Meeting	**CABINET RESOURCES COMMITTEE**
Date	25 February 2014
Subject	**Quarter 3 Monitoring 2013/14**
Report of	Cabinet Member for Resources and Performance
Summary	To consider the Quarter 3 Monitoring 2013/14 report and instruct officers to take appropriate action
Officer Contributors	Phil Brown – Assistant Director, Financial Services Paul Thorogood – Head of Finance, Financial Services
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 – Prudential Indicator Compliance Appendix H – Investments outstanding as at 31 December 2013 Appendix I – Virement for Insurance Charges 2013/14
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

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1. RECOMMENDATIONS

That Cabinet Resources Committee:

1.1 note the Performance in Paragraph 9.1 and Appendix A;.

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

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

1.4 instruct Directors to 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 9.3.17).

1.5 approve the proposed 2013/14 capital additions/deletions totalling £4.852m and slippage of £22.583m as set out in Table 3 (Paragraph 9.3.16) and Appendix C and the related funding implications summarised in Table 4 (Paragraph 9.3.13).

1.6 note the Agency Costs for the third quarter (Paragraph 9.5.1).

1.7 note the Corporate Risk Register at Appendix E.

1.8 note the One Barnet Programme (Paragraph 9.10 and Appendix F).

1.9 approve the following virement for this financial year:

- £0.381m to Central Expenses in respect of insurance charges made to Directorates for 2013/14. This is required to realign the Directorate budgets to reflect the insurance charges made for 2013/14. There is a nil impact on budgets. (Paragraph 9.4.1)

1.10 approve the following transfers from contingency for this and subsequent financial years, as set out in paragraph 9.6:

- £0.500m into Re in respect of reactive road maintenance; and
- £0.916m into the Barnet Group in respect of temporary accommodation pressures as outlined in the quarter two monitoring report.

1.11 approve the following allocation from the Risk and Litigation reserve in 2013/14 only, reflecting the delayed savings and increased costs arising from the judicial review, as set out in paragraph 9.3.12:

- £0.878m into Re

1.12 approve a total of £1.163m of transfers from the Transformation Reserve as set out in paragraph 9.10.4.

1.13 note the Treasury position in 9.8.

1.14 note that the change in benefit rates payable from the Department for Work and Pensions will be used on all financial assessments carried out for Adult Social Care from 7th April 2014 set out in paragraph 9.7.1 and 9.7.2.

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.

2.4 Cabinet Resources Committee, 16 December 2014 (Decision item 6) – approved quarter 2 monitoring 2013/14.

2.5 Action taken by the Leader under Executive Powers, 20 January 2014 – sale of Claim in LBI.

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 paragraph 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.

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 £2.228m is forecast to reduce General Fund balances from £15.830m to £13.602m. 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 following:
The virement affects any of 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 two. The quarter three forecast has resulted in a projected overspend of £2.228m, assuming the recommendations set out in 1.10 and 1.11 are approved. The Council's General Fund Balances are forecast to fall below the recommended level of £15m, and are currently projected to be £13.602m.

9.1.2 Capital Monitoring

The Council's 2013/14 Capital Programme is showing slippage of £22.436m and additions/deletions of £17.583m against a budget of £133.141m at the end of quarter three.

9.1.3 Successful Service Changes

- Mobilisation and commencement of the Re joint venture (1 October)
- Commencement of new in-sourced recycling service (14 October)

9.1.4 Value for Money Benchmarking

The London Councils' value for money assessment has not been updated since quarter 4 2012/13, where 50% of services were rated as high performance, low spend. Only two other authorities had a higher percentage of services in the high performance, low spend category.

9.1.5 Areas of Concern

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

- Street Scene projected year end revenue overspend, see table 3 for more detail;
- Delivery of Parking project to improve parking services; and
- Agency staffing levels.

