Annexe A

Finance & Performance Monitoring Report
Second Quarter 2013/14

Contents

1. Introduction

1.1. This report provides a summary of the financial and performance data for the GLA and highlights (on an exceptions basis) the actions being taken to improve performance and mitigate financial risks for any areas of concern as at the end of the second Quarter of 2013/14.

2. Project performance

2.1. The latest summary project performance ratings stand as follows and are discussed further in the body of the report and within the Project Performance Table at Appendix 1:

Table 1 - Project Performance

Project status	Aug	Sep	Oct	Nov
Total live projects	125	124	128	128
Red	3	4	3	6
Amber	44	45	45	47
Green	76	75	80	75
Not yet reporting fully	2	0	0	0

2.2. The 6 red-rated projects are:

- MRF Croydon – Business Rate Relief;
- 2012 Employment Legacy;
- MRF Southwark – Gateway to Peckham;
- OLF Harrow Town Centre;
- OLF LB Merton- Mitcham Centre; and
- Empty Homes Programme.

3. Financial performance

Revenue

3.1. Directorates are forecasting an underspend of £19.2m - mainly related to re-phasing of spending from Funds in Development, Enterprise and Environment and the ESF programme in Communities and Intelligence, along with additional interest generated on cash balances in Resources and savings within Housing and Land on the tax payable and debt servicing budgets .

Table 2 – Revenue Forecast

Directorate	Original Budget £m	Revised Budget £m	Forecast Expenditure £m	Forecast Variance £m
Communities and Intelligence	23.7	24.6	22.9	(1.7)
Development, Enterprise and Environment	35.6	43.1	35.0	(8.1)
External Affairs	6.0	7.0	7.2	0.2
Housing and Land	34.4	36.4	32.0	(4.4)
Resources	133.3	132.7	127.6	(5.1)
Corporate Management	1.5	1.6	1.6	-
Mayor's Office	4.2	4.2	4.2	-
Assembly and Secretariat	7.5	7.6	7.5	(0.1)
Contingency	5.0	4.3	4.3	-
Sub-Total	**251.2**	**261.5**	**241.1**	**(19.2)**
Reserves	(71.7)	(82.0)	(62.8)	19.2
Budget Requirement	**179.5**	**179.5**	**179.5**	**-**

3.2. A detailed analysis of each Directorate's outturn, forecast by Unit, can be found at Appendix 2, along with an analysis of the movement in Reserves in Table 3. Detailed forecasts were prepared by budget holders for their respective Executive Directors as at the end of Period 7 (October) and in highlighting these forecasts, a number of budget virements, transfers to and from Reserves and other budget adjustments to correct offsetting under and overspends have been included.

Capital

3.3. The outturn position in the October Capital budget monitor is a net underspend of £242.1m, which equates to 14.7% of the budget and relates mainly to Regeneration Funds and Housing & Land programmes. It should be noted that, whilst most other projects are currently being forecast to spend to budget, some degree of slippage is likely as the year end approaches. A detailed analysis of Capital Projects can be found at Appendix 3.

3.4. The Directorate of Development, Enterprise & Environment has committed, in principle, approximately 90% of the Growing Places Fund through the London Enterprise Panel while Housing & Land remains on target to deliver 100,000 affordable homes over two mayoral terms.

4. Finance & Performance Commentary

4.1. This section of the report highlights project performance issues, as well as key financial variances and risks to note across the Authority's Directorates.

Communities & Intelligence

4.2. The Directorate are forecasting an underspend of £1.7m, due to slippage within the ESF Youth Programme.

4.3. There are no red-rated programmes within the directorate.

Development, Enterprise and Environment

4.4. The Directorate are forecasting a revenue underspend of £8.1m, primarily due to slippage within the Regeneration unit (Mayor's Regeneration Fund, Outer London Fund and London Enterprise Partnership).

