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|  | <p>Performance and Finance Select Committee 28th November 2007</p> <p>Report from the Directors of Finance and Corporate Resources and Policy and Regeneration</p> |
| For Action | Wards Affected: ALL |
| <p>Report Title: Performance and Finance Review - Quarter 2 (July – September 2007)</p> <p style="text-align: right;"><i>(PRU 07/08 11)</i></p> | |

1. Summary

- 1.1 This report summarises Brent Council's spending, activity and performance in the second quarter of the 2007-08 financial year and highlights key issues and solutions to them. It takes a corporate overview of financial and service performance. It is set out in terms of the main budgets and provides a general overview and analysis of high risk areas. The report is accompanied by appendices providing budget, activity and performance data for each service area, ring fenced budgets and the capital programme. Vital signs trend data and graphs and the overall budget summary are also provided.
- 1.2 This report is a draft of the report which will go to Executive on the 10th December 2007 and may be subject to change.

2.0 Recommendations

Performance and Finance Select Committee is asked to:

- 2.1 Note and comment on the council's spending, activity and performance in quarter two
- 2.2 Consider which aspect/s highlighted in the quarterly review the Committee would like to see covered in more depth at a future meeting. To make this choice the level of risk should be taken into account - high risk or medium risk areas are indicated with a red triangle or a blue circle.

3.0 Background

- 3.1 The council has in the past carried out financial, activity and performance monitoring separately. We have now brought together the monitoring information in a single report.
- 3.2 The success of the council is ultimately measured by the delivery of the priorities within the Corporate Strategy. That is principally determined by the council's overall strategic planning framework and reviewed through the annual report to Council in November on progress against the Corporate Strategy and the Annual Review published in late summer. Regular Performance and Finance Review reports allow members to ensure that council finances and performance remain on track to help achieve these priorities.
- 3.3 This new approach to monitoring reflects other changes in the council's approach in recent years, including strengthening the link between the Corporate Strategy and the Medium Term Financial Strategy, active performance monitoring and management, a greater focus on outcomes as part of capital programme monitoring, and bringing together financial and performance monitoring of partnership activity through the Local Area Agreement. It provides more clarity about the relationship between spending, performance and activity – for example the impact of rises in the number of children in different forms of care on the children's service provision and budget – and provides a basis for assessing the potential impact of future decisions. It also provides a more holistic view of the council's spending and activity by bringing together revenue and capital, the General Fund, Dedicated Schools Budget and Housing Revenue Account budgets, and council and partnership activity and performance in one report.
- 3.4 Appendices included in this report are as follows:

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| Appendix A | Virements and Balance Transfers |
| Appendix B | General Fund services – Financial, activity and performance monitoring information for each of the council's main service areas: |
| - B1 | - Children and Families |
| - B2 | - Environment and Culture |
| - B3 | - Housing and Community Care |
| - B4 | - Corporate Centre |
| Appendix C | Capital programme |
| Appendix D | Housing Revenue Account |
| Appendix E | Local Area Agreement |
| Appendix F | Council's overall budget summary |
| Appendix G | Vital Signs – high and medium risk performance |

3.5 Supplementary documentation circulated to members includes the LAA quarterly review.

4.0 Corporate context

4.1 The long term objectives for Brent were agreed by the council in the Corporate Strategy which sets out the main aims of making Brent a great place, a borough of opportunity and one community. The themes reflect the broad approach in our inter-agency Community Strategy for 2006-10 and also the results of local polling about residents' concerns. These aims need to be achieved within the context of a reduction in real terms in government grant, members' ambitions to keep council tax increases low, and significant budget pressures resulting from, amongst other things, demographic pressures, the increasing costs of waste disposal and cost transfers from the local Primary Care Trust (PCT). The council's 2006/07 outturn was better than forecast when the 2007/08 budget was set however, there remain significant budget pressures in children's and adults' care services and these are reported as potential overspends in this report. There are programmes in place to transform the way both children's and adults' care services are provided – with an emphasis on both preventative measures and more tailored solutions – but it will be a major challenge for these programmes to deliver the cost savings associated with them quickly enough to bring spending within budget in the current year.