9.1.6 Programmes Update

One Barnet

The programme progressed Wave 2 and the Corporate Change projects. Cabinet Resources Committee (CRC) approved the CCTV Full Business Case, a fully outsourced solution to go-live on 1 April, the Full Business Case to enter into a shared Registration and Nationality Service with the London Borough of Brent, from 1 April onwards, and an Outline Business Case for the review Sports and Physical Activity. One project, the review of the Mortuary Service, was still flagged as red at the end of quarter three with risks related to the delivery of the project within the agreed schedule.

Capital

Projects are mostly on track and Phase 2 Primary Schools contract has been signed and Orion Primary school will be ready to handover in April 2014. However, there are three red-rated projects. The most critical of which is the Copthall Secondary School expansion project, the planning issues have now been resolved however this has resulted in time delays and is thus a red rating. The council are currently working on securing temporary accommodation for one class of children from September 2014 until February 2015. The Osidge Primary Expansion project is red-rated as the feasibility stage has been extended to take into account local factors.

Regeneration

There are 10 open projects of which none are red-rated. The Dollis Valley is rated as amber due to slight delays in satisfying the Conditions Precedent and making the

Regeneration Agreement unconditional, although this should not affect the total project timeframe. The size and complexity of individual projects, and dependencies external development partners result in amber ratings for the majority of the projects. In January, detailed proposals to extend Brent Cross shopping centre were approved by planning committee. The council were given permission to launch the development of Brent Cross south side commencing with market testing to inform the delivery strategy.

Children's

The programme carried out initial preparation work in December with the initial programme board meeting on the 29 January 2014. The objectives of the programme:

- The Children's Services continue to deliver the required level of performance as well as meet legislative requirements and statutory obligations.
- To reduce the social care placements bill.
- To develop sustainable services that meet current need.
- To identify and appraise a range of potential alternative delivery models.
- To identify, drive and prioritise service transformation opportunities.
- To deliver efficient processes and structures across Children's Services.
- To ensure services work together as effective systems.
- To have efficient and effective information management systems that support staff to deliver services.
- To ensure that Barnet works effectively with its key partners.
- To be a strategic framework for where savings can be made within Children's Services.

Street Scene

The project to deliver a new waste and recycling service and in-source the contract from May Gurney is still active pending confirmation that the project has achieved the expected financial benefits. Work has commenced on the "Green Streets" project, seeking to delivery efficiency savings within parks and street cleaning.

9.1.7 Human Resources (see Section 2.7 of Appendix A)

The establishment has continued to reduce, by a further c.100 to 2,142 full-time equivalents (FTE). This change is as a result of the deletion/ reassignment of vacant posts during quarter two. The current occupancy rate is 84%.. Absence rates are projected to be around 7.5 days for the full year, above the corporate target of 6 days, although this is better than Chartered Institute for Public Finance and Accountancy (CIPFA) benchmark.

There has been an increase in the agency staff, with the number of Managed Service Provider agency numbers at over 490. Due to budget reductions and service changes, agency staff have been used to manage these changes. However, areas with high agency numbers will now commence work to bring the levels down and a long-term initiative to request internal Delivery Units to create workforce plans to set in context of their usage of the agency staff from April 2015.

9.1.8 Customer Experience

The proportion of calls answered within 20 seconds was 70% in quarter three. The service finished the quarter in December with 75% of calls answered within 20 seconds. The overall customer satisfaction of the contact centre increased from 53% to 60.8%.

During quarter three, there is a disparity of initial waiting times at the Council's face to face customer service locations, with an initial average wait time of 12.31mins at Burnt Oak compared to 2mins at Barnet House.

Quarter 3 Performance Monitoring

9.2.1 This is the third time that information on the 2013/14 Corporate Plan indicators will be reported (see appendix A). A total of 30 indicators out of 38 indicators were required to report in quarter 3[1]. Of the indicators that reported, the balance of met and missed targets was 58.6% met (17 targets rated as green) and 41.3% missed (7 red, 4 red-amber, and 1 green-amber rating). There is one new indicator that does not have a target. 14 CPIs show a positive or neutral direction of travel, 16 CPIs demonstrate a negative direction of travel.

