Meeting	Cabinet Resources Committee
Date	16 December 2013
Subject	**Quarter 2 Monitoring 2013/14**
Report of	Cabinet Member for Resources and Performance
Summary	To consider the Quarter 2 Monitoring 2013/14 report and instruct officers to take appropriate action.
Officer Contributors	Phil Brown – Assistant Director, Financial Services Nickie Morris – Finance Manager, Closing & Monitoring
Status (public or exempt)	Public
Wards affected	Not applicable
Key decision	Yes
Enclosures	Appendix A – Performance Report Appendix B – Revenue Monitoring by Directorate Appendix C – Capital Programme Adjustments Appendix D – Capital Monitoring Analysis Appendix E – Corporate Risk Register Appendix F – One Barnet Programme Appendix G – Library Fees and Charges Appendix H – Prudential Indicator Compliance Appendix I – Investments outstanding as at 30 Sept 2013
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

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1. RECOMMENDATIONS

1.1 That the Performance in Paragraph 9.1 and Appendix A be noted

1.2 That Directors take appropriate action to ensure costs are kept within budget and income targets are met. (Paragraph 9.3.2)

1.3 That Directors take appropriate action to improve performance against those corporate performance, Human Resources (HR), project, and risk measures where quarter two performance remains a challenge. (Paragraphs 9.1 and Appendix A)

1.4 That Directors ensure that those capital projects in their services are managed closely to ensure they are delivered within budget and in accordance with the agreed timeframe. (Paragraph 9.3.13)

1.5 That the proposed 2013/14 capital additions/deletions totalling £19.271m and slippage of £22.519m as set out in Table 3 (Paragraph 9.3.14) and Appendix C and the related funding implications summarised in Table 4 (Paragraph 9.3.15) be approved.

1.6 That the Agency Costs for the second quarter be noted. (Paragraph 9.5.1)

1.7 That the Corporate Risk Register at Appendix E be noted.

1.8 That the One Barnet Programme (Paragraph 9.10 and Appendix F) be noted.

1.9 That the changes to Fees and charges for a new size of room rental within the Library service in 2014/15 be approved. (Paragraph 9.7.1 and Appendix G)

1.10 That the following virements for this financial year and on-going be approved:

- £1.842m within the Waste and Recycling service. This is required to realign the budgets to reflect the latest organisational structure within Streetscene including the efficiencies from the 13/14 savings initiatives. There is a nil impact on budgets. (Paragraph 9.4.1)

1.11 That the following transfers from Contingency for this financial year and on-going be approved (Paragraph 9.6.1):

- £1m transfer from contingency to the Family Services to support on-going demographic pressures in Children's Social Care; and
- £0.500m transfer from contingency to support the reactive maintenance budget.

1.12 That the following funding from the transformation reserve be approved (Paragraph 9.6.2):

- Children's service transformation £0.200m
- Children's income SEN and complex needs £0.250m
- Children's transformation scoping £0.024m
- Priorities and spending review £0.250m;

1.13 That £0.1m draw down is approved from the risk reserve to cover costs associated with the judicial review (Paragraph 9.10.3)

1.14 That the Treasury position in 9.8 be noted.

2. RELEVANT PREVIOUS DECISIONS

2.1 Council, 5 March 2013 (Decision item 8.1.1) – approved the Council Budget and Council Tax 2013/14.

2.2 Cabinet Resources Committee, 24 June 2013 (Decision item 7) – approved the Outturn Report 2012/13.

2.3 Cabinet Resources Committee 24 September 2013 (Decision item 6) – approved quarter 1 monitoring 2013/14

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Robust budget and performance monitoring are essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.

3.2 Relevant Council strategies and policies include the following:

- Corporate Plan 2013-14;
- Medium Term Financial Strategy;
- Treasury Management Strategy;
- Debt Management Strategy;
- Insurance Strategy;
- Risk Management Strategy; and
- Capital, Assets and Property Strategy.

4. RISK MANAGEMENT ISSUES

4.1 The revised forecast level of balances needs to be considered in light of the risk identified in 4.2 below.

4.2 Various projects within the Council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk that the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other Council priorities will be required.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Under the Equality Act 2010, the Council and all other organisations exercising public functions on its behalf must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. With respect to a) the 'protected characteristics' also include marriage and civil partnership.

5.2 Having 'due regard' means: (i) consciously thinking about the three aims as part of the decision-making process; (ii) that an incomplete or erroneous appreciation of the duties will mean that due regard has not been given to them; and (iii) that the duty must be exercised in substance, with rigour and with an open mind.

