



Report to:	Strategy and Resources Committee	Date:	28 September 2015
Report title:	Quarter One Performance and Finance Report		
Report from:	Strategic Director – Resources and Executive Head – Customers, Commissioning and Governance		
Ward/Areas affected:	Borough wide		
Chair of Committee/Lead Member:	Cllr Ruth Dombey, Leader of the Council Cllr Simon Wales, Deputy Leader of the Council		
Author(s)/Contact Number(s):	Sam Barker, Head of Commissioning Support, 020 8770 5141 Toby Joseph, Revenue Planning & Monitoring Manager, 020 8770 4448		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • An Open Council • A Green Council • A Fair Council • A Smart Council 		
Open/Exempt:	Open		
Signed:		Date:	17 September 2015

1. Summary

- 1.1 This report summarises the performance of the Council during quarter one (April-June) against the Corporate Plan priorities and the 2015/16 Strategic Commissioning intentions that support these. Reporting is by exception i.e. only where progress is not on track.
- 1.2 The report includes an overview of the Council's revenue and capital financial position, the key corporate risks from the Medium Term Financial Plan and a high level balanced scorecard summary of council-wide performance.
- 1.3 The projected revenue outturn for the year is for an overspend of £1.260m (0.8%) against a latest net revenue budget of £148.4m. The forecast for spend on the capital programme is £101.7m compared to a current capital programme budget for this year of £102.1m (an underspend of 0.5%).
- 1.4 As part of the ongoing review of performance management across the council, this report also sets out changes to be made to how performance is reported across the organisation. In addition the report outlines proposals to set up a Commissioning Board to oversee delivery of the Strategic Commissioning plan and develop a three year Commissioning Plan from 16/17 that will ensure that all Council services go through a commissioning process over this period.



2. Recommendations

2.1 That the Committee is recommended to:

- 1) Note progress against Corporate Plan priorities.
- 2) Note the forecast net revenue overspend of £1.260m against an agreed net revenue budget of £148.4m and actions being taken to bring expenditure back into line.
- 3) Note the net underspend on the capital programme of £506k
- 4) Agree the proposed amendments to the capital programme summarised in Appendix B.
- 5) Endorse the principles outlined for the new performance management framework and the role of the Commissioning Board

3. Background

- 3.1 The Council continues to manage significant budget and delivery risks arising from government funding reductions, demographic growth and government policy developments, such as the Care Act, that may not be fully funded.
- 3.2 The previous performance report to Strategy and Resources Committee outlined the key principles for a new approach to performance management across the Council. This report sets out in more detail how it is proposed to implement those principles.
- 3.3 Sutton Council's Commissioning Framework sets out the requirement to ensure that there is a Council-wide approach to commissioning that is consistently applied across the organisation. As Sutton continues to move towards becoming a Commissioning Council, it has become apparent that there needs to be more of a drive to ensure that the entire commissioning cycle (not just the procurement aspect, which is already overseen by the Procurement Board) is followed across all service areas, including those that are still delivered in house.

4. Performance Management Framework

- 4.1 As reported to Strategy and Resources Committee on 29 June 2015, a short review of the effectiveness of our performance management framework has been carried out, to consider what opportunities there are to streamline and focus the approach and learn from best practice elsewhere. The key finding from the review are:
 - the needs of the organisation must be clearly expressed and agreed and an improved framework implemented to meet this need;
 - Covalent (the current performance management system) is fit for purpose, but systems and processes need to align to efficiently deliver an effective performance management framework;
 - across the Council there is a need to reduce the volume of data work and increase intelligent analysis. Doing so will make Covalent the 'single source' for performance including service plans, corporate plans, risk and similar – this will deliver a 'total performance system';
 - improvements are required to make information more accessible and timely which will add credibility to performance management as a tool;



