


Cabinet 6 th October 2015	 TOWER HAMLETS
Report of: Zena Cooke – Corporate Director of Resources	Classification: Unrestricted
Strategic Performance and Corporate Revenue and Capital Budget Monitoring Q1 2015/16 (Month 3)	

Lead Member	Cllr Edgar, Cabinet Member for Resources
Originating Officer(s)	Kevin Miles , Chief Accountant & Louise Russell , Service Head Corporate Strategy and Equality
Wards affected	All Wards
Key Decision?	No

Executive Summary

This monitoring report details the financial position of the Council at the end of June 2015 (Month 3) compared to budget. The report includes details of;

- General Fund Revenue
- Housing Revenue Account;
- Capital Monitor Q1
- Performance Monitoring Report

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the Council's financial performance compared to budget for 2015/16 as detailed in Sections 2 to 5 and Appendices 1-4 of this report.
2. Review and note performance for strategic measures and Strategic Plan activities in Appendix 5.
3. Note details of Ashington East Capital Programme included in the report titled 'Housing Resources and Capital Delivery', agenda item 5.4

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 anticipated 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

1.2 General Fund

As at the end of June 2015, the net projected General Fund outturn position is £291.222m. This represents a £0.141m underspend. This is less than 0.05%, on the approved budget of 291.363m.

The current position is summarised below

Narrative	£m
Budget	291.363
Resources – operational variances	(0.058)
Legal, Probity and Governance – operational variances	(0.065)
Development & Renewal – operational variances	(0.018)
Forecast Outturn – Per system	291.222

1.3 HRA

The HRA is projecting an underspend position of 0.465m for 2015/16. This is 0.5% of the total budgeted income of £92.1m.

1.4 Capital Programme

Directorates have spent 3% of their capital budgets for the year (£6.9m against budgets of £211.1m). Further information is provided in section 5 of the report and Appendix 4.

1.5 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 summary of the Strategic Measures

2. FINANCE OVERVIEW

2.1 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	Forecast Outturn £'000	Variance £'000
Law, Probity and Governance	9,291	2,323	(115)	9,226	(65)
Communities, Localities and Culture	79,295	15,944	7,742	79,295	0
Development and Renewal	15,887	3,972	5,044	15,869	(18)
Education, Social Care and Wellbeing	212,259	53,066	39,093	212,259	0
Resources	7,438	1,858	14,900	7,380	(58)
Corporate Costs / Capital Financing	(32,807)	(8,994)	2,851	(32,807)	0
Total	291,363	68,169	69,630	291,222	(141)

Variances are explained in the detailed budget analysis in Appendix 2. The summary position for each service directorate is set out below.

2.3 Law Probity and Governance £65k Underspend

The LP&G directorate is showing a small underspend as a result of vacancies in the Corporate Management structure.

2.4 Communities, Localities & Culture Nil

The CLC directorate is forecasting a nil variance at the end of the financial year.

2.5 Development and Renewal £18k Underspend

The D&R directorate is forecasting a small underspend for the financial year

2.6 Education, Social Care and Wellbeing Nil

There is significant overall pressure which is reflected within divisional budgets, particularly in Adults Social Care however the drawdown of grants, reserves, and the potential to evidence growth pressures for extra central resources allows a balanced position to be reflected.

There remain risks affecting the budget position, some of which may improve the position, others may make the position worse. At present there are savings of £2.493m which are yet to be allocated across the directorate - £500k of these relate to the Admin review, which leaves £1.993m as savings which need to be delivered, mitigated, or a case made for additional corporate resources via a target adjustment due to slippage/non-deliverability.

The Schools Budget is reporting a forecast unallocated DSG at year-end of £2.926m

From the 1st July (period 4) the ESCW Directorate will be split between Children's Services and Adults Services, and reported as separate directorates.

2.7 Resources £58k Underspend

There are small underspends in the resources directorate

2.8 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.

3. Housing Revenue Account £0.46 m Underspend

The overall projected HRA underspend is the net result of a number of variances, the main variance for HRA income is that rental income is forecast to be lower than budgeted due to the high number of Right to Buy sales taking place – in the first three months of 2015/16 there were 49 sales. In addition, energy costs are forecast to be lower than budgeted, although this is a volatile budget and will be closely monitored.