4.5. The Directorate are forecasting a capital underspend of £110.5m, primarily related to re- profiling of the LEP (£91.2m) and Regeneration Funds (£16.3m).

4.6. There are currently 5 red-rated projects within the Directorate, four within the Regeneration Unit and one in the Economic and Business Planning Unit.

4.7. MRF Croydon – Business Rate Relief has been red since May. To date, 9 companies have been approved for business rate relief (274 jobs created/safeguarded). The borough has now proposed a 'Free for a year' campaign, to be launched at the end of the year. As previously, the uptake will be heavily dependent on the effectiveness of communication campaign and demand. LB Croydon are currently forecasting a £370k underspend.

4.8. MRF Southwark – Gateway to Peckham turned red in October, due to concerns about land valuations (budget estimates have risen from £7m to £17m, which would make the project undeliverable within the allocated resources).

4.9. OLF Harrow Town Centre has just turned red as delivery risks continue to rise and the project, in its current design, is not fully deliverable by March 2014. A value engineering exercise has been unsuccessful in reducing the gap between the cost consultant estimates and market quotes and an urgent decision is required on how best to progress this scheme.

4.10. OLF LB Merton – Mitcham Centre is red because, last month, the main project outcome (the market canopy) was refused planning permission, making it undeliverable within the OLF timeframe. This is exacerbated by ongoing delays in delivering the match-funded elements of public realm improvements around the market area. The borough are seeking to reassure the GLA that the project has a longevity without the market canopy being delivered.

4.11. The 2012 Employment Legacy project remains rated as red as it continued to underperform in its last months. The two other employment legacy projects (Host Borough Employment and Skills and Construction Employer Accord, which continue delivering next year) remain as amber: they also underperform in the 12-month sustained employment outcomes target, but they are above target for the six-month employment outcomes. There are ongoing discussions to address the attrition rate across both projects.

Housing and Land

4.12. The Housing and Land Directorate is forecasting a revenue underspend of £4.4m, principally due to the release of a £3m tax provision. It is currently estimated that no tax will be payable for this 2013/14 however this will be kept under regular review as the complexities in our land transactions make this difficult to assess and forecast.

4.13. There is an underspend of £0.4m within the salary budget across the directorate due to delays in recruiting to vacant posts, following the restructure that was implemented at the start of this financial year. There is also a £0.4m saving on the debt servicing budget achieved through internal borrowing and an underspend of £0.6m forecast within the Estates Management budget.

4.14. The Directorate are forecasting a capital underspend of £130.3m, primarily related to re-profiling of the Affordable Housing Programme (£56.1m) and National Affordable Housing Programme (£57.7m) budgets.

4.15. The Empty Homes programme has been rated red as it is forecasting a significant underspend at the end of the year. This is mitigated by the fact that the number of empty homes in London is at a record low.

4.16. There are a number of land-related issues that are being closely monitored, the most significant of which are:

- The London Sustainable Industries Park is forecast to use most of the £2m contingency allocated to its budget, including dealing with significant fly tipping. Meanwhile, the sale of plot two is further delayed as the purchaser is experiencing difficulty in obtaining planning permission;
- During a fire in 2012, waste was transferred to Beam Park to assist the Fire Brigade. The waste operator has since gone into receivership leaving the GLA with 20,000 tonnes of waste to deal with.

Resources

4.17. The Resources Directorate is forecasting a favourable variance of £5.1m, primarily on investment income, offset by small overspends within the Facilities Management and Finance budgets.

4.18. The additional investment income has been generated due to the advance payment of (mostly capital) monies by DCLG, secured through our settlement negotiations and an increased rate of return due to the use of new investment opportunities and cash-pooling arrangements. This is partially offset by a forecast underachievement of £0.19m due to the MOPAC shared accommodation service commencing in June 2013 as opposed to the budgeted position of April 2013.

