

Meeting of the

# OVERVIEW & SCRUTINY COMMITTEE

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Monday, 29 October 2018 at 6.00 p.m.

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SUPPLEMENTAL AGENDA PACK A

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PAGE  
NUMBER

**9 .1 Quarter 2 Corporate Budget Monitoring Report**

This report introduces the Quarterly Budgetary monitoring report for Quarter 2 (September 2018). It includes details of the Capital and Revenue outturn position, the projected position of the Housing revenue account and outlines progress made against Savings targets

**36 - 79**

**9 .2 Council Tax Reduction Scheme Challenge Session Report**

This report provides the report and recommendations of the Scrutiny Challenge Session report on the issue of the London Borough of Tower Hamlets Council Tax Reduction Scheme.

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If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

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# Agenda Item 9.1

<b>Overview and Scrutiny</b>  29 <sup>th</sup> October 2018	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Corporate Director of Finance	<b>Classification:</b> Unrestricted
<b>Revenue and Capital Monitoring 2018-19 Quarter 2 – September 2018</b>	

## REASONS FOR URGENCY

The report was not published five clear days in advance of the meeting. Therefore, before this report can be considered at this meeting, the Chair of the Committee would need to be satisfied that it is necessary to consider the details of the Capital and Revenue outturn position, the projected position of the Housing revenue account and outlines progress made against Savings targets without that consideration being delayed to a later meeting. As Quarterly Budgetary monitoring report is scheduled to be considered at Cabinet on 31st October, 2018, the Committee may take the view that it is important that this report does not go to Cabinet without member oversight.

### Executive Summary

This report introduces the Quarterly Budgetary monitoring report for Quarter 2 (September 2018). It includes details of the Capital and Revenue outturn position, the projected position of the Housing revenue account and outlines progress made against Savings targets.

### Recommendations:

Cabinet is recommended to:

1. Note the Council's projected outturn position against General Fund, Dedicated Schools Budget and Housing Revenue Account budgets agreed for 2018-19, based on information as at the end of September as detailed in the Appendices.
2. Note the summary savings position.

#### ***In respect of the new capital scheme proposals (Annex 1-3)***

3. Cabinet are recommended to approve the following changes to the current capital programme
  - Approve the additional resource requirement of £22.691m for the 6 existing capital schemes detailed in Annex 1
  - Approve the 14 new capital projects, totaling £4.363m that need to

be delivered in 2018/19, as detailed in Annex 2. This includes the design phase of the South Dock Bridge Project.

- Approve the allocation of £50k from the feasibility pot in the approved programme to carry out new cycle route design and options
4. To authorise the Corporate Director (Place), after consultation with the Corporate Director (Governance), to acquire leasehold interests on identified council-owned development sites to enable the delivery of Phase 2 of the pipeline programme.

## **1. REASONS FOR THE DECISIONS**

- 1.1. The Council could choose to monitor its budgetary performance against an alternative timeframe but it is considered that the reporting schedule provides the appropriate balance to allow strategic oversight of the budget by members and to manage the Council's exposure to financial risk. More frequent monitoring is undertaken by officers and considered by individual service Directors and the Council's Corporate Leadership Team (CLT) including approval of management action.
- 1.2. To the extent that there are options for managing the issues identified these are highlighted in the report in order to ensure that members have a full picture of the issues and proposed solutions as part of their decision making.

## **2. ALTERNATIVE OPTIONS**

- 2.1. The regular reporting of Revenue and Capital Budget Monitoring information through the year and the preparation of the provisional outturn position after the year end provides detailed financial information to members, senior officers and other interested parties on the financial performance of the Council. It sets out the key variances being reported by budget holders and the management action being implemented to address the identified issues.
- 2.2. Further information across the Council's key financial activities is also included to ensure that CLT and Members have a full picture to inform their consideration of any financial decisions set out in this report and also their broader understanding of the Council's financial context when considering reports at the various Council Committees.