5.0 Overall Financial Position

General Fund Revenue budget

5.1 A summary of the council's overall budget position for 2007/08 is included at Appendix F

5.2 The audit of the accounts is now complete and balances at the end of 2006/07 are confirmed at £9.907m. This represents an improvement of £783k compared with forecast balances at 31st March 2007 of £9.124m.

5.3 However, the improvement in balances is offset by a forecast net overspend in 2007/08 of £1.653m. The net effect is that the council's forecast position at 31st March 2008 is £870k worse than when the 2007/08 budget was set (£783k improvement in balances less £1.653m forecast overspend).. Balances at 31st March 2008 were originally forecast at £7.5m¹ when the 2007/08 budget was set; they are now forecast at £6.630m.

¹ This forecast was based on forecast balances brought forward at 31st March 2007 of £9.124m less estimated use of balances during the year of £1.624m.

5.4 The table below summarises the forecast overall revenue budget position for 2007/08.

| | Latest Budget £'000 | Forecast £'000 | Variance £'000 |
|--|--------------------------------|---------------------------|---------------------------|
| Children and Families | 48,902 | 50,094 | 1,192 |
| Environment and Culture | 46,979 | 47,034 | 55 |
| Housing & Community Care: | | | |
| o housing and customer services | 17,990 | 17,959 | (41) |
| o adult social care | 75,418 | 78,678 | 3,260 |
| Finance & Corporate Resources/Central Units | 21,846 | 21,203 | (643) |
| Service Area Total | 211,135 | 214,958 | 3,823 |
| Central items | 33,379 | 31,209 | (2,170) |
| Total council budget | 244,514 | 246,167 | 1,653 |
| Application of balances | (1,624) | (2,407) | (783) |
| Total council budget/forecast after application of balances | 242,890 | 243,760 | 870 |

5.5 The most significant forecast overspends remain in adult and children's social care. The forecast overspend in the adult care service is £3.260m. This is £600k above the overspend forecast in the previous quarter. Adult care levels are relatively stable at the moment (excluding transfers from health which have been separately budgeted for) and this overspend largely reflects an underlying mismatch between budget and spending on placements and income coming into the service. Measures are in place in adult social care to restrict spending. The underlying budget issues in adult care are being addressed by (a) a corporate review of budgets and spending to address the underlying mismatch; and (b) the adult care transformation programme aimed at increasing levels of self-directed support, reducing the cost of the assessment process and high cost placements, and ensuring day care is better targeted at need.

5.6 Children's social care is forecast to overspend by £1.192m which is broadly in line with the forecast in the previous quarter. The number of placements and monthly spend on placements continue to be less than in 2006/07, indicating that spending has been brought under control. However, the budget assumed greater reductions in placement costs as a result of 'invest to save' initiatives. These initiatives are at an early stage of delivery and the full impact has not yet fed through to placement numbers or costs. In addition, difficulty in recruiting in-house foster carers has meant increasing dependence on fostering agencies which has had a significant impact on costs. A children's transformation board is monitoring implementation of the 'invest to save' schemes and is also reviewing measures to increase recruitment of foster carers.

- 5.7 The overspend in adult and children's social care is offset in part by (1) bringing forward savings agreed at the Executive on 8th October 2007 for 2008/09 (a total of £964k is included in the figures in the table above) and (2) forecast underspends in central items - mainly capital financing due to higher interest on balances and debt restructuring and additional income from the Local Authorities Business Growth Incentive Scheme.
- 5.8 The current target for balances at 31st March 2008 is £7.5m. As part of the council's strategy for addressing the 2008/09 budget gap, it is intended to increase the target for balances to £8.5m, therefore releasing £1m to support the 2008/09 budget. This is in line with the approach adopted in setting the 2007/08 budget when betterment of balances in 2006/07 allowed £1.6m of balances brought forward to be used to support the budget. £1m use of balances to support the 2008/09 budget is in line with the council's policy of reducing dependence on avoiding use one off monies to support the budget. To generate this additional £1m, however, spending reductions of £1.870m are required in 2007/08 (ie the currently forecast £870k overspend plus £1m). It is planned to set targets for individual services to achieve this in-year saving pro-rata to current year's budgeted spending. Measures to achieve these reductions without impacting on performance or building up commitments in future years are currently being developed by service areas.
- 5.9 There are still significant risks in the 2007/08 budget which were detailed in the 2007/08 budget report. The most significant risk remains the potential impact of PCT cost transfers. Provision of £4.347m was included in the 2007/08 budget to enable the council to meet potential costs, but the total level of potential exposure was significantly greater than this. The council will have to meet the cost of transfer of continuing care cases where it is demonstrated that the PCT no longer has responsibility but overall cost of transfers is still subject to negotiation.