9.2.2 Successes

A total of 17 indicators achieved their target for Quarter three 2013/14. There are a number of areas which have reported strong performance:

- Final GCSE results show there has been an increase in the percentage of pupils achieving 5 or more GCSEs A*-C (or equivalent) including English and Maths from 69.4% to 71.5%.
- 569 residential empty properties were brought back into use exceeding the 200 target set.
- The rate of domestic burglaries in Barnet reduced from 23 to 21.8 per 1,000 households (a 5% reduction).
- The year-end target of 700 early years' places available for eligible two year olds has been achieved ahead of schedule with 749 places available in quarter 3.
- 85% of young offenders were in education, training or employment in quarter 3 compared to 76% in quarter 2, a 12% increase.
- Street Scene successfully increased the usage of parking bays and car parks in town centres with over 486,004 transactions, compared to a 466,700 combined target.
- In quarter three, there has been a reduction in the number of households placed in Emergency Accommodation to 549, the lowest since October 2012 where there were 495 households. This remains a challenge against the 500 households target.

[1] The number of corporate plan indicators has changed as a result of Re contract KPIs superseding agreed corporate plan methodology.

9.2.3 Established challenges

There are a number of performance issues in quarter three that have been subject to challenge previously:

- In Education, final results confirmed that 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.

- The achievement gap at Key Stage 2 between children eligible for free school meals and their peers increased from 15% to 18%. This is five percentage points higher than the London gap of 13%.

- Budget pressures continued in quarter 3 for Street Scene with an increase in the projected revenue budget variation (see section 9.3.1).

- three People receiving NHS health checks remains an issue with 2,423 eligible receiving compared to a target of 3,300 for quarter three. The variance from target increased from 15.6% in quarter 2 to 26.6% in quarter 3 presenting a worsening challenge.

- Housing, homelessness and emergency accommodation; the length of time spent in short-term nightly purchased accommodation continues to increase to 41.1 days from 34.6 days.

- Housing rent arrears has continued to rise in quarter three to 3%, from £1.75m to over £1.8m.

9.2.4 Emerging Challenges

There were some new and emerging challenges in quarter 3:

- Waste sent for reuse, recycling and composting in July to September was below this quarter's target of 40.15% at 34.97% of waste collected; Barnet ranked 13 out 29 London boroughs. Street Scene rolled out the new waste collection scheme in October 2013 and results for the new scheme will be reported in quarter 4 against a target of 40.12%.

- The new Ofsted framework remains challenging. Children's Education and Skills are working with Head Teachers to support the preparation for inspections. The Delivery Unit have increased the robustness of the risk assessment of *Outstanding* and *Good* schools.

9.3 Quarter 3 Financial Monitoring

9.3.1 2013/14 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 three the actual net General Fund spend was £187.473m. This represents 64% of the revised budget. The position for the end of the year is currently forecast to be an overspend of £2.228m, assuming the recommendations set out in 1.10 and 1.11 are approved. A breakdown of revenue monitoring by each service directorate is set out in Appendix B.

Note that the overall underspend projected at quarter three in the prior year 2012/13 was £0.269m. The final overspend in the prior year 2012/13 in the final outturn was £0.690m.