5. Corporate Items

5.1. The Authority's budget strategy also sets the strategy for Reserves and Contingencies.

Contributions to/from Earmarked Reserves

5.2. The table overleaf sets out the contributions to/from reserves forecast to be made during the financial year.

Table 3 - Transfers (to)/from Earmarked Reserves

Reserve	Balance at 31 March 2013 £m	Transfers In 2013/14 £m	Transfers Out 2013/14 £m	Balance at 31 March 2014 £m
Assembly Development & Resettlement Reserve	(1.066)			(1.066)
City Hall Lease Smoothing Reserve	(4.110)	(1.313)	1.975	(3.448)
Directorate Programme Reserves	(27.073)	(2.593)	22.219	(7.447)
Development Reserve	(2.000)			(2.000)
Environment Drainage Reserve	(1.941)	(0.315)	1.469	(0.787)
Election Reserve	(2.000)	(4.500)	0.25	(6.250)
Estates Reserve	(3.000)	(0.160)		(3.160)
Home Retrofit Reserve	(1.896)			(1.896)
Legal Fees Reserve	(0.700)			(0.700)
London and Partners Reserve	(2.206)			(2.206)
Long Term Absence Reserve	0			0
Mayoral Resettlement Reserve	(0.077)			(0.077)
Olympics Reserve	(1.161)			(1.161)
Olympics - City Operations Reserve	(2.860)			(2.860)
Planning smoothing Reserve	(1.000)		0.386	(0.614)
Pre-Application Planning Reserve	(0.390)		0.072	(0.318)
Precept Resilience Reserve	(26.416)	(24.200)		(50.616)
Revenue Grants Unapplied Reserve	(211.230)	(35.415)	104.949	(141.696)
Self Insurance Fund Reserve	(1.000)			(1.000)
Total Earmarked Reserves	**(290.126)**	**(68.496)**	**131.320**	**(227.302)**

5.3. The transfers out of the Directorate Programme Reserves reflect the application of the agreed carry-forward of Directorate and non-programme budgets from the 2013/14 budget setting and 2012/13 closure of accounts processes, to fund projects that were delayed and are due to start or be completed within this financial year.

Contingency

5.4. The GLA budget includes a sum for contingency of £5m. Any allocation of contingency will not be added to base budgets but will be available on a non-recurring basis to provide transitional support for specific budget areas.

5.5. The approved applications of contingency to date for 2013/14 are listed in Table 4 overleaf.

Table 4 – Contingency Allocation 2013/14

		£m
Original Budget		**5.000**
Directorate	**Item**	
External Affairs	2013/14 New Year's Eve Event	0.375
Corporate Management	Special Projects Manager	0.030
Corporate Management	Project Support Officer	0.017
Resources	Microsoft Support Specialist	0.003
Development, Enterprise and Environment	Old Street Project Manager	0.039
External Affairs	Go Local Event	0.020
Resources	Microsoft Enterprise Agreement	0.162
External Affairs	Website Development	0.032
Resources	Squares London Living Wage Adjustment	0.015
Resources	Health and Safety Contract	0.032
Total Adjustments		**0.725**
Revised Budget		**4.275**

6. Key Performance Indicators

6.1. The GLA's three year Business Plan published earlier this year included a suite of 20 KPIs, grouped under six themes:

- economy and regeneration;
- youth;
- community;
- environment and retrofitting;
- housing and land; and
- efficiency.

6.2. This is the first time that the GLA had sought to set out its key measures of performance in this way.

6.3. Appendix 4 of this monitoring report sets out Quarter 2 KPI performance (where available) together with targets, forecasts and a traffic light rating. Amber indicates that performance is below target or at risk of falling below target; red significantly so.

6.4. As many of the KPIs are relatively new and 2013/14 represents the first year of reporting:

- In some cases, monitoring systems are still bedding down;
- Some targets were set without a baseline and will therefore need to be kept under review as trend data become available;
- A few KPIs rely on estimates and some were established after the related programme had begun. Wherever possible, the GLA will seek to move from estimates to actual data including ensuring new/renewed contracts and funding agreements include a requirement to provide accurate data; and
- The Business Plan flagged that indicator definitions might need to be refined in light of initial experience. This has been the case in a number of instances and changes are flagged within the relevant quarterly report.

