

Committee(s)	Date:	Classification:	Report No:	Agenda Item No:
<b>Scrutiny</b>	<b>9<sup>th</sup> September 2008</b>	<b>Unrestricted</b>		
Report of: <b>Assistant Chief Executive Director of Resources</b>  <b>Originating Officer(s) Lucy Sutton, Performance Manager Martin McGrath Financial Planning and Systems Manager</b>		Title: <b>Strategic Plan and Corporate Revenue Budget Monitoring report 2008-09</b>  <b>Performance to 30th June 2008</b>  <b>Wards affected: All</b>		

## 1 OVERVIEW

- 1.1 Effective performance monitoring and reporting is crucial to the way the Council drives improvement in services. This report draws together the performance monitoring reports on the Strategic Indicators and General Fund Revenue Budget. Combining our performance and financial reporting in this way strengthens the Council's robust performance management arrangements.
- 1.2 The report provides Cabinet with information on the authority's performance against key performance indicators over the first quarter of the financial year, and its financial position to the end of June 2008 and projections of income and expenditure to the year-end. It also provides an analysis of identified risks in delivering a balanced budget.
- 1.3 The report projects an underspend on the General Fund revenue budget of £1.5m for the current financial year. A number of directorates are reporting overspends and it will be important for Corporate Directors to act to contain these overspends in the coming months. This projected underspend was taken into account when the financial review was reported to Cabinet on 30<sup>th</sup> July.

## 2 RECOMMENDATIONS

- 2.1 That the committee notes and comments on the performance as identified in sections 3.2, 4.2, 6 and 7.1.

### 3 PERFORMANCE INDICATORS

3.1 This is the first quarterly monitoring report for the new Tower Hamlets Index, covering the period April-June 2008. The set of indicators that constitutes the new Tower Hamlets Index reflects the Strategic Plan 2008/09 and the new Local Area Agreement. The Tower Hamlets Index is made up of 71 Strategic Indicators, as agreed by CMT. These consist of:

- All the LAA indicators
- Some measures of corporate health (usually ex-BVPIs)
- Some measures of customer satisfaction (usually Annual Residents Survey)

#### 3.2 How We Are Doing

3.2.1 Performance against the second regular monitoring of these indicators for the period Quarter 1 2008/09 is set out in Appendices 1 and 2.

3.2.2 There are still nine months to the end of the year and comments will reflect steps taken to ensure targets are met. Data is not yet available for two indicators (and will be reported once provided):

- Carers receiving needs assessment
- Stopping Smoking

3.2.3 Of the 20 applicable indicators, 11 of the performance indicators (55.0%) are on track to achieve their end of year target (GREEN). Areas where performance is well above the estimated level for the end of September target are as follows:

- 16 to 18 year olds who are not in education, employment or training (NEET) (exceeded by 10.1%)
- Number of deliberate secondary fires per 10,000 population (Arson) (exceeded by 25.1%)
- Working age people claiming out-of-work benefits in the worst performing neighbourhoods (exceeded by 21.4%)

3.2.4 A total of 9 indicators (45.0%) are not meeting their first quarter target of which managers indicate that 8 will return to target by year end (AMBER), while 1 may not (RED). Indicators that are significantly below their target are:

- Invoices paid on time (missed by 11.7%)  
An analysis has been made of all payments made outside the timeframe and the specific causes identified. Approaches being explored to improve performance include:
  - Consolidated billing
  - Direct debit payments etc
- Response Times to Members Enquiries (missed by 18.6%)

- 3.2.5 It is not possible to report traffic lights for one indicator for this period:
- Number of most serious violent crimes per 1,000 population (targets will be set once baseline established)
- 3.2.6 21 indicators can be reported for the next period: the period ending July 2008.
- 3.2.7 In this first quarterly monitoring round of 2008/09 there are 55.0% GREEN, 40% AMBER and 5% RED indicators. This is the first time that we have monitored the Tower Hamlets Index by quarters.