4. CAPITAL

4.1 The capital budget for 2015/16 now totals £211.1m, increased from the £172.0m reported to Cabinet in February 2015 as part of the budget-setting process. The increase is due to slippage from 2014/15 being incorporated into the current year budget.

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

4.3 Total capital expenditure to the end of Quarter 1 represented 3% of the revised capital programme budget for 2015/16 as follows:

	Annual Budget as at 30-Jun-15	Spent to 30-Jun-15	% Budget Spent
	£m	£m	%
TOTALS BY DIRECTORATE:			
Education, Social Care and Wellbeing	24.060	1.490	6%
Communities, Localities and Culture	17.885	-0.142	-1%
Development and Renewal	11.324	1.673	15%
Building Schools for the Future (BSF)	1.015	0.581	57%
Housing Revenue Account (HRA)	154.308	3.332	2%
Corporate	2.504	0.000	0%
GRAND TOTAL	211.096	6.934	3%

This compares with 7% at the same stage last year. Expenditure tends to be heavily profiled towards the latter half of the year as new schemes are under development at the start of the year.

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

	Annual Budget as at 30-Jun-15	Projection 31-Mar-16	Forecast Variance
	£m	£m	£m
TOTALS BY DIRECTORATE:			
Education, Social Care and Wellbeing	24.060	23.449	-0.611
Communities, Localities and Culture	17.885	17.778	-0.107
Development and Renewal	11.324	9.137	-2.187
Building Schools for the Future (BSF)	1.015	1.015	0.000
Housing Revenue Account (HRA)	154.308	103.960	-50.348
Corporate GF provision for schemes under development	2.504	1.122	-1.382
GRAND TOTAL	211.096	156.461	-54.635

Programme slippage of £54.635m 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 reasons for the variance are as follows:

- New Housing Supply – retained RTB receipts (£24.1m)**
 Provision was set aside in the 2015/16 HRA budget report for the use of these capital resources on new-build schemes in order to spend £14.5m of 1-4-1 receipts held by the Authority. A number of new-build schemes are being assessed by Cabinet for their viability and whether they are affordable.
- Housing Capital programme (£18.2m)**
 In light of the summer budget announcements and the need to maximise the use of 1-4-1 receipts, and the stock condition survey that is currently being undertaken, uncommitted elements of the HRA capital programme are being reviewed. £10.9m of the projected slippage relates to a provision that was set aside in the 2015/16 HRA budget report for schemes under development.
- New Affordable Housing – Ashington Estate East (£6.1m)**
 The scheme is being reviewed in the light of the changes in the budget including the need to utilise RtB receipts, and the need to review the technical aspects of a difficult scheme to ensure value for money and the best design for affordable homes. Further detail of this project is contained in agenda item 5.4 titled ‘Housing Resources and Capital Delivery’.
- Community Buildings Support Fund (£1.5m)**
 This project is currently under review.

- **Whitechapel Civic Centre (£1.4m)**

Following the decision of the Mayor in Cabinet on 28 July 2015, a further report will be considered by Cabinet in respect of the delivery and procurement options for the new civic centre. At this stage it has been assumed that £1.12 million of the residual £2.5 million of resources earmarked for the project will be spent this year, with the further report including the financial requirements of the full project.

- 4.5 The total approved budget, taking into account the whole life of all capital schemes, is currently £1,014.5m against which £1,001.0m is forecast. The £13.5m underspend relates to the HRA scheme for new affordable housing at Ashington Estate East.

The breakdown by directorate is shown below:

	All years budget as at 30-Jun-15	Projection (all years)	Variance
	£m	£m	£m
Education, Social Care and Wellbeing	116.301	116.301	0.000
Communities, Localities and Culture	64.373	64.373	0.000
Development and Renewal	30.973	30.973	0.000
Building Schools for the Future (BSF)	332.146	332.146	0.000
Housing Revenue Account (HRA)	458.714	445.214	-13.500
Corporate	12.000	12.000	0.000
GRAND TOTAL	1,014.507	1,001.007	-13.500

- 4.6 Capital receipts received in 2015/16 from the sale of Housing and General Fund assets as at 30th June 2015 are as follows:

Capital Receipts		
	£m	£m
Sale of Housing assets		
Receipts from Right to Buy (49 properties)	5.796	
less pooled amount paid to DCLG	-0.444	
		5.352
Sale of General Fund assets		
None	0.000	
		0.000
Total Capital Receipts 2015/16		5.352

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 ring-fenced for this purpose and are not available for general allocation.

