

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 18th October 2010

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– Councillor Anderson and AS Dhaliwal

PART I **FOR INFORMATION**

PERFORMANCE AND FINANCIAL REPORTING 2010/11

1. **Purpose of Report**

This report highlights the Council's overall performance from delivery of service to financial management covering the period upto and including August 2010 against the following key areas:

- i. Revenue and capital monitoring position to August 2010 (Appendices A, B, C)
- ii. Performance monitoring against the Corporate Balanced Scored Card and the LAA Balanced Score Card to August 2010 (Appendix D)

2. **Recommendation(s) / Proposed Action**

The Cabinet is requested to resolve that the following aspects of the report be noted:

- i. Performance and Project management
- ii. Financial performance – revenue and capital

3. **Key Priorities – Taking Pride in Slough and Making a Difference to Communities**

The budget is the financial plan of the authority and as such underpins the delivery of the Council's key priorities through the financial year.

Budget monitoring throughout the financial year reflects on whether those priorities are being met and, if not, the reasons why, so Members can make informed decisions to ensure the Council remains within its available resources.

4. **Community Strategy Priorities**

This report indirectly supports the community strategy priorities. The maintenance of excellent governance within the council to ensure it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy and by ensuring good people and management practices are in place.

Supporting Information

5. Performance Monitoring Update

5.1 The attached **SBC Corporate Scorecard** (Appendix D) provides an update on performance covering the period up to and including August 2010, drawing attention to:

- i. Areas of exception.
- ii. Areas of improved performance.
- iii. Assessment of where improvement actions are needed for performance to achieve end of year targets.
- iv. Following concerns raised at the previous scrutiny around appraisal completion rates a dedicated presentation on this area of performance will be given by the Assistant Directors of HR and Transformational Change, Policy and Performance.

5.2 The report comprises of exceptions from both:

- i. The **Balanced Score Card** - which relates to performance indicators selected by CMT members to determine the organisation health of the Councils, and
- ii. The **LAA Score card** - which relates to indicators in the LAA.

5.3 A summary of the Council's performance over the 2009/10 period will shortly be published in the Annual Report.

6. Financial Reporting

6.1 The Council's net revenue budget for 2010/11 is £103.9m.

6.2 The Housing Services agreed net operating budget for 2010/11 is a surplus of £213k.

6.3 There is currently a projected under spend position for the 2010/11 General Fund of £206k. This compares to a reported overspend at this stage last year of £893k reported as at end August 2009. Members should also note the possible emerging issues and opportunities in sections 6 and 7 respectively.

6.4 For the Housing revenue account there is currently a projected over spend position of £538k from the budgeted surplus position of £213k agreed at the start of the year. This shows an adverse variance of £101k from that reported last month.

6.5 The position is summarised in Table 1, overleaf, and detailed in Appendix A.

Table 1 - Projected as at 31st August 2010

Directorate	Gross Budget pre-Govt reduction	Govt Reduction	Gross Budget post-Govt reduction	Current Net Budget A	Projected Outturn B	Variance Over/(Under) Spend C = B - A	Change	Previously Reported
	£'M	£'M	£'M	£'M	£'M	£'M	£'M	£'M
Community and Wellbeing	51.504	(0.605)	50.899	36.990	37.183	0.193	0.110	0.083
Education and Childrens Services	180.555	(0.891)	179.664	24.533	24.344	(0.189)	(0.189)	0.000
Green and Built Environment	39.370	(0.646)	38.724	26.263	26.263	0.000	0.000	0.000
Central Directorates	87.857	(0.633)	87.224	22.396	22.256	(0.140)	(0.096)	(0.044)
Corporate	0.279	(0.140)	0.139	0.074	0.074	0.000	0.000	0.000
Total Cost of Services	359.565	(2.915)	356.650	110.256	110.120	(0.136)	(0.175)	0.039
% of revenue budget over/(under) spent by Services						-0.12%	-0.16%	0.04%
Treasury Management	3.334	0.000	3.334	3.334	3.264	(0.070)	(0.070)	0.000
Contingencies & earmarked reserves	2.274	0.000	2.274	1.443	1.443	0.000	0.000	0.000
Area Based grant *	(12.663)	1.609	(11.054)	(11.054)	(11.054)	0.000	0.000	0.000
Total General Fund	352.510	(1.306)	351.204	103.979	103.773	(0.206)	(0.245)	0.039
% of revenue budget over/(under) spent in total						-0.20%	-0.24%	0.04%
Capital Reductions		(0.407)						
Add back ABG income adj		(1.609)						
Total Govt Reductions		(3.322)						
Housing Services				(213.000)	325.000	538.000	101.000	437.000

