

Committee	Date	Classification	Report No.	Agenda Item
Cabinet	2nd July 2008	Unrestricted	CAB 015/089	
Report of Director of Resources		Title General Fund Service Outturn and Strategic Plan Performance Information for 2007/2008		
Originating Officer Alan Finch (Head of Corporate Finance) and Martin McGrath (Financial Planning & Systems Manager) Lucy Sutton, Performance Manager		Ward(s) Affected ALL		

1 OVERVIEW

- 1.1 This report sets out the final position (or 'outturn') on the Council's General Fund for 2007/08 and explains how and why it varies from the budget. Another report elsewhere on this agenda covers the Housing Revenue Account, while a detailed report on capital spending will follow in September. The Council's draft Statement of Accounts was formally presented to the Audit Committee on 30th June 2008.
- 1.2 The report indicates that the final outturn is £271.8m for the year to 31st March 2008, giving the authority an underspend of £6.2m.
- 1.3 The principle reason for this underspend relates to the costs of borrowing and investment income in a volatile and changing market, which has led to a reduction in costs and presented opportunities for management of debt.
- 1.4 Efficiency targets and productivity improvements agreed as part of the Council's Budget Strategy for 2007/2008 have been achieved.
- 1.5 In relation to the 2008/09 budget, this report also proposes that a budget of £390,000 is created to cover the additional costs of child care court cases during the year, to be funded from a budget provision set aside for the purpose.
- 1.6 This report combines performance and financial reporting and draws together the performance reports on the Strategic Plan, Tower Hamlets Index and Corporate Revenue Budget Monitoring as a means of strengthening our robust performance and financial management.

2 RECOMMENDATIONS

Cabinet is requested to:

- 2.1 Note the outturn position for 2007/2008 and the underspend of £6.2m against approved service budgets.
- 2.2 Agree the technical target adjustment as detailed in *Appendix A* and explained in section 6.
- 2.3 Note the Directorates' outturn and explanation for variances as detailed in *Appendices B1-7*.
- 2.4 Agree requests for carry forwards detailed in section 5.1.

- 2.5 Agree transfers to earmarked reserves detailed in Directorate reports and summarised at section 5.2.
- 2.6 Note the efficiency statement for 2007/08 at paragraph 8.1 and *Appendix D*.
- 2.7 Agree in respect of the 2008/09 budget to allocate £390,000 from the contingency established for the purpose to provide an increase in the budget for Child Care Court Costs, as set out in Section 7 of the report.
- 2.8 Note the performance information for the year to 31st March 2008.
- 2.9 Note the Revenue Collection data for the year to 31st March 2008.

3 BACKGROUND

- 3.1 A report titled "Statement of Accounts 2007/2008" was considered by the Audit Committee on 30th June 2008. That report provides the information required in order that the Council can satisfy its statutory obligation to produce final accounts in accordance with statutory and professional accounting practice.
- 3.2 This report sets out the final position on the Council's General Fund for 2007/08. The General Fund covers all services provided by the Council, with the exception of social housing which by statute is dealt with through the Housing Revenue Account (HRA). A separate report on this agenda from the Corporate Director, Development & Renewal sets out the year-end position on the HRA.
- 3.3 This report also sets out explanations for the budget variances that have arisen in 2007/08. In all cases these are variances against the approved budget for 2007/08.
- 3.4 Throughout this report, the outturns are referred to as "final". This means that subject to the decisions made this evening on balances and carry forwards, the figures will only change if issues arise from the Audit Commission's audit of the annual accounts.

4 OUTTURN POSITION FOR DIRECTORATES/SERVICES

- 4.1 The 'latest budgets' include target adjustments agreed by Cabinet throughout 2007/2008. Final targets are shown in *Appendix A*.
- 4.2 Detailed information is provided in *Appendices B1 to B7*. The table below shows the 2007/08 outturn and budget variance for each Directorate, together with the proposed use of earmarked reserves and the agreed/requested carry forwards.