- there is a need to define more clearly the roles and responsibilities for management of performance within the organisation.
- 4.2 The review has identified a need to be much clearer as an organisation about why we 'do' performance management and a wish from all stakeholders to spend less time on data collation and management and more time on intelligent analysis. Achieving the former needs to be something that is owned by all services, directors and managers. The Council will reduce what we collect and automate as much as possible what we are going to continue to report, so that together the Commissioning and Governance team along with Directorate Performance Leads can provide more in-depth analysis to Directors and Members to inform continuous improvement in performance.
- 4.3 A clearer performance management framework for Sutton will be developed using cross-directorate workshops to co-create the framework. Once agreed services will be able to apply it as best suits them, within the overall framework and using flexible but coherent measures that are relevant to each service but together build up an overall picture of how well the organisation is performing. There are a number of drivers which could collectively create a clear scope and purpose for performance management in Sutton. These include:
- a need to ensure all resources are being effectively and efficiently used to deliver the Council's objectives, in the context of reducing resources and often growing demands;
 - the need to support the Council's commissioning framework with effective and robust data analysis so that the Council is clear about the needs it is trying to meet, the outcomes that are desired from commissioned services and how well services are doing in meeting those needs presently;
 - public reporting and accountability to Members and the public for use of public money and delivery of the Open' priorities under the Corporate Plan.
- 4.4 The Council already has Covalent, which the review identifies as fit for purpose, but not currently used to its full potential. The system will be invested in and enhanced so that it is an effective tool for the management of performance across the council. Managers will own the responsibility for inputting their own data and to make it the tool that they use to help them manage and improve their own performance. The corporate centre will cease policing data input and instead focus on adding value and analysis of the data that is there. Work will also be done to integrate systems to reduce the burden of data entry eg integrating Covalent with our HR system, Agresso and the new CRM, for example, to capture personnel, financial and customer insight data automatically. This will be taken forward through the digital programme and will be fully costed, including the potential savings in terms of data entry.
- 4.5 Once all data is held in the same system it can be cut and presented simply and cost-effectively in a range of ways for reporting purposes, according to different needs and requirements - service managers, CMT, Members, the public.
- 4.6 In Sutton's context of a committee system and in order to enhance the scrutiny of performance by committees, it will be possible to create dashboards for each committee which pull in all relevant data for that committee into a report. This would go quarterly to committees as a simple 1-2 page scorecard-style report generated from Covalent with a short covering report explaining any variances or missed targets and setting out remedial actions proposed if necessary. In the future, Members would be able to access their portal at any time to examine data and query it, which already happens in a range of councils. This quarterly report will contain the key



corporate balanced scorecard and a scorecard pulling out the key Finance and Commissioning Plan targets and performance against them, alongside financial monitoring information.

- 4.7 In order to ensure resources are available to progress this key piece of work, the existing corporate performance reporting approach will be paused for six months, replacing it with a bare minimum focused on key statutory data (ie which has to continue to be collected anyway), exception reporting against the Commissioning and Finance Plan and the short corporate balanced scorecard which normally forms one of the Appendices to the performance and finance report. This will enable the corporate centre to work with directorate performance leads to develop the new approach in an inclusive and considered way without creating an additional burden.
- 4.8 During this period Directorates will continue to manage their own performance in terms of delivering the Finance and Commissioning Plan and this will provide assurance that agreed plans and activities are continuing during the pause. The agreed approach to Finance reporting will continue and not be affected during this period.

5. Commissioning Board

- 5.1 Sutton Council's Commissioning Framework sets out the requirement to ensure that there is a Council-wide approach to commissioning that is consistently applied across the organisation. As Sutton continues to move towards becoming a Commissioning Council, it has become apparent that there needs to be more of a drive to ensure that the entire commissioning cycle (not just the procurement aspect, which is already overseen by the Procurement Board) is followed across all service areas, including those that are still delivered in house.
- 5.2 Sutton Council has had a procurement board for a number years with the overall purpose to develop a consistent one Council approach to all procurement activity and drive and sustain change and ensure that the benefits of this change are realised and costs are driven out. The board's remit is limited to procurement activity across the organisation.
- 5.3 In order to ensure that the Council-wide approach to commissioning is consistently applied across the organisation, the current Procurement board will be de-commissioned and in its place a Commissioning Board will be set up. The board will be responsible for ensuring that the standards for commissioning of services (as set out in the Council's Commissioning Framework) are being followed across the organisation.
- 5.4 The 'Sutton Standards' have been adapted from the Council's Commissioning Framework and set out the requirements for all commissioning activity that takes place across the organisation:
- the Council can demonstrate how its commissioning activity has translated the commitments in its partnerships, plans and corporate plan into services to meet the needs of local citizens to improve well-being and reduce inequality;
 - commissioning activity has been based upon sound evidence of current and future user needs and market understanding;
 - commissioning activity has clearly specified the outcomes to be achieved for service users, and what services will best deliver those outcomes over time with an emphasis on fairness and equity;