- 2.3. Set alongside relevant performance information it also informs decision making to ensure that Members' priorities are delivered within the agreed budget provision.
- 2.4. It is important that issues are addressed to remain within the approved budget provision or where they cannot be contained by individual service management action, alternative proposals are developed and solutions proposed which address the financial impact; CLT and Members have a key role in approving such actions as they represent changes to the budget originally set and approved by them.

### **3. DETAILS OF THE REPORT**

- 3.1. On the 21st of February 2018 the council considered and agreed the Revenue Budget and Council Tax for 2018-19; and a capital programme showing resources available for investment in assets and infrastructure for ten years until 2027-28. The Council also agreed the Housing Revenue Account (HRA) budget from 2018-19 which includes the rent setting and other charges.
- 3.2. The net budget requirement for 2018-19 has been set at 343.7m. The MTFP indicates a balanced budget for 2018-19, which includes delivering savings of £23.8 (£18.3m for 2018-19, and £5.5m slippage from previous years) and anticipates the Council will still need to deliver further annual savings of £14.7m and £9.0m in 2019-20 and 2020-21 respectively.
- 3.3. The General Fund is projected to show an overspend £0.5m after the application of reserves and corporate contingency. The HRA is projecting an underspend of £0.9m. Full details are included in the attached report and appendices.

### **4. EQUALITIES IMPLICATIONS**

- 4.1. There are no equality implications in the report

### **5. OTHER STATUTORY IMPLICATIONS**

- 5.1. This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
  - Best Value Implications,
  - Consultations,
  - Environmental (including air quality),

- Risk Management,
- Crime Reduction,
- Safeguarding.

5.2 There are no other statutory implications contained in this report

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1. The attached report is primarily financial in nature and the financial implications of the issues raised have been included in the main report.

## **7. COMMENTS OF LEGAL SERVICES**

7.1. The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's chief finance officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for the Cabinet to receive information about the revenue and capital budgets as set out in this report.

7.2. The report also requests the allocation of various sources of funds and the delegation of the authority to spend those funds. The Council has the legal powers to carry out the various items of work both for the provision of housing and for the improvement of facilities (such as the health facility) in the Borough.

7.3. The Council has the duty to achieve Best Value in terms of economy efficiency and effectiveness in the delivery of its services and the expenditure of its resources. The report details that the expenditure of the money will be based upon competitive exercises performed either individually or through the use of pre-existing framework agreements. The methodology of the particular framework to be used will need to be checked by Legal Services in order to ensure that the use of the particular framework satisfies the Council's European Law obligations, but ostensibly the award of contracts under a competitive procedure will demonstrate Best Value.

7.4. It is anticipated that the contracts resulting from the competitive exercises will include appropriate clauses to allow the Council to monitor the delivery of the contracts. This will allow the Council to ensure the quality of the Works and Services meets the tendered level and also safeguard Best Value.

- 7.5. It is clear that some of the schemes are likely to have an impact on people who have a protected characteristic for the purposes of the Equality Act 2010. Therefore, the Council will have to perform equality assessments in respect of each scheme whilst the decision making process as regards the detail of each scheme is still at a formative stage. It is likely in part at least, that it will be necessary for the Council to carry out consultation exercises in order to properly understand the impact of the schemes on persons with a protected characteristic and thereby to comply with the Council's Equality Act duties.
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- None

### **Appendices**

Appendix 1 – Directorate Summary Report

Appendix 2 – Revenue and Capital Control Budget

Appendix 3 – Savings Tracker Summary and Detail

Appendix 4 – Mayoral Priorities

Appendix 5 – Capital Monitoring - Detail

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

### **Officer contact details for documents:**

- N/A

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# Corporate Budget Monitoring Report

## Quarter 2 2018-19

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<b>Directorate positions</b>		
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Circulated to	Cabinet
Date	31 <sup>st</sup> October 2018
Classification	Unrestricted
Report of	Corporate Director of Resources
Lead Member	CLlr Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Kevin Miles, Chief Accountant
Wards affected	All Wards
Key Decision?	No

