	<p style="text-align: center;"><b>Executive</b> 9<sup>th</sup> September 2008</p> <p style="text-align: center;"><b>Report from the Directors of Finance and Corporate Resources and Policy and Regeneration</b></p>
For Action	Wards Affected: ALL
<b>Performance and Finance Review - Quarter 1 2008/2009</b>	

Forward Plan Ref: PRU – 08/09 - 05

## 1. Summary

- 1.1 This report summarises Brent Council's spending, activity and performance in the first quarter of the 2008/09 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, the Local Area Agreement, ring fenced budgets and the capital programme. Vital signs trend data and graphs are also provided along with the council's overall budget summary.

## 2.0 Recommendations

The Executive is asked to:

- 2.1 Note the council's spending, activity and performance in quarter one.
- 2.2 Require that all directors ensure that spending is kept within budget and underperformance tackled and that measures are taken, in consultation with relevant portfolio holders, to achieve this.
- 2.3 Approve the additional £2.134m on schools capital projects in paragraph 5.11 and agree that both this expenditure and the further £1.079m from 2007/08 identified in paragraph 5.12 be funded by reducing provision in future years' programmes for primary school hut replacements.

## 3.0 Background

3.1 The success of the council is ultimately measured by the delivery of the priorities within the Corporate Strategy and its jointly agreed outcomes in the Local Area Agreement. 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.

3.2 This approach to monitoring and reporting 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.

3.3 Appendices included in this report are as follows:

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
- D1	Local Area Agreement 1
- D2	Local Area Agreement 2
Appendix E	Budget Summary
Appendix F	Vital Signs – high and medium risk performance

3.4 Supplementary documentation circulated to members includes a vital signs report providing detailed explanation of performance, an activity monitoring report and the Addendum.

## **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.
- 4.2 During 2007/08, there was improvement in performance compared to 2006/07. From 2008/09 we will be reporting against the new set of 198 National Indicators. This will reflect more clearly the performance of the council and partners, acting as evidence for the new Comprehensive Area Assessment being introduced in April 2009. Brent has had consistent success in improving incrementally. To continue to improve at the same rate as other councils, Brent is changing its approach to improvement. The council is now preparing its road to excellence with a one council transformation programme to deliver better services to local residents.

## **5.0 Overall financial position**

### General Fund Revenue budget

- 5.1 A summary of the council's overall budget position for 2008/09 is included at Appendix E.
- 5.2 The 2007/08 provisional outturn was reported to the Executive as part of the quarter 4 2008/09 Performance and Finance review report to the Executive on 14<sup>th</sup> July 2008. That showed an improvement in balances brought forward from 2007/08 of £450k, from £8.605m forecast when the 2008/09 budget was set to £9.055m. This improvement is provisional, pending completion by the Audit Commission of the audit of the 2007/08 accounts. The Executive agreed at the July meeting to allocate £188k of this improvement to Neighbourhood Working budgets which had not fully spent in 2007/08. The result was a net improvement of £262k.
- 5.3 It is an early stage in the financial year. However, there is already some indication of risks to the 2008/09 budget which will have to be carefully monitored and managed. The table below shows a forecast net overspend on service area budgets of £2.177m and a forecast overspend on central items of £150k. These are partially offset by the £262k net improvement in balances following closing of the 2007/08 accounts. The result is that on the basis of forecasts at the end of Quarter 1, general balances at 31<sup>st</sup> March 2009 would be £5.435m, £2.065m less than budgeted balances of £7.5m.