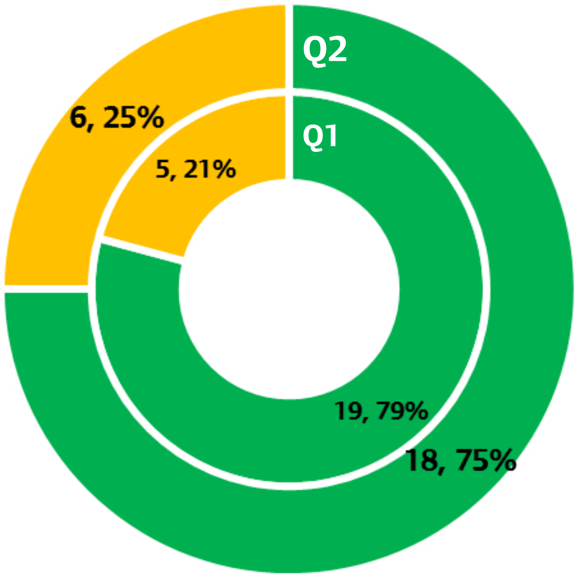
6.5. The GLA will continue to review and improve the robustness of indicator definitions and data.

6.6. There is a good deal of continuity between Quarter 1 and Quarter 2 KPI performance reports. In particular, while at quarter one the definition and targets were refined for a small number of KPIs – as compared with the versions published in the Business Plan – these have now settled down.

6.7. An exception is the target for homes retrofit, which as planned and following delays in the receipts of Government funding, have been re-profiled. The overall target is higher, but delivery has been extended into 2017.

6.8. Performance is similarly consistent and a significant majority of KPIs green and on target. The traffic light for only one KPI has changed between Quarters 1 and 2: public realm created or improved (KPI 3), which has moved from green to amber.

6.9. The chart below shows the proportion of all KPIs that are green and amber (there are no red KPIs) for both Quarters 1 and 2.



6.10. The amber KPIs are:

2) Number of new apprenticeships started: Significant changes to apprenticeships funding - including limiting funding availability for apprentices aged 25 and over - limited the growth of apprenticeship starts in 2012/13. This is a trend consistent with national performance.

3) Square metres of public realm improved or created through GLA investment and associated spend (i.e. levered or match funded): The amber traffic light reflects relatively minor project slippage and some under-reporting. Performance remains on track to achieve the end of year target.

11a) Tonnes of CO_2 saved as a direct result of Mayoral homes energy efficiency programmes: Delivery of the RE:NEW Phase II carbon targets is significantly delayed and contractors will miss their obligations. This is largely due to delays in availability of ECO (government subsidy). Performance payments have been withheld from contractors and funding is being reallocated to the RE:NEW Support Team to reduce the shortfall in performance as far as possible. Delivery of the carbon savings from the interim Support Team has exceeded targets for quarter two.

12) The number of affordable homes delivered: The Mayor's target to deliver 55,000 affordable homes by the end the March 2015 is challenging (hence the amber traffic light). However, current forecasts and risk adjusted trajectories indicate that the Mayor is on track to achieve the target.

16) Value of match funding (£) from partner bodies as a result of GLA investment through the Mayor's Regeneration Fund and Outer London Fund: Performance is rated as amber since the match recorded this period is below target. Slower than expected progress is a result of programme slippage for physical projects and low levels of reporting from delivery partners, despite work having progressed. It is anticipated the shortfall will be recovered later in the year as capital projects are completed; efforts are also being made to ensure more complete reporting.

20) The percentage of correspondence responded to in full in 20 working days: The primary cause of the shortfall in performance is a large backlog of cases in two teams. The Public Liaison Unit will continue to work with teams to support good and improving performance.