Housing revenue account

- 5.10 The Housing Revenue Account (HRA) is currently forecast to have a surplus of £776k at the end of 2007-08, which is £376k more than that provided for in the original budget. The main reasons for this additional surplus of £376k are an underspend on General Management of £66k (comprising increased expenditure of £261k on utility costs, offset by additional income of £327k from leaseholders) and a forecast underspend of £300k on the HRA responsive repairs and maintenance budget. There are also some significant variances on the Capital Financing budget (£1.109m underspend) and the HRA Subsidy budget (£1.099m reduction in income). These budget variances both arise through major debt restructuring, and are broadly neutral to the HRA.

Capital programme

- 5.11 Financial monitoring information on the capital programme is included in Appendix C. Spending profiles have been amended to reflect re-profiling of schemes. Details of issues arising in the past quarter are included within the

monitoring information provided at Appendix C and required virements are detailed at Appendix A2 for approval. The Children and Families Capital Programme includes a net reduction of £268k overall which has been taken to offset a proportion of the overall capital programme overspend of £478k identified in the monitoring position reported to the September meeting of the Executive. The council is still on target to deliver outcomes included in the original programme. Work has started on rolling forward the four year capital programme to 2008/09 to 2011/12. The most significant spending issues that need to be addressed are funding for additional school places – whilst maintaining existing buildings in a usable state – and ensuring the future planned maintenance needs of the council's housing stock following completion of the ALMO decent homes programme. On the resource side, the programme includes an estimate of receipts from the right-to-buy programme which does not currently reflect recent reductions in RTB disposals and also an ambitious general capital receipts target which does not build in assumptions about ring-fencing of capital receipts. So in addition to reviewing spending priorities in the programme, the council will also have to consider how additional resources can be generated to support the programme.

Prudential Indicators for 2007/08 and subsequent years

- 5.12 This section of the report considers the Prudential Indicators for the London Borough of Brent as approved by Full Council on 5th March 2007.
- 5.13 Section 12 of the Budget Setting Report submitted to Full Council on 5th March gave full details of the Prudential Indicators required to be considered by members, including full descriptions of what each indicator represents and why members are required to consider it. If members wish clarification on any such matters surrounding the Prudential Indicators, please refer to the previous report.
- 5.14 The Prudential Code for Local Government introduced two controlling limits for council borrowing. The first, the Authorised Limit, should not be exceeded without prior authority from members. Such an occasion may be a major debt restructuring exercise, when new loans are raised prior to existing loans being repaid. The second, the Operational Boundary, is set at a lower level so that members are informed if major debt restructuring is undertaken.
- 5.15 For 2007/08, the Authorised Limit has been set at £780m, which equates to £180m above the capital financing requirement for the council. The Operational Boundary has been set at £680m.
- 5.16 Members are asked to note that the Operational Boundary was exceeded for a short while during October when the council took an opportunity to restructure its debt at a time of rising interest rates. Three loans totalling £85m at an average rate of 4.75% were identified as appropriate for repayment. The council borrowed £85m at 4.6%, repaying the three loans a week later when interest rates had risen further. The net result was a saving of approximately £50,000 per annum to the general fund, and the generation of a discount (a





'bonus') for early repayment of £2.25m, which can be used to fund other restructuring activity. Borrowing stood at £688m for a week prior to repayment of the loans.

