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|  | <p>Executive Committee March 2008</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 3 (Sep – Dec 2007)</p> <p style="text-align: right;"><i>(PRU 07/08 14)</i></p> | |

1. Summary

- 1.1 This report summarises Brent Council's spending, activity and performance in the third 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.

2.0 Recommendations

The Executive is asked to:

- 2.1 Note the council's spending, activity and performance in quarter three.
- 2.2 Require that all directors ensure that spending is kept within budget, underperformance is tackled and measures are taken, in consultation with relevant portfolio holders, to achieve this.

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 | General Fund services – Financial, activity and performance monitoring information for each of the council's main service areas: |
| - A1 | - Children and Families |
| - A2 | - Environment and Culture |
| - A3 | - Housing and Community Care |
| - A4 | - Corporate Centre |
| Appendix B | Capital programme |
| - B1 | - Children and Families |
| - B2 | - Environment and Culture |
| - B3 | - Housing and Community Care |
| - B4 | - Corporate Centre |
| Appendix C | Housing Revenue Account |
| Appendix D | Local Area Agreement |
| Appendix E | Council's overall budget summary |
| Appendix F | 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 increased cost of continuing care.

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 E.
- 5.2 The Quarter 2 Finance and Performance Review projected an overspend of £1.653m. The impact on balances, after taking account of the improvement in balances brought forward from 2006/07 and use of balances to fund the Stonebridge ward by-election, was that forecast balances at 31st March 2008 were £6.612m, £888k less than budgeted.
- 5.3 Since then, actions taken to limit spending in service areas, together with under-spends in central items, have led to a £1.993m betterment in the financial position. As a result forecast balances at 31st March 2008 are now £8.605m, £1.105m better than in the original 2007/08 budget. As set out in the 2008/09 budget report to Full Council on 3rd March 2008, the additional £1.105m balances generated in 2007/08 are being used to support the 2008/09 budget.
- 5.4 The additional balances of £1.105m in 2007/08 are made up of the following:
- Improvement in balances carried forward from 2006/07 of £783k; and
 - A net under-spend against 2007/08 budgets of £340k (details set out below);
- offset by:
- Use of £18k of balances to fund the Stonebridge Ward by-election agreed at the December Executive.
- 5.5 Table 1 below summarises the make-up of the forecast net under-spend in 2007/08 of £340k and the main movements since Quarter 2 monitoring.

Table 1 – 2007/08 budget position and movements since Quarter 2

| | Latest Budget £'000 | Forecast at Q3 £'000 | Variance at Q3 £'000 | M'ment since Q2 £'000 |
|--|--------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Children and Families | 48,902 | 49,804 | (902) | 290 |
| Environment and Culture | 46,819 | 46,464 | 355 | 410 |
| Housing & Community Care: | | | | 0 |
| o housing and customer services | 17,990 | 17,765 | 225 | 184 |
| o adult social care | 75,418 | 78,713 | (3,295) | (35) |
| Finance & Corporate Resources/ Central Units | 22,024 | 20,831 | 1,193 | 550 |
| Service Area Total | 211,153 | 213,577 | (2,424) | 1,399 |
| Central items | 33,379 | 30,615 | 2,764 | 594 |
| Total council budget | 244,532 | 244,192 | 340 | 1993 |
| Application of balances | (1,642) | (1,302) | (340) | (1993) |
| Total council budget/forecast after application of balances | 242,890 | 242,890 | 0 | 0 |

- 5.5 The most significant forecast overspends remain in adult and children's social care. The forecast overspend in the adult care service is £3.295m. This is £35k 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 £0.902m which is £0.290m less than the previous quarter. This is mainly due to extra grant income for unaccompanied asylum seeking children. 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; however numbers of in-house foster carers are starting to improve. 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 There are still significant risks in the 2007/08 budget which were detailed in the 2007/08 budget report. The most significant risks are the potential impact of on-going discussions with the PCT about transfer of continuing care cases – in particular the effect of back-dating – and government delays in announcing the Local Authorities Business Growth Incentive (LABGI) scheme allocations for 2007/08.

Housing revenue account

- 5.8 The Housing Revenue Account (HRA) is currently forecast to have a surplus of £584k at the end of 2007/08, which is £184k more than that provided for in the original budget. The main reason for this additional surplus of £184k is an underspend on General Management, which is the net effect of an increase in spending on utility costs and additional income from leaseholders.

