

Annex A

Meeting	Cabinet Resources Committee
Date	25 February 2013
Subject	Quarter 3 Monitoring 2012/13
Report of	Cabinet Member for Resources and Performance
Summary	To consider the Quarter 3 Monitoring 2012/13 report and instruct officers to take appropriate action.
Officer Contributors	Maria G. Christofi – Assistant Director, Financial Services Catherine Peters – Head of Finance, Closing & Monitoring Antony Russell – Finance Manager, Closing & Monitoring
Status (public or exempt)	Public
Wards affected	Not applicable
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 – Virements
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable
Contact for further information:	Catherine Peters, Head of Finance, Closing & Monitoring, 020 8359 7142

1. RECOMMENDATIONS

- 1.1 That Directors take appropriate action to ensure costs are kept within budget and income targets are met. (Paragraph 9.1.2)**
- 1.2 That Directors take appropriate action to improve performance against those corporate performance, Human Resources (HR), project, and risk measures where quarter one performance remains a challenge (Sections 9.3, 9.10, and Appendix A).**
- 1.3 That a request for an ongoing virement of £0.450m within central expenses from contingency to Insurance be approved. (Paragraph 9.4.1)**
- 1.4 That the Agency Costs for the first quarter be noted. (Paragraph 9.6.1)**
- 1.5 That the write off of income debts under £5,000 with a total value of £0.304m approved under the Chief Finance Officer's authority be noted. (Paragraph 9.7.1)**
- 1.6 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 9.8.1)**
- 1.7 That the proposed 2012/13 capital additions/deletions totalling £9.281m and slippage of £54.308m as set out in Table 4 (Paragraph 9.9.1) and Appendix C and the related funding implications summarised in Table 5 (Paragraph 9.10.1) be approved.**
- 1.8 That the Corporate Risk Register at Appendix E be noted.**
- 1.9 The One Barnet Programme (Paragraph 9.12 and Appendix F) be noted.**
- 1.10 That a request for a one off virement of £1.303m to realign the Insurance budgets from central expenses to services be approved (Paragraph 9.5.1 and Appendix G)**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Council, 6 March 2012 (Decision item 4.1.1) – approved the Council Budget and Council Tax 2012/2013.**
- 2.2 Cabinet Resources Committee, 20 June 2012 (Decision item 9) – approved the Outturn Report 2011/12.**
- 2.3 Cabinet Resources Committee, 18 October 2012 (Decision item 12) – approved the Quarter 1 Monitoring 2012/13.**
- 2.4 Cabinet Resources Committee, 17 December 2012 (Decision item 5) – approved the Quarter 2 Monitoring 2012/13.**

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 2012-13;
- 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 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 £0.236m is forecast to reduce General Fund balances from £15.780m to £15.544m. The General Fund balances are therefore forecast to remain above 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 3.6 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 4, Financial Regulations Part 1 section 4.17 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.

9. BACKGROUND INFORMATION

9.1 2012/13 Revenue Monitoring

- 9.1.1 Table 1 below provides a summary of the 2012/13 outturn analysis compared to the revised budget position. As at the end of Quarter 3 the actual net General Fund spend was £130.345m. This represents 46% of the revised budget (61% 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 at an overspend of £0.236m. A breakdown of revenue monitoring by each service directorate is set out in Appendix B.