5. STRATEGIC PERFORMANCE MEASURES

2014/15 Final Outturn Reporting Update

5.1 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.

- **Percentage of CAF reviews with an improved average score** – the final outturn for 2014/15 was 70.6% against a minimum expectation of 74.5%.
- **Social Care-related quality of life** – the final outturn for 2014/15 financial year was 18.3 (out of a maximum score of 24) for the self-reported experience of social care users. The minimum expectation of 18.5 was missed.
- **Self-Directed Support** – in 2014/15 the proportion of people using social care who receive self-directed support or a direct payments was 64.7%. The minimum expectation of 61.7% was exceeded.
- **Smoking quitters** – in 2014/15 the smoking quit rate per 100,000 residents aged 16 or above was 626.18 equating to 1,364 residents achieving the four week smoking quit target. This measure did not meet the minimum expectation set of 833.
- **People Killed or Seriously Injured (KSI)** – the final outturn for people killed or seriously injured in road traffic accidents was 114.3. The outturn is a three year rolling average of 2012, 2013 and 2014. Performance was better than the minimum expectation of 119.3 but the target (112 or lower) was missed. The number of people killed or seriously injured in each year was 168, 87 and 88 respectively.
- **Children Killed or Seriously Injured (KSI)** – the final outturn for children killed or seriously injured in road traffic accidents was 5.7. The number of children killed or seriously injured was 11, 4 and 2 across the three year rolling period 2012, 2013 and 2014. Performance was better than the target of 8 (or lower).

5.2 There is one measure where the 2014/15 year-end outturn is still outstanding:

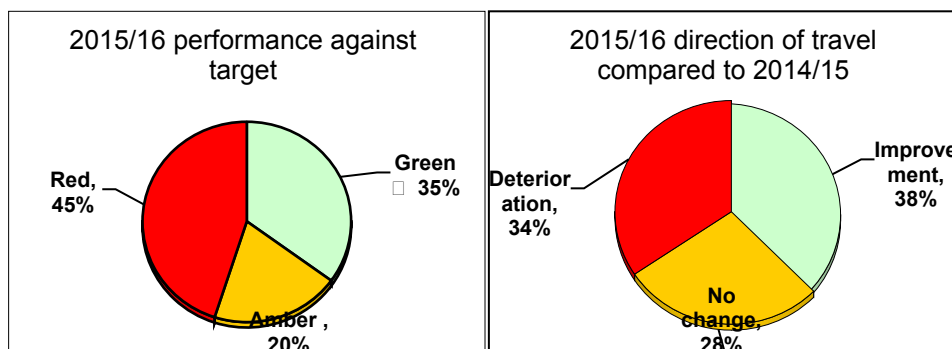
- **Percentage of overall council housing stock that is non-decent**
– year end data is expected shortly after quality checks have been completed.

Strategic Performance Measures – Quarter 1 (March-June 2015)

- 5.3 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.
- 5.4 Appendix 5 illustrates the latest performance against our strategic measures. Performance against the current target is measured as either 'Red', 'Amber' or 'Green' (RAG). Should performance be worse than the minimum expectation – indicated as the dotted red line, it is marked as 'Red'. Should it be at or better than the minimum expectation, but below the target – indicated as the solid green line, it is 'Amber'. Where performance is at or better than the 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 (↑).
- 5.5 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, 33 are reportable this quarter, including the 6 2014/15 outturns mentioned above. Of these:
- Seven (35%) are meeting or exceeding their target (Green), with five of these an improvement from last year (↑); one a deterioration (↓); and one remaining unchanged (↔);
 - Four (20%) are better than the minimum expectation but below the target (Amber), two of these are improving (↑); and two have remained unchanged (↔) compared to last year's performance;
 - Nine (45%) are below the minimum expectation (Red), with five measures having improved since this time last year (↑), performance remaining unchanged for four measures (↔), and three deteriorating (↓); and

- For those measures where targets have not yet been set (e.g. because of a lag in 2014/15 outturn data) performance against target cannot be reported; however, one has improved since last year, two have maintained performance and seven have deteriorated.