- commissioning activity has been developed with partners and has involved all key stakeholders including users, carers, citizens and service providers in the statutory, private and voluntary and community sectors;
- all potential delivery models for commissioning services have been considered (shared services, voluntary sector) and that the preferred delivery model best fits the required outcomes from the service;
- the council has ensured that its financial and procurement rules (as per the regulatory framework) allow commissioners to be efficient and effective in developing local markets;
- directly provided and contracted services have been developed in line with the council's Commissioning Framework and associated procurement and business plans;
- directly provided and contracted services offer value for money, are fit for purpose and are evidenced to meet local need;
- commissioners have understood the costs of directly provided and contracted services and have acted in a way to promote service sustainability and consider the Social Return on Investment;
- commissioning activity and the services secured have been monitored and evaluated to ensure it delivers the intended outcomes, outputs and can demonstrate continuous improvement;
- commissioners are suitably trained, qualified, experienced and are available in sufficient numbers.

- 5.5 The standards would be monitored through the establishment of a gateway process (as part of a project management approach to the Commissioning process). The gateway process would operate at key phases of the Commissioning cycle and PPM documentation will be used at each stage of the gateway process. The Council's Contract Standing Orders (CSO) will be amended to ensure that all commissioning activity (where appropriate) goes through the Commissioning board at the relevant time.
- 5.6 In 2015/16, for the first time, the Council has produced a single Strategic Commissioning Plan. The plan sets out the activities that will take place across the Council to deliver the Corporate Plan. A key function of the Commissioning board will be to track delivery of the Strategic Commissioning Plan and that objectives have been met and outcomes achieved, over the course of the year.
- 5.7 In addition, for future years, the Strategic Commissioning plan will be developed through the Commissioning Board, effectively becoming the work plan for the board in future years. It is anticipated that this will cover the period up to 2018-19 (to align with the current corporate plan). It is anticipated that the Strategic Commissioning plan will also clearly link to developmental assets within the borough that the Council is seeking to maintain / build upon going forward.
- 5.8 The Council is currently producing a Market Development Strategy which would include a Council-wide market position statement. The Board would be responsible for the development and delivery of the strategy which would be used to guide the Commissioning and Financial planning process incorporating an updated Procurement Strategy.
- 5.9 The final area of responsibility for the board, would be to continue monitor those key elements of procurement practice:
- provide an advice, challenge and a quality assurance function for procurement decisions (as part of the decision to proceed gateway). Procurement decisions, such



as authorisation to proceed to tender and to award contract, will still be made by the appropriate authority as set out on the Council's standing orders;

- use procurement management information to investigate all areas of spend, including upcoming contract end dates and off contract spend;
- ensure that legislative requirements are met, by identifying areas of non-compliance and insisting on rectification.

5.10 The board would be chaired by the Executive Head of Customers, Commissioning and Governance and member will include Commissioning Leads from each directorate as well as procurement, finance and legal representatives. The board will meet monthly from October 2015.

6. Council Performance Quarter 1 2015 / 2016

6.1 The Corporate Plan sets out the priorities for the Council over the period 2014/15 – 2018/19. These priorities will be delivered under the following themes: Open, Fair, Green and Smart in accordance with the direction of travel and future shape of the Council.

6.2 Overall, performance is very good with the vast majority (85%) of indicators being on track and rated Green.

6.3 There are a number of priorities assessed as amber or red, where current progress is not on track so there is a risk of underperformance. In this quarter, for each priority, these include:

An Open Council

- Increase the % of social care clients receiving personal budgets (Amber, target 100% actual 99.6%). Actions have now been put in place so that Frameworki workflows will ensure every new social care client receives a personal budget.
- Increase the % of social care clients taking up direct payments (Red, target 60.0%, actual 44.8%) performance has improved significantly on last year however, a significant increase in the target to 60% (compared to last year's target of 38%) is challenging. Actions being taken to improve this performance is through staff encouraging people to take up direct payments.