General Fund Outturn variance £0.5m overspend

DSG Outturn variance £2.3m overspend

Housing Revenue Account (HRA) £0.9m underspend

£m	2018/19 Outturn Variance			2018/19 Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund GF/ DSG/ HRA	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget (1)	Forecast Outturn Position	Budget to Date	Actual
Children's (GF)	5.6	5.6	-	104.7	110.3	52.3	50.9
Resources	1.1	11.3	10.2	22.5	33.8	11.3	16.3
HA&C	-	0.3	0.3	140.8	141.1	70.4	58.8
Place	0.8	0.8	-	64.4	65.2	32.2	22.8
Governance	-	-	-	13.1	13.1	6.6	8.6
Corporate	(7.0)	(7.0)	-	(1.8)	(8.8)	(0.9)	2.4
<b>General Fund</b>	<b>0.5</b>	<b>11.0</b>	<b>10.5</b>	<b>343.7</b>	<b>354.7</b>	<b>171.9</b>	<b>159.8</b>
<b>Ringfenced - Items</b>							
Children's (DSG)	0	2.3	2.3	0.0	2.3	0.0	82.5
Public Health	0	(1.0)	(1.0)				
HRA	0	(0.9)	(0.9)	(7.4)	(10.2)	(4.3)	(35.9)
<b>Overall Position</b>	<b>0.5</b>	<b>11.4</b>	<b>10.9</b>	<b>336.3</b>	<b>346.8</b>	<b>167.6</b>	<b>206.4</b>

Conventions: The use of brackets denotes either an income budget or a positive variance (underspend)

Note 1: The current budget reflects the original budget approved by Members in February 2018 adjusted for any subsequent approved budget virements. The budget history is included as Appendix 1.

In February 2018 the Council approved a revenue budget of £343.7m which was to be financed by external funding sources such as Council tax, business rates; grants and drawdown from the Council's Earmarked and General Fund reserves.

The current position is estimated to be a £0.5m overspend on the general fund after the application of £10.2m from the IT transformation reserve.

The HRA is currently projected to show a £0.9m surplus.

The MTFP outlined for 2018-19 approved savings of £18.3m in order to deliver a balanced budget. An additional £5.5m relating to slippage from previous years must also be achieved. In total therefore £23.8m of savings are to be delivered.

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## Quarter 2 in two sentences and five numbers

This is the second monitoring report Members have received for the 2018-19 financial year, forecasts show an overspend on the general fund of £0.5m. This is an improvement over the Q1 position when an overspend of £1.5m was estimated. Approval is sought for the inclusion of a number of new capital schemes to deliver member priorities against approved budget provision.

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**£0.5m** **Overspend on General Fund:** after application of Transformation Reserve.

**£23.8m** **Savings:** our total savings requirement for the current year taking into account slippage from earlier years'; we believe that £7.1m will slip into future years and that around £0.2m is at risk.

**£165m** **Approved Capital budget;** we are currently projecting spend position at the end of the financial year of £143m.

**£391m** **Collectable income:** from our share of Council Tax and NNDR.

**£458m** **Treasury Investments:** a strategy for delivering additional income which was included in the budget proposals is well advanced.

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Outturn variance £5.6m General fund overspend

Outturn variance £2.3m DSG overspend

	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date
Children's (GF)	5.6	5.6	-	104.7	110.3	52.3	50.9
Children's (DSG)	0	2.3	2.3	0.0	2.3	0.0	82.5

The general fund is projected to be overspent by £5.6m. Most of this overspend is within Children's Social Care - £1.6m, and Youth Services and Commissioning - £1.7m.

The forecast has increased in Qtr 2 due to unachievable Early Years Savings of £1.3m and School redundancy costs of £0.4m.

Children's Social care was overspent in 2017/18, and nationally there is a trend toward overspending in this area.