Directorate/Service=-	Latest Budget	Net Outturn (Before use of earmarked reserves carry forwards and excluding deferred charges)	Net Variance (Before use of earmarked reserves and carry forwards)	Requested earmarked reserves and carry forwards	Net Variance (after use of earmarked reserves and carry forwards)
	£000	£000	£000	£000	£000
Children's Services	84,789	84,958	169	-284	-115
Adults' Health & Wellbeing Services	80,870	80,421	-449	0	-449
Communities, Localities and Culture	65,642	65,204	-438	360	-78
Development & Renewal	9,786	9,468	-318	-93	-411
Housing General Fund	4,005	4,060	55		55
Chief Executives/ Resources Directorate & Corporate/Capital Costs	32,929	27,084	-5,845	669	-5,181
TOTAL	278,021	271,192	-6,829	652	-6,177

4.3 The main reasons for this underspend are:

- Efficiency savings and additional income within Homelessness and Housing Advice were the main contributing factors for Adult's Health & Wellbeing Services surplus.
- Slippage on civil contingencies works with Communities, Localities and Culture.
- Accounting adjustments were made to reallocate specific grants totalling £506,000 to Development and Renewal to safeguard council resources. This resulted in an underspend within the Directorate.
- Higher than anticipated interest received and lower debt financing costs, explained in more detail below.

4.4. The biggest single factor contributing to the underspend relates to Council borrowing and investment. 2007/08 was a particularly volatile year on the money markets, and it has been possible to manage this to the benefit of the authority.

The Council has benefited from being able to invest at higher than anticipated Interest rates for much of the year whilst in addition; the cost of external borrowing has reduced, partly through the normal maturing of long term debt and partly through a restructuring of debt to reduce interest costs during the year.

- 4.5. In addition, during the year the authority has been allocated £749,000 from the Local Authorities Business Growth Initiative. This was unbudgeted income as it arose from a change in the basis of allocation of funding introduced part way through the financial year, and it contributes to the reported under spend.
- 4.6. End of year variances over £100k are detailed in **Appendices B1-7**.

4.7 TRADING ACCOUNTS 2007/08

4.7.1 The costs of a number of Council services are recovered by charging users. These services are managed as trading accounts, which are required to break-even in accordance with accounting requirements and good financial management practice. Some of these trading accounts exist in order to comply with legislation and some as a result of a policy of the Council. The accounts are reported in order to facilitate better scrutiny of services, performance review and value for money.

The table below will show the overall year-end outturn from the Council's trading accounts.

Directorate/Service	Deficit/ (Surplus)
	£000
Children's Services – Catering & Welfare Service	392
Development & Renewal – Building Control Account	(36)
Communities, Localities & Culture	
Fleet Management/Passenger Transport/Vehicle workshop	(50)
Parking Control	(4,031)
TOTAL	(3,725)

4.7.2 The overspend in Children's Services is attributable to the increased costs of providing the schools catering service arising from a mixture of higher food price rises, reduced demand for meals since the introduction of the government's new nutritional guidelines and increased staff absence requiring cover.

4.7.3 Details of the trading accounts may be found at **Appendices C1-3**. Communities, Localities and Culture manages two trading accounts that are governed by statute:-

1. Parking Control Account which is explained in greater detail below, and
2. Street Market Service under the London Local Authorities Act 1990 (as amended).

4.7.4 The Council operates a separate Controlled Parking Account in accordance with s55 of the Road Traffic Act 1994. The account records all income and expenditure attributable to on-street parking activities including enforcement. The account was budgeted to achieve a surplus of £2.510m each year, which is used as a contribution towards the costs of the London-wide Freedom Pass scheme. In 2006/2007 the account incurred a deficit which was made good from the General Fund at the end of the year. In 2007/08 the Parking Control account has made an overall surplus of £4.031m, which will fully fund budgeted expenditure, with the balance of £1.522m being used directly to reimburse General Balances.

