; graffiti; litter)***
- ***Labour Market: number of job starts for Tower Hamlets residents***
- ***Crime measures: Violence with Injury (Domestic Violence only and excl DV) and CAD calls for ASB***

7.6 Performance Summary

The following sections detail our performance under two key headings:

- High performing areas and areas of improvement
- High risk areas

High performing areas and areas of improvement

7.7 The following measures exceeded their stretched target or have improved compared to quarter 1 last year.

- ***Percentage of LP07+ staff who are from an ethnic minority***
Although the stretch target of 30% was not achieved, the Q1 outturn of 24.84 was higher than the standard target set. Compared to this time last year, there has been an improvement in performance of 2.32 percentage points.
- ***Number of working days / shifts lost to sickness absence per employee***
Although May's sickness absence outturn was higher than the standard target of 6.47 days per employee, at 6.77, there has been a minor improvement compared to this time last year (6.79).
- ***Percentage of council tax collected***
Stretched target exceeded.
- ***Percentage of non-domestic rates collected***
Stretched target exceeded.
- ***Number of affordable homes delivered (gross)***
At 193 affordable homes delivered so far this year, the target has been missed. However this is an improvement compared to this time last year. Furthermore, it is forecast that the majority of delivery will take place in Quarter 4, due to schemes funded by the GLA 2011-15 programme seeking

to complete by the end of the financial year. These homes are expected to see the indicator meet its lower bandwidth target.

- ***Number of affordable social rented housing completions for family housing (gross)***
56 affordable social rented housing completions for family housing have been delivered so far this quarter. Whilst this is below the standard target of 66, it is an improvement compared to this time last year.
- ***Key Stage 2 Achievement in reading, writing and Maths***
81% of pupils attained the Level 4 or above standard in their Key Stage 2 assessments in reading, writing and maths. This is currently a provisional result – the stretch target was 79% and so this is a 3 percentage point increase in performance since last year.
- ***Overall employment rate – gap between the Borough and London average (working age)***
The employment rate in Tower Hamlets is 64.6% compared to the London average of 70.5%, with a gap between Tower Hamlets and the London average of 5.9 percentage points. The stretched target of ensuring the gap is less than 6.3 percentage points has been exceeded, and this also represents a considerable improvement from this time last year, when this gap was 7.6 percentage points.
- ***JSA Claimant Rate (gap between the Borough and London average rate (working age)***
The Q1 performance shows a 0.8 percentage point gap between Tower Hamlets and London which was better than the standard target and only 0.2 percentage points away from achieving the stretch target of a 0.6 percentage point gap. The JSA Claimant Rate for Tower Hamlets was 3.4% and the London Average was 2.6%. The trend is positive compared to this time last year when the gap was 1.2 percentage points.
- ***MOPAC 7 crimes: Number of Robbery incidents, number of thefts of a Motor Vehicle incidents, number of thefts from a Motor Vehicle incidents; number of Theft from the Person incidents***
Targets have not yet been set for these measures, however compared to this time last year, there has been a reduction in the number of crimes for these measures as follows:
 - Number of Robbery Incidents – 73 fewer
 - Number of Theft of a Motor Vehicle incidents – 14 fewer
 - Number of Theft from a Motor Vehicle incidents – 148 fewer
 - Number of Theft from the Person incidents – 68 fewer

- **Total Notifiable Offences (TNO)**
Targets have not yet been set for this measure. There were 6,592 TNOs between April-June, compared to 6,970 this time last year – equating to 378 fewer crimes.
- **Proportion of people using social care who receive self-directed support, and those receiving direct payments**
Although the Q1 stretch target of 70% was not met, at 62.7% the standard target of 61.7% was exceeded. There has been a significant improvement on performance since this time last year when 56.4% was achieved. However, it should be noted that a change in the definition for this measure means it now excludes carers, and this change could be a factor in the improved performance.

High Risk Areas

7.8 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.

- **Percentage of LP07+ LA staff who have a disability**
This quarter 5.7% of senior staff had a disability, the standard target of 6.34% has been missed and represents a deterioration in performance since this time last year when performance was 6.15%. Workforce to reflect the community activities are underway to ensure that this issue is being addressed. It should be noted that the number of people in this category is relatively small, and so small numbers of people either leaving or joining can have a significant impact on the percentage.
- **Number of lets to overcrowded households**
This quarter the number of lets to overcrowded households was 171 against a standard target of 205 and a stretch target of 250. In addition, compared to this time last year, there have been 56 fewer lets to overcrowded households (227 in Q1 2013/14). These lets represent 44% of the total number of lets for the quarter.

171 overcrowded households have been rehoused representing 44% of the total number of lets for the quarter. Whilst performance is 25% (56 lets) lower than this time last year, year end performance is expected to exceed the lower bandwidth target. The number of lets to overcrowded households is not something that can be targeted, significantly influenced by a) the number of properties becoming available b) housing priority and entitlement levels of

applicants from other housing bands and c) the 10% target set by the Council for Band 3 applicants (who are adequately housed).

8. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 8.1 Under Financial Regulations it is the responsibility of senior managers to spend within budgets and, where necessary, management action will need to be taken over the remainder of the financial year to avoid overspend.
- 8.2 Any overspend incurred during 2014/15, will risk the financial position of the Council and would increase the savings targets within the MTFP, with a potential impact on services.
- 8.3 The current forecast overspend in ESCW is being reviewed by the Financial Recovery Group and the overall position will be reported through ongoing monitoring. Further work will be done to validate the extent of the cost pressures, and in the short term, the overspend can be contained with corporate contingencies. Any cost pressures that are replicated in future years will be considered as part of the budget and MTFP process.

9. LEGAL COMMENTS

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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 10 of the report and officers must consider the need for equality analysis when carrying out any action in discharge of the Council's functions.

10. 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.

11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

An element of the monitoring report deals with environmental milestones within the Great Place to Live theme.

12. 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.

13. CRIME AND DISORDER REDUCTION IMPLICATIONS

The strategic measure set contains a number of crime and disorder items under the Safe & Cohesive theme, however there are no specific crime and disorder reduction implications.

14. EFFICIENCY STATEMENT

Efficiencies for 2014/15 are incorporated within the estimated forecast outturn.

Linked Reports, Appendices and Background Documents

Linked Report

None

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 5 – provides a summary of the Strategic Measures

Background Documents – Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012

None

Originating Officers and Contact Details

| Name | Title | Contact for information |
|----------------|---|--------------------------------|
| Kevin Miles | Chief Accountant | Brian Snary |
| Louise Russell | Service Head, Corporate Strategy and Equality | Kevin Kewin |