After the Ofsted report in April 2017, Children's Services has formulated its approved Improvement plan. We are part way through this 2 year plan which identifies a one-off £4.2m cost which will be met by Council Reserves subject to meeting certain targets.

Details of the significant variances on the General Fund are shown below.

(in numerical descending order)	Over £m	Variance commentary
<b>Fieldwork Advice and Assessment + Family Support</b> Agency workers – 79% recruited to fully staff the team.	1.4	To ensure the service is able to deliver to the most vulnerable children in LBTH, agency workers have been recruited. This will continue until we can stabilise the workforce with permanent staff. The introduction of the social work academy in October 2018 will support the ability to increase ASYE and "grow our own" SW resulting in an expected cost reduction in this area.
<b>Contract Services</b> Full review of service	1.3	Options for the future delivery of Contract Services were presented to the Mayor in August 2018. Several recommendations are being considered in order to reduce pressures on the budget for this service which primarily covers the meals and cleaning services.
<b>Early Years</b> Unachievable Savings	1.3	These savings are unachievable in 2018/19 due to pressures on Early Years budgets. The services will need to look for alternative savings options.
<b>Special Educational Needs</b> Higher than expected transportation costs	0.5	The increased numbers of pupils with EHCPs and therefore who qualify for transport continues to leave the budget under-resourced in relation to the need. A further growth bid was submitted for this financial year to reduce the financial impact of the predicted over spend. Transport both home to school and external Transport costs have accelerated over the couple of years, due to the increased uptake for both services, child numbers continue to rise and as does the service provision costs (fuel). A transport spending review across Children and Adult Services is currently underway, and this will not be completed until the end of FY 18/19. The re-tendering process for delivery of the service was carried out over the Summer and the increased numbers have already identified the need for further investment in an additional 30 seater coach. The School Transport Advisory Group is being convened to enable all stakeholders to discuss improvements to the delivery of the service.

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<b>School Redundancies</b>	0.4	These costs associated with school reorganisations are met corporately and are increasing as schools restructure to meet budget pressures.
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<b>Building and Technical services</b>	0.3	This overspend is the cost of providing security and NNDR charges for vacant buildings.
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### **The Dedicated Schools Grant (DSG)**

	£m	Variance commentary
<b>Schools Block (SB)</b>	(0.6)	There is currently an anticipated underspend in the Schools Block in relation to the growth fund and contingency elements which have not been fully utilised.
<b>Early Years Block (EYB)</b>	0.3	The DSG EYB budget and forecast are based on the DfE's expected attendance hours at the January 2017 census data and an estimate of the take-up of the additional 15 hours available to working parents. The DfE will recalculate the amount of DSG due to the Authority in July 2019 based on the January 2018 and January 2019 census data.
<b>High Needs Block (HNB)</b>	2.6	<p>This budget is under significant pressure; last year the overall block had an in-year overspend of £1.424m which was supported by the DSG carried forward reserves. There continues to be significant growth in demand for Education Health and Care Plans (EHCPs) and in the complexity and cost of SEN provision across the whole age range. This growth mirrors the national position and is expected to increase further with a projected 28% increase in Plans over the next 10 years.</p> <p>Action taken to address the pressures includes increasing in-borough provision and developing the Special Educational Need and Disability Strategy, The High Needs working group will make their recommendations in January 2019 to reduce costs over the next 3 years.</p>

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Outturn variance £1.1m overspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Resources	1.1	11.3	10.2	22.5	33.8	11.3	16.3

The Resources directorate has a net budget of £22.5m. It is currently forecasting an outturn of £33.8m. £10.2m of this will be funded from the ICT Transformation Reserve leaving a potential directorate overspend of £1.1m.

Details of the areas at risk of overspending are summarised below.