5.17 Members will be aware that most local authority borrowing is arranged through the Public Works Loans Board (PWLB), thus ensuring that councils save through borrowing at rates close to those obtained by the government. Brent has been able to borrow at rates between 4% - 5% over the last ten years, and to restructure debt (repay expensive loans, borrow new, cheaper loans), thus reducing the average borrowing rate from 9.5% to 5%. The PWLB has recently changed its rules, introducing new 'premature repayment rates'. Essentially, these reduce the discount rate applicable when an authority wishes to repay a loan early. This change reduces the discount or (more often) increases the premium payable by the authority quite substantially – the difference between the borrowing rates and the premature repayment rates can be around 0.45%. Whilst councils are currently making representations to the PWLB, if the change remains it will make minor restructuring activity uneconomic and reduce the potential savings made by councils. For example, the restructuring detailed above would not occur under the revised rules.

6.0 Overall performance position

6.1 Corporate Strategy

Overall the council is making good progress towards delivering the key objectives in the Corporate Strategy with the majority of vital signs indicators considered critical to the success of the council performing broadly in line with target. 68% are currently on target (green star) or just below target (blue circle) and 32% are well below target (red triangle).

| Overall Council Performance | | | | |
|-----------------------------|---|---|---|---|
| |  |  |  |  |
| | Low risk | Medium risk | High risk | No data |
| Percentage Quarter 1 Pls | 45% | 17% | 21% | 17% |
| Percentage Quarter 2 Pls | 48% | 18% | 32% | 2% |

More detailed trend data and comments on these indicators are available in appendix G.

6.2 This quarter Brent saw 93 % of actions on track to deliver the Improving Brent Action Plan to deadline. Key developments include:

- The launch of the new neighbourhood working model
- Consultation commenced on the new waste policy statement
- Work began on preparing a comprehensive climate change strategy.
- Secondary schools in Brent set up an anti bullying council
- Brent Youth Parliament met for the first time

- Public Sector category prize at the Opportunity Now awards 2007 for commitment for developing senior women managers
- Malorees Infant School in Brondesbury gained the national Artsmark Gold Award
- Children's Information Service won a Chartermark
- Brent Control Room recommended for ISO9001 award for quality management systems, one of only a few council run control rooms to achieve this

6.3 The key risks to achieving the objectives outlined in the corporate strategy remain the projected overspend in children's social care, with performance and costs improving but not at the rate needed, the continued cost shunting from the Primary Care Trust to adult social care and the lack of school places. Previously we had identified the cleanliness of the borough's streets as a risk area, but this quarter shows an improvement following the start of the new waste contract. In some areas of the council there are poor response rates for complaints. The objectives these risks will most impact are health and well-being, help when you need it, a lively place, early excellence and a clean place. The report sets out the measures that have been put in place to mitigate any negative impact issues raised this quarter might have on our progress.

6.4 Officers will be monitoring the effectiveness of improving performance and will report any further action required to members as appropriate. The Executive is asked to agree:

- that all directors ensure that underperformance is tackled and measures are taken, in consultation with relevant portfolio holders, to achieve this

6.5 Local Area Agreement

The council and its partners are on course to deliver most of the stretch targets agreed as part of the Local Area Agreement. The total potential performance reward grant for delivering all of the stretch targets is £9 million, of which we are on track to achieve £8.235m. This is because the PCT have scaled down funding of stop-smoking services which will result in a loss of performance reward grant amounting to £765k.

6.6 Other areas of the LAA are also at risk of not being achieved, but strategies are underway to mitigate this risk:

- *Number of volunteers from socially excluded and non-socially excluded groups*
Because of Brent's demographic make-up, the volunteer centre is performing above target recruiting volunteers from socially excluded groups but below target for those from non-socially excluded groups. In July 2007, the council negotiated a redefinition of these targets which enable them both to be counted together, thus ensuring the council achieves the full performance reward grant.

- *Number of people from BME and disadvantaged groups helped into employment*

Currently Brent in2 Work consistently perform above target helping people from a BME group into work and below target in helping people from a disadvantaged group (excluding BME) into work due to Brent's demographic make-up. Brent is pursuing a redefinition of these targets which will combine the two groups together, enabling Brent to achieve the total performance reward grant available.

- *Proportion of land assessed as having unacceptable levels of litter and detritus*

The new waste contract has come into effect, and has shown improvement in performance.

6.7 Partners for Brent are beginning the process of negotiating new targets for the 2008/09 LAA. The new style LAA will be based on 35 improvement priorities, 12 of which will be the current stretch targets.