5.3 In response to the public sector Equality Duty (as specified in the Equality Act 2010), quarter 2 data for the Corporate Plan equalities measures is used to assess whether there are any notable gaps between different groups. This is published on our website at:
www.barnet.gov.uk/info/200041/equality_and_diversity/224/equality_and_diversity

5.4 Financial monitoring is important in ensuring resources are used to deliver equitable services to all members of the community.

5.5 The changes to Fees and charges for a new size of room rental within the Library service in 2014/15 will allow groups of 6-15 people to hire a room at a lower rate than previously. There is no evidence to suggest the addition of the medium meeting room would affect any particular protected equality groups by a disproportionate advantage or disadvantage.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, ICT, Property, Sustainability)

6.1 Robust budget and performance monitoring plays an essential part in enabling an organisation to deliver its objectives efficiently and effectively.

6.2 Use of Resources implications are covered within Section 9 of the body of the report and in the attached appendices.

6.3 The projected overspend of £3.09m is forecast to reduce General Fund balances from £15.830m to £12.321m. The General Fund balances are therefore forecast to fall below the recommended target level of £15m.

7. LEGAL ISSUES

7.1 Section 151 of the Local Government Act 1972 states that: “without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.

7.2 Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is a deterioration in an authority’s financial position is set out in sub-section 28(4) of the Act.

8. CONSTITUTIONAL POWERS

8.1 The Council’s Constitution, in Part 3, Responsibility for Functions, states in paragraph 4.6 the functions of the Cabinet Resources Committee including:

(a) Monitor the trading position of appropriate Council services, carry out debt analysis and look at income sources and charging policies;
(b) To write off debt;
(c) To determine external or cross-boundary trading limit; and
(d) Approval of schemes not in performance management plans but not outside the

Council's budget or policy framework.

8.2 The Council's Constitution, Part 1, Financial Regulations Part 4 section 4.4.13 states the Chief Finance Officer will report in detail to Cabinet Resources Committee at least four times a year on the revenue and capital budgets and wider financial standing in addition to two summary reports at the beginning and end of the financial year.

8.3 The Council's Constitution, Part 1, Financial Regulations Part 4 section 4.4.3 states virements can only be made after following the rules in the table below:

Approval by Cabinet or Cabinet Resources Committee is required if any of the	
	The virement affects any the following budget types: - Financing charges - Rates and other taxes - Recharges - Insurances
	The virement is for contingent budgets for amounts over £250,000 (as determined by the Section 151 Officer in consultation with the appropriate Chief Officer)
	The virement would cause the total budget head to be exceeded in the current year or increase the commitment in future years
	The virements are to be financed from savings arising from competitive tendering
Approval by Cabinet Member is required if any of the following conditions exist:	
	The virement will transfer funds for the creation of new staff posts
If none of the above conditions apply, then the following approval levels apply:	
	Virements within a service that do not alter the staffing by more than 10% are approved by Service Director
	Virements up to a value of £50,000 must be approved by the relevant Chief Officer
	Virements over £50,000 and up to £250,000 must be approved by the appropriate Cabinet Member
	Virements over £250,000 and up to £2,500,000 must be approved by Cabinet or Cabinet Resources Committee
	Virements over £2,500,000 or over 10% of the net service budget must be approved by Full Council

Capital Virements
Cabinet or Cabinet Resources Committee approval is required for all capital budget and funding virements and yearly profile changes (slippage) between approved capital programmes i.e. as per the budget book. The report must show the proposed: i) budget transfers between projects and by year ii) funding transfers between projects and by year and iii) a summary based on a template approved by the Section 151 Officer
Funding substitutions at year end in order to maximise funding are the responsibility of the Section 151 Officer.

9. BACKGROUND INFORMATION

9.1 Summary of Financial and Performance Monitoring

9.1.1 Revenue Monitoring

The Council's overall position has declined since Quarter 1. The quarter 2 forecast has resulted in a projected overspend of £3.509m. The Council's General Fund Balances are forecast to fall below the recommended level of £15m, and are currently projected to be £12.321m.

9.1.2 Capital Monitoring

The Council's 2013/14 Capital Programme is showing slippage of £22.519m and additions/deletions of £19.271m against a budget of £158.823m at the end of quarter 2.

9.1.3 Successful service changes

- Mobilisation and commencement of the **Customer and Support Group** contract (2 September).
- Mobilisation of the **Re joint venture** (1 October)
- Preparatory work for the in-sourcing of the **recycling service** (7 October).

9.1.4 Value for Money Benchmarking

The London Councils' value for money assessment has not been updated since quarter 1, where 50% of services were rated as high performance, low spend. Only 2 other authorities had a higher percentage of services in the high performance, low spend category.