(in numerical descending order)	Over £m	Variance commentary
<b>Corporate Finance</b> Delayed implementation of finance and procurement restructure.	0.7	The service has a savings target of £1m that needs to be delivered through a service review and restructure however slippage of c.£700k is expected.
<b>Customer Access</b> Historic budget pressure from Reduced SLA income	0.25	The service still has a historic budget pressure due to reductions in SLA income following the withdrawal of THH from this service. This is being addressed through a service review/restructure.
<b>Council Tax Admin</b> Additional court costs income cannot be realised	0.15	Continued budget pressure due to income levels not being sufficient to meet additional cost pressures and historic savings.
<b>Other comments</b>		
<b>Use of Reserves</b>		Approximately £10.2 m will be needed from the ICT Transformation reserve to fund ICT Transformation projects which were agreed by cabinet in 2017/18 for delivery in 2018/19.

Outturn variance £1.0m underspend on Public Health (Ring fenced)

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
HA&C	-	0.3	0.3	140.8	141.1	70.4	58.8

The Health, Adults and Community Directorate forecast outturn for 2018-19 is balanced once the ring-fenced Public Health grant is taken into account. We have summarised the main variances below.

The 2018-19 budgets include £3.5m of savings including £0.8m of savings from prior years. The directorate is forecasting to achieve £3.4m (97%) of these savings in 2018-19.

Actual expenditure to date is lower than budget to date due to contractual invoices still to be received and paid.

(in numerical descending order)	£m	Variance commentary
<b>Adult Social Care</b> An overspend due to demand for residential and community-based care services for disabled and older people.	1.7	<p>The forecast outturn variance is a £1.7m overspend against a net budget of £89.5m. This is after the expected further allocation of £0.7m inflationary pressures budget, and an expected drawdown from general reserves of £0.5m for Care Act implementation projects.</p> <p>The overspend is caused by pressures in demand led residential and community based care services for adults with disabilities and older people.</p> <p>Outstanding income from health partners is being reviewed and engagement is underway to resolve historical debt queries.</p>
<b>Integrated Commissioning</b> An underspend due to procurement efficiencies.	(1.2)	<p>The forecast outturn variance is a £1.2m underspend against a net budget of £12.7m, following efficiencies achieved through the procurement programme. This is after an expected drawdown from general reserves of £0.3m for Care Act implementation projects.</p>
<b>Community Safety</b> An underspend due to temporary vacancies in staffing.	(0.5)	<p>The forecast outturn variance is a £0.5m underspend against a net budget of £3.6m. This is after the allocation of an expected £0.5m funding for extra police posts.</p> <p>The underspend is attributable to a number of temporarily vacant posts being held, due to a pending safer communities service redesign (to achieve a 2019-20 MTFs saving of £0.255m) and due to delays in recruitment.</p>
<b>Public Health</b> An underspend due to procurement efficiencies and demand management.	(1.0)	<p>The forecast outturn variance is a £1.0m underspend against the budget of £35.0m. This underspend has been achieved through procurement efficiencies and the management of demand in primary care, sexual health and substance misuse services.</p> <p>The unapplied grant of £1.0m will need to be retained in reserves for Public Health initiatives in future years, in line with the ring-fenced nature of the grant.</p>

## Outturn variance £1.1m overspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Place	0.8	0.8	-	64.4	65.2	32.2	22.8

An overall overspend of £0.8m for 2018-19. Historical savings of £0.20m will not be achieved and continues to be a budget pressure in the current year.

(in numerical descending order)	Variance £m	Variance commentary
<b>Property &amp; Major Programmes</b>	0.50	There is a forecast £0.5m overspend due to a reduction of rental income following the THH move from Jack Dash House which will continue until a new tenant is secured. The service is actively marketing the property and also looking for additional ways in which the pressure can be managed.
<b>Public Realm</b> Historical savings unachieved.	0.20	The savings target for the income generating opportunity from CCTV network of £200k. This saving will not be achieved and continues to be a budget pressure.  There is potential to offset some of this pressure with additional Streetworks income and staff vacancies.
<b>Resources</b> Overspend from unbudgeted Management costs	0.20	There is an overspend of £130k in respect of Kemnal Park whilst demand for burial plots does not meet originally estimated levels. Marketing continues to take place to highlight the availability of plots there.  An independent review of Tower Hamlets Homes is being carried out to consider the Councils options following the end of the current management agreement. This is to cost between £40-50k and approval is sought for this to be met from general reserves.  There are unbudgeted costs due to senior management being brought in to support the directorate. These costs are expected to be contained within the overall Place budget at year end.

