

Report to:	Strategy and Resources Committee	Date:	11 February 2019
Report title:	Performance and Finance Report - Quarter 3 2018/19		
Report from:	Gerald Almeroth, Strategic Director - Resources Jessica Crowe, Assistant Director - Customers, Commissioning and Governance		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Ruth Dombey Councillor Sunita Gordon, Lead Member for Finance		
Author(s)/Contact Number(s):	Sam Barker, Head of Corporate Improvement & Insight, 020 8770 5151 Alicia Attoe, Head of Financial Strategy & Reporting, 020 8770 5260		
Corporate Plan Priorities:	<ul style="list-style-type: none"> ● Being Active ● Making Informed Choices ● Living Well Independently ● Keeping People Safe ● Smarter Ways of Working 		
Open/Exempt:	Open		
Signed:	 Jessica Crowe Assistant Director - Customers, Commissioning and Governance	30 January 2019	
	 Gerald Almeroth Strategic Director of Resources	30 January 2019	



1. **Summary**

- 1.1 This report provides an overview of the Council's performance and finance during April - December 2018 as reported through the new Corporate Plan and financial monitoring arrangements. The projected revenue outturn position for General Fund services is for a £1.1m net overspend representing 0.8% of the approved budget. The report also sets out the financial position on capital spending.

2. **Recommendations**

The Strategy and Resources Committee is recommended to:

- 2.1 Confirm indicators for Strategy and Resources as provided in Pentana (Appendix A);
- 2.2 Note the projected revenue outturn position;
- 2.3 Agree for 2018/19, the one-off use of reserves to fund the estimated costs of unlawful traveller encampments at £0.150m;
- 2.4 Note the projected capital position;
- 2.5 Agree the capital programme adjustments shown under Appendix B, and;
- 2.6 Note the list of capital schemes approved through delegated authority for month 7 and 8 since quarter 2 shown under Appendix C.

3. **Background**

- 3.1 The new Corporate Plan (Ambitious for Sutton) sets out the priorities for the Council over the period 2018 - 2023. These priorities will be delivered under the following themes: Being Active, Making Informed Choices, Living Well Independently, Keeping People Safe, and Smarter Ways of Working in accordance with the direction of travel and future shape of the Council.

4. **Council Performance - Outcomes Based Commissioning**

- 4.1 In order for Strategy and Resources Committee to be able to effectively monitor progress in delivery of the new corporate plan, which is now themed around the Outcomes Based Commissioning Reviews, and given that service performance is now closely scrutinised at service committees, it is proposed that a corporate balanced scorecard is no longer produced. This will avoid duplication of reporting and ensure Strategy & Resources Committee does not stray into other committees' areas of responsibility.

- 4.2 Instead, Strategy and Resources Committee will consider a series of reports as the Council's Outcomes Based Commissioning Reviews progress. Needs Assessments will identify the strategic priorities for each outcome area, define outcomes to be achieved, guide decisions related to appropriate actions to be taken and establish evaluation criteria for making judgments of success. Each Commissioning Strategy will link investment to agreed desired outcomes, and will consider options for delivering these. It will define the range and quality of future services and how we will work in partnership to put these in place.
- 4.3 Through the consideration of these reports the committee will be able to understand and shape the future delivery of the Council's services and public services within the borough more generally to deliver the outcomes set out in the corporate plan. Work will be carried out as part of this process to identify the best way of reporting progress to members of Strategy & Resources to give a picture of outcomes rather than service performance, as the latter will be considered by other committees. This could be through infographics or a 'state of the borough' report and proposals will be shared with members to establish what will be most useful. During 2019/20 the proposed reporting timetable is as follows:
- Q1 2019/20 - Progress update - focus on Needs assessment for Being Active Citizens and Making Informed Choices.
 - Q2 - Progress update - focus on Commissioning Strategy for Being Active Citizens and Making Informed Choices.
 - Q3 - Progress update - focus on Needs assessment and opportunities for Living Well Independently and Keeping People Safe.
 - Q4 - Progress update - focus on Commissioning Strategy for Living Well Independently and Keeping People Safe.
- 4.4 Once each commissioning strategy has been approved, further reports where decisions on specific commissioning exercises are required will go to the appropriate committee for consideration.
- 4.5 For those service areas for which Strategy and Resources Committee is directly responsible, the committee has previously chosen to monitor a suite of indicators relevant to those services. These are attached as Appendix A. Members of the Committee are invited to consider this list and how they wish to review and challenge performance going forward, drawing on the experience of other committees so far.
- 4.6 In addition, monthly service level performance reporting to Directorate Management Teams covering a much greater number of operational indicators continues as usual, monitored at end of month performance 'challenge' sessions by the Chief Executive.