A Green Council

- Tramlink network extension project (Amber): Dialogue with the GLA and TfL continues. Further TfL commissioned studies due end August 2015.
- Sutton Decentralised Energy Network (Amber) Design and build procurement on track to deliver, February 2016.
- Delivery of One Planet Sutton targets (Amber): A number of community and corporate renewable energy projects are at risk due to government emergency budget cuts to subsidies. Exploratory work has begun into facilitating domestic and corporate renewable schemes.
- Increase household recycling rate to 40% by 2017 (Amber) behaviour change activities to address this are underway, (funded by DCLG bid).



A Fair Council

- There are three criteria to measure success for the Better Care Fund, one is on track, and two are not. Permanent admissions of older people to residential and nursing care per 100,000 population, (Red, target 235.7, actual 262.7 2). There are data recording issues for this target, therefore judgement is applied to produce an estimated figure each month. Delayed transfers of care (DTC) from hospital (no. of days per month) Red, of the average monthly delay days, 251.8 (59%) were attributable to health, 150.8 (35%) to social care, and 26.9 (6%) to both. Processes at Epsom & St Helier Hospital Trust have been developed to follow a strict process of escalation depending on the level of delays being experienced on any given day. This has enabled the local health and social care economy in Sutton to reduce the DTC figure at St Helier to the expected national rate of approximately 2.5% of the bed base of the Acute Trust. Actions to address DTC rates at other acute trusts will be considered as part of our ongoing Better Care Fund work streams.
- Reduced demand for more complex intervention and support from statutory services (Amber). This work is being lead by the People Services Category Management Service which is now in place, however, there have been challenges with recruitment of permanent staff. Seven candidates will interviewed for four posts in early September.
- Re-commission Youth Services - Savings delivered and children and young people from most disadvantaged families are 'reached' by the new commissioned targeted provisions (Amber). Progress of Phase 2 Children's Centre proposals indicates there will be both delays in implementing some proposals and saving shortfalls depending on final decisions on options appraisals.
- Youth Services Savings (Amber). Savings programme currently on track. However, progress of Phase 2 proposals are still subject to decisions and may result in delays.

A Smart Council

- Increase in the number of web transactions (Amber - Q1 73,125 web transactions a, 14% increase on Q1 14/15), which is below target of 30%. The Council-wide digital programme has identified a number of improvements to web transactions which should increase transactions going forward.

7. Financial Performance 2015/16

At a glance: Revenue Summary Period 1 2015/16

- 7.1 Current projections on full year revenue spend forecast an overspend of £1.260m (0.8%) against a latest revenue budget estimate of £148.4m. A summary is provided in the table below. Note that underspends are shown in brackets.



Revenue Projected Summary First Period 2015/16			
	Latest Estimate Full Year £'000	Provisional Outturn Variance Month 4 £'000	Provisional Outturn Variance Month 4 %
<u>Commissioning Directorates</u>			
People	107,585	1,327	1.2%
Environment, Housing & Regeneration	37,034	467	1.3%
<u>Corporate Core</u>			
Chief Executive's	5,499	(68)	(1.2%)
Resources	21,656	(466)	(2.2%)
TOTAL DIRECTORATE COSTS	171,774	1,260	0.7%
Non Service Revenue Budgets	8,089	0	0.0%
Adjustment for Support Cost Recharge	(22,949)	0	0.0%
Core Grants	(8,524)	0	0.0%
Agreed Net Budget	148,390	1,260	0.8%

Funding sources :			
- Revenue Support Grant (RSG)	(33,796)	0	0.0%
- Top-up grant (business rates)	(17,476)	0	0.0%
- Local business rate share	(15,157)	0	0.0%
- Council Tax Requirement	(81,130)	0	0.0%
- Collection Fund Surplus (CT)	(2,662)	0	0.0%
- Collection Fund Surplus (NNDR)	1,831	0	0.0%
Total Funding	(148,390)	0	0.0%
Total Income and Expenditure	0	1,260	



7.2 The main variations and actions by Directorates to address them are set out in the following sections.

7.3 **People Services Directorate**

GENERAL FUND

The People Services Directorate is forecasting an overspend on the general fund as at month 4 of £1.327m.