## Other comments

<b>Planning &amp; Building Control</b> Unbudgeted Plan Making Team.	The unbudgeted Plan Making Team remains a budget pressure which will need to be continually reviewed. In the past the costs have been mitigated by increased planning income. The delay in delivering the Local Plan may impact on income expected to be received.
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£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Governance	-	-	-	13.1	13.1	6.6	8.6

Other comments

**Overall Governance outturn on target** The directorate has a net budget of £13.1m and it is currently forecasting to come in on budget at year end. With the exception of the potential risk SPP service (mentioned below), all other services are currently expected to achieve a balanced position.

**SPP (Strategy, Policy and Performance) risks overspend, but the position is being monitored.** The SPP service had a savings target of £600k which it needed to deliver through a service review and restructure. The savings have been taken from the SPP budget. The potential risk of overspend comes from appointing temporary staff to vacancies. The revised budget for the new service is currently being finalised. Having permanent staff in place and reviewing the budget should minimise any possible risk of an overspend. The budget and recruitment is kept under review.

Outturn Position of £8.8m underspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Corporate and financing costs	(7.0)	(7.0)	-	(1.8)	(8.8)	(0.9)	2.4

## Other comments

**Corporate and Central budgets** This includes Council-wide budgets for financing costs, savings, growth and inflation. If during the year a Directorate demonstrates that there has been service growth in its area, resources are moved into their budget to help cover the cost of that growth.

**Contingency Budget £3.1m** This provision allows for any costs for unforeseen circumstances. This currently has been applied to reduce the over spend pressures projected for the year.

# Housing Revenue Account (HRA)

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Outturn variance for HRA £0.9m underspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Contribution (to) / from HRA	Contribution (to) / from Reserves	Outturn Variance before Adjustments	Revised Budget	Forecast Outturn Position	Budget to Date	Actual
HRA	(0.9)	-	(0.9)	(7.4)	(8.3)	(4.3)	(35.9)

The overall forecast variance is made up of a number of over and underspends, the main ones being: -

(in numerical descending order)	Variance £m	Variance commentary
<b>Leasehold Service Charges</b>	(0.5)	The leasehold service charge budget shows a forecast variance of £0.5m of additional income. An element of this relates to the recovery of block insurance charges which have increased significantly during 2018-19. The corresponding higher costs of insurance are included within the Supervision and Management (Special Services) budget, but are partly offset by projected lower expenditure on energy.
<b>Additional income recovered</b>		
<b>Repairs and Maintenance</b>	(0.4)	A projected underspend of £0.4m is forecast within the repairs & maintenance budget where small underspends are being forecast on some projects such as home decorations, play areas and lower than anticipated revenue expenditure on repairs to void properties. In addition to these, the estate curtilage programme is forecast to underspend as the project will not be commencing until the second half of 2018/19.  It should be noted that demand for repairs often increases during the winter months which may result in future demand pressures on the budget. This position will continue to be closely reviewed.
<b>Underspends across a number of areas</b>		
<b>Other Issues</b>		
<b>Tower Hamlets Homes (THH) Delegated: Special Services, Rents, Rates &amp; Taxes/ Supervision &amp; Management/ Repairs &amp; Maintenance</b>		Although small net variances are currently being projected on the delegated budgets managed by Tower Hamlets Homes, some large demand led services are managed within this area, including the Repairs and Maintenance budget outlined above. These budgets are closely monitored in order that demand pressures are identified and financial implications addressed.