Table 1: 2012/13 Revenue Quarter 3 Analysis – Summary

Description	Original Budget £'000	Revised Budget as at 31/12/12 £'000	Forecast Outturn as at 31/12/12 £'000	Forecast Outturn Variation as at 31/12/12 £'000	2011/12 Outturn £'000	Performance			
						Green	Green Amber	Red Amber	Red
Adult Social Care	95,815	97,103	96,866	(237)	98,896	5	1	1	-
Central Expenses	63,143	57,501	56,951	(550)	59,345	n/a	n/a	n/a	n/a
Chief Executive	16,131	17,086	17,348	262	10,819	4	-	1	1
Childrens Services (excluding DSG)	57,701	58,116	57,927	(189)	56,423	7	-	1	2
Commercial Services	14,248	14,799	15,398	599	15,851	3	-	-	1
Corporate Governance	5,859	5,826	5,833	7	5,678	1	-	-	-
Deputy Chief Executive	5,620	6,190	6,188	(2)	12,987	2	2	1	4
Environment, Planning & Regeneration	22,472	24,327	24,673	346	25,601	4	2	1	3
Total 2012/13 General Fund Forecast	280,989	280,948	281,184	236	285,600	26	5	5	11
Allocations agreed from GF Balances	-	-	-	-	-				
General Fund Balances as at 01/04/12	-	-	-	(15,780)					
Projected General Fund Balances (excluding schools balances) at 31/03/13	-	-	-	(15,544)					

Description	Original Budget £'000	Revised Budget as at 31/12/12 £'000	Forecast Outturn as at 31/12/12 £'000	Forecast Outturn Variation as at 31/12/12 £'000
Housing Revenue Account	-	-	-	(7,202)

9.1.2 Directors are reminded that they 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.

9.2 Commentary about Revenue Outturn

9.2.1 The Council's overall position has declined since setting the Budget, but improved since quarter 2. The quarter 3 forecast has resulted in a projected overspend of £0.236m. The Council's General Fund Balances are forecast to remain above the recommended level of £15m, and are currently projected to be £15.544m. 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.

9.2.2 Specific areas for concern continue to be in the Chief Executive, Commercial services and Planning and Regeneration Directorates.

9.2.3 The Chief Executive Directorate is forecasting an overspend of £0.262m which relates primarily to Customer Services and Registration. The overspend is due to the benefits of the Customer Services Transformation programme slipping to later than anticipated as a result of contractual issues with the telephone provider.

9.2.4 The Commercial Services Directorate is forecasting an overspend of £0.599m, which includes:

- an Information Systems overspend of £0.331m for additional costs of the Open Revenues system licences.
- an overspend of £0.215m as a result of planned savings in Corporate Procurement that are unlikely to be achieved. Work is ongoing within the Directorate to identify further potential procurement savings.

- an overspend of £0.158m in Property Services and Asset Management due to a shortfall in income, primarily on car parking fees and the sub letting of Barnet House that is no longer taking place.
- a Corporate Programmes & Consultancy underspend of £0.105m for staff vacancies. This has reduced the overall overspend in Commercial Services, even though this has reduced slightly on the forecast in quarter 2.

9.2.6 The Environment, Planning and Regeneration Directorate is forecasting an overspend of £0.346m. This has reduced significantly since quarter 2 where the service was forecasting to overspend by £1.085m. The Special Parking Account has an allowance in the budget for amendments to existing infrastructure provisions and additional infrastructure provisions. In this financial year many have been funded from external sources and capital schemes. This has freed up the revenue element in the budget. The latest forecast includes the following:

- a reduction in the Recycling income projection due to lower prices being received for materials. In addition there is cost pressure from contract inflation. This is resulting in a forecast overspend of £0.289m.
- Car park income continues to forecast an overspend of £0.273m. This is due to continuing low usage of Council car parks even after tariff changes. Further tariff changes are still being considered.
- The legal process around the implementation of the Central Management System (CMS) has caused a delay to the planned savings and resulted in a forecast overspend of £0.190m.
- Routine highways maintenance continues to exceed budget, resulting in a forecast overspend of £0.181m. A review of capital and revenue schemes is to be undertaken in quarter 4 to realign budgets.
- An overspend of £0.115m on Environmental Health/Cemetery & Crematorium as a result of crematorium income being below expectation, unexpected expenditure on buildings and repairs on the cemetery and crematorium and a reduction in pest control income due to an unusually low number of wasp complaints.
- The Special Parking Account is now projecting an underspend of £0.545m. This is as a result of a reduction in recharges from Traffic and Development (there is no impact on Traffic and Development where targets will still be met).
- £0.155m underspend on Community Protection as a result of lower running costs and staff vacancies.

9.2.7 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.