9.1.5 Areas of concern

There are four areas of concern identified during officer challenge sessions. Further detail is provided in section 9.2.3:

- A continuation of the **Housing, homelessness and emergency accommodation** challenge from quarter 1
- **Family Services** projected year end revenue overspend, see table 3 for more detail
- **Street Scene** projected year end revenue overspend, see table 3 for more detail
- **Delivery of Parking scope and improvement plan**

9.1.6 Programmes update

One Barnet

Customer and Support Group contract was mobilised and commenced. This contract sets out to transform customer access, improve services, increase capacity and provide £125m financial benefits. The Re contract was mobilised (aiming to enhance the built environment, and deliver £39.1m guaranteed financial benefit). The preparatory work for the in-sourcing of the recycling service (7 October) and commencement of the new waste offer (14 October) was undertaken. One project, Mortuary Service, was flagged as red at the end of Q2 with risks related to delivery of the project to the agreed schedule.

Capital

Most of the projects are on track to deliver on time. Moss Hall, Martin, Oakleigh and Brunswick Park School Expansions have successfully handed over the early classroom on 3rd Sept. Etz Chaim scheme has been handed over and is now in defects phase. The School Opening Ceremony is to take place in October. However one project, Copthall Secondary School project, is facing additional strain on the tight delivery programme. Work is underway to scope work on four further schools to increase capacity. Work is progressing to develop a full planning application for the site at Pinkham Way with the intention to submit to the Planning Authority for consideration in mid-2014. The Council has a contractual obligation to vacate the current Depot facility at Mill Hill East by December 2016 so the successfully relocation to an alternative site is a key risk for the Council.

Regeneration

There are 8 open projects of which none are red-rated projects. Planning consent for Dollis Valley has been issued and Barratts have started on site with the next phase of Stonegrove Spur Road. Brent Cross Development Partners were preparing to submit an application to vary the existing planning permission granted in 2010 to enable the re-phasing of the comprehensive development of Brent Cross Cricklewood. The Skills and

Enterprise project remains amber. The size and complexity of individual projects, and dependencies external development partners result in 'amber' ratings for the majority of the projects.

9.1.7 <u>Human Resources</u> (see section 2.7 of appendix A)
The transfer out of CSG and Re staff is the major change in workforce data since the previous quarter. This has led to a reduction in the total of full-time equivalents (FTE) to just over 2,200. This reduction has not had any material impact on the profile in workforce data that have been in place for some time. The profile of the workforce is very similar in terms of gender and ethnicity to that in 2012/13 and the impact of transfer of staff and normal turnover has not affected the overall profile.

Vacancy rates continue to be high (25%), however much of this reflects underlying flexible resourcing and agency costs rather than active recruitment as the general stability of the workforce continues to be good in Q2. Sickness also continues to be higher than target (7.7 days compared to a target of 6 days), although this is better than the Chartered Institute for Public Finance and Accountancy (CIPFA) benchmark.

9.1.8 <u>Customer Experience</u>
The proportion of **calls answered within 20 seconds improved** from 61% to 69% between Q1 to Q2, while call volumes have increased 5% compared to quarter 2 2012/13. The overall customer satisfaction level increased to 53% for quarter 2 (an 8% increase on Q1).

During quarter 2, a disparity has arisen between the **waiting times** at the Council's face to face customer service locations, with a 7.26mins average waiting time at Barnet House compared to 2.78mins at Burnt Oak. CSG are altering staffing patterns during the lunch period to increase capacity during this busy part of the day.

9.2 <u>Quarter 2 Performance Monitoring</u>

9.2.1 This is the second time that information on the 2013/14 Corporate Plan indicators will be reported (see appendix A). A total of 27 indicators out of 37 indicators were required to report in quarter 2. Of the indicators that reported, the balance of met and missed targets was 56% met (15 targets rated as green) and 41% missed (11 targets rate as red, red-amber, or green-amber). There is one new indicator that does not have a target this quarter. 13 CPIs show a positive or neutral direction of travel, 10 CPIs demonstrate a negative direction of travel.

9.2.2 <u>Successes</u>
A total of 15 indicators achieved their target for Quarter 2 2013/14. There are a number of areas which have reported strong performance:

- The provisional results for the last academic year show 69.4% of **pupils achieving 5 or more GCSEs A*-C**, a 0.3% improvement from last year.
- Street Scene showed a significant increase in the proportion of waste sent for **reuse, recycling and composting** up to 35.99% and a 3.7% increase in transactions for **car parks** in Town centres since quarter 1 (17% above target).
- In Family Services, there has been an increase in the number of **early year places** available for eligible 2 year olds from 433 to 532, and an increased proportion of **young offenders in education, training or employment** to 76.4% (increase of 25.8% and 1.9% above target).