Capital expenditure: **Table 5.1**

	Forecast (under)/ over spend for year	Spent to date vs Budget		This year's fig (£m)		
		This year (month 5)	Last year (Q2)	Projection for year	Annual budget	Spent to date
		£m	%	%	£m	£m
	A = D - E	B = F/E	C	D	E	F
Housing Revenue Account	(24.8)	6%	11%	50.4	75.2	4.4
Corporate	(0.8)	11%	7%	10.3	11.1	1.2
Children's Services	0.1	19%	32%	15.1	15.1	2.8
Place	5.2	38%	54%	63.9	58.8	22.6
Health, Adult, Communities	0.3	0%	11%	3.2	2.8	0.0
Resources	(1.2)	0%	0%	0.8	2.0	0.0
<b>Total</b>	<b>(21.3)</b>	<b>19%</b>	<b>26%</b>	<b>143.7</b>	<b>165.0</b>	<b>31.0</b>

We've spent 19% of budget as at month 5, compared to 26% at quarter 2 (month 6) last year – as per last year, we spend more later on in the financial year. We are still however projecting slippage of £21m, mainly within the Housing Revenue Account (HRA). Below is detail of projected variances. Overleaf are Capital Receipts.

	(Under)/ overspend £m	
Purchase of properties for use as temporary accommodation	18.5	A Programme of purchasing properties to be used as temporary accommodation is progressing and funds from future years' budgets will be brought forward.
Housing Capital Programme	(9.6)	The significant element impacting the capital programme delivery relates to procurement delays following an issue with one of the main contractors on the LCP Framework. This required additional due diligence, but led to delays to the start of the larger programmes of work in Better Neighbourhoods, with current forecasts of c£5.5m slippage. There are also some procurement issues affecting some of the mechanical and electrical works programmes, with current projections indicating c£3.6m of slippage in this area.
New Housing Supply – schemes on site	(6.3)	Watts Grove has now completed, awaiting final defects costs to come through. Remaining budget to transfer to New Supply Budget Provision.
Establish a Housing Wholly-Owned Company	(5.0)	This represents the Council's equity investment in the housing company. The company has been established and the first acquisitions are anticipated in Q3 this financial year.
Housing Pipeline Schemes Phase 2a (1-4-1)	(3.9)	New pipeline schemes are currently being identified and are under review.

Establish a Housing Community Benefit Society	(2.5)	This represents the S106 resources allocated for use by the Community Benefit Society. It is likely to be advanced in 2019/20.
Conversion of council buildings to temporary accommodation	(2.4)	Buildings have been identified for conversion to temporary accommodation and works are underway.
Community Benefit Society – 1-4-1 Receipts	(2.2)	The process of establishing a company is underway. On track for first purchase in Q3.

## Capital receipts from sale of Housing and General Fund assets

### Capital receipts: **Table 5.2**

	This year
	£m
<b>Dwellings sold under Right to Buy (RTB)</b>	
Receipts from RTB sales	9.5
Less: poolable amount paid to DCLG	(0.9)
<b>Sale of other HRA assets</b>	
Preserved Right to Buy receipts	0.4
2 Trinity Green	0.4
47 Old Ford Road change of use	0.1
RTB lease extensions	0.03
<b>Sale of General Fund assets</b>	
Atlee House deed of release	0.3
<b>Total</b>	<b>9.8</b>

Receipts shown gross before costs of sale are deducted

**Accounting – a reminder:** Retained Right to Buy receipts must be set aside to meet targets on housing provision as set out in regulations governing the pooling of housing capital receipts, so they must be ring-fenced for this purpose and are not available for general allocation.

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There are a number of new capital approval requests and these are detailed in Annex 1-3

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**Annex 1 – Existing Schemes** Annex 1 provides details of 5 existing capital schemes which require additional resources totalling £21.941m. .