5 **CARRY FORWARDS & EARMARKED RESERVES**

5.1 **CARRY FORWARDS**

5.1.1 In accordance with Financial Regulations, where budgets have not been fully spent in year, Directorates can ask Cabinet to carry forward underspends to be used in the following financial year. In many cases, this involves carrying forward Government grants already committed but unspent in one year forward to another year in accordance with grant rules. The table below shows Directorate requests for carry forwards:

Directorate	Service Area	£'000
Childrens' Services	Accounting adjustments to reallocate specific grants to maximise overall council resources	110
	Re valuation on school properties resulting in NNDR rebate carried forward	134
	Fieldwork – PCT funding not utilized.	100
Communities, Localities and Culture	Health & Safety – to fund civil contingency work now to be undertaken 2008-09	250
	Accounting adjustments to reallocate specific grants to maximise overall council resources	12
Development & Renewal	Major Projects Development to fund Crossrail appeal	154
	Accounting adjustments to reallocate specific grants to maximise overall council resources	506
	Building Control account surplus	36
Chief Executive's	Corporate Management to fund projects now to be carried out 2008-09	400

	Electoral Registration – improvements to take place during 2008/09	45
Corporate	PC refresh	224
Total requests for Carry Forwards		1,971

5.2 EARMARKED RESERVES

5.2.1 Cabinet is also requested to approve the use of various earmarked reserves to fund expenditure incurred in 2007/08.

Service	Explanation	£'000
Children's Services	Learning Trust reserve utilized to fund specific projects	(236)
	Schools Catering & Welfare Service trading account	(392)
Communities, Localities and Culture	Various Trading Accounts	50
	Health & Safety	48
Development & Renewal	Asset Strategy, Capital Delivery & Property Services- use of earmarked reserve established in a previous year to fund expenditure in 2007/08	(789)
Net Contribution from earmarked reserves		(1,319)

5.2.2 In addition, Members will recall that during the 2007/08 financial year it was agreed to set aside two amounts from general reserves as earmarked for specific purposes. These were;

- £1.5m set aside to fund a contribution to the Olympic & Paralympics legacy in relation to the Aquatics Centre, in the event that applications for external funding were unsuccessful (July Cabinet);
- £1.205m set aside to part fund the costs of the Single Status agreement.(November Cabinet);

These reserves will be created in closing the accounts for 2007/08 and do not form part of the outturn figures within this report.

6 FINAL BUDGETS/TARGETS

6.1 This section relates to purely technical adjustments in accordance with the Financial Regulations.

6.2 Cabinet agreed the latest target adjustments on 7th March 2008. Final adjustments are now being requested in respect of the allocation of centrally held resources to fund such items as the upgrade of desktop IT equipment and capital expenditure financed by revenue and adjustment for depreciation based on the revaluation of assets. None of these adjustments affect the overall budget.

6.3 Cabinet is therefore asked to agree the technical target adjustments as detailed in **Appendix A**.

7 2008/09 BUDGET – CHILD CARE COURT COSTS

7.1 In announcing the final grant settlement for 2008/09, the Government also made an announcement about an increase in the Court Fees payable in respect of adoption or childcare proceedings.

7.2 In consequence, additional funding of £514,000 a year was allocated to the authority through the final settlement. There was insufficient time to deal with this issue in setting the final budget, so the additional funding was set aside as a contingency pending further work by officers.

7.3 Officers have now undertaken detailed work and estimate that the costs associated with these changes will be £390,000 a year. It is now recommended that Cabinet agree in principle to allocate £390,000, to the services affected to cover the additional costs of child care cases in 2008/09. The remaining provision of £114,000 will remain available in the budget for 2008/09 as a contingency, and will be considered further as part of the 2009/10 budget process.

8 SAVINGS/EFFICIENCY STATEMENT

8.1 Efficiency Statement

In 2007/08 the authority aimed to achieve £10.8m in efficiencies. The Annual Efficiency Statement-Backward Look for 2007/08 has identified achieved efficiencies of £11.142m, which added to efficiencies achieved in prior years will comfortably achieve the authority's Gershon target.