- In Adults and Communities there has been a reduction in the level of **domestic burglary** with a 7.1% decrease since June 2012 to May 2013 (the previous outturn).
- In quarter 2 there was an increase in the response to intervention level **potholes** reported by members of the public, with 91.8% made safe within 48 hours, a 25.9% increase from quarter 1. Furthermore the good weather during the summer has facilitated an 80% increase in the **completion of work on roads and footpaths** identified for resurfacing and maintenance work.
- The **Planning** Service has seen further improvement in performance on determining applications in statutory timescales. There has been particular improvement in performance on major applications, with 62% of major applications determined in statutory timescales in quarter 2. This has ensured the performance over the last 24-months is above the threshold set by the Department of Communities and Local Government for special measures.

9.2.3 <u>Established challenges</u>
There are a number of performance issues in quarter 2 that have been subject to challenge previously:

- The **Parking service** has been subject to detailed review during quarter 2; the review highlighted that our service offer and communication with residents needs improvement.
- Housing, homelessness and emergency accommodation:
  - The number of **households placed in emergency accommodation** has remained high. In quarter 2 there were 638 households in emergency accommodation. This is 1.3% increase from quarter 1 and 27.6% above target. Barnet Homes have initiated plans to increase supply of affordable supply including revised direct-let scheme and a revised letting scheme to provide an additional 40 units.
  - The **average time spent in short-term nightly purchased accommodation** has increased by a further 9.1% since quarter 1 (up to 34.6 weeks), 33.1% above target.
- **Budget pressures** in Street Scene and Family Service remained in quarter 2, with considerable year end revenue variances projected (see section 9.3.1).
- **Staff absence** remains high and above the corporate target. Sickness absence for the rolling 12 month period to September 2013 is 7.7 days, 28% above the corporate target of 6 days.

9.2.4 <u>Emerging challenges</u>
There were a number of new and emerging challenges in quarter 2:

- There has been a decline in the percentage of children making 2-levels of progress in **reading between Key Stages 1 and 2**. Although this remains above the England average, performance has declined from the previous year.
- There has been a decrease in the proportion of **looked after children making the expected level of progress in English and Maths between Key Stages 2 and 4**. It should be noted that only affects a small number of children (less than 5).
- Analysis of the Customer Experience in quarter 2 has shown increased call volumes in **Youth Services, Environment & Operations (E&O), Assisted Travel and Parking** have all received increases in call volumes during quarter 2, where a decline in performance has also been experienced.

9.3 Quarter 2 Financial Monitoring

9.3.1 2012/13 Revenue Monitoring

Table 1 below provides a summary of the 2013/14 outturn analysis compared to the revised budget position. As at the end of Quarter 2 the actual net General Fund spend was £128.879m. This represents 44% of the revised budget (54% excluding Housing Benefit where Grants income and expenditure are not yet aligned. The position for the end of the year is currently anticipated to be forecast as an overspend of £3.509m. A breakdown of revenue monitoring by each service directorate is set out in Appendix B.

Note that the overall overspend projected at quarter 2 in the prior year 2012/13 was £2.067m. The final overspend in the prior year 2012/13 in the final outturn was £0.690m.

Table 1: 2013/14 Revenue Quarter 2 Analysis – Summary

Description	Original Budget £'000	Revised Budget as at 30/09/2013 £'000	Forecast Outturn as at 30/09/2013 £'000	Forecast Outturn Variation as at 30/09/2013 £'000
Adults and Communities	96,023	96,985	97,091	106
Assurance	3,611	4,045	3,995	(50)
Children's Education	8,227	8,103	8,397	294
Children's Family Service	49,621	50,681	51,843	1,162
Commissioning Group	7,314	7,460	7,707	247
Streetscene	14,898	15,219	16,891	1,672
Public Health	13,799	13,766	13,766	-
HB Public Law	1,908	1,932	2,226	294
Barnet Group	2,937	3,393	4,122	729
DRS	821	1,171	1,171	-
CSG	24,178	24,546	24,546	-
Central Expenses	69,736	65,650	64,705	(945)
Total 2012/13 General Fund Forecast	**293,073**	**292,951**	**296,460**	**3,509**
Allocations agreed from GF Balances	-	-	-	-
General Fund Balances as at 01/04/13	-	-	-	(15,830)
Projected General Fund Balances (excluding schools balances) at 31/03/13	**-**	**-**	**-**	**(12,321)**

Description	Original Budget £'000	Revised Budget as at 30/09/13 £'000	Forecast Outturn as at 30/09/13 £'000	Forecast Outturn Variation as at 30/09/13 £'000
Housing Revenue Account	-	-	697	697

9.3.2 Directors are accountable for any budget variations within their services and the associated responsibility to ensure costs and income are managed within agreed budgets. To ensure this is successfully achieved, it is essential that Directors develop action plans for all significant emerging variances, with the aim of ensuring that overall expenditure is kept within their total budget available.