	GREEN	AMBER	RED
<b>2007/08</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>2008/09</b>	<b>11 (55.0%)</b>	<b>8 (40%)</b>	<b>1 (5.0%)</b>

- 3.2.8 Compared to the last round of monitoring (Apr/May 2008), the proportion of RED indicators has decreased from 14.29% to 5% (2 to 1). Four indicators that were off target in April/May have returned to target for this period:
- Percent of calls to Hot Lines answered
  - Average waiting time for calls to Hot Lines to be answered
  - Number of physical visits to public library premises per 1,000 population
  - Arson incidents – Number of deliberate primary fires per 10,000 population

#### **4. CORPORATE REVENUE BUDGET MONITORING 2008/09 - TO 30/06/08**

##### **4.1 Background**

4.1.1 This part of the report sets out the financial position for the Council's General Fund revenue budget for the first quarter of 2008/09. It is based on expenditure and service activity until the end of June 2008 and has been obtained from monitoring statements provided by Corporate Directors. Separate reports on the Housing Revenue Account budget and capital programme are set out elsewhere on this agenda.

Corporate Directors have provided the following information in support of their projected outturn and variance figures:

Explanation of Variances:-

- ◆ Explanations for the most significant net variances (greater than £100,000) in both expenditure and income.

- ◆ Details of actions to deal with any variances including whether the actions are on target and, if not, what alternative/additional courses of action have been put in place.
- ◆ Any implications for the 2008/09 and future years' budgets.

#### 4.1.2 Risk areas

- ◆ Explicit monitoring information on the key risk areas identified in the final budget report 2008/09 which was submitted to Cabinet in March 2008.
- ◆ Details of any additional risk factors which have emerged since the budget was set in February.

#### 4.1.3 Virements

- ◆ Virements are transfers of budget allocated for one purpose to another purpose. Financial Regulations stipulate that virements in excess of £250,000 must be submitted to Cabinet for approval.

## 4.2 Projected Outturn Position

4.2.1 The table below shows the projected outturn position against the latest budget for each directorate which includes the original budget plus carry forwards agreed by Cabinets on 2<sup>nd</sup> and 30<sup>th</sup> July 2008 and target adjustments agreed between directorates:

Directorate/Service	Latest Budget	Projected variance as at 30/06/08	Projected variance as % of budget	Status
	£'000	£'000	£000	£000
Adults' Health & Wellbeing	85,934	(1,054)	-1.2%	Green
Children's Services	80,106	470	0.6%	Red
Communities, Localities and Culture	71,281	265	0.4%	Red
Development & Renewal	15,112	420	2.8%	Red
Chief Executive's	11,906	-	-	Green
Resources	11,198	3,083	27.5%	Red
Corporate / Capital	19,380	(4,750)	-24.5%	Green
<b>TOTAL</b>	<b>294,917</b>	<b>(1,566)</b>	<b>-0.53%</b>	<b>Green</b>

Key to 'Traffic Light System'

The elements in the traffic light system are used to indicate significant outturn variances as follows:-  
 Red – Potentially detrimental to the finances of the Council

Amber – Previously reported overspend, position improved since the last report

Green – Potentially advantageous to the finances of the Council

### **4.3 Variance Analysis**

The following sections set out explanations of the main variances in each Directorate's budget provided by the relevant Corporate Director.

#### **4.3.1 Adults' Health & Wellbeing**

##### Occupational Therapy net overspend £180,000

Growth in demand for equipment combined with increases in manufacturing and delivery costs have driven up costs for this complex needs equipment. Fuel costs of the service have also increased as has cleaning and decontamination costs to comply with regulations. The Service is currently exploring scope for compensatory efficiencies, to offset these inescapable costs.

##### Elders Commissioning net overspend £480,000

An aging population continues to increase demand for residential and nursing care, particularly for people with dementia. Stringent measures have been introduced, to ensure that all alternatives to institutional care are exhaustively explored, before placements are agreed.