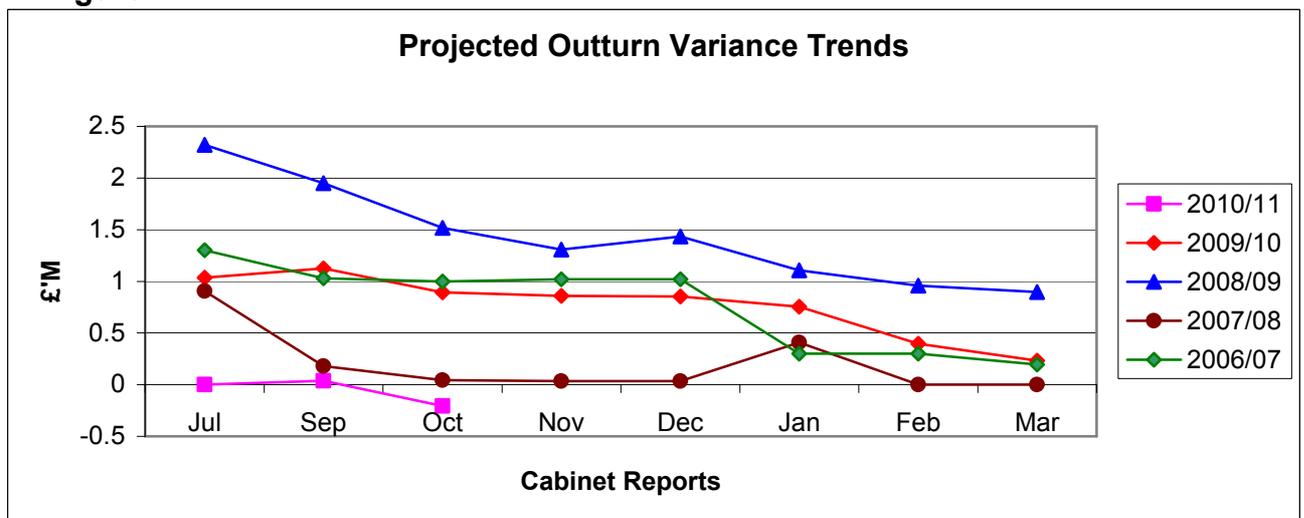
7. Month on Month Movement in Variances

- 7.1 **Community and Wellbeing** are reporting an overspend position of £193k which is an adverse movement of £110k on the position reported last month. This change has arisen following increased staffing costs of c.£120k from the use of agency staff to cover sickness, maternity leave and vacancies and a reduction in income of c.£25k. These have been offset by a reduction in costs for the provision of care packages of c £40k. The department are looking at options to mitigate this pressure.
- 7.2 **Education and Children's Services** are reporting an overall under spend position of £189k which is a favourable movement on last months reported break even position. This is comprised of a pressure of £339k against Children and Families, with compensating savings of both a permanent and one-off nature, from other areas of the directorate, as detailed in Appendix A. The permanent savings will begin to form the basis of the 2011/12 savings target that the department will be addressing.
- 7.3 **Green and Built Environment** are reporting an overall break even position although a pressure had arisen due to a shortfall in the indexation costs associated with a number of major contracts, negotiations are on-going with contractors in attempts to contain this pressure within existing resources but there is still a risk of a significant shortfall.

- 7.4 **The Central Directorates** have reported an under spend position of £140k which is a favourable movement of £96k from the position reported last month. This comprises savings from vacant posts and reduced supplies and services costs.
- 7.5 **Treasury Management** (as identified in last month's report) are reporting an under spend of £70k arising from the refinancing of debts in connection with two existing loans due to mature in September and November next year. These two loans are part of a portfolio which have been refinanced due to a reduction in PWLB interest rates as a direct action to generate further revenue savings.