9.2.8 The council was required to deliver £13.301m savings as part of the 2012/13 budget setting process. Of this total, £1.192m 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 have been developed by services.

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

Service	Service area	Savings Type	Description of saving	2012/13 £'000
Chief Executive	Libraries	Efficiencies	Implementation of RFID self-service in all sites (for book loans and issues).	(50)
Chief Executive	Libraries	Efficiencies	Shared services partnership. To consider options to work with another local authority, including a review of the home and mobile library service, schools library service, and provision of online resources.	(25)
Chief Executive	Libraries	Income	Increasing fees and charges, using vending machines, selling merchandise.	(20)
Commercial Services	IS	Efficiencies	Further review of contracts and supplier costs on consolidation (IS).	(20)
Commercial Services	IS	Efficiencies	IS Transformation - Reduced supplier costs.	(95)
Commercial Services	IS	Efficiencies	IS Transformation - Reduced software licensing costs.	(76)
Commercial Services	Procurement	Efficiencies	Review of Council contracts.	(440)
Commercial Services	Estates	Efficiencies	Reduction in costs of maintaining properties pending sale.	(120)
Commercial Services	Estates - Mill Hill depot	Efficiencies	Savings in Facilities Management and Security from relocation of depot.	(10)
Commercial Services	Estates - Property Services	Efficiencies	Property Services - increased charging to services and projects	(10)
Commercial Services	Estates - Public offices	Income	Office consolidation	(170)
Environment, Planning and Regeneration	Highways	Service Reductions	Reprofiling the new column installation programme for street lighting and investing the saving in new technology to include energy measures which will reduce energy consumption.	(150)
Environment, Planning and Regeneration	Revenue Income Optimisation	Income	Charging for parking in the boroughs 7 remaining free car parks.	(6)

9.3 **Q3 performance against the 2012/13 Corporate Plan Indicators (CPIs)**

9.3.1 Of a total of 50 indicators, 46 were required to report in quarter 3. Of the indicators that reported, there were 54.3% of targets met (25 targets rated as green) and 45.7% of targets missed (21 targets rate as red, red-amber, or green-amber). 28 CPIs show a positive or neutral direction of travel, 13 CPIs demonstrate a negative direction of travel. 8 CPIs have reported no change. 5 CPIs have moved from being off target to on target in quarter three, and 4 CPIs have deteriorated from on target to off target.

9.3.5 There are a number of performance issues in quarter 3:

- There were no completions of new homes on the regeneration estates. There were also no completions of affordable homes in the borough during quarter 3.
- In Commercial Services, the target for savings achieved through renegotiation of contracts was missed, with an outturn of 6.1% against a goal of 10%.
- The average length of time spent in temporary emergency accommodation has continued to increase from 28.5 days to 29.1.
- Overall percentage of savings achieved across the council is 90.3%.

- Staff absence levels remain above the target of 6 days at 7.7 days over the last 12 months.
- Performance within Customer Services has remained below the target, despite significantly stronger performance at the call centre during quarter 3. The performance of three call centres (Parking, Adult Social Care, and Environment and Operations) was below 50% of calls answered within 20 seconds.
- Progress has been made to improve customer satisfaction and reduction of the case load backlog in the Planning Service, but performance remains below the service's target.
- There is significant slippage in the capital programme, increasing from 12.2% in quarter 2 to 46.3% in quarter 3.

9.3.6 There are also a number of areas where particularly strong performance or improvement has been reported in quarter 3.

- The council rated as second in London for the comparative Value for Money of council services.
- In Children's Services there was progress closing the achievement gap at key stages 2 and 4, and in increasing the GCSE performance of children with special educational needs.
- In Adult Social Care and Health there was a continued increase in the proportion of service users taking their personal budget as a direct payment, to 20.8%.
- Performance responding to FOI requests continued to improve, from 94% responded to in time during quarter 2 to over 98% in quarter 3.
- In finance, the variation between revised budget and forecast outturn reduced from 0.9% in quarter 2 to 0.6% in quarter 3.
- Satisfaction with the council's telephone service increased to 93.5% from 86% in quarter 2.