Customer Care

- 4.7 81 formal complaints were received in Q3, a 25 % reduction vs Q2 resulting from work within customer services to resolve issues quickly at first point of contact. Responsiveness has also improved with 77% complaints responded to within time, an increase from 47% responded to within time in Q2. The majority (85%) of complaints were resolved at stage 1 and 15% escalated to stage 2. The complaints figures by Directorate were as follows:

Directorate	Number of Complaints	Responses within time
Chief Executive's	3	2 (67%)
Resources	12	10 (83%)
EH&R	43	30 (70%)
Peoples - Children's	11	10 (91%)
Peoples - Adults	12	12 (100%)

- 4.8 There has been a significant improvement in performance this quarter in key services with colleagues in Peoples services achieving the highest percentage responses within time improving from 33% within time in Q2 for Children's to 91% in Q3 and improving from 89% to 100% in Adult's. Colleagues in Environment, Housing and Regeneration (EH&R) responded to the highest volume of complaints within time (30) and improved percentage responses within time from 38% in Q2 to 70% in Q3.
- 4.9 There were 880 Member enquiries which is a reduction of 8% from Q2. 89% were responded to within time an increase from 79% in Q2. EH&R received the highest volume with 91% and highest performance in the responsiveness. The table below breaks these down by Directorate:

Directorate	Number of Member Enquiries	Responses within time
Chief Executive's	3	3 (100%)
Resources	43	36 (84%)
EH&R	797	723 (91%)
Peoples - Children's	20	15 (75%)
Peoples - Adults	17	14 (82%)

- 4.10 There were 358 Freedom of Information requests received in Q3 (a decrease on the 450 received in Q2) compared with 372 in the same quarter the previous financial year. Of these 358 requests (81%) were responded to within time.

5. Revenue Financial Performance - third quarter 2018/19

- 5.1 The latest available projected General Fund revenue budget outturn position, including commentary on key variations, to the end of month 9 (December 2018) is set out below. The projected revenue budget outturn is for a net overspend of £1.122m (0.79%) which is a reduction of £0.417m from the position at quarter 2.

	2018/19 Latest Budget	2018/19 Projected Outturn Q3	2018/19 Projected Outturn Variation Q3		2018/19 Projected Outturn Q2
Directorate	£'000	£'000	£'000	%	£'000
Chief Executive's	22,657	22,363	-294	-1.30%	-390
E, H & R	32,917	32,881	-36	-0.11%	632
People Services	91,030	93,163	2,133	2.34%	2,194
Resources	20,826	20,595	-231	-1.11%	-447
Non-Service Budgets	-18,965	-19,415	-450	2.37%	-450
Core grants	-7,115	-7,115	0	0.00%	0
Total	141,350	142,472	1,122	0.79%	1,539

Chief Executive's

- 5.2 Chief Executive's is currently projecting an underspend of (£0.294)m.
- 5.3 The majority of the underspend (£0.229m) is in the Wellbeing area and relates to new additional Continuing Healthcare funding for some Inclusion Centre users (£0.171m). The remainder of the underspend in Wellbeing is mainly due to the Taxicard scheme receiving lower usage charges from London Councils than is budgeted by £56k.
- 5.4 There are also underspends in Customer, Commissioning & Governance (£65k). Considerable work has been done in this period to understand and analyse budgets that transferred into this area from Peoples services with the creation of the Commissioning Unit.
- 5.5 Broadly this area's underspend is due to staffing vacancies being held in anticipation of restructuring and savings in 2019/20, some of which have been achieved early. However some costs may remain to be incurred due to redundancy (pension repayment), agency cover, and accommodation moves which has reduced the underspend on staffing.
- 5.6 A review of the Smarter Council programme is underway as new requirements have emerged during the year, for example around Special Educational Needs (SEN) to support the Written Statement of Action, and Health Integration, putting the Smarter Council reserve under significant pressure.
- 5.7 Public Health is forecast to end the year in line with the budget.

Environment, Housing and Regeneration Directorate

- 5.8 EH&R is projecting a balanced position at Q3.
- 5.9 The projection has improved from a projected overspend at month 8 of £282k to a projected underspend of (£37k). This is due to an extended period of commissioning of the ERF, resulting in a reduced cost for the disposal of waste.
- 5.10 In addition to this costs associated with travellers encampments are to be centrally funded. It was reported in Q2 for EH&R that significant one off costs had been incurred to deal with illegal encampments, traveller incursions, and legal costs of obtaining an injunction to protect the borough's parks and open spaces, and that these costs should be funded corporately through reserve funding. The variance reported for EH&R in paragraph 5.1 assumes these costs of £0.150m therefore will be fully funded from reserves in 2018/19.