Figure 1 below illustrates the monthly projected outturn positions over the last 5 years.

Figure 1



- 7.6 **The Housing Revenue Account** is showing an overspend of £538k. An in-year surplus of £213K on the Housing Revenue Account (HRA) was approved by Cabinet for 2010/11. The latest projection indicates an outturn deficit of £325k which is an overspend of £538k against budget compared to last months overspend position of £437k. the detail behind this is in Appendix A. In overall terms, a new working balance carried forward at 31st March 2011 on the HRA is projected to be £8.683m.

8. Emerging Issues / Risks

Introduction

- 8.1 Although the headline position is showing a projected under spend position of £206k at this stage of the financial year it is important to note that a significant level of gross savings have had to be achieved incorporating the £3.3m of 'in-year reductions' as a result of the governments £6.2bn of reductions across the public sector.
- 8.2 Therefore the Council needs to be vigilant to ensure that the savings are delivered in full and in a timely fashion, i.e. during 2010/11. Appendix C details the areas of savings by directorate and their current status.
- 8.3 Consequently it is prudent to consider the option of delivering known 2011/12 savings early to begin to mitigate the risk of achieving the required savings target over the

next 4 years. This is so that the Council can position itself strongly if further 'in year' reductions need to be achieved or unavoidable pressures occur later in the year which do not allow corrective action to take place before 31st March 2011.

Directorate Specific

8.4 Community and Wellbeing:

- The department faces the potential pressure arising from a new independent residential facility where clients placed in there become ordinary residents and therefore a liability for the council. To date there has been no application for ordinary residence and the department is in negotiations with the proprietors to reduce/eliminate this risk. This area is being closely monitored and negotiations are ongoing with provider. Further updates will be provided when these are available.
- There are two Employment Tribunal claims within the Adult Social Care division that are currently in the preliminary court stages. These are being dealt with by Legal. Legal costs are currently forecast to be contained within budget, but the final legal costs could escalate over budget provision.
- Previously successful CHC awards were applied from the date of referral however, the PCT are looking to awarding CHC from the date of assessment completion. Where CHC is awarded this change in practice would be at the detriment of the authority. SBC will strongly contest any change in practice should this arise.
- The PCT is in discussion with the Strategic Director on its contribution towards Intermediate Care following the closure of Copper beech and transfer of the Intermediate Care function to The Oaks. The current value of the PCT contribution for this service is £257k per annum.

8.5 Education and Children's Services:

- The level of client activity within the looked after settings of the Children & Families division continues to be volatile as demand levels remain buoyant.

8.6 Green and Built Environment:

- The economy remains a key risk for the directorate's income as outlined within 'Volatile Areas/Demand Led'.
- Climate change continues to impact on winter maintenance and subsequent repairs, flooding and grounds maintenance costs. Innovative measures to negate the impact are being sought.
- Inflation remains a significant concern with a number of the Directorates major contracts linked to RPIX (currently at 4.8%). However negotiations indicate that Slough Enterprise will reduce their uplift down to 3%, although this is yet to be formally agreed.
- Proposed changes to the Housing Revenue Account ring fencing may result in further costs and expenditure being charged to the General Fund rather than HRA. While this may not happen within 2010/11 it is likely that any legislative change will be enforceable from April 2011 and, therefore, needs to be included in the Directorates PPRG submissions.
- Effect of the Heart of Slough project on income from the Market Yard and Prudential Yard car parks.

- Potential settlement from Employment Tribunal in Private Sector Housing
- Income from Planning fees, and parking and parking enforcement are under continuing pressure.
- The crematoriums previous gas supplier has identified that an incorrect multiplier was used when calculating gas usage. As a consequence E-On are now claiming a backdated amount of £40k. As this was the supplier's error payment has been disputed.

All of these risks will be closely monitored and the impact clearly identified and reported as and when it is clear they are likely to become a reality.

8.7 **Central Directorates:**

- The current economic situation with regards to increasing pressure on Housing Benefits.
- The legislative change relating to property searches allows for the potential reclaim of previous charges going back to January 2005. The total value of reclaimable property searches from January 2005 to date is approximately £120k.