9.3.3 Commentary about Revenue Outturn

The Council's overall position has declined since quarter 1. The quarter 2 forecast has resulted in a projected overspend of £3.509m. The Council's General Fund Balances are forecast to fall below the recommended level of £15m, and are currently projected to be £12.321m. Service recovery plans should be aiming to ameliorate any significant budget variances and bring the forecast level of balances back up to the recommended level. Concerns exist across the organisation, but are most significant in Street Scene and Family Services.

9.3.4 The Street Scene delivery unit is forecasting an overspend of £1.672m which includes:

- An overspend of £0.701m in the Special Parking Account. This overspend has reduced since quarter 1, and is as a result of an increased recovery of income from PCN's, CCTV, Bus Lanes and Bailiffs. The remaining overspend is due to cost pressure on the NSL contract of £0.701m.
- An overspend of £0.438m in the Recycling service is as a result of a reduction in demand for recyclables.
- The Parking service is forecasting an overspend of £0.342m, due to shortfalls in off street parking.
- A Highway Maintenance overspend of £0.159m is as a result of winter maintenance pressures.
- The Street Scene delivery unit are pulling together a recovery plan which will take corrective action to address the overspend position reported.

9.3.5 Family Services are forecasting an overspend of £1.162m and includes:

- An overspend of £1.207m in Children in Care & Provider services. This is due primarily to external residential care where demand and the complexity of cases has increased. There are also emerging pressures in Remand services and kinship and special guardianship orders, part of which is as a result of legislative changes.
- Social Care Management is forecasting an overspend of £0.521m which relates to Market Factor Supplements to Social workers and also legal costs anticipated to be £500k.
- There is a £138k pressure in the payment by results element of the Children Centres budget
- A recovery plan is in place for the Family Service budget. £0.500m savings have already been included in the forecast and further additional savings have been identified which expect to reduce the total forecast overspend from £1,162k to £1,000k

9.3.6 An overspend of £0.294m in the Education Service. There are shortfalls in savings that will not be fully achieved during the financial year, these relate primarily to Transport. This overspend has reduced since quarter 1 and is primarily due to staff vacancies.

9.3.7 HB Public Law is forecasting an overspend of £0.294m, this is due to the cost of additional hours purchased and a shortfall on income recovery such as Section 106 due to the introduction of the community infrastructure levy. This overspend was forecast in quarter 1 and has increased marginally since that point.

9.3.8 The Barnet Group is forecasting an overspend of £0.729m. This is as a result of increased temporary accommodation numbers. The overspend was forecast in quarter 1 however it has increased significantly. Funding was set aside in contingency at the start of the financial year to recognise that pressures in temporary accommodation are a London wide issue, and, if necessary, a draw down from contingency will be made in quarter 3.

9.3.9 The Commissioning Group is forecasting an overspend of £0.247m. This relates to the interim structure within the commercial team due to the Judicial Review. Steps are now being taken to recruit permanent staff.

9.3.10 The overspends are reduced slightly by savings in Central expenses of £0.945m. The savings relate to a reduction in budget requirements for the North London Waste Authority and the London Pension Fund Authority.

9.3.11 Specific areas for concern (highlighted above) are high risk areas and it is important to ensure the budget and performance of the service is managed so that it does not continue to be a budget pressure next year.

9.3.12 The Council approved saving of £13.727m as part of the 2013/14 budget setting process. Of this total, £0.784m shown in Table 2 below, is still being identified as high risk. The remainder have been implemented or are on course to being implemented in line with original timescales. For the high risk savings, alternative proposals or action plans are being developed by services.