##### Learning Disabilities Commissioning net underspend of £763,000

Additional PCT funding for support of policy and legislation changes towards more independent living and for clients receiving very high levels of support have contributed to a net under spend in this area. However as individual cases are reviewed and re-assessed the situation may change.

##### Mental Health Commissioning net underspend £245,000

There has been an increase in residential costs. However as a result of successful negotiations with the PCT over the sharing or distribution of expenditure in a number of complex high cost cases the additional income will not only cover these costs but contribute to a net under spend within this area.

##### Physical Disabilities Commissioning net overspend £177,000

Agreements were in place for care packages to cover a small number of high costs cases before the reduction in Carers Government Grant took effect resulting in a drop in income which cannot be supported by a similar reduction in expenditure.

#### Homelessness & Housing Advice Services net underspend £814,000

More households than anticipated were placed in temporary accommodation. The effect of this is that additional rent expenditure has been incurred. However this has been more than offset by additional rent income and administration income from government subsidy.

#### **4.3.2 Children's Services**

##### Fieldwork – Children's Social Care - £500,000 overspend

The Children's Services directorate reports a steady increase in activity within this area.

This has necessitated retaining a quota of agency staff above establishment to meet this increased demand for a service and to ensure children are safeguarded.

Recruitment campaigns have not realised sufficient numbers of suitably qualified and experienced staff who can undertake complex child protection work and therefore reduce the reliance on agency workers.

A detailed strategy to re-shape the service is underway with particular emphasis on early intervention and prevention to reduce the demands on the service. It is anticipated that this strategy will reduce the level of overspend in the medium term.

The workflow and activity will be kept under further close scrutiny and review.

#### **4.3.3 Communities, Localities and Culture**

##### Street Services Management overspend £138,000

Following a review of call volumes, charges from the Contact Centre are now being more accurately reflected within the Street Management service, resulting in increased costs. It is anticipated that this variance will be offset during the remainder of the financial year but at this stage there is a risk of a budget variance.

#### **4.3.4 Development and Renewal**

##### Development Decisions – net overspend £325,000

With an unpredicted downturn in activities due to the introduction of Home Improvement Packs, Development and Renewal are forecasting a reduction in planning fees and land charges.

#### **4.3.5 Resources Directorate**

##### Facilities Management - £2,890,000 net overspend

As reported to Cabinet in July, costs of facilities are under pressure due to the costs of maintaining and securing a number of empty or underused buildings awaiting disposal, the cost of service charges at the East India Dock complex and rising fuel prices. These costs will be mitigated by expediting the disposal of surplus office buildings and ensuring that best use is made of the remaining accommodation. However, disposals are dependent upon successful marketing and will not deliver an immediate return.

#### **4.3.6 Corporate & Capital Finance**

##### Capital/Treasury Management - £4,750,000 net underspend

It is anticipated that the Council will continue to benefit from being able to invest at higher interest rates for much of the year whilst in addition taking advantage of the reduced the cost of external borrowing partly through the normal maturing of long term debt and partly through a restructuring of debt to reduce interest costs during the year.

### **5 VIREMENTS**

- 5.1 Virements are transfers of budget that result in no overall change to the budget of the Council. Under Financial Regulations, virements over £250,000 are required to be approved by the Cabinet. Virements over £100,000 are required to be reported for information and are agreed by the Corporate Directors.
- 5.2 There are no virements to report within this quarter.

### **6 TARGET ADJUSTMENTS**

- 6.1 Target adjustments are transfers between services/directorates and are subject to approval by Cabinet. At the 2<sup>nd</sup> July and 30<sup>th</sup> July Cabinet meetings £1,971m carry forwards were agreed which now need to be reflected in Directorates' budgets
- 6.2 The transfer from the corporate contingency reflects the late Government announcement about an increase in the Court Fees payable in respect of adoption or childcare proceedings. Cabinet agreed on 2<sup>nd</sup> July 2008 to allocate £390,000 to the services affected to cover the additional costs of child care cases in 2008/09.