8.8 **Housing Services:**

- At this stage any risks or pressures of any new structures and potential reductions in staff numbers and the reintegration with the council, whilst expected cannot be quantified.

9. **Emerging Opportunities**

Introduction

9.1 Note the suggestion in paragraph 6.4 to take 2011/12 agreed savings early in 2010/11.

9.2 Whilst departments face emerging issues as identified above there are also opportunities that may emerge to mitigate any adverse financial occurrences. Whilst reliance should not be placed upon them and thus caution should be taken it should be noted that if they come to fruition they could have a favourable impact on the overall council position.

Directorate Specific

9.3 **Community & Wellbeing**

None identified at this stage.

9.4 **Education & Children's Services**

None identified at this stage.

9.5 **Green & Built Environment**

- Maximise external grant funding opportunities by using 'Grant Finder' software to locate new grants but should be noted against a backdrop of reducing government grant.
- Option appraisals on shared service arrangements relating to regulatory services and building control
- The option appraisal on relocation opportunities for Wexham Horticultural nursery is to be revisited and updated as part of the 2011/12 budget build process.
- Discussions with neighbouring councils are taking place to develop initiatives to help bring down waste management costs
- Developing the Highways Asset Management Plan will support whole life costing methodology on road and pavement resurfacing methodology and provide better value for money
- Recovery of assets and money through proceeds of crime by using a financial investigator to assist in criminal investigations

9.6 **Central Directorates**

9.7

- The re-alignment of Support Services will allow opportunities for savings across the current year to be implemented and so secure the full year effect in the next financial year.

9.8 **Housing Services**

9.9

- The chance to review the budgets and challenge the support costs and services provided to Housing Tenants by all other departments. Both the risks and opportunities will be reflected in the revised HRA budget for the 6 month position and thus incorporated in the budget build for 2011/12.

10. **Efficiency Savings**

- 10.1 As part of Comprehensive Spending Review 2007 (CSR07) announced in October 2007, the Government set a target for all of Local Government to achieve £4.9 billion in efficiency savings for the three year period to March 2011. This equated to 3% of the defined baseline expenditure.
- 10.2 At that time it was also reported that Government is to monitor the progress of individual Councils towards achieving the national efficiency targets. In order to facilitate this monitoring, Councils must submit information twice a year in respect of National Indicator 179 (NI179) which records 'the total net value of ongoing cash releasing value for money gains that have impacted (i.e. a forward and backward look) since the start of the 2008/09 financial year.
- 10.3 However since then, for the 2009 Budget, the Government stated that, as a contribution towards reductions in public expenditure, local authorities would be required to increase their planned 3% annual efficiency savings under the 'Gershon Agenda', by a further 1% in 2010/11, as referred to in paragraphs 5.20 and 5.21 of the Medium Term Financial Strategy report of 22nd February 2010. For Slough, this additional increase equates to approximately £1.3m.

- 10.4 Members are already aware that the council has achieved more than the first year target but needs to continue to monitor against the achievement of the overall 4% target.
- 10.5 Current monitoring indicates a surplus of £226k against the target set by the DCLG as can be seen in the table overleaf.
- 10.6 The detail of all savings items included can be seen in Appendix B. This position will continue to be monitored as we work through 2010/11. For completeness Appendix B also identifies growth items from the PPRG process and their current status and it was agreed at CMT that the current performance against the budget growth and savings proposals will be indicated using either a red or green status.

NI 179

	As at Aug-10	
	Budget	Forecast
	£'000	£'000
Over Achievement of SR 04 gains	4,194	4,194
Efficiency savings carried forward from 2008/09	2,048	2,048
Efficiency savings carried forward from 2009/10	2,291	2,291
Efficiency Savings included in 2010/11 Budget Build	2,846	2,796
Withstanding Impact of Inflation	1,462	1,462
Impact of Job Evaluation - 2% held back	1,102	1,102
NI 179	13,943	13,893
Target	13,667	13,667
Indicative Over / (under) achievement - %	2.02%	1.65%
Indicative Over / (under) achievement - £'000	276	226

11. **Agreed Base Savings 2010/11**

- 11.1 As members will be aware from the previous monitor to provide assurance that the recommendations around savings and growth agreed during the 2010/11 budget build process have been achieved a full list of growth and savings is attached as Appendix B to this report but an overall summary by department which indicates that growth and savings are on target for delivery is shown in the table below;