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

Description	Original Budget £000	Revised Budget as at 31/12/13 £000	Forecast Outturn as at 31/12/13 £000	Forecast Outturn Variance as at 31/12/13 £000	Variance Forecast vs. Revised Budget %
Adults and Communities	96,023	97,172	97,478	306	0
Assurance	3,611	4,145	4,095	(50)	(1)
Children's Education	8,227	9,298	9,346	48	1
Children's Family Service	49,621	50,674	50,760	86	0
Commissioning Group	7,314	7,619	7,916	297	4
Street Scene	14,898	15,384	17,712	2,328	15
Public Health	13,799	13,766	13,766	-	0
HB Public Law	1,908	1,932	2,089	157	8
Barnet Group	2,937	3,393	3,393	-	0
Re	821	1,671	1,672	1	0
CSG	24,178	24,546	24,546	-	0
Central Expenses	69,736	65,650	64,705	(945)	(1)
Service Total	**293,073**	**295,250**	**297,478**	**2,228**	**1**
Allocations agreed from GF Balances	-	-	-	-	

Description	Original Budget	Revised Budget as at 31/12/13	Forecast Outturn as at 31/12/13	Forecast Outturn Variance as at 31/12/13	Variance Forecast vs. Revised Budget
	£000	£000	£000	£000	%
Projected General Fund Balances (excluding schools balance) at 31/03/14	-	-	-	(15,830)	
General Fund Balances as at 31/03/14				(14,232)	

Description	Original Budget	Revised Budget as at 31/12/13	Forecast Outturn as at 31/12/13	Forecast Outturn Variance as at 31/12/13
	£000	£000	£000	£000
Housing Revenue Account	-	-	838	838

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 The Council's overall position has declined since quarter two. The quarter three forecast has resulted in a projected overspend of £2.228m. The Council's General Fund Balances are forecast to fall below the recommended level of £15m, and are currently projected to be £13.602m. 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 Re.

Commentary for budget variances greater than 5%

9.3.4 **Street Scene**

The Street Scene delivery unit is forecasting an overspend of £2.328m which equates to 15.13% of the services current budget of £15.384m.

Variances for the service include:

Area	Year End Forecast Variance Qtr 2 £'m	Year End Forecast Variance Qtr 3 £'m	Direction of Travel Qtr 2 - Qtr 3	Variance Against Current Budget Qtr 3	Pressure/Driver
Special Parking Account	0.701	0.737	↓ Adverse	9.8%	Income for PCN's, CCTV, Bus Lanes and bailiffs
Waste and Recycling	0.438	1.281	↓ Adverse	20.6%	Reduction in demand for recyclables
Parking Service	0.342	0.239	Favourable ↑	41.3%	Income from off street parking

The Special Parking Account is forecast to be overspent by £0.737m due to the projected reduced income received as a result of the Judicial Review decision. It is expected that all areas of the Special Parking Account will be delivered barring the achievement of the original plan for residents permits and vouchers (as a result of the Judicial Review decision). Additional activity has been carried out by the parking contractors to recover old debts but this is non-recurring.

The Waste and Recycling service area is forecast to be overspent by £1.281m and the main factor contributing to this is the reduced recyclate income estimated for 2013/14. It is estimated that £0.7m less income will be received than was expected this financial year. The recycling operation was brought in-house and this led to a deployment of additional resources to ensure a smooth transition. The waste transformation project was delivered successfully with the change of service offer and new service operational on the 14th October 2013. Initial bedding-in costs are not expected to be repeated next year.

The Waste and Recycling forecast position assumes a carry forward of under utilised grant received from the Department for Communities and Local Government to fulfil commitments in 2014/15.

The off-street car parks are forecasting a deficit of £0.239m for the year, which is due to as shortfall in income due to continued under utilisation of car parks. Off-street parking income is not considered to be achievable as per budgeted levels. However, the position has improved slightly with changes to parking as a result of the Town Centre reviews and tariff changes.

9.3.5 **HB Public Law**

HB Public Law is forecasting an overspend of £0.157m which equates to 8.13% of the services current budget of £1.932m.