Directorate / Service Budgets	Original Budget	Carry Forwards	Allocation of Corporate Contingency	Budget After Carry Forwards
	£000	£000	£000	£000
Adults' Health & Wellbeing	85,934	-		85,934
Children's Services	80,006	100		80,106
Communities, Localities and Culture	71,019	262		71,281
Development & Renewal	14,958	154		15,112
Resources Directorate	11,198	-		11,198
Chief Executive	11,071	445	390	11,906
Corporate / Capital	19,156	224		19,380
<b>TOTAL NET BUDGET</b>	<b>293,342</b>	<b>1,185</b>	<b>390</b>	<b>294,917</b>

6.3 £786,000 in carry forwards will not be utilised in 2008/09 and have been transferred to balances for use in a future financial year. These are:

- Reallocation of specific grants to maximise overall council resources £616,000
- NNDR rebate due to revaluation of schools £134,000
- Building Control trading account surplus £36,000

#### 6.4 Directorate Budget Adjustments

The following budget adjustments are required in order to reflect accurately the transfer of managerial responsibilities within directorates.

##### 6.4.1 Adult's Health & Wellbeing

6.4.1.1 To transfer management of the Drugs and Alcohol Commissioning budgets (£997,000) to Communities, Localities and Culture (Community Safety).

6.4.1.2 As reported to the Cabinet on 30<sup>th</sup> July, £60,000 is transferring from the Adults, Health & Wellbeing budget to the Resources Directorate to fund loss of income to Resources as a result of the abolition of charges for Telecare.

##### 6.4.2 Development & Renewal

6.4.2.1 £321,000 budget for the subsidy of multi-faith burials, to be transferred from D & R to Chief Executive's, where it will be managed as part of the Registrar's Service.



## **7 SERVICE IMPROVEMENT GROWTH**

7.1 On 27<sup>th</sup> February 2008 Cabinet agreed a total of £3,634k Service Improvement Growth for 2008/09. At this relatively early stage in the financial year no Directorates have reported that targets will not be achieved. A fuller progress report will be submitted to Cabinet later in the year.

## **8 AREA BASED GRANT**

8.1 As agreed by Cabinet on 30<sup>th</sup> July 2008, a zero-based exercise is currently being undertaken with regards to the way that Area Based Grants are utilised and deliver benefits. Further reports to Cabinet will provide details as to how this is progressing.

## **9 SAVINGS/EFFICIENCY TARGETS**

### **9.1 Savings/Efficiency Targets**

9.1.1 Efficiency targets are underway or planned to deliver the cashable savings of £6,346,000 as part of the Council's Budget Strategy for 2008/09.

9.1.2 A breakdown of efficiency savings is attached at Appendix 5.

9.1.3 At this stage no Directorates have reported that savings will not be achieved.

## **10 INCOME COLLECTION PERFORMANCE 2007/08 & 2008/09 TARGETS**

10.1 The table below relates to debt raised since the 1<sup>st</sup> April 2008: in addition, a proportion of debt is collected as arrears, so a greater proportion of overall debt is collected than these targets suggest. The direction of travel arrows indicate that for most types of debt, performance is above target.

10.2 The 2008/09 targets will be monitored on a regular basis with a further report to Cabinet in December.

Income Stream	Collected In 2007-08	2008-09 Target to 30/06/08	2008-09 Collected to 30-06-08	Direction of Travel
	%	%	%	
Business Rates	99.6	29.1	33.46	↑
Central Income	74	60	63.18	↑
Council Tax	94.7	29.91	30.09	↑
Housing Rent	98.14	97.5	98.1	↑
Major Works	7.4	2.5	3.82	↑
Parking Fines	69.4	-	69.2	-
Service Charges	35.3	17.3	11.76	↓

### 10.3 Performance Analysis

#### 10.3.1 Service Charges

Cash collection for the three months to 30 June 2008 was below the target for the year to date. When the profiled collection targets were set, it was anticipated that service charges would be raised during March and April 2008. Service charge invoices were however not issued until May and June 2008, and this has delayed the receipt of payments. As at the end of July, cash collection had increased to 19.54%.