9.4 Movements to and from Contingency

9.4.1 An ongoing virement from contingency to Insurance of £0.450m from within central expenses is requested. This has been assumed in the revenue Monitoring in table 1 and Appendix B.

9.5 Virement

9.5.1 Insurance budgets are managed centrally. When the premiums have been confirmed, insurance budgets held within service areas are adjusted each year. In accordance with the financial regulations the following Insurance virement requires member approval (Recommendation 1.10) and is detailed further in Appendix G:

- A one off virement of £1.303m from central expenses to realign the Insurance budgets in services.

9.6 Agency Costs

9.6.1 The table below details all agency staff costs incurred for quarter 3 of 2012/13.

Table 3: Agency Costs to 31 December 2012

Service	2011/12	Quarter 1	Quarter 2	Quarter 3		
	Total Agency & Consultants expenditure £'000	Total Agency and Consultants Expenditure £'000	Total Agency and Consultants Expenditure* £'000	Agency Spend £'000	Consultants Spend £'000	Total Agency and Consultants Expenditure* £'000
Adult Social services	1,980	625	880	895	319	1,214
Chief Executive	1,884	566	651	702	179	881
Childrens Services	10,542	1,331	1,608	896	801	1,697
Commercial Services **	4,294	979	1,814	799	1,094	1,893
Corporate Governance	423	101	166	11		11
Deputy Chief Executive	2,548	226	398	317	71	388
Environment, Planning & Regeneration	5,424	531	777	650	2,736	3,386
Totals	27,095	4,359	6,294	4,270	5,200	9,470

* Data as at 31st December 2012 includes revenue (£7.266m) and capital spend (£2.204m)

** Commercial Services includes "One Barnet" project expenditure £0.254m (Agency) and £1.050m (Consultants) for 12/13.

9.7 Write off of debt under Chief Finance Officer's Authority

9.7.1 The Council constitution in Part 3, Responsibility for Functions, paragraph 6.7 gives the Chief Finance Officer authority to write-off individual debts up to and including £5,000, in consultation with the London Borough of Harrow Head of Legal/Practice Director Joint Legal Service. This action is then reported retrospectively to Cabinet Resources Committee. The amount of income debt written off is £0.304m.

9.8 2012/13 Capital Programme Monitoring

9.8.1 Directors are reminded of the continuing need to closely monitor and manage capital projects during 2012/13, to ensure that they are delivered within budget and in accordance with the agreed timeframe.

9.9 2012/13 Capital Monitoring Analysis

9.9.1 Table 4 below summarises the 2012/13 capital programme. The capital monitoring summary and scheme details by service directorate is set out in Appendix D.

Table 4: 2012/13 Capital Quarter 3 Analysis – Summary

Service	2012/13 Latest Approved Budget £'000	Additions/ Deletions recommended to Feb CRC £'000	Slippage / Accelerated Spend recommended to Feb CRC £'000	2012/13 Budget (including Feb CRC) £'000	Forecast to year-end £'000	Variance from Revised Budget £'000
Adult Social Care	2,143	(1,026)	-	1,117	1,117	(1,026)
Central Expenses	2,178	(2,178)	-	-	-	(2,178)
Chief Executive	2,783	417	(1,900)	1,300	1,300	(1,483)
Childrens Services	41,517	(1,153)	(19,943)	20,421	20,421	(21,096)
Commercial Services	19,138	(10)	(13,524)	5,604	5,604	(13,534)
Corporate Governance	29	-	(29)	-	-	(29)
Deputy Chief Executive	-	-	-	-	-	-
Environment, Planning & Regeneration	38,903	(956)	(18,912)	19,035	19,035	(19,868)
General Fund Programme	106,691	(4,906)	(54,308)	47,477	47,477	(59,214)
HRA Capital	21,440	(4,375)	-	17,065	17,065	(4,375)
Total Capital Programme	128,131	(9,281)	(54,308)	64,542	64,542	(63,589)