Table 2: Savings Monitor – key risks and remaining issues outstanding

Directorate	Service area	Savings Type	Description of saving	Comments and risks	2013/14 £'000
Children's Services	Social Care	Efficiencies	Reconfigure services to deliver improvements, efficiencies and savings in children's social care	Increase in demand for staff covering contact sessions for families, as a result of an increase in the number of court directed activity. The service continues to work to reduce costs in this area.	(22)
Children's Services	Transport	Efficiencies	Achieve efficiencies within transport costs for children in care and children with Special Educational Need through improved contracting and demand management	Shortfall in Transport savings. Action being taken to target individual clients which achieve long-term savings. The current years savings will be met from underspends in other areas	(316)
Streetscene	SPA	Efficiencies	Savings resulting from alternative service provision	The saving for the SPA is not expected to be achieved and will be reviewed	(349)
Streetscene	Parking	Efficiencies	Savings resulting from alternative service provision	The saving for Parking is not expected to be achieved and will be reviewed	(69)
Streetscene	Streetscene	Income	Textile bring bank consortium contract	Textile income to be reviewed in light of in - house service provision	(28)

9.3.13 <u>2013/14 Capital Programme Monitoring</u>
Directors will need to closely monitor and manage capital projects during 2013/14, to ensure that they are delivered within budget and in accordance with the agreed timeframe.

9.3.14 <u>2013/14 Capital Monitoring Analysis</u>
Table 3 below summarises the 2013/14 capital programme. The capital monitoring summary and scheme details by service directorate is set out in Appendix D.

Table 3: 2013/14 Capital Quarter 1 Analysis – Summary

Service	2013/14 Latest Approved Budget	Additions/ (Deletions) - Quarter 2	(Slippage) / Accelerated Spend - Quarter 2	2013/14 Budget (including Quarter 2)	Forecast to year-end	Variance from Revised Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities	2,142	-	(700)	1,442	1,442	(700)
Children's education	66,990	140	(12,459)	54,671	54,671	(12,319)
Children's family services	2,129	862	(280)	2,711	2,711	582
Commissioning Group	4,608	17,150	(3,353)	18,405	18,405	13,797
Street Scene	12,933	1,224	(48)	14,109	14,109	1,176
DRS delivery unit	26,817	(378)	(5,159)	21,280	21,280	(5,537)
CSG delivery unit	6,838	-	(20)	6,818	6,818	(20)
The Barnet Group	567	273	-	840	840	273
General Fund Programme	**123,024**	**19,271**	**(22,019)**	**120,276**	**120,276**	**(2,748)**
HRA	35,799	-	(500)	35,299	35,299	(500)
Total Capital Programme	**158,823**	**19,271**	**(22,519)**	**155,575**	**155,575**	**(3,248)**

9.3.15 Proposed changes to the 2013/14 Capital Programme

Table 4 below summarises the proposed funding changes to the Capital Programme. A detailed analysis of the proposed changes including additions, deletions and budget movements is provided in Appendix C.

Table 4: 2013/14 Capital Funding Changes

	Grants	S106 / Other	Capital Receipts	Revenue	Borrowing	Total
	£000	£000	£000	£000	£000	£000
Adults and Communities	(700)					(700)
Children's education	(2,300)	(174)	(2,547)		(7,298)	(12,319)
Children's family services	785		(280)	77		582
Commissioning Group			(3,410)	17,868	(661)	13,797
Street Scene	(54)	427		803		1,176
DRS delivery unit	(1,191)	(2,308)	(913)	(87)	(1,038)	(5,537)
CSG delivery unit					(20)	(20)
The Barnet Group			151	122		273
General Fund Programme	**(3,460)**	**(2,055)**	**(6,999)**	**18,783**	**(9,017)**	**(2,748)**
HRA	-	-	-	**(500)**	-	**(500)**
Total Capital Programme	**(3,460)**	**(2,055)**	**(6,999)**	**18,283**	**(9,017)**	**(3,248)**

The main changes are

- Increase in Revenue Funding for the Commissioning Group £17.9m for the CSG and Re transformation.
- Reduction in borrowing in Children's Education of £7.3m as a result of slippage on Urgent Primary places.
- Reduction in the use of capital receipts in Children's Education £2.5m and Commissioning Group £3.4m as a result of slippage on Urgent Primary places and the customer access centre respectively.
- Reduction in Grants in Children's Education £2.3m due to slippage on General School Organisation.

- Reduction in the use of s106/other funding in the DRS delivery unit £2.3m due to slippage on the Graham Park Regeneration (£1.6m) and Housing association development programme (£0.7m).