6.8 Comprehensive Performance Assessment (CPA)

The Audit Commission have confirmed the CPA framework for 2007. The predicted rating for Brent will remain at three stars based on current performance. The vitals signs indicators which will impact the most on the council's rating are the number of active library borrowers, numbers of library visits and street cleanliness.

6.9 Specific Performance Issues

6.91 *Children's Social Care*

Work overseen by the Children's Social Care Transformation Board to both improve the health and well-being of children by providing help when they need it and reduce projected overspends is showing improvement in performance and cost, but not at the rate needed. While two critical indicators have performed poorly this quarter (the percentage of looked after children adopted and the numbers of re-registrations on the child protection register) the service is forecasting to achieve their targets by the end of the year as their interventions and invest to save initiatives start to pay off.

6.92 *Adult Social Care*

We are aiding the health and well being of people in Brent by providing better help to people when they need it. We now meet our target for helping older people and people with learning disabilities to live at home. Performance is close to target for helping people with physical disabilities and people with mental health problems to live at home. The targets remain challenging but are considered achievable. The adult care transformation programme is working to improve performance and mitigate the risk to the council's budget from the current overspend. The finance section provides information on activity levels relating to this programme. Bringing spend within budget and

performance on track depends on successful delivery of this transformation programme.

6.93 *School Places*

A key aim in the corporate strategy is to ensure early excellence. A good education is one of the key factors to enable achievement of this goal. The council still has high numbers of children seeking school places. This quarter the percentage of children waiting more than six weeks for school places at both primary and secondary level has risen. The underlying problem is a shortage of places in schools, which is exacerbated this quarter by the school holidays when schools are shut and higher numbers of people migrate in order to be in the area in time for when school term begins. The shortage of places is a situation experienced by a number of neighbouring boroughs, where schools are almost at capacity.

Brent has set out a strategy to deal with this involving expansion of existing provision and work to provide new school provision in the borough. In the interim close monitoring occurs at both primary and secondary level, tracking demand in terms of year group and location as well as vacancies. The teams are working closely with the Education Welfare Service and Social Care. Assessment centres are run every six weeks to assess educational needs for secondary school places. Some new pupils need to attend English as an Additional Language (EAL) project to help with written and spoken English. Many children seeking school places arrive in the UK without any previous formal education. Projects have been set up to accommodate these pupils including one through the College of North West London.

6.94 *Street Cleanliness*

Brent aims to be a great place to live, and a clean environment is critical to this. The new waste contract is in operation and performance information is now available. The amount of litter and detritus in Brent's streets shows a big improvement compared to last year's performance, though is still just below target. The amount of graffiti present in our streets is expected to perform significantly below target, though the final result is yet to be received from ENCAMS. A new graffiti project board has been established, bringing together the police, anti-social behaviour teams, StreetCare, Trading Standards, Parks, Brent Housing Partnership and others to coordinate preventative work and offender case management.

6.95 *Waste Management*

The percentage of household waste recycled is just below target which means we are incurring slightly more landfill charges than expected to dispose of our waste. The new waste policy statement, which includes plans to implement compulsory recycling, are being consulted on at the moment and are intended to assist in increasing the council's rate of household waste recycling. Further in depth analysis of performance under the new contract is being considered at the Performance and Finance Select Committee in the coming months.

6.96 *Library visitors and active borrowers*

Our libraries have a role in making Brent a lively place to live. There are still too few library visits per 1,000 population and active borrowers as a percentage of population. The major marketing campaign in the summer failed to get as many people into libraries as expected. In order to improve performance a consultation with lapsed users with a resulting action plan is planned in October. In addition steady spending on stock and the new Kingsbury Library are expected to help improve the number of visits and levels of active borrowers. These library performance indicators feature in the CPA culture block, which is important to the councils overall star rating. The culture block is being reviewed closely at high level monitoring meetings.

6.97 *Complaints*

The council is keen to improve customer satisfaction and one way to achieve this has been to improve complaints performance. This quarter has seen an improvement in complaints performance with all services on or close to target with the exception of poor response times to complaints evident in Children and Families and Environment and Culture. Continuing to improve so all services deliver good quality responses in time will enable Brent to respond to this year's Local Government Ombudsman letter, which highlights some poorer performance in the number of local settlements. Training continues to ensure we deal with complaints better at earlier stages in the process.