	<b>Latest Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>
Children and Families	58,680	59,480	(800)
Environment and Culture	47,453	47,990	(537)
Housing & Community Care:			
o housing and customer services	20,662	20,662	0
o adult social care	86,351	86,973	(622)
Finance & Corporate Resources/Central Units	21,040	21,258	(218)
<b>Service Area Total</b>	<b>234,186</b>	<b>236,363</b>	<b>(2,177)</b>
Central items	38,846	38,996	(150)
Area Based Grants	(15,767)	(15,767)	0
<b>Total council budget</b>	<b>257,265</b>	<b>259,592</b>	<b>(2,327)</b>
<b>Application of balances</b>	<b>(1,293)</b>	<b>(3,620)</b>	<b>2,327</b>
<b>Total council budget/forecast after application of balances</b>	<b>255,972</b>	<b>255,972</b>	<b>0</b>

5.4 There are some underlying issues that are causing pressure on budgets across the council, principally as a result of the state of the economy. These include the impact of higher inflation levels on costs - the increase in the RPI is currently running at over 5% per annum - and the effect of the downturn on income, for example, land searches. The main issues in individual services areas are as follows:

- Children and Families. The major risk areas to the General Fund budget are the cost of children's placements for children in care and costs associated with children with disabilities. Number of children in care remains at around 370 (compared with a peak of 426 in 2006) and measures are in place through the 'invest to save' programme to bring this down. There also continue to be difficulties with securing in-house foster carers. In the case of children with disabilities, the main pressures are from increased numbers of direct payments and increasingly complex support packages. The forecast overspend in Children and Families is less than forecast at this stage in 2007/08. Bringing costs within budget in 2008/09 depends primarily on continuing success of the 'invest to save' programme.
- Environment and Culture. The most significant issues in Environment and Culture are the impact of the collapse in the housing market on land search income, increased inflation on contract costs, and the effect of energy cost increases. Latest information is that the reduction in land search income will be greater than forecast at the end of quarter 1. However, the department has in place measures for reducing the impact of cost increases and has in recent years managed to bring spending within budget by year-end.

- Adult Social Care. This remains the most significant risk area for the council. Adult care activity levels remain relatively stable. However there are significant pressures on the budget as a result of inflationary impact on cost of home care and residential placements and achievement of spending in line with budget depends on delivery of savings from the adult social care transformation programme. There are also continue to be underlying pressures on income budgets. There is very close monitoring of activity and spend on adult social care at both departmental and corporate levels.
- Finance and Corporate Resources/central units. These were forecasting an overspend of £218k at the end of quarter 1. Latest monitoring information shows an improvement with forecast spending broadly in line with budget

#### Housing Revenue Account

- 5.5 The Housing Revenue Account (HRA) is a ring-fenced account containing the income and expenditure relating to the Council's Landlord duties for approximately 9,500 dwellings.
- 5.6 The HRA forecast outturn for 2008/09 at quarter 1 shows an overspend of £36k on General Management, which is offset by a £36k underspend on Rent and Rates. The net position for the HRA is a forecast outturn in line with budget.

#### Schools Budget

- 5.7 The ring-fenced Schools Budget is split into two parts. The first part delivers delegated funding to schools - school budget shares. The second part is termed central items expenditure and covers local authority retained elements to support activities such as pupil referral units and payments to non maintained nurseries.
- 5.8 The central items budget for 2008/09 is £18.1m and the latest forecast is forecasting a £300k overspend by the year end, due to increased numbers of children being given Special Education Needs (SEN) statements in schools. Any overspend will be met by the earmarked central items' reserve, which is £1.1m in 2008/09. An SEN review is being undertaken which will amongst other things seek to identify measures to reduce pressure on the SEN budget.

#### Capital programme

- 5.9 Financial monitoring information for the capital programme is included in Appendix B.
- 5.10 The Performance and Finance Review 2007/08 outturn report to the Executive in July 2008 identified that the major pressure on the capital

programme remains the schools' programme and highlighted the potential for urgent work to school roofs at Kingsbury Green and Grove Park schools.

- 5.11 Since then, surveys have been carried out at Kingsbury Green and Grove Park schools. In addition, the requirement for urgent works has been identified in four other schools and additional costs have been identified on the Wembley Manor and Furness Primary School projects. The total additional costs amount to £2.134m. Details are provided in the table below. Measures are being sought to identify alternative sources of funding including for example use of the Salix Fund run by the Carbon Trust to introduce energy efficiency measures as part of roof replacement. This could reduce the amount of funding required.