Area	Year End Forecast Variance Qtr 2 £'m	Year End Forecast Variance Qtr 3 £'m	Direction of Travel Qtr 2 - Qtr 3	Variance Against Current Budget Qtr 3	Pressure/Driver
HB Public Law	0.294	0.157	Favourable ↑	8.13%	Additional hours purchased and a shortfall on income recovery such as Section 106 due to the introduction of the community infrastructure levy

The forecast overspend of £0.157m is due to the cost of additional hours purchased from HB Public Law and shortfall on income recovery such as Section 106 due to the introduction of the Community Infrastructure Levy. The forecast overspend has been previously reported and has improved since the quarter two position.

Budget Variances - Other Points to Note

Public Health

9.3.6 Public Health position is currently being reported as breakeven. Due to a delay in investment programmes commencing during the year, the service is forecasting slippage in its delivery programme of £1.272m which will now be spent in 2014/15. In line with the conditions of the Public Health grant provided by the Department of Health and the management agreement with the London Borough of Harrow, it is proposed that this grant is carried forward into 2014/15 to fund the expenditure in the new financial year. A request to transfer the balance to reserves will be as part of the final outturn report.

Adults and Communities

9.3.7 Adults and Communities is forecasting an overspend of £0.306m. This predominantly relates to increasing demand and case complexity within mental health care and dementia care services over and above funding provided for demographic pressures. The pressure has been mitigated through savings from the Supported Living Framework and Learning Disability Services.

Commissioning Group

9.3.8 The Commissioning Group is forecasting an overspend of £0.247m. This predominantly relates to the interim structure within the Commercial Team due to the delays in commencement of the contracts following the Judicial Review process. Steps are now being taken to recruit permanent staff.

Central Expenses

9.3.9 The overspend has been 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.

Barnet Group

9.3.10 Barnet Group reported a significant pressure of £0.916m in quarter three which was due to the increased demand for temporary accommodation. Factors contributing to this included a restricted mortgage for first time buyers, sustained increases in private rented sector rents in London and migration of benefit claimant households from inner London boroughs to outer London boroughs. These factors have led to a mismatch between the demand and supply for social housing.

9.3.11 The £0.916m pressure is to be covered by the existing provision for temporary accommodation set aside in contingency when the budget was originally set but the underlying position would have been worse if Barnet Homes had not taken action to mitigate the pressure. These steps included the introduction of cash incentive schemes for landlords to enable more people to become tenants and reduce the costs incurred on Bed and Breakfast accommodation. Other mitigating steps were to initiate a youth mediation service and help with out of London relocation costs.

9.3.12 The reported financial position of an overspend of £1.598m takes into consideration the recommendations set out in 1.10 and 1.11 as follows:

- £0.500m of contingency funding is made to Development and Regulatory Services in respect of reactive road maintenance;
- £0.916m of contingency funding is made to Barnet Group in respect of the increase in the number of temporary accommodation numbers; and
- Up to £0.878m of the risk and litigation reserve is used in 2013/14 to mitigate the shortfall in savings, due to the delay in the contract initiation, on the Re contract.

9.3.13 Specific areas for concern are overspends in Street Scene and HB Public Law (highlighted above in 9.3.4 and 9.3.5) and 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 budge t pressure next year.

Delivery of Approved Savings 2013/14

9.3.14 The Council approved saving of £14.492m as part of the 2013/14 budget setting process. Of this total £0.779m, 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 Variance £'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	(380)
Street Scene	SPA	Efficiencies	Savings resulting from alternative service provision	The saving for the SPA is not expected to be achieved and will be reviewed	(349)

Directorate	Service Area	Savings Type	Description of Saving	Comments and Risks	2013/14 Variance £'000
Street Scene	Street Scene	Income	Textile bring bank consortium contract	Textile income to be reviewed in light of in - house service provision	(28)

9.3.15 2013/14 Capital Programme Monitoring

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.