	2004/05 Backward look £m	2005/06 Backward look £m	2006/07 Backward look £m	2007/08 Backward look £m	Achieved Savings Total £m
Cashable	4.089	3.701	5.087	4.920	17.797
Non-cashable	2.347	2.402	5.339	6.222	16.310
Total	6.436	6.103	10.426	11.142	34.107

8.3 The Backward Look returns from Directorates are detailed in **Appendix D**.

9 STRATEGIC PLAN 2007/2008 MONITORING

9.1 The 2007/08 Strategic Plan set out our 12 strategic priorities and targets for the four-year period 2006-2010. It includes the objectives and targets for the year, the activities to be carried out to achieve those objectives, and milestones by which progress is monitored.

There are 363 activities, and 766 milestones in the 2007/08 Strategic Plan that were due for completion by 31 March 2008. There are currently 86 activities that are currently overdue.

Tables 1 and 2 provide a progress update by Community Plan Theme and directorate respectively for activities and milestones due by the end of 2007/08. The percentage figure for green and red activities is as a percentage of all activities and milestones due for completion by the 31 March 2008.

Table 1: Total activities and milestones by Theme:

	Total		Total Completed (Green)		Total Overdue (Red)	
	Activities	Milestones	Activities	Milestones	Activities	Milestones
Living Safely	72	184	59 (81.9%)	162 (88%)	13 (18.1%)	22 (12%)
Living Well	61	123	46 (75.4%)	102 (82.9%)	15 (25.6%)	21 (17.1%)
Creating and Sharing Prosperity	40	80	36 (90%)	75 (93.75%)	4 (10%)	5 (6.25%)
Learning, Achievement and Leisure	55	131	45 (81.8%)	120 (91.6%)	10 (18.2%)	11 (8.4%)
Excellent Public Services	135	248	91 (67.4%)	190 (76.6%)	44 (32.6%)	58 (23.4%)
Total	363	766	277 (76.3%)	647 (84.7%)	86 (23.7%)	117 (15.3%)

Table 2: Total activities and milestones by Directorate:

	Total		Total Completed (Green)		Total Overdue (Red)	
	Activities	Milestones	Activities	Milestones	Activities	Milestones
Adults Health & Well Being	17	32	13 (76.5%)	25 (78.1%)	4 (23.5%)	7 (21.9%)
Chief Executives	41	78	32 (78%)	66 (84.6%)	9 (22%)	12 (15.4%)
Children's Services	77	173	59 (76.6%)	150 (86.7%)	18 (23.4%)	23 (13.3%)
Communities & Localities	106	258	85 (80.2%)	227(88%)	21 (19.8%)	31(12%)
Development & Renewal	41	83	34 (82.9%)	72 (86.7%)	7 (17.1%)	11 (13.3%)
Housing	15	32	12 (80%)	29 (90.6%)	3 (20%)	3 (9.4%)
Resources	66	110	42 (63.6%)	80 (72.7%)	24 (36.4%)	30 (27.3%)
Total	363	766	277 (76.3%)	647 (84.7%)	86 (23.7%)	117 (15.3%)

9.2 Performance Indicator Monitoring

9.2.1 This is the last year that we are statutorily required to publish the Best Value Performance Plan (BVPP) by 30th June. The BVPP includes outturn and target data for all Best Value Performance Indicator (BVPI), Local Area Agreement (LAA), Local Public Service Agreement (LPSA) and Strategic Plan (SP) performance indicators.

9.2.2 In summary, from data so far available:

Of 233 indicators where data is available currently, 122 indicators (52.4%) are red; 111 indicators (47.6%) are green [with 73 outstanding]. We have improved in 129 indicators (60.8%) with 63 (29.7%) deteriorating. 20 indicators remain the same – a number of these are ones where we have already achieved the maximum. sixty indicators have no previous year data for comparison.

The percentages are similar to the final figures for 2006/07. Of 247 indicators 52.6% were red, with 47.4% green. We improved on 60.9%, while 28.2% deteriorated. Twenty two of the indicators remained the same.

10 COLLECTION DATA

10.1. The table below shows debt collection performance for the major types of debt for the year to 31st March 2008. The figures relate to debt raised since the 1st April 2007 and collected in year: in addition, a proportion of debt is collected as arrears, so a greater proportion of overall debt is ultimately collected than these targets indicate. Thus the targets exclude, for example, debt that is collected in instalments over more than one year. It should also be appreciated that some types of debt are subject to statutory appeals procedures which limit or delay the collection of debt.