9.10 Proposed changes to the 2012/13 Capital Programme

9.10.1 Table 5 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 5: 2012/13 Capital Funding Changes

Service	Grants £'000	S106 / Other £'000	Capital Receipts £'000	Revenue £'000	Borrowing £'000	Total £'000
Adult Social Care	(1,026)					(1,026)
Central Expenses			(2,178)			(2,178)
Chief Executive			(1,513)		30	(1,483)
Childrens Services	(4,431)		(6,639)	(1,224)	(8,802)	(21,096)
Commercial Services			(13,534)			(13,534)
Corporate Governance			(29)			(29)
Deputy Chief Executive						-
Environment, Planning & Regeneration	(3,399)	(2,472)	(3,103)	(5,024)	(5,870)	(19,868)
General Fund Programme	(8,856)	(2,472)	(26,996)	(6,248)	(14,642)	(59,214)
HRA Capital	-	-	-	(4,375)	-	(4,375)
Total Capital Programme	(8,856)	(2,472)	(26,996)	(10,623)	(14,642)	(63,589)

9.10.2 There has been a significant reduction in the Capital programme this quarter. The main projects affected are as follows:

- Adults Social Care deletions for capital works (£1.026m)
- Central Expenses deletions for redundancies (£2.178m).
- Chief Executive additions for CCTV Installation £0.377m
- Children's deletions for the Pupil referral unit (£1.000m)
- HRA deletions for Regeneration (£4.000m) and Cash incentives (£0.375m)
- The total forecasted slippage of £54.308m is made up primarily of the following:
 - **Chief Executive** (£1.900m)
 - Customer Access Centre (£1.900m)
 - **Children's service** (£19.943m)
 - Urgent Primary places (£15.338m)
 - Schools Modernisation & access improvement (£1.188m)
 - Targeted capital 14-19 SEN (£1.023m)
 - General School Organisation (£0.870m)
 - Other Children's projects (£1.274m)
 - **Commercial Services** (£13.524m)
 - Depot relocation (£11.548m)
 - Corporate IM Program (£1.958m)
 - **Environment, Planning & Regeneration** (£18.912m)
 - General Fund regeneration – primarily Grahame Park (£16.539m),
 - Disabled Facilities Projects (£1.000m).
 - Highways non-TFL (£0.413m)
 - Other EPR projects (£0.550m)

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

9.11 Corporate Risk Register

9.11.1 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.

9.12 One Barnet programme

9.12.1 The latest budgeted figures for each project currently in the One Barnet Programme are detailed in Appendix F, Table 1. The total budget for Wave 1 Projects is £9.847m. The spend in 2012/13 is £2.566m. The total projected spend for the projects through to 2014/15 is £9.821m.

9.12.2 The budget and related savings achieved and projected for each project over the period 2010-19 is detailed in Appendix F, Table 3. The cumulative saving figure is now £121.7m due to the updated NSCSO savings in the Medium Term Financial Strategy reported to Cabinet in November 2012.

9.12.3 At Cabinet on 20 February 2012 the extension of the corporate change programme to include five new major projects and three 'enabling' projects was approved. Details of the latest budgeted figures for each of the five new projects in the One Barnet Programme are detailed in Appendix F, Table 2. The table also includes projected figures for the Information Management System enabling project, the continuation of the Customer Services Transformation Project, the Reorganisation of the Senior Officer and Council Structures Project and the costs of funding the Programme Management Office.

9.13 Key projects, including One Barnet programme

9.13.1 A total of 36 projects have been monitored over quarter 3. Of these, two have been given a red rating due to milestone or general project slippage. The projects are:

- MASH – Multi-Agency Support Hub (Children’s Safeguarding): whilst there are some interim working arrangements in place, the full MASH is not due to be up and running until Spring 2013. It had been scheduled to be operational by late 2012.
- NLWA Procurement: this project is marked as red because some slippage has occurred. However, it is anticipated that this project will deliver the required outcomes.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer’s initials)	JH/MC
Cleared by Legal (Officer’s initials)	TE