9.3.16 2013/14 Capital Monitoring Analysis

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 3 Analysis – Summary

Service	2013/14 Latest Approved Budget	Additions/ (Deletions)	(Slippage) / Accelerated Spend	2013/14 Budget (Including Qtr 3)	Forecast to Year End	Variance from Revised Budget
	£'000	Quarter 3 £'000	Quarter 3 £'000	Quarter 3 £'000	£'000	£'000
Adults and Communities	1,442	-	(887)	554	554	(887)
Children's family services	2,712	-	(1,301)	1,411	1,411	(1,301)
Children's education	54,673	0	(10,203)	44,470	44,470	(10,203)
Commissioning Group	18,404	1,812	(342)	19,874	19,874	1,470
Street Scene	14,109	-	(327)	13,782	13,782	(327)
Re delivery unit	25,281	137	(2,053)	23,365	23,365	(1,916)
CSG delivery unit	6,818	**(6,801)**	-	17	17	(6,801)

Service	2013/14 Latest Approved Budget	Additions/ (Deletions)	(Slippage) / Accelerated Spend	2013/14 Budget (Including Qtr 3)	Forecast to Year End	Variance from Revised Budget
	£'000	Quarter 3 £'000	Quarter 3 £'000	Quarter 3 £'000	£'000	£'000
The Barnet Group	840	-	-270	569	569	(270)
General Fund Programme	**124,278**	**(4,852)**	**(15,384)**	**104,041**	**104,041**	**(20,236)**
HRA	35,299	-	(7,199)	28,100	28,100	(7,199)
Total Capital Programme	**159,577**	**(4,852)**	**(22,583)**	**132,141**	**132,141**	**(27,435)**

9.3.17 Proposed Changes to the 2013/14 Capital Programme Funding

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

Service	Grants	Section 106 / Other	Capital Receipts	Revenue	Borrowing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities	(746)		(141)			(887)
Children's family services	(511)		(529)	(261)		(1,301)
Children's education	(6,343)	1,219	(1,200)	(400)	(3,479)	(10,203)

Service	Grants	Section 106 / Other	Capital Receipts	Revenue	Borrowing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Commissioning Group			4,735	(4,990)	1,724	1,470
Street Scene	(264)	(89)	110		(84)	(327)
Re delivery unit	86	51	(953)	-	(1,100)	(1,916)
CSG delivery unit			(4,778)		(2,024)	(6,801)
The Barnet Group			(148)	(122)		(270)
General Fund Programme	**(7,778)**	**1,181**	**(2,903)**	**(5,772)**	**(4,963)**	**(20,236)**
HRAHRA			(6,851)	(348)		(7,199)
Total Capital Programme	**(7,778)**	**1,181**	**(9,754)**	**(6,120)**	**(4,963)**	**(27,435)**

9.3.18 There has been a 17% reduction in the capital programme this quarter, with the current capital programme being £132.141m. In this quarter there has been a net deletion in schemes of £4.852m and £22.583m in slippage.

The main projects affected by the slippage this quarter are as follows:

- The New Affordable Homes programme as part of the Housing Revenue Account of £6.851m. The scheme was originally adopted in June 2013 and has now been profiled by Barnet Homes and will be fully delivered by March 2015.
- The Children Education programme has slipped by £10.203m this is primarily due to the school expansion programme to create urgent primary places, in particular around Menorah Foundation and St Mary's and St Johns schools.
- The General Schools Organisation programme has moved by £3.952m as a result of slippage in the school expansion programmes for Copthall School along with the unallocated budget provision which will be utilised on upcoming projects in 2014/15.

- The CSG programme that was previously managed by the in house CSG delivery unit has reduced by £4.989m as a result of deleting elements of the programme that have now either transferred to Capita or the Commissioning Group.

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

9.3.19 The main changes by funding stream are as follows:

- An increase in borrowing of £2.650m for the Re Delivery Unit along with £1.250m in revenue to fund the accelerated scheme for Graham Park Building Works.

A reduction in capital receipts for the Housing Revenue Account due to the Affordable Homes programme being slipped in 2014/15 referred to in 9.3.19.