9.3.16 There has been a 2% reduction in the Capital programme this quarter. Since the beginning of the year, there has been £42.863m of Slippage (25% of the original budget) and £17.703m of additions. The main projects affected by the slippage this quarter are as follows:

- Commissioning Group for depot relocation where work can not start until the planning application is approved which is due for submission in early 2014 (£1.303m) and the customer access centre where a Strategic review of the transformation is required to identify the detailed allocation of the budget. The review is now planned for the end of the calendar year (£2.050m).
- Children's Education for:
  - Urgent Primary Places. Projects for the London, Wren, Osidge and St Joseph's schools are at the early planning & feasibility stage and are intended to be complete by 2015/16. Funding is being re-profiled (slipped) to match the project timeframe (£8.629m).
  - General Schools Organisations as a result of delays in the construction of the Grahame Park regeneration programme (£3.830m).
- Children's Family Services for the implementation of libraries Strategy to re-align with the project plan (£0.280m).
- Housing Revenue Account due to further consultation required with residents on the West Hendon project (£0.500m).
- DRS Delivery Unit for:
  - General Fund regeneration slippage on Grahame Park / Colindale Regeneration due to delays on the major junction works as a result of strategic discussion with London Borough of Brent on the A5. Major works on Colindale Avenue delayed awaiting master plan proposals from appointed developer for peel centre site. (£4.250m).
  - Highways non-TFL due to reprofiling of the Colindale development project (£0.300m).
  - Disabled Facilities Projects due to supply and demand issues (£0.300m).
  - Other EPR projects within the Housing Association Development Programme (New Affordable Homes & Catalyst Housing) due to delay in identifying projects (£0.504m).

This spend is planned to be incurred in future years and has been re-profiled appropriately.

9.4 Virement

9.4.1 A virement for £1.842m is requested within the Waste and Recycling service. This is required to realign the budgets to reflect the latest organisational structure within Street Scene, including the efficiencies from the 2013/14 savings initiative. There is a nil impact on budgets (Recommendation 1.10)

Table 5: Virement request

Cost Centre	Account Group	Amount £'000
10655 Domestic Refuse	Employee Related	1,842
10656 Recycling	Employee Related	(245)
10656 Recycling	Supplies & Services	(1,597)
TOTAL		-

9.5 Agency Costs

9.5.1 The table below details all agency staff costs incurred for quarter 1 of 2013/14.

Table 6: Agency Costs to 30 September 2013

	2012/13	2013/14 Quarter 1	2013/14 Quarter 2		
Directorate	Total Agency & Consultants expenditure	Total Q1 Agency and Consultants Expenditure	Agency Spend	Consultants Spend	Total Q2 Agency and Consultants Expenditure
	£000	£000	£000	£000	£000
Adults and Communities	4,413	911	964	186	1,150
Assurance	63	15	4	-	4
Children's Education	4,897	793	442	5,314	5,756
Children's Family Service	2,446	610	626	53	679
Commissioning Group	6,175	637	705	431	1,136
Streetscene	1,417	759	370	42	412
Public Health	-	7	-	10	10
HB Public Law ***	234	-	-	-	-
Barnet Group	189	-	-	5	5
DRS	1,730	869	429	378	807
CSG	4,549	1,593	1,376	115	1,491
Central Expenses	152	-	-	-	-
HRA	1,713	1,055	112	136	248
Total	**27,979**	**7,250**	**5,028**	**6,670**	**11,698**

* Data as at 30th September 2013 includes revenue (£5.198m) and capital spend (£6.500m)
** Commissioning Group includes "One Barnet" project expenditure £0.376m (Agency) and £0.430m (Consultants) for 13/14.
***prior year figures are for Internal Legal Services

9.6 Transfers from Contingency and Reserves

9.6.1 That the following transfers from Contingency for this financial year and on-going be approved (Recommendation 1.11):

- £1m transfer from contingency to the Family Services to support on-going demographic pressures in Children's Social Care and legislative changes; and
- £0.500m transfer from contingency to support the reactive maintenance budget following a reduction in investment in carriageways in the last couple of years combined with several harsh winters an addition of £500k is required for the continuation of service delivery and to meet the council's statutory obligations to maintain a safe highway.

9.6.2 In June 2012, it was reported to CRC that the funding requirement for the extension of the corporate change programme, the One-Barnet Wave 2 programme, was forecast at £11m. As at Quarter 2, the total projected spend on the programme to date amounts to

£7.83m, meaning £3.2m of the original allocation is not expected to be spent. However, detailed programmes to implement the agreed MTFS savings in Children's services require additional funding to enable them to be successfully implemented. As such, it is recommended that the following draw-downs from the transformation reserve are approved:

- £0.250m for Children's income SEN and complex needs;
- £0.024m for Children's transformation scoping;
- £0.200m draw down to fund the implementation of a Children's transformation programme to implement current MTFS savings (totalling over £7m); and
- £0.250m draw down to fund project costs associated with the priorities and spending review.

9.7 Fees and Charges

9.7.1 The Library Service has provided 3 new intermediate-sized meeting room spaces for which a new charge rate is required. A charge of £10.00 per hour (£7.00 for concessions) is proposed which is mid-way between the existing large and small room hire rates (£15 and £6 respectively). This charge will contribute to the Library service income generation strategy.