5.6 Annual targets for the Smoking Quitters measure has not yet been set. Annual and in-year targets have not been set for the Job Starts measure. The Total Notifiable Offences and the 7 MOPAC measures have yet to have targets agreed by the Community Safety Partnership. It is expected that the target-setting exercise for these measures will be included as part of the Quarter 2 monitoring report.



5.7 Performance Summary

Areas of strong performance, where the target has been exceeded, include:

- **Percentage of council tax collected**

At the end of Q1, 26.93% of Council Tax had been collected against a target of 24.25%.

- **Percentage of non-domestic rates collected**

At the end of Q1, 29.82% of Council Tax had been collected against a target of 24.9%.

- **Lets to overcrowded households**

Between April-June 2015, 279 overcrowded families were rehoused against a quarterly target of 234. At the end of Q1, 29.36% of the annual target has been achieved. The outturn is 58% higher than this time last year, when 171 families were rehoused due to overcrowding. The total number of lets is greater compared to this time last year, however it is still low compared to previous years.

- **Overall employment rate – gap between the Borough and London average**

The employment rate in Tower Hamlets is 69.7% compared to the London average of 71.7 percent; a gap between Tower Hamlets and the London average of 2 percentage points. The target of ensuring the gap is less than 2.5 percentage points has been exceeded, and this also represents a considerable improvement from this time last year, when this gap was 5.9 percentage points.

□

- ***JSA Claimant Rate (gap between the Borough and London average rate)***

The Q1 performance shows a 0.3 percentage point gap between Tower Hamlets and London – the target of 0.55 percentage point maximum gap has been exceeded. The JSA Claimant Rate for Tower Hamlets was 2.4% and the London Average was 1.9%. The trend is positive compared to this time last year when the gap was 0.8 percentage points.

The number of residents on JSA has reduced; in June 2015, 4,588 working aged residents in the borough were claiming JSA compared to 6,643 in June 2014.

High Risk Areas

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

- ***Number of working days / shifts lost to sickness absence per employee***

At the end of June 2015, the average days lost per FTE was 8.42 days. This is 2.32 days above the end of year target of 6.1 days; an increase of 0.02 (0.27%) compared to last month; and an increase of 1.30 (15.39%) days compared to the same period last year. Short term absence has decreased from 3.69 to 3.66 days but long term has increased from 4.70 to 4.75 days.

Action taken over the last few months includes:

- Since March 2015, non-compliant managers have been identified and written to by their Corporate Director. Directorate People Panels, supported by HR Business Partners, monitor and review compliance in completing sickness absence returns. Improving compliance has resulted in improved accuracy of sickness absence reporting. The top

30 cases of sickness absence cases are considered by Directorate People Panels each month with a view to ensuring consistency and appropriate pace for action.

- Since May 2015, areas of the organisation which are consistently high are put onto special measures. These are monitored by Directorate People Panels and SMTs in conjunction with HR Business Partners.
- Guidance relating to the Sickness Absence Procedure has been reviewed by HR Strategy and the HR Business Partners to ensure it is clear and unambiguous.
- Since July 2015, zero hours posts have been removed from the calculation of sickness absence to ensure a consistent method of calculation.

- ***Smoking quitters***

This is an annual outturn. In 2014/15 the smoking quit rate per 100,000 residents aged 16 or over was 626. The minimum expectation of 833 was missed. The 2014/15 outturn was a deterioration on the previous year's performance of 862 residents per 100,000.

The total number of people supported to quit smoking was 3,600; this led to 1,364 quits which is in line with performance across London due, in the main, to a fall in smoking prevalence. Statistics from the NHS Stop Smoking Service in England for 2014/15 ranked Tower Hamlets quit rate as 13th out of the 33 London boroughs.

We are refining the targeting of our services, to people with the most capacity to benefit and protect others from harm (e.g. pregnant smokers) and ensuring enhanced support is available to those with high tobacco addiction e.g. people with mental health or long term conditions. Although this has the greatest potential to reduce health inequalities, these groups require more intensive interventions, along with a number of unsuccessful attempts to stop smoking, and the effect on the quit rate will be smaller. With approximately still around 45,000 smokers in Tower Hamlets the challenge remains and a range of actions have been implemented:

- Extensive work with the core primary providers including training and advice on optimum prescribing.
- Local campaigns in partnership with providers for Stoptober (October), New Year and No Smoking Day (March).
- Implementation of a new data collection system for community pharmacies and the two specialist stop smoking/tobacco services.