9.4 Virement

9.4.1 A virement for £0.381m is requested to realign Directorates budgets to meet the insurance charges for 2013/14 made from Central Expenses. There is a nil impact on budgets (recommendation 1.9). Given the number of cost centres affected by the virement, the full detail is provided in Appendix I.

9.5 Agency Costs

9.5.1 The table below details all agency staff costs incurred to quarter three of 2013/14 in comparison to the same period in 2012/13. This identifies that agency expenditure has increased by 26% (£5.165m) from last year. In line with paragraph 9.1.7, internal Delivery Units have been asked to create workforce plans of their usage of the agency staff from April 2015

Table 5: Agency Costs to 31 December 2014

	2012/13			2013/2014 to Quarter 3			2012/13 vs. 2013/14
Directorate	Agency Spend	Consultant Spend	Total	Agency Spend	Consultant Spend	Total	Variance
	£000	£000	£000	£000	£000	£000	£000
Adults and Communities	2,359	466	2,825	2,913	459	3,372	547
Assurance	40	4	45	23	7	30	(15)
Children's Education	807	2,219	3,026	1,032	6,915	7,947	4,921
Children's	1,680	11	1,691	1,934	103	2,037	346

Directorate	2012/13 Agency Spend	Consultant Spend	Total	2013/2014 to Quarter 3 Agency Spend	Consultant Spend	Total	2012/13 vs. 2013/14 Variance
	£000	£000	£000	£000	£000	£000	£000
Family Service							
Commissioning Group	1,779	2,862	4,641	2,284	1,218	3,502	(1,139)
Street Scene ***	949	5	954	1,155	46	1,201	247
Public Health			0	0	18	18	18
HB Public Law	234	0	234	0	0	0	(234)
Barnet Group	10	2	12	0	83	83	71
Re	617	649	1,266	773	1,467	2,240	974
CSG ***	2,532	317	2,849	2,638	664	3,302	453
Central Expenses	0	126	126	0	69	69	(57)
HRA	63	2,392	2,455	237	1,250	1,487	(968)
Total	**11,070**	**9,053**	**20,123**	**12,988**	**12,299**	**25,288**	**5,165**

* Expenditure for quarter three includes revenue (£3.729m) and capital spend (£2.612m)

** Commissioning Group includes "One Barnet" project expenditure £0.288m (Agency) and £0.394m (Consultants) quarter three.

***Includes adjustments to correct previously reported amounts

9.6 Transfers from Contingency and Reserves

9.6.1 That the following transfer from Contingency for this financial year and on-going be approved (Recommendation 1.10):

- £0.500m transfer from contingency to the Re Service to support on-going reactive road maintenance costs within the managed budget.
- £0.916m transfer from contingency to Barnet Group to supporting on-going pressures in respect of temporary accommodation.

9.7 Fees and Charges

9.7.1 Residential, Nursing and Respite Charges for Adult Social Care

The Department for Work and Pensions have announced changes in the rates of benefits payable from 7th April 2014. In line with the Charging for Residential and Accommodation Guide (CRAG), published by the Department of Health, the authority will need to use these amended rates when calculating contribution levels for clients in 2014/15. This will relate to clients in residential, nursing and respite care. The changes in rates could impact on the level of charge that clients will need to make to their care.

As a result of the announcement made by the Department for Work and Pensions, to the change in benefit rates from 7th April 2014, the amended rates will be applied to the calculation of client contributions for 2014/15.

9.7.2 Fairer Contributions Policy for Adult Social Care

The Council's adopted fairer contributions policy includes a protected income value which is equal to income support or pension credit plus 25%. Income support/pension credit is the weekly amount of money the Government sets as the lowest level of income that everyone should have to live on, to meet everyday living costs, such as food, travel and utility bills. The fairer contributions policy was adopted under Section 17 of the Health and Social Services and Social Adjudications Act 1983.