Children's Safeguarding

There is a projected overspend in Children's Safeguarding of £656k, which is predominantly due to staffing issues. Recruitment of permanent staff remains challenging and although the service is continuing to rely on agency social workers in some teams, there are 10 permanent social workers due to start and the service has now achieved a full complement of permanent Heads of Service.

There is also a projected overspend of £180k on Section 17 payments which are used to support families with No Recourse to Public Funds (NRPF) and to prevent families, with children under the age of 16 years from becoming homeless. This reflects the London-wide increase in demand from families with NRPF.

Expenditure on placements for looked after children is currently projected to be on budget with overall numbers slightly higher than budgeted (currently 224, including 13 under 18s with NRPF) offset by lower than expected average costs. However, there are risks to this position if numbers increase or young people with more complex needs have to be accommodated.

Education & Early Intervention

There is a projected overspend in Education and Early Intervention of £317k. A new budget pressure is an anticipated reduction in reward funding from DCLG for Troubled Families. The department's initial proposal would have meant no reward monies at all in 15-16 but following negotiations, the scope to claim reward monies has been improved. However, it will still be significantly less than expected. There is also a projected £434k overspend in the Sutton Family Centre, due in part to Child In Need casework levels and in part to significantly higher than anticipated demand to support families with NRPF (currently 7 families). The approach to NRPF will be reviewed and revised by the end of September. These projected overspends are being partly offset by capping non-essential recruitment to a number of vacancies within the division.

Adults Social Care

There is a forecast overspend in Adult Social Care of £147k. This is made up of a forecast £251k overspend on commissioning services on Adult and Safeguarding offset by a forecast



underspend on staffing due to staff vacancies of £112k. There is a budget pressure in 2015/16 from the changes in the 'ordinary residence' rules as a result of the implementation of the Care Act on 1 April 2015. A number of other local authorities took the opportunity in the last quarter of 2014/15 and prior to 1 April 2015 to seek the transfer of individuals who they had been supporting with care and support in some form of supported accommodation in Sutton to Sutton Council. Although the Council also sought 'ordinary transfer' of individuals being supported outside Sutton, the Council, purely in numbers of individuals, is a net loser in this two-way transfer process. A budget pressure of between £150k and £800K is being contained, as negotiations with transferring authorities on the validity of the proposed transfers to Sutton are concluded.

Wellbeing

There is a projected overspend for Wellbeing of £207k mainly as a result of a review of the savings target for Libraries & Heritage service (£239k). The Executive Head is currently working with both the service and finance colleagues to set out how these savings can be achieved.

Public Health

Public Health is currently on track to spend the budget (£8.6m) this financial year.

DSG FUNDED

The forecast overspend on DSG funded services as at month 4 is £260k.

There is a projected overspend in Education and Early Intervention of £96k. The main pressure is on SEN services (£128k) for additional support required in Sutton schools for pupils with statements or Education, Health and Care (EHC) plans within primary schools and pupils placed in special schools in other local authorities.

There is a forecast overspend in Children's Safeguarding of £164k due to the cost of social worker support in schools which reflects the use of agency cover for vacancies.

There is an available balance on the DSG reserve of £1.247m to cover the additional costs and this will be reported to the next Schools' Forum. There is also an earmarked balance of £1.336m to make provision for the 2 year old and early education entitlements in 2015/16.

7.4 Environment, Housing and Regeneration

Environment, Housing & Regeneration Directorate has projected a General Fund revenue over spend of £467k (1.3%). This projected overspend arose on Safer & Stronger Communities (£306k) Environment Commissioning (£270k) and EH&R Directorate (£150k), offset by under spend on Economic Development, Planning & Sustainability (£172k) and Housing and Regeneration (£87k) sections of the directorate.



The major over spend variations of significance were:

- re-profiled SSS savings on Off-Street parking, mainly relating to additional income, which are now being projected as unachievable (£512k);
- EH&R directorate overspend (£150k) as a result of projected underachievement of budgeted income from commercialisation of services;
- Highways & Transport projected underachievement of income target as a result of improved contractor compliance on Street Works (£150k);
- overspend on Waste re-cycling services resulting from the drop in recycling material prices £370k gross, offset by reduction in tonnage achieved over the first 4 months (£59k);
- the projected unachieved saving on S106 (affordable housing requirement) monitoring service costs (£33k);
- the continuing projected demand-driven cost incurred on bed and breakfast accommodation within Housing and Regeneration (£198k). At the end of July there were 140 households in temporary accommodation compared with 58 at the same time in 2014/15.