9.7.2 The addition of the medium meeting room will allow groups of 6-15 people to hire a room at a lower rate than previously. There is no evidence to suggest the addition of the medium meeting room would affect any particular protected equality groups by a disproportionate advantage or disadvantage.

9.7.3 Further details can be found in Appendix G to this report.

9.8 Treasury

9.8.1 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the period to 30 September 2013. The Prudential Indicators have not been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Further details of compliance with prudential indicators are contained in Appendix H. The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of its indebted status. This is a limit which should not be breached. During the year to 30 September 2013 there were no breaches of the Authorised Limit and the Operational Boundary.

9.8.2 The Council's timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing are set out in the Treasury Management Strategy (TMS). The TMS 2013-14 was approved by Council on 6 March 2013 and the revised strategy applied with immediate effect. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.

9.8.3 This report therefore asks the Committee to note the continued cautious approach to the current investment strategy: to note also, that as a result of considerable stabilisation and in some cases improvement in credit metrics, the revised treasury strategy for 2013/14 has extended the maximum duration to 2 years, albeit with maximum recommended duration of deposits for different banks depending on risk assessment.

Investment Performance

9.8.4 Investment deposits are managed internally. At 30 September 2013, deposits outstanding amounted to £213.606 million (excluding Icelandic deposits), achieving an average rate of return of 0.55 per cent (adjusted for Icelandic deposits) against a benchmark (LIBID) of 0.38 per cent. A list of deposits outstanding as at 30 September 2013 is attached as Appendix I.

9.8.5 The benchmark, the average 7-day LIBID rate, is provided by the authority's treasury advisors Arlingclose. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

Icelandic Bank Deposits

9.8.6 On 28 October 2011, the Supreme Court of Iceland upheld the District Court judgment for the test cases that local authorities' claims are deposits that qualify in full for priority in the bank administrations. The latest indications are that the Council will recover an amount in excess of the principal deposited in Iceland.

9.8.7 **Glitnir** – in March 2012, approximately 82p/£ was recovered from a mixture of Sterling, Euro and US Dollar payments. The Euro and US Dollar amounts were converted via a spot rate into GBP. The remaining 18 per cent remains held in Icelandic Krona. To date the Council has received £10.97 million from the Glitnir Winding- up Board with a further £2.5 million held in escrow in Icelandic Krona.

9.8.8 **Landsbanki** – To date the Landsbanki Winding up Board has made four partial distributions. Approximately 53 per cent has been recovered to date, via a mixture of Euro, US Dollars and Sterling payments. 2 per cent remains held in interest bearing escrow accounts in Icelandic Krona, as it is subject to Icelandic Krona currency export restrictions. The Council has received £8.6 million to date. A further £7.4 million is due to the Council. Further partial distributions are expected to be made annually up till 2019. Some of these further distributions may be held escrow accounts because of the currency export restrictions.

9.8.9 Fluctuations in currency rates against sterling since 2009 is likely to result in a potential shortfall on the deposits and interest expected to be returned to the Council. The potential shortfall can be met from within the existing risk reserve.

Debt Management

9.8.10 The total value of long term loans as at 31 March 2013 was £304.08m. There has been no external borrowing in the financial year to date. The average total cost of borrowing for the quarter ending 30 September 2013 was 3.89 per cent.

9.9 Corporate Risk Register

9.9.1 The Corporate Risk Register is a summary of the main risks that the Council faces and describes the Control Actions put in place to mitigate these risks. The Corporate Risk Register can be found as Appendix E to this report.

9.10 One Barnet programme

9.10.1 Wave 1:

Wave 1 total projected spend is £11.581m, a nil variance against CRC approved budgets. Spend to date amounts £11.123m, with expected commitments totalling £0.458m.

9.10.2 Wave 2:

Wave 2 total projected spend is £7.830m, a projected variance of £0.330m against CRC approved budgets totalling £8.160m. Spend to date amounts to £5.609m, with expected commitments totalling £2.221m. Projections include;

- Additional expenditure to be incurred on Early Intervention and Prevention, amounting to £185k, as previously approved by CRC
- Additional expenditure to be incurred on the strategic review of Sports and Physical Activity, amounting to £75k, as per CRC approval (4th November 2013)
- Additional expenditure to be incurred on the review of Registrars and Nationality service, amounting to £103k, as per CRC approval (4th November 2013)

9.10.3 Judicial Review

Total projected spend on the Judicial review is £609k, a projected variance of £109k against CRC approved budgets totalling £500k. It is recommended that this additional expenditure is funded from the risk reserve.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	**JH**
Cleared by Legal (Officer's initials)	**JF**