People Directorate

- 5.11 The People Directorate is currently reporting a £2.133m overspend on the general fund and a £0.301m underspend on the Dedicated Schools Grant (DSG). In overall terms this is broadly similar to that reported at quarter 2. This is detailed in paragraphs 5.12 to 5.25.

Children's Safeguarding

- 5.12 In 2018/19, this service is currently projecting a £1.5m overspend, (a £0.4m improvement from Q2), the reasons for this are set out in paragraphs 5.13 to 5.16.
- 5.13 Leaving Care (LC), including Unaccompanied Asylum Seeking Children (UASC) - £1.5m projected overspend

Forecast spend for 2018/19 is based on existing numbers of clients in leaving care, but with increasing numbers of UASC under 18 referrals, now at 32 (12 new clients since 1 April), this figure could now increase further due to the removal of maximum number of Home Office rota referrals (was 32). The average number of UASC clients supported over the last 3 years has been around 20. Approximately 50% of direct client costs for UASC clients can be claimed through the Home Office UASC grant. Projections also include new responsibilities in supporting Care Leavers aged 21-25.

- 5.14 Placements - £0.2m projected underspend

A budget saving of £1m planned to be delivered through reduced use of high cost placements and seeking alternative more cost effective accommodation is expected to be met in full. To achieve the saving the Council must reduce the average number of placements across the year so there is a focus on monitoring the actual numbers and trends of high cost residential placements, the number of clients in high cost residential placements has reduced from 20 at the start of the financial year to 11 (total number of children and young people in residential setting is 19, 8 are children with disabilities which fall under a different category) in the last quarter and this part year reduction in numbers has now resulted in a £0.2m projected underspend for this budget at Q3.

5.15 Adoption Allowances, Special Guardianship and Residence Orders - £0.3m projected overspend

The current level of spend indicates that a similar variance in these areas of spend is expected to that recorded in 2017/18 (£0.3m). This will be tracked across the remainder of the year. Increased spending in this area is more desirable than on placements due to providing a lower cost option with improved outcomes. Spending on placements is expected to decrease as the amount spent on Special Guardianship continues to increase.

5.16 Children's Centres - £0.1m projected underspend

This £0.1m underspend is due to part year staffing vacancies and lower than budgeted spend on running costs for the service.

Education

5.17 The service is currently reporting a £0.546m overspend on the General Fund an increase of £0.116m from Q2. The change is due mainly to increased transport costs at the Pupil Referral units and traveller transport provision (£0.156m). The main variation is the SEN transport service which is reporting a revised forecast saving of £0.342m against £0.772m target in 2018/19 the reasons for which are set out below. The savings are proposed to be re-profiled as part of the budget report concurrent to this agenda item.

5.18 This is in part because of growing demand. The SEN target transport savings were based on Education Health and Care plans (EHCPs) remaining in the region of 1,550 (2017/18) where in fact they have increased to 1,658 as of December 2018. Whilst the target savings have proved to be ambitious, the service has demonstrated cost avoidance. The proportion of young people with an EHC plan that London Borough of Sutton (LBS)/ Cognus provided travel assistance to has dropped from an average of 42.3% in 2017/18 to the current rate of 39.3% in 2018/19 (as of July 2018). Assuming this rate is maintained, this will avoid the equivalent of 40 additional pupil journeys this year through a more robust application of the Council's transport policies. Although an estimate only, based on the current average costs of SEN transport (£9.9k per pupil), circa £0.400m of costs will have been avoided this year as a result.

5.19 As well as increasing demand, there have been a number of other issues the service have encountered including:

- whilst independent travel training (ITT) is working, the service on occasions has needed to negotiate a longer lead in time to introduce ITT as well as provide additional travel training to enable the change to independent travel, and;
- headway has been made in improving the usage of vehicles by reducing taxis and using more minibuses, although there were a larger number of late applications this year. Rationalisation of routes is continuing with route consolidations having taken place during the Autumn term and also from January 2019 at several schools.



- 5.20 To support and realise the previously approved savings over the four year period, a range of actions are underway, including the implementation of a Dynamic Purchasing System (DPS) to commission transport, recently approved by the People Committee.