Partially offset by:

- projected higher planning fees on development control services (£189k);
- projected under spend on housing and regeneration (£285k), as a result of efficient management of contracts by the Housing Support team;
- projected lower than budget costs on mortuaries (£13k), stray dog services (£4k) and street scene (£5k);
- staff vacancies on Safer Sutton Partnerships (£75k), Economic Development (£9k) and on the Environment Commissioning section arising from the delay in re-constituting this team (£40k).

7.5 **Chief Executive's**

The Chief Executive's Directorate is forecasting an underspend of £68k.

This is mainly due to unbudgeted savings as a result of the Digital Programme (£50k).

7.6 **Resources**

The Resources Directorate is forecasting an overall underspend of £466k.

Business Services

There is a projected underspend of £287k for Business Services which is primarily due to staffing vacancies in Revenues and Benefits and additional savings from the support functions implementation.



Finance

There is a forecast underspend on Finance Services of £225k due predominantly to staffing vacancies.

ICT

There is a forecast overspend of £22k due to unbudgeted costs of Microsoft software licence compliance.

Property

There is a forecast overspend on Property Services of £25k. This is primarily due to a shortfall in fees for the project management of major projects (£74k) offset by other underspends in the service.

There are no significant variations identified for HR and Legal Services.

7.7 Non Service Revenue Account

There are currently no variations identified on the non service revenue account.

At a glance: Capital Summary Period 1 2015/16

- 7.8 The forecast year end spend is £101.7m compared to a current capital programme budget (assuming the adjustments set out in Appendix C are agreed) for this year of £102.1m. This is a net projected under spend of £506k or 0.5%. More details are given in Appendix A.
- 7.9 The table below summarise the position for each Directorate as at 30 June 2015. Figures in brackets represent under spends

Capital Programme 2015/16	Current Budget 2015/16	Actual Expenditure April - June	Forecast for the Year	Variance
	£'000	£'000	£'000	£'000
People	48,789	7,456	48,123	(666)
Environment Housing & Regeneration	47,916	8,748	47,916	0
Resources	4,615	314	4,775	160
Chief Executive	837	14	837	0
Total Expenditure	102,157	16,532	101,651	(506)



7.10 The recommended adjustments outlined in Appendix B largely relate to the re-phasing of schemes and additions to the programme following the receipt of specific funding.

7.11 The adjustments in Appendix B now realign the capital budget to the forecast spend as shown in the table above.

8. Managing Risk

8.1 The Annual Commissioning and Financial Planning Report includes the Medium Term Financial Plan that identifies and manages risks to the organisation's financial sustainability taking account of changes in government funding and the ability to deliver savings. The key corporate risks are and mitigations are detailed in the aforementioned report and summarised below:

- government funding reductions in the next five years may be more than expected;
- difficulties in identifying and delivering savings sufficient to meet the savings targets or it may take longer than planned to implement savings options;
- demographic and other demand pressures, in particular from Adult and Children's social care;
- funding for new statutory responsibilities is not always sufficient to meet needs, for example, the Care Act.

8.2 The Corporate Management Team monitors risk in the business environment, particularly changes in funding from government grants and through the business rate retention scheme. The Medium Term Financial Plan is updated to reflect any changes and identify any impact on the Corporate Plan. As shown in this report, performance management includes the assessment of risk to the achievement of the key activities in the Strategic Commissioning Plan and to the delivery of planned savings.

9. Impacts and Implications

Financial

9.1 The financial implications are covered in the relevant sections of the report.

Legal

9.2 There are no specific legal implications arising from the report.



10. Appendices and Background Documents

Appendix letter	Title
A	M3 Report Capital
B	Approvals Q1
C	Corporate Balanced Scorecard Q1
D	Progress Against Commissioning Plan Q1

Background documents
Commissioning and Financial Planning 2015/16 to 2017/18 (Including Revenue Budget 2015/16)

Audit Trail		
Version:	Final	Date: 17/09/2015
Consultation with other officers		
Finance	Yes	Phil Butlin
Legal	Yes	Fiona Thomsen