Service Charge administration is now undertaken by Tower Hamlets Homes on behalf of the Council. Initiatives have been put in place to assist in delivering an improvement in collection performance, and with the THH revenue team now fully staffed, there are sufficient resources available to support this.

Regular performance meetings will take place between Tower Hamlets Homes and the Development and Renewal Directorate (the Council's Housing Client). These meetings will address the performance of THH across a range of indicators, with service charge collection rates being a particular area of focus.

## 11 EQUAL OPPORTUNITIES IMPLICATIONS

11.1 The Council's Strategic Plan is focused upon meeting the needs of the diverse communities living in Tower Hamlets. The Key Themes reflect diversity issues and there are key equality milestones in relation to delivering One Tower Hamlets.

## **12 COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 12.1 This report sets out the performance of the authority against priority performance indicators for the first quarter of the year together with budget monitoring against the General Fund revenue budget, which is the main budget influencing performance in the short term. This represents good practice as it enables performance in both areas to be considered alongside one another and thus actions can be taken on the basis of a balanced overall view.
- 12.2 This report projects a net General Fund underspend for 2008/2009 of £1.5m based on spending to the end of June 2008. If this is carried through to the end of the financial year, this will result in an increase in general reserves of the same amount.
- 12.3 This is the first quarter report and accordingly the projected outturn is based on the experience of only a few months. The scope for projected outturns to be over or understated is therefore correspondingly greater. However, where overspends are being predicted Corporate Directors, in accordance with Financial Regulations, must keep the position under close, continuous review and, where necessary, identify compensatory savings. Consequently, the Corporate Director- Resources will be monitoring closely those Directorates that have so far projected adverse end of year variances that are material.
- 12.4 The 2008/2009 budget process also included an assessment of the robustness of expenditure and income forecasts including identification of the key risk areas. This report continues the development of that process by explicitly commenting on the current status of those risk areas within Appendix 3A-G.

## **13 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 13.1 The Local Government Act 1999, Section 3, requires all authorities 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'. Performance monitoring of corporate plans is an important way in which that obligation can be fulfilled and regular monitoring reports to members on performance and actions arising from those reports will demonstrate that the Council has undertaken activity to satisfy the statutory duty.
- 13.2 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.

- 13.3 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.

## **14 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

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

## **15 ANTI POVERTY COMMENTS**

- 15.1 Reducing poverty is an implicit priority within the Strategic Plan.

## **16 RISK MANAGEMENT IMPLICATIONS**

- 16.1 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.
- 16.2 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.
- 16.3 The explanations provided by the Directorates for the budget variances also contain analyses of risk factors.

## **17 INDEX OF APPENDICES**

<b>Appendix</b>	<b>Detailing the following:</b>
1	Tower Hamlets Index Progress Report to 30 June 2008
2	Tower Hamlets Index charts showing in-year direction of travel
3A-G	Details of outturn and explanation of significant variances / risks for each Directorate
4	Budget/Target Adjustments
5	Efficiency Savings Targets 2008/09

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**LOCAL GOVERNMENT ACT, 1972 SECTION 100D (AS AMENDED)**

**LIST OF "BACKGROUND PAPERS" USED IN PREPARATION OF THIS REPORT**

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<b>Brief description of "background paper"</b>	<b>Name and telephone number of holder and address where open to inspection</b>		
	Performance Manager	Lucy Sutton	x3186
	Corporate Finance	Martin McGrath	x 4645