Adult Social Care

- 5.21 Adult Social Care is currently reporting a balanced position. Early indication shows that the overall client numbers are in line with 2017/18 outturn (1,830 clients) versus (1,829 clients) in month 9 and versus 2018/19 budgeted number of (1,836 clients). The client numbers do fluctuate between long term placements and domiciliary care but the total overall spend is expected to come within the Adult Social Services budget for 2018/19 which was constructed around these client activities.
- 5.22 Under the risk share agreement with Sutton CCG, LBS is currently forecasting a £91k overspend on the Better Care Fund as part of its share of the forecast £0.267m joint forecast position. The overspend is largely due to additional hours worked in the Start Service (Reablement) to meet increased demand. The overspend in the Community Equipment Services from previous periods has been offset by capitalising qualifying expenditure. In addition, a detailed explanation for the forecast has been requested from the Community Equipment Services provider..

Dedicated Schools Grant

- 5.23 The DSG is currently showing an underspend of £0.301m, an increased underspend from Q2 of £83k. This comprises a Schools block forecast underspend of £0.410m and a High Needs block overspend of £0.109m. The variation on the Schools block of £0.410m is due to backdated Non Domestic Rate revaluations for 8 maintained schools that formed the Sutton Education Trust in February 2017 (-£0.550m) and additional costs of £0.140m due to a reduction in contributions for early retirements. The High Needs overspend is the result of additional pupils in specialist provision (in-year) where costs have been pro rata-ed to the end of the year. It should be noted that the high needs overspend is in the context of having transferred 0.5% (£0.737m) from the Schools block in 2018/19.
- 5.24 At the end of December the DfE announced additional funding for 2018/19 and 2019/20, in recognition of national cost pressures on the national high needs block arising from the introduction of the Children and Families Act in 2015; Sutton is expecting an allocation of £0.506m in both years. The Council will discuss the issue with Schools Forum and expects to wait until year end before any final decision is made on the application of this funding.
- 5.25 A review of the existing provision within current EHCPs commenced in October 2018. This has resulted in a clearer and more accurate view of the costs of existing provision as stated in EHCPs. The review is showing that a proportion of young people might be better supported in local and /or mainstream education rather than high cost out-of-borough or special provision respectively. Between January and July 2019 annual reviews which are taking place will assess ongoing need, consult with students, settings and parents/carers to look at the provision which will better meet their needs and prepare for them adulthood. This alongside a refresh of processes for requesting an Education Health and Care (EHC) Needs Assessment and agreeing to an EHC Plan will realise greater efficiency of resources in 2019/20.

Resources Directorate

5.26 Resources is currently reporting a net underspend of £0.231m which is derived from the following underspends: Business Services (£0.215m), Finance (£0.149m), Legal Services (£64k), Human Resources (£69k), Electoral Registration (£20k), which more than offset a forecast overspend of £0.29m on ICT.

Finance

5.27 Finance has achieved savings of £84k above the target built into the budget for 2018/19 via the service staffing restructure. In addition there are presently vacancies being held in a number of finance teams and some of these will be released permanently to deliver budget savings in the 2019/20 budget.

Business Services

5.28 There is a £0.215m underspend in this area. This predominantly arises from:

- a £83k forecast underspend from the administration of revenue and benefits as a result of additional external funding of £0.108m New Burdens and Verify Earnings and Pensions Grant;
- a £0.245m forecast underspend from the Support Functions Service, which relate to staff vacancies.
- a £0.124m forecast overspend on the Registration Service, this is predominantly related to a loss in rental income and a forecast underachievement of demand led income on Citizenship Ceremonies. Local authorities are no longer able to offer the Settlement Checking Service and Nationality Document Return Service, which alerted residents to the offer of a Citizenship Ceremony.

Human Resources

5.29 The Shared Human Resources Service with Kingston is forecasting an underspend of which £69k is attributable to Sutton. This is due to a number of savings identified in the current year in general running costs, some posts being held vacant pending a fuller re-organisation and some additional income from schools buying in services.

Legal Services

5.30 This area is forecasting a £64k underspend arising from a lower demand for legal services from the Council to the South London Legal Partnership (SLLP), partially offset by a shortfall in recovered legal fees.

ICT

5.31 ICT is forecasting an overspend of £0.288m. £99k of this is due to not achieving the income target of £0.150m on street naming and numbering. This income target was based on data from the past 3 years, however, demand this year from developers has reduced from previous years. The impact of this is being reduced through other savings. Finance and Digital & IT are continuing to review the Telephony budgets across the Council to manage unachieved savings from previous years. Whilst the Council has been able to reduce telephony costs through contract renegotiation and an audit of lines, further work is required to review and reduce these costs for the Council as a whole. There is also an additional pressure on the budget as Microsoft have substantially increased their licensing costs over the past 12 months, the Council has renewed the contract. Whilst the contract renegotiations have successfully reduced the impact there is a part year impact and then a growth item has been put forward for 2019/20.