School	Cost £'000	Notes
Kingsbury Green	700	Roof replacement
Grove Park	170	Roof repairs and window replacement
Preston Park	95	New modular classroom to meet demand for pupil places
Sudbury	115	New modular classroom to meet demand for pupil places
Braintcroft	300	Remove three huts containing asbestos; provide two new huts.
Lyon Park	106	New boilers
Wembley Manor	550	This would increase the total scheme cost from £10.542m to £11.092m. Additional costs include: <ul style="list-style-type: none"> <li>• project overspend - £170k</li> <li>• 4 weeks delay - £280k</li> <li>• additional contingency - £100k.</li> </ul>
Furness	98	Increase in cost of mechanical heat distribution scheme from £280k in capital programme to £378k
<b>Total</b>	<b>2,134</b>	

- 5.12 In addition, a sum of £1.079m was allocated in the 2007/08 programme to meet the cost of roof repairs at Mitchell Brook and Fryent schools and, whilst this was funded in 2007/08 from slippage elsewhere in the programme, funding still has to be identified for this in 2008/09.
- 5.13 Members are asked to approve the additional expenditure in paragraph 5.11 and agree that both this expenditure and the further £1.079m from 2007/08 identified in paragraph 5.12 be funded by reducing provision in future years' programmes for hut replacements.
- 5.14 A report will be submitted to the Executive later this year setting out an approach to addressing the underlying pressures on the schools capital programme in future years.





## Prudential Indicators

5.15 Prudential indicators were introduced as part of the prudential borrowing regime introduced as part of the Local Government Act 2003. The arrangements are aimed at ensuring authorities exercise their borrowing powers responsibly, with capital expenditure plans that are affordable, external borrowing that is prudent and sustainable, and treasury management decisions taken in accordance with good professional practice. Prudential limits are set as part of the budget process, monitored during the year, and actual performance reported at outturn. There are no variations to report for quarter 1.

## **6.0 Overall performance position**

### Corporate Strategy

6.1 Overall the council has made good progress towards delivering the key objectives in the Corporate Strategy in quarter 1 of 2008/09 with the majority of Vital Signs indicators considered critical to the success of the council performing broadly in line with target. 57% are currently on target (green star) or just below target (blue circle) and 21% are well below target (red triangle).

<b>Overall Council Performance</b>				
				
	Low risk	Medium risk	High risk	No data
Percentage Quarter 1 PIs	40%	17%	21%	22%

More detailed trend data and comments on these indicators are available in appendix F. There is a higher number of indicators without information in quarter one because of the introduction of the new national indicator set and the need to set baselines. Please note that Housing and Community Care data has been included in the Addendum.

6.2 The key risks to achieving the objectives outlined in the Corporate Strategy this year include: overspends in children's and adults' social care and the lack of school places. We also continue to monitor closely the progress under the new waste contract. Transformation programmes are in place to continue to address these issues. 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 and managing 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 This is the first report covering the new LAA. There are 38 priorities (projects) in the new LAA each with targets attached. This includes our current 12 LAA stretch targets which run until 2009, plus 22 new 'National Indicator' set targets, and 4 'local' priorities with their targets. Local priorities are projects which are judged important to Brent Council and our partners locally and have therefore been put into the LAA, but are not reported to national government, mostly because there were no suitable indicators within the government's new 198 indicator set. We will however monitor these through vital signs and our internal performance management systems.
- 6.5 As final negotiations for the new 2008 LAA were only completed in early June, and many of the indicators in the LAA are completely new, we are still receiving data from some partners who are in the process of setting up brand new systems to monitor the indicators. In addition, a few of the LAA indicators have been delayed by government and will be introduced in either December 2008 or April 2009, so data for them is absent for that reason. Where possible we will still monitor information on these and use it to set baselines and targets for their introduction next year. In addition some of the LAA projects have not yet begun so there is no data to report on. We anticipate having *some* more data available for the quarter 2 performance report in December, but it is likely that only by the third and fourth quarters will we have a fuller picture.
- 6.6 Despite the absence of data we have included all the new LAA priorities on the Appendix D front sheet, to introduce the list. Due to the absence of new LAA data, the main focus this quarter in terms of analysis will be on the current 12 Stretch Targets. The Stretch Targets are coloured in green in Appendix D, whilst the new LAA indicators are in white. They are listed underneath blue rows which give the relevant Community Strategy heading, for example Community Safety.