Capital programme

- 5.9 Financial monitoring information on the capital programme is included in Appendix B. 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 B.
- 5.10 The principal changes to the capital programme in 2007/08 since the Second Quarter Performance and Finance Review report are as follows:

Children and Families

Reported expenditure on the Children and Families programme **has reduced by a net £740k**, consisting of:

- a. Net reduction due to re-phasing of expenditure of £1.073m, which is detailed below:
- (i) St Mary Magdalen's Junior School Rebuild (TCF Funded) - £1.700m from 2007/08 to 2008/09.
 - (ii) Individual school scheme commitments carried forward from previous years - £249k from 2007/08 to 2008/09.
 - (iii) Barham Window Replacement Phases 1 & 2 - £30k from 2007/08 to 2008/09.
 - (iv) Alperton School Underpinning - £59k from 2008/09 to 2007/08.
 - (v) Preston Park Hut Replacement Programme - £100k from 2008/09 to 2007/08.
 - (vi) New Opportunities Fund Works - £18k from 2008/09 to 2007/08.
 - (vii) SEN Schemes - £729k from 2008/09 to 2007/08.
- b. Programme expenditure increasing by £333k due to:

- (i) Additional funding of £300k received from Partnerships for Schools towards Academy 2 project costs up to outline business case stage.
- (ii) Additional requirement of £33k to meet costs of the Kilburn Park Extension Rebuild. This is a self funded scheme.

Environment and Culture

Reported expenditure on the Environment and Culture programme **has reduced by a net £1.549m**, consisting of:

- a. Programme reducing by £1.637m due to:
 - (i) A technical adjustment to Estate Access Corridor funding which results in a matching reduction in spending and resources of £1.307m.
 - (ii) Reduced requirement of £176k for street lighting outside the PFI.
 - (iii) Reduced levels of S106 allocations to the Environment and Culture capital programme of £154k matched by an equivalent reduction in resources.
- b. Programme expenditure has increased by £88k due to the purchase of additional Sports Centres Fitness Equipment. This is a self funded scheme.

Housing and Community Care: Housing and Customer Services

Reported expenditure on the Housing and Customer Services programme **has reduced by a net £350k** due to reduced levels of S106 allocations.

Corporate

Reported expenditure on the Corporate programme **has reduced by a net £1.585m**, consisting of:

- a. Reduction of £500k due to re-phasing of expenditure, from 2007/08 to 2008/09 on the ICT 'invest to save' schemes.
- b. Funding draw-down required in 2007/08 from the Government Office for London for the South Kilburn New Deal for Communities programme has reduced by £1.085m.

5.11 Total General Fund resources allocated to the programme have reduced by £14.380m since the last monitoring report compared to the net reduction in spending reported in paragraph 5.11 above of £4.224m. The reason for the difference is that the programme reported at the second quarter included a surplus of £10.156m. These resources have now been slipped to 2008/09 which means that the capital programme for 2007/08 is now showing a balanced position.

5.12 A summary of the revised 2007/08 programme is included in Table 2 below.

Table 2 Revisions to 2007/2008 Capital Programme since Second Quarter Monitoring

| Service Area | 2007/08 position (second quarter) £'000 | Amended 2007/08 position (third quarter) £'000 | Variations to 2007/08 position £'000 |
|--------------------------------------|--|---|---|
| Resources | | | |
| Grant and External Contributions | (52,406) | (47,686) | 4,720 |
| Capital Receipts | (6,476) | (5,569) | 907 |
| S106 Funding | (10,193) | (6,365) | 3,828 |
| Supported Borrowing | (9,914) | (9,914) | 0 |
| Unsupported Borrowing | (16,245) | (11,320) | 4,925 |
| Total GF Resources | (95,234) | (80,854) | 14,380 |
| Housing HRA | (22,244) | (22,244) | 0 |
| Total Resources | (117,478) | (103,098) | 14,380 |
| Expenditure | | | |
| Children and Families | 33,456 | 32,716 | (740) |
| Environment and Culture | 22,107 | 20,558 | (1,549) |
| Housing and Community Care – Adults | 782 | 782 | 0 |
| Housing and Community Care – Housing | 17,049 | 16,699 | (350) |
| Corporate | 11,684 | 10,099 | (1,585) |
| Total GF expenditure | 85,078 | 80,854 | (4,224) |
| Housing HRA | 22,244 | 22,244 | 0 |
| Total Expenditure | 107,322 | 103,098 | (4,224) |
| Net Position | (10,156) | 0 | (10,156) |

5.13 Progress on delivering the main service outcomes from the programme is included in Appendix B.

Prudential Indicators





5.14 The council is required to set and monitor Prudential Indicators which measure the affordability, prudence and sustainability of capital spending and the means used to fund it. These were agreed for 2007/08 at the Council budget setting meeting on 5th March 2007. There are no significant variances to report.