Non-Service Budgets/ Core grants

5.32 There is currently a forecast underspend of £0.450m on the Minimum Revenue Provision (MRP) which is included within the Non Service Budget. This is as a result of a review into the Council's approach to providing for debt repayments which resulted in a reduction to the level of annual MRP contribution.

6. Capital Outturn - third quarter 2018/19

6.1 The projected capital outturn after the proposed adjustments is shown in the table below:

	Latest Budget	Projected Outturn	Projected Variation
Directorate	£'000	£'000	£'000
Chief Executive's	2,378	1,070	-1,308
EH & R	50,110	48,311	-1,799
People Services	35,104	31,933	-3,171
Resources	30,829	30,212	-617
Total	118,421	111,526	-6,895

6.2 The variations shown above relate to under or over spends on individual schemes resulting in an overall projected net reduction in expenditure on the programme currently of £6.895m. The main variations are firstly as a result of rephasing to future years. Variations consist of:

- **Chief Executives** - rephasing of £1.308m to 2019/20 for digital programme projects on smart place and customer platform and the unallocated balance to fund future schemes.



- **EH & R** - Rephasing to 2019/20 of £3.082m on existing housing stock projects mainly related to fire safety works at various sites following delay in procurement process, and rephasing £1.300m for Ludlow Lodge and Richmond Green new build projects due to delayed completion to May 2019 and June 2019 respectively. This is offset by budgets which have increased due to additional grant received for Disabled Facilities Grant of £0.181m, additional grant for new Highways pothole funding of £0.474m and a contribution from KIPPA of £35k is to go towards a Transport for London project on Kimpton Road Industrial Estate. There are also additional Property Acquisitions of £1.920m now funded from HRA Borrowing and Right to Buy income as well as additional budget of £24k on flood schemes funded by a new Government grant from the Environment Agency, and additional budget of £91k for Phase 2 new build project funded by HRA Borrowing that has been approved by the Mayor.
 - **People Services** - Rephasing of £0.190m in 2018/19 and further £0.660m in 2019/20 to 2020/21 to reflect revised cashflow profile for NS3 secondary school, minor rephasing of £0.446m for various Primary and Special school expansions. Rephasing of £2.331m to 2019/20 for New Hackbridge Primary School due to the non performance of the main contractor (Lakehouse,) as a result of their serious financial problems. A notice of termination has been issued by the Council. The process can be challenged by Lakehouse, but once it has been contractually accepted (14 days), the Council will be legally able to put a plan of action in place with a third party contractor to reprogramme and complete the contract. The likely time scale is difficult to predict, but the process of appointing a third party contractor and re-engaging the sub-contractors is likely to take circa 3 months. Additional costs will be incurred and at this time it is difficult to give an indication of these. The costs will have to be met from the unallocated basic needs grant that is still available.
 - **Resources** - £0.469m on the Beddington Park Refurbishment Works to Listed Wall rephased to 2019/20 as only site clearance, minor improvements and graffiti removal to be carried out this financial year.
- 6.3 It should also be noted that over the life of the 4 year budget period there is a potential overspend of £0.5m on the project costs for the Estate Regeneration Programme. This forecast overspend is on preliminary costs in the assessment (by external advisers and residents) of Estate Regeneration proposals and delivery mechanisms. The existing grant from Ministry of Housing, Communities and Local Government is not sufficient to cover these additional costs. Further work is needed to review costs, assess if further grant is available and analyse the proposed business cases to see if these costs can be absorbed within other individual projects in the programme.
- 6.4 The Committee is asked to approve the proposed capital budget adjustments as set out in Appendix B. These reflect rephasing of work between years and the utilisation of new capital resources into the programme. The figures in the table above assume that these changes have been approved.
- 6.5 A list of schemes approved through delegated authority for Month 7 and 8 totalling a reduction of £0.107m are shown under Appendix C.

7. Corporate risk register

- 7.1 An overview of the key corporate risks including any new risks or changes to existing risks will be provided in the Q4 Performance and Finance Report, following consideration by the Audit and Governance Committee on 31 January 2019.

8. Impacts and Implications

Financial

- 8.1 These are covered in the report.

Legal

- 8.2 There are no specific legal implications arising from this report

9. Appendices and Background Documents

Appendix letter	Title
A	Strategy and Resources Committee Indicators 2018/19-2022/23
B	Recommended Capital Budget Adjustments
C	Delegated Approvals since Q2 2018/19

Background documents
None

Audit Trail		
Version	Final	Date: 31 January 2019
Consultation with other officers		
Finance	Yes	Alicia Attoe, Victoria Goddard
Legal	No	N/a
Equality Impact Assessment required	No	N/a