7.0 Financial implications

7.1 These are set out in the body of the report

8.0 Legal implications

8.1 The capital programme is agreed by Full Council as part of the annual budget process. Changes to, or departures from, the budget during the year other than by Full Council itself can only be agreed in accordance with the scheme of Transfers and Virements contained in the constitution. Any decisions the Executive wishes to take and any changes in policy which are not in accordance with the budget set out in March 2007 and are not covered by the Scheme of Transfers and Virements will therefore need to be referred to Full Council.

8.2 The Director of Finance and Corporate Resources is satisfied that the criteria in the scheme are satisfied in respect of virements and spending proposals in the report.

9.0 Diversity implications

9.1 This report has been subject to screening by officers and there are no direct diversity implications.

10.0 Background documents

- 10.1 Corporate Strategy 2006/10
- Community Strategy 2006/10
- Budget Report 2007/08
- Revenue outturn report 2006/07
- Capital outturn report 2006/07
- Best Value Performance Plan 2007/08

11.0 Contact officers

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| PHIL NEWBY Director of Policy and Regeneration |
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Revenue Budget Balance Transfers and Virements

Balance Transfer

By Elections

There have been two by elections during 2007/08. The costs of the May by election in the Dudden Hill ward were mainly met from reserves with monies set aside from the costs of the local election. No budget provision was made for the costs of the September by election in the Stonebridge ward and £18k is required to meet these costs.

Virements

Police Community Support Officers (PCSOs)

As part of the 2007/08 budget process members agreed to the reprovision of the Borough's existing town centre warden service with 16 PCSOs under an agreement with the Metropolitan Police Service. The PCSOs started in August therefore £160k needs to be transferred from Streetcare to Community Safety to reflect the new arrangements. The full year costs of this transfer will be £240k in 2008/09.

Capital Budget Balance Transfers and Virements

Balance Transfer

Corporate Capital Programme

Expenditure on Priority 1 Backlog Repairs is forecast to exceed the total current capital allocation (see also Virements below) to the Corporate Programme by £48k. This sum will be transferred to Capital Resources from the Priority 1 Backlog Repair Earmarked Reserve by way of a Revenue Contribution to Capital Outlay (RCCO) in order to balance the programme.

Virements

Children and Families Capital Programme

The capital allocation of £300k to Chalkhill under the Individual Schemes element of the Capital Programme has been vired to SEN Schemes to reflect utilisation of the allocation for the PRU Conversion of the ex Chalkhill Youth Centre scheme.

Within the Hut Replacement Schemes £82k has been vired from the Prioritised List to the Oliver Goldsmith Hut Replacement scheme to reflect utilisation of the allocation.

There has been a re-allocation of the available NOF Grant Funding between the agreed schemes. This is allowable under the provisions of the grant criteria.

There has been a number of forecast small scale additional requirements and underspends across the various elements of the Children and Families Capital Programme with a net reduction of £268k to the programme overall. This underspend has been taken to offset a proportion of the overall capital programme overspend of £478k identified in the monitoring position reported to the September meeting of the Executive.

Environment and Culture

The allocation for Streetcare schemes has been increased by £196k to reflect need. This has been funded by a virement from the Grange Museum allocation where forecast is below budget and is an area which has previously been supported by virements from Streetcare.

Housing and Community Care: Housing and Customer Services Capital Programme

There will be a requirement for fully disabled adaptations to approximately 50 properties within the PFI Scheme for which the build programme will commence in April 2008. A new scheme has been added to the capital programme to reflect this

and the sum of £250k has been vired from Disabled Facilities Grant to fund the required works.

Required changes to Mahatma Gandhi House Reception arising from service provision needs have been estimated at a cost of £119k. A new scheme has been added to the capital programme to reflect this with the appropriate funding being vired from the Private Sector Housing allocation.

Corporate Capital Programme

Expenditure on Priority 1 Backlog Repairs is forecast to exceed the capital allocation (see also Balance Transfer above) within the Corporate Programme by £141k. This has been part offset through the virement of underspends identified on DDA Works, Project Management and Brondesbury Road Schemes of £7k, £10k and £76k respectively.