5.15 The indicators for 2008/09 are included in the 2008/09 budget report to Full Council on 3rd March 2008.

6.0 Overall performance position

Corporate Strategy

- 6.1 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. 63% are currently on target (green star) or just below target (blue circle) and 35% are well below target (red triangle).

| Overall Council Performance | | | | |
|-----------------------------|---|---|---|---|
| |  |  |  |  |
| | Low risk | Medium risk | High risk | No data |
| Percentage Quarter 1 PIs | 45% | 17% | 21% | 17% |
| Percentage Quarter 2 PIs | 48% | 18% | 32% | 2% |
| Percentage Quarter 3 PIs | 50% | 13% | 35% | 2% |

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

- 6.2 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. We await the final figures next quarter on the cleanliness of the borough to see how much progress has been made so far under the new waste contract. The objectives these risks will impact most are health and well-being, help when you need it, a lively place, early excellence and a clean place. This report sets out the measures that have been put in place to respond to poor progress towards the corporate objectives.
- 6.3 Officers will be monitoring 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

Local Area Agreement

- 6.4 The Council and Partners are continuing to work towards the 12 stretch targets set out in the current LAA. These stretch targets have been built into the 35 priorities for the new LAA. These priorities will be published in the coming weeks.
- 6.5 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. An update on the performance reward grant we are likely to secure will be provided at the end of the financial year.

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

- *Smoking cessation*

The PCT are reinvesting in the smoking cessation service, but progress to date has been slow, and is unlikely to enable Brent to achieve the target because of the time lost during this year. It is unlikely Brent will receive the performance reward grant for this target.

- *Number of people from a disadvantaged group helped into employment*

The number of people from disadvantaged groups being helped into work by Brent in 2 Work is increasing, but not by enough to achieve the target. This is due to Brent's demographic make-up, where a large proportion of the clients seen by Brent in 2 Work are from a number of groups including BME groups, who are not categorised as disadvantaged in the definition for this indicator. The other part of the stretch target is where the number of people from a BME group helped into employment is monitored and performance is continuing to exceed the target.

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

The new Waste Contract is in place, and the second cleanliness survey of the year saw a slight decline in performance against the stretch target. Neither the first or second survey has achieved the target of 22% for this year with scores of 23.3% and 24% respectively. Performance will need to improve to reach the more challenging target next year or Brent will not receive the performance reward grant for this target.

- *Average time taken for new Housing Benefit and Council Tax Benefit*

The service has continued to improve performance, and is on course to exceed the target for this year.

Comprehensive Performance Assessment (CPA)

6.7 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.

Specific Performance Issues

Children's Social Care

6.8 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 some areas of performance and cost. The numbers of re-registrations on the child protection register has shown improvement compared to last quarter. However two critical indicators have performed poorly this quarter, 'the

percentage of looked after children adopted' and 'the average number of children placed with in house foster carers.' At this stage the service is forecasting the average monthly placement cost will be close to target by the end of the year.

Adult Social Care

- 6.9 The adult care transformation programme is working to improve health and well being performance and to mitigate the risk to the council's budget from the current overspend. This quarter we are close to achieving our targets for most of our social care critical indicators with the exception of helping people with learning disabilities to live at home. This, however, is expected to be a short time decline.

School Places

- 6.10 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 improved but is still below target. The underlying problem is a shortage of places in schools; 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 build new schools in the borough to ensure early excellence.

Cleanliness – litter, graffiti, fly posting

- 6.11 The new waste contract is now up and running. A number of critical indicator results are reported in July, November and March following surveys of cleanliness by ENCAMS. This quarter we can confirm the provisional figures provided in the last Performance and Finance Review. In November, street cleanliness survey results showed performance in terms of both litter and graffiti was below target. However the amount of litter and detritus in Brent's streets shows a big improvement compared to last year's performance. The levels of graffiti present in our streets are affected by crime waves and gangs competing to tag the borough. More emphasis is being put on preventative work to bring this issue under control through the new graffiti project board. Fly posting is reported as being below target, though performance over the last six months has been improving, with a steady decline in fly posting following the council reminding some advertising companies of the law in relation to fly posting.

Library visitors and active borrowers

- 6.12 There are still too few library visits and active borrowers in Brent. The marketing campaign highlighted in last quarter's report had some success but more funding for library stock is intended to help further in reaching these targets in 2008/09. Also, this quarter's performance was affected by the introduction of a new library management system and lack of public internet access, in particular due to a delay in opening a new 'library plus' facility in

Kingsbury. 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.

7.0 Financial implications

7.1 These are set out in the body of the report

8.0 Legal implications

8.1

8.2

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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