#### Stretch targets

- 6.7 A stretch target is a target for which we have negotiated the delivery of 'extra' performance beyond what might normally be achieved, in return for performance reward grant (PRG) from central government. Appendix D shows 20 rather than the main 12; this is because they are split into sub indicators. For most stretch targets there are 2 sometimes 3 sub indicators, which make up the whole Stretch Target.
- 6.8 Brent Council and Partners are beginning the final year of stretch targets which began in 2006. 2008/2009 is the year which counts for most of the stretch targets, so it is crucial that performance reaches the set targets. Of the 20 sub indicators supporting the stretch targets, 11 are achieving the target, two are within 10% of the target, and the remaining two are below target. The outlook is generally very positive. The value for money stretch target was completed at the end of March 2008, and Brent has achieved this target. Overall we are reasonably confident at this stage of achieving £8,615,779 out of a possible total £9,380,850 of PRG.



6.9 The LAA sheets in Appendix D highlight a number of areas of risk:

#### *Accidental Fires*

This Stretch Target is just 4 higher than the target. We are not unduly concerned about progress at this stage but will continue to monitor performance.

#### *Employment*

2 Stretch Target sub indicators around employment marked REG 11 and REG 12 are below target. This Stretch target was struggling to meet its 2 targets because of the requirement in original negotiations to get a higher number of 'disadvantaged' into work, than 'BME'. Brent was struggling to meet the requirement on 'disadvantaged' due to the ethnic profile of the borough, which categorises most of the population as BME. Negotiations with Government Office for London are now allowing us to reclassify clients who might originally be categorised BME, but who feel that their specific employment related disadvantage might be due to another reason. We remain fairly confident of reaching this overall Stretch Target.

#### *Smoking cessation*

Performance against the 2 smoking cessation indicators is under the Health and Wellbeing heading. There is no available data for 13 week quitters, and 4 week quitters in priority neighbourhoods are shown as 114 below the required target. Unfortunately, this service was significantly cut as part of the PCT turnaround plan last year. The PCT have since then heavily reinvested in the service and revised their targets downwards slightly and hope to bring performance up to achieve at least some performance reward grant. At this stage it is difficult to assess whether or not they will manage to achieve this and our calculations of expected PRG take this into account.

#### *Volunteers*

There is not much data available for this Stretch target for this quarter but following negotiations with Government, we are now combining the 2 sub indicators (number of non socially excluded volunteers, and number of socially excluded volunteers) and counting this target as one overall figure, namely number of volunteers in total. The service was overachieving on the 'socially excluded' element, and underachieving on the 'non socially excluded' element. This is because the government definition for 'socially excluded' includes all BME groups. Not wanting to divert resources to focus on increasing 'non socially excluded' element just for a target, it made sense to combine the two, which government are content with as long as we have 100 socially excluded volunteers as part of the total figure of 500. The service has suffered a slight setback recently with a reduction of placements on offer from one large organisation. A number of public sector options to address the loss of placements are being considered including potentially offering some placements through the Acute Hospital Trust.

### *Other Targets*

The LAA sheets also highlight the following performance indicators: NI 192 % recycling, 1<sup>st</sup> time entrants into the Youth Justice system' and NI 63 'Stability of Placements'. Explanation is provided for these below and in vital signs.