As a result of the announcement made by the Department for Work and Pensions, to the change in benefit rates from 7th April 2014, the amended rates will be applied to the calculation of client contributions for 2014/15.

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 December 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 G. 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 December 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. As at 31 December 2013, deposits outstanding were £187.3 million (excluding Icelandic deposits), achieving an average rate of return of 0.58 per cent (adjusted for Icelandic deposits) against a benchmark (London Interbank Bid Rate - LIBID) of 0.46 per cent. A list of deposits outstanding as at 31 December 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 Council is expected to recover an amount in excess of the principal deposited in the Icelandic bank deposits.

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

9.8.8 **Landsbanki** – The Landsbanki Winding up Board made four partial distributions, via a mixture of Euro, US Dollars and Sterling payments. The Council received £8.6 million to December 2013. Further partial distributions were expected to be made until at least 2019. Some of these further distributions would be held in escrow accounts and there has been no indication of when payment might be received.

9.8.9 The administration of the insolvent estate of LBI (formerly Landsbanki Islands HF) is likely to continue for several years given the complexity of the ongoing issues in Iceland which creates a level of uncertainty around the timing of recoveries through the administration process. Sale of the claim has removed the uncertainty and allowed immediate access to funds owed to the Council.

9.8.10 The Council approved the sale of the Landsbanki claim under executive powers on 20 January 2014 and the claim was sold by auction on 30 January 2014. The Council received £6.4 million from the sale. This represents full and final settlement of The Council's interest in the LBI winding up board distribution. In total £15.064 million has been recovered from LBI which equates to 91.17p/£ of the total distributable amount of £16.5 million. The shortfall can be met from within the existing amount set aside in the risk reserve.

Debt Management

9.8.11 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 31 December 2013 was 3.89 per cent. Money Market data and Public Works Loan Board (PWLB) rates are attached at Appendix

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 £11.679m, an adverse £0.097m variance against Cabinet Resources Committee approved budgets of £11.582m. Expenditure to date is £11.545m, with commitments remaining of £0.134m.

9.10.2 Wave 2

Wave 2 total projected spend is £8.644m, a projected underspend of £0.239m against Cabinet Resource Committee approved budgets totalling £8.884m. Spend to date amounts to £6.052m, with outstanding commitments totalling £2.592m.

9.10.3 Judicial Review

Total projected spend on the Judicial review is £0.736m, a projected variance of £0.127m against a Cabinet Resources Committee approved budget totalling £0.609m.

9.10.4 Drawdowns

This report requests further drawdown from the Transformation Reserve, to support Delivery Units in the planning and delivery of change projects. This includes a drawdown of funding to set up a programme within the Family Services and Education and Skills Delivery Units. This sets out to deliver contributions to the Medium Term Financial Strategy (with the programme targeting savings of £5.2m). It will deliver improved services including looked after children, social care practices, meeting new or amended statutory responsibilities such as the Special Educational Needs of the Children and Families Bill when it becomes law in 2014 and to ensure services are well prepared to meet future demands.

- Children’s service transformation programme to deliver Medium Term Financial Strategy and service improvement £0.299m
- Education and Skills (improving SEN and complex needs) - £0.360m

A drawdown is requested to provide additional capacity and capability to support the Adults and Communities Delivery Unit in preparing for the implications of the anticipated Care Bill, and delivery of projects enabling savings as part of the Medium Term Financial Strategy.

- Adult and Communities transformation programme £0.200m

A further drawdown is requested to fund work within the Parking Services, to improve web access and customer experience of the service.

- Parking service consultation and improvement to systems programme £0.246k

Finally, a drawdown is requested to fund scoping of work to bring coordination and oversight to the many different projects and programmes already underway to improve the council's relationship with residents.

- Other change programmes - Connecting with Barnet £0.058m

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer’s initials)	**JH**
Cleared by Legal (Officer’s initials)	**LC**