Income Stream	Target- 2007/08 Debt collected in year %	Collected As at 31/03/08 %	Target met?
Business Rates	99.50	99.6	✓
Central Income	75	74	x
Council Tax	96.5	94.7	x
Housing Rent	97.62	98.14	✓
HB Overpayments in year collection	64.2	69.61	✓
Major Works	12.5	7.4	x
Service Charges	50	5.3	x
Parking	65	69.4	✓

10.2 Performance Analysis

10.2.1 Council Tax Collection

The Council Tax Team reports: The target for Council Tax collection in 2007/08 is extremely challenging as it aims to achieve upper quartile performance in an area of significant deprivation and a highly mobile population. The Council's present levels of collection are generally acknowledged as high when compared to similar authorities. National Performance indicators for Council Tax collection have risen every year within the Council since its introduction. In year 2007/2008 it was 94.7% continuing this positive trend.

10.2.2 Central Income

This covers miscellaneous income due to the Council, however the significant area of arrears is for internal debt with schools. There has, however, been a significant improvement in the arrears levels in this area due to revised procedures implemented from 1st February 2008.

By way of explanation the Housing Directorate reports:

10.2.3 Major Works

- Major Works invoices are of high value and most leaseholders exercise their option to pay over 24 months (interest free) or 5 years when interest is being charged on years 3 – 5 this has a significant effect on collection rates.
- Collection has been delayed due to operational issues of the system. However measures have been put in place to ensure invoices are issued on a weekly basis and to look at further extending payment options for leaseholders.
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By way of explanation the Housing Service reports:

10.2.4 Service Charges

- Collection was delayed on some invoices due to system implementation issues, however recently introduced measures will address these delays.

11 CAPITAL

- 11.1 A detailed report on the Capital Programme will be submitted to the Cabinet in September. At this stage it can be reported that capital expenditure in 2007/08 is £61.932 million. This level of expenditure can be fully funded within available resources, leaving sufficient available or projected funding for the Council's approved programme for 2008/09.

12 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 12.1 Under the Local Government Act 1972, the Authority's Section 151 Officer is required to ensure there are sound systems of financial administration. Further, the Local Government Act 2003 requires the Chief Finance Officer to review the robustness of the budget estimates and its impact on reserves periodically in year through regular budget monitoring. Also, where there has been deterioration in the Authority's financial position it requires the Authority to take action to address the situation.

This report is part of the process of continual monitoring and review.

13 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 13.1 Under the Local Government Act 1972, the budget monitoring framework underpins the Council's section 151 legal framework to ensure there are sound and robust systems of financial administration, financial management and strategic financial planning advice for the Authority as a whole. In addition, it enables the Council to plan and control its income and expenditure through the financial year and report to managers and members the Authority's financial position.

14 EQUAL OPPORTUNITIES IMPLICATIONS

- 14.1 There are no equal opportunities implications.

15 ANTI POVERTY IMPLICATIONS

- 15.1 There are no anti poverty implications.

16 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT (SAGE)

- 16.1 There are no SAGE implications.

17 RISK MANAGEMENT IMPLICATIONS

- 17.1 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.

APPENDICES

Appendix A	Final Targets 2007/08
Appendices B1 to B7	Directorate's outturns & explanations
Appendices C1 to C3	Trading Account outturns & explanations
Appendix D	Efficiency Return – Backward Look 2007/08

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) S100D
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"	Tick if copy supplied for register	If not supplied, name and telephone number of holder		
Final Service Outturn returns held by Directorates and by Accountancy, (4 th Floor, Mulberry Place)		Children's Services	Kate Bingham	x 4960
		Adults' Health & Wellbeing	Frank O'Neill	x 2106
		Communities, Localities & Culture	Luke Cully	x 5221
		Development & Renewal	Paul Leeson	x 4995
		Housing General Fund	Barrie Tyson	x 7132
		Chief Executive's/Resources	Lindsey Robb	x 4542
		Corporate Costs	Martin McGrath	x 4645
		Capital Financing	Jim Ricketts	x 4733