Departmental Growth & Savings Analysis 2010-11

Department	Growth Proposals				Savings Proposals			
	Target	Estimated Outturn	Variance	Status	Target	Estimated Outturn	Variance	Status
	£'000	£'000	£'000		£'000	£'000	£'000	
Community & Wellbeing	940	940	0	GREEN	-1,232	-1,232	0	GREEN
Education & Children's Services	959	959	0	GREEN	-1,333	-1,333	0	GREEN
Green & Built Environment	103	103	0	GREEN	-281	-281	0	GREEN
Resources	130	130	0	GREEN	-461	-461	0	GREEN
Improvement & Development	70	70	0	GREEN	-655	-655	0	GREEN
Chief Executive	0	0	0	GREEN	-89	-89	0	GREEN
Corporate	1,723	1,723	0	GREEN	-1,440	-1,440	0	GREEN
Total	3,925	3,925	0	GREEN	-5,491	-5,491	0	GREEN

12. In year savings 2010/11

- 12.1 Following the announcement made by the Department for Communities and Local Government (DCLG) on 10 June 2010 regarding permanent reductions to grant funding of £3.3m in the current financial year departments have identified a series of compensating savings to deliver this which was endorsed by Cabinet on 12 July 2010. Most of the reductions were made to grant funded streams but with the balance coming from core budgets. However sources of permanent funding to meet the overall reductions were short by £36k. The total number of staffing affected amounted to 4.6fte which will be a cost against the Council's central £750k contingency set aside for redundancies (after partnership commitments). To provide members with assurance that these are being achieved a full list of these savings is attached as Appendix C to this report but an overall summary by department is shown in the table below;

Departmental In Year Savings Analysis 2010-11

Department	In Year Savings Targets			
	Target	Estimated Outturn	Variance	Status
	£'000	£'000	£'000	
Community & Wellbeing	-605	-605	0	GREEN
Education & Children's Services	-891	-891	0	GREEN
Green & Built Environment	-646	-646	0	GREEN
Resources	-200	-200	0	GREEN
Improvement & Development	-308	-308	0	GREEN
Chief Executive	-125	-125	0	GREEN
Corporate	-140	-140	0	GREEN
Total - Revenue	-2,915	-2,915	0	GREEN
Green & Built Environment	-407	-407	0	GREEN
Total - Capital	-407	-407	0	GREEN
Total Savings	-3,322	-3,322	0	GREEN

13. Capital

- 13.1 The overall council capital programme is £123m for the period 2010/11 to 2016/17. The programmed spend for 2010/11 is £68m.
- 13.2 Members will recall that the total capital spend for 2009/10 was £30m and in view of this it is highly unlikely that the programmed spend of £68m in the current year will be

delivered. This together with the overall size and consequent affordability bearing in mind the revenue implications of such a large programme will be reviewed. At AMG on 18th August 2010 it was agreed that SMT's would review the size of the capital programme or re-profile schemes with feedback expected at the end of September. The outcome of this will form the 'revised' position across the capital programme over the coming years. This will be reported once the full implications are made available.

- 13.3 The overall programmed spend for the HRA capital programme is £10.8m for 2010/11. The future years Capital programme is currently being reviewed in light of the transfer of People 1st into Slough BC and the outcome will be reported next month.

14. **Conclusion**

- 14.1 The position as at the end of August 2010 leaves an overall headline under spend position of £206k. Against the Housing revenue Account the position as at the end of August 2010 leaves an overall headline over spend position of £538k. Close scrutiny is required from the Directorate management teams to ensure 100% delivery and thus not weaken the base budget position for 2011/12 and beyond.
- 14.2 The capital programme for 2010/11 to 2016/17 at the time of writing this report is being reviewed by cabinet members and senior officers. The outcome of any changes that impact on this current year will be reported in the September budget monitoring report.

15. **Appendices Attached**

Appendix A – Summary Variance Analysis by Directorate

Appendix B – Growth and Savings Analysis

Appendix C – Departmental In-Year Reductions Analysis 2010-11

Appendix D – SBC Corporate Scorecard