- An increase of satellite clinics throughout the borough.
- Increase of service provision for all BAME groups.
- Close partnership working with Barts to increase referrals from secondary care and maternity services including an increase referrals into stop smoking support from pregnant mums who smoke.
- ***Average time between a child entering care and moving in with adoptive family (time to adoption)***

The Q1 outturn for this measure was 762 days; the minimum expectation target of 614 days was missed. The previous reported figure (645) was based on a 3 year rolling average in accordance with the DFE Adoption Scorecard definitions. Now that the Adoption Leadership Board (ALB) has taken over collection and publication of adoption data, they have reverted to a single year annual figure. Our performance for 2014/15 was 759 days under this definition. The reported 762 days is the rolling year to end of June, so is in line with the previous period based on the new definition. It is worth noting that the old “three year rolling” definition would show us at 634 days up to end of June 2015, and the actual figure for Q1 performance is 229 days (that is, there has been one adoption between April and June that took 229 days from the child entering care until placement with adopters). Improving adoption performance remains a priority and Children’s Services is setting up a new permanence team and increasing the pool of available adopters to support this.

We’re currently in the process of amending all internal reporting to be in line with how ALB are publishing their data.

The performance figure measures the time between a child entering care, and them being placed with adoptive parents following a placement order awarded by the courts. Difficulty matching children with suitable adopters can cause delay in the process. It is particularly hard to find suitable adopters for black and minority ethnic children, sibling groups and those with special educational need / complex health needs. In addition, delays can occur in court processes particularly if a case is contested. Finally because of the small number in the cohort for this indicator (21 in 2014-15), the average time figure can be skewed by small number of very complex cases- over half of our adoptions in 2014-15 were completed in less than the national average time, but the average time was dragged up by very few complex cases (see chart below). Nationally, the average time for this process was 533 days in 2014/15.

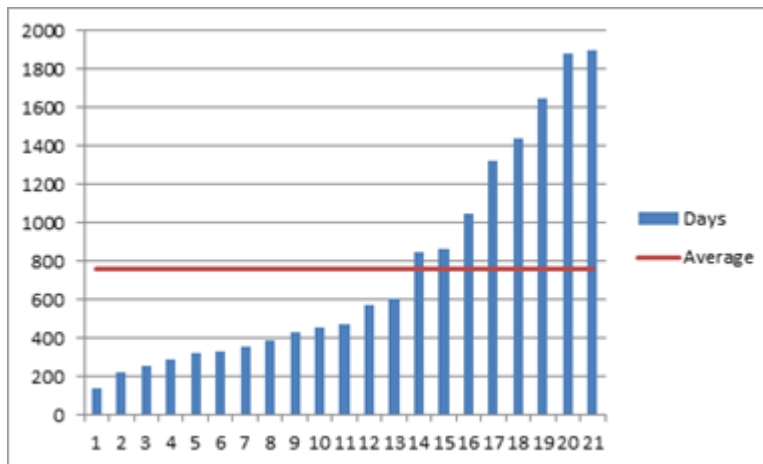


Figure 1: distribution of time to adopt

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Under Financial Regulations it is the responsibility of senior managers to contain expenditure within budgets and, where necessary, management action will need to be taken over the remainder of the financial year to avoid overspend.
- 6.2 Any ongoing revenue overspend during 2015/16 will have a negative impact on the Medium Term Financial Plan. At present a broadly break-even position for Directorates is predicted for 2015/16, however there are cost pressures within social care that potentially require the use of earmarked reserves during the year.

7. LEGAL COMMENTS

- 7.1 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. For the same reason, it is reasonable for the Council to consider the views of residents about the borough and how the Council is discharging its functions.
- 7.2 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.
- 7.3 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.

- 7.4 When considering its performance and any procurement, 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 do not (the public sector equality duty). The Council's targets are formulated by reference to its public sector equality duty and monitoring performance against those targets should help to ensure they are delivered.

8. 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

9. BEST VALUE (BV) IMPLICATIONS

Best Value implications for 2015/16 are incorporated within the forecast outturn.

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.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

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

- NONE

Officer contact details for documents:

- N/A