### Comprehensive Performance Assessment (CPA)

- 6.10 Brent retained three stars in the assessment of financial year 2007/08, released in February 2008. The Audit Commission have confirmed the CPA framework for 2008. The Vital Signs indicators which will impact on the final CPA score in 2008 are: the number of active library borrowers, numbers of library visits and street cleanliness.
- 6.11 The council is now preparing for the new regime which will replace CPA, the Comprehensive Area Assessment (CAA). A new set of national indicators is being put in place now ready for CAA. 35 of the national indicators will be the focus of the Local Area Agreement. These indicators will feature in the quarterly Performance and Finance Review reports for 2008/09.

### Specific Performance Issues

#### *Youth*

- 6.12 The council is working to ensure early excellence and this quarter there is a reported improvement in the number of Black African and Caribbean youth subject to remand, young people visiting council sports facilities and the percentage of young people in education, employment or training. There are still a number of Black African and Caribbean young people subject to custody. This reflects the number of serious offences being dealt with by courts. The Youth Offending Team is undertaking focussed work to improve reintegration into the community and employment, training and education.

#### *Schools*

- 6.13 The council still has high numbers of primary and secondary school children waiting more than 6 weeks for a school place. 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 in the borough in the medium term.

#### *Children's Social Care*

- 6.14 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 has resulted in some success. Challenges for the transformation board this year include the complexity of cases and ability to provide foster care in-house.

#### *Special Educational Needs*

- 6.15 The council has struggled to prepare statements of Special Educational Needs within 26 weeks. The main reasons for this include length of time needed to liaise with the Primary Care Trust and parents. The Special Educational Needs Advisory Service is working closely with the PCT and will

review progress regularly to promote better performance. To address the performance issues in SEN, the service is due to be reviewed as part of the new transformation programme.

*Cleanliness – litter and graffiti*

- 6.16 We have made Brent a cleaner place. This is the second year that the current waste contract has been in operation and compulsory recycling has just been introduced borough-wide to support continuous improvement. The results show the amount of graffiti (from provisional data) in the borough has worsened. 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 taking a multi-disciplinary approach at the new graffiti project board to tackle the problem.

*Planning*

- 6.17 Major and minor planning applications are a small proportion of overall applications received by the council. Determining these applications within the set time is being affected by the number of applicants pursuing a section 106 agreement alongside their planning application. This quarter a significant increase in applications received has affected the ability to determine these within the set timeframe.

*Libraries*

- 6.18 The number of library visits has improved this quarter, mainly due to the opening of Kingsbury Library Plus. As yet, this has not had an impact on the number of active borrowers but is expected to start improving numbers in the long term. The rise in the number of borrowers at Kingsbury Library Plus since its opening will be positive for performance in the year ahead. The planned refurbishments in the year ahead will draw on the success of Kingsbury Library Plus.

*Adult Social Care*

- 6.19 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. The service is building on the good performance achieved last year.

*Revenues and Benefits*

- 6.20 The good performance for Revenues and Benefits has continued into quarter one of this year. Performance for the following indicators have met target: council tax collected, complaints and time taken to process claims for council tax and housing benefit. National non-domestic rates (NNDR) collected and the average time for new claims are very close to target this quarter. The main factor affecting this performance is the change in the law so that exemptions for empty business properties have been taken away. Taxes on several properties which had previously been exempt from paying had not been paid. This is a common issue in many London boroughs with a high number of industrial properties.

*Human Resources*

- 6.21 Sickness levels (excluding schools) in Brent have risen this year as compared to last year when they were marginally below target. A review of the sickness policy and a workshop for managers has been put in place to ensure that the rise in sickness does not continue.

**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 2008 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  
Local Area Agreement 2008/11  
Budget Report 2008/09  
Best Value Performance Plan 2008/09

**11.0 Contact officers**

Peter Stachniewski (Deputy Director, Finance and Corporate Resources)  
Brent Town Hall, Forty Lane, Wembley Middlesex, HA9 9HD 020 89371260;

Cathy Tyson (Assistant Director, Policy and Regeneration) Brent Town Hall,  
Forty Lane, Wembley Middlesex, HA9 9HD 020 8937 1030

<b>DUNCAN McLEOD</b> Director of Finance and Corporate Resources	<b>PHIL NEWBY</b> Director of Policy and Regeneration
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