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**Annex 2 – New Capital Projects** Annex 2 details 14 new capital projects totalling £4.363m and cabinet are asked to approve these projects for inclusion in the Councils capital programme for 2018/19. Some of these projects have future year implications, such as the South Dock Bridge Project, which will be incorporated into the overall MTFS report later in the year.

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**Annex 3 – Approval to reallocate.** This requests approval to allocate £50k from the feasibility pot to carry out new cycle route design and options.

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**Current projections will :**

This table shows the balance on the general fund, HRA and useable reserves held for the previous 2 years as well as showing the projected impact on reserves for 2018-19.

**Reduce our General Fund by £6.4m****Increase our HRA by £0.9m****Reduce our earmarked Reserves by £21.4m**

	Balance at 31 March 2017	Balance at 31 March 2018	Contribution (to) / from Reserve	Projected Balance 31 March 2019
	£m	£m	£m	£m
General Fund Reserve	31.7	33.3	6.4	26.9
Housing Revenue Account (HRA)	39.1	47.6	(0.9)	48.5
Earmarked Reserves	159.4	141.9	21.4	120.5
				-
<b>Total Usable Reserves</b>	<b>230.2</b>	<b>221.2</b>	<b>26.9</b>	<b>194.3</b>

	Balance at 31 March 2017	Balance at 31 March 2018	Contribution (to) / from Reserve	Projected Balance 31 March 2019
£m	£m	£m	£m	£m
<b>Earmarked reserves consist of</b>				
Transformation	25.0	15.0	1.9	13.1
ICT / Finance Systems	23.1	21.0	10.2	10.2
Other	1.0	0.9		0.9
Parking Control	3.3	3.3		3.3
Building Control	0.4	0.2		0.2
Land Charges	0.7	0.7		0.7
Insurance	20.8	21.2		21.2
Public Health Grant	-	1.3	(1.0)	2.3
Schools Balances	24.7	23.4		23.4
New Civic Centre	20.0	17.2		17.2
New Homes Bonus	7.3	12.1		12.1
Free School Meals	6.0	4.0	2.0	2.0
Mayor's Investment Priorities	10.0	7.0	1.9	5.1
Risk Reserve	10.5	8.8	4.0	4.8
Revenue Grants	1.6	1.7		1.7
Mayor's Tackling Poverty Reserve	5.0	4.1	2.4	1.7
<b>Totals</b>	<b>159.4</b>	<b>141.9</b>	<b>21.4</b>	<b>120.5</b>

Target for year £23.8m

£m	Saving Target	18/19 Target	Prior Year Slippage	Forecast Savings	Slippage	Under Recovery	Over recovery
	A = B + C	B	C	(D = E + F + G) = A	E	F	G
				✓	✗	✗	✓
Children	3.3	2.6	0.7	1.4	1.9	-	-
HA&C	3.5	2.7	0.8	3.4	0.1	-	-
Place	2.8	1.9	1.0	2.3	0.3	0.2	-
Governance	0.7	-	0.7	0.7	-	-	-
Resources	3.1	2.1	1.0	1.1	2.0	-	-
All	10.4	9.0	1.3	7.5	2.9	-	-
<b>Total</b>	<b>23.8</b>	<b>18.3</b>	<b>5.5</b>	<b>16.4</b>	<b>7.2</b>	<b>0.2</b>	<b>0.0</b>

tick: a higher level of confidence that savings are on track to be delivered.

cross: either timing issues, i.e. slippage into future years, or at risk of non-delivery.

Total target for 2018-19 is £23.8m (£18.3m relates to approved savings as part of the 2018-19 budget setting process, and £5.5m as a result of previous year savings not delivered)

- £16.4m is identified as being on track to deliver savings;
- A net position of 7.2m is forecast to slip into future years due to timing issues
- £0.2m has been identified as unrecoverable

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This section shows the amount of money we have collected from Tax payers of the borough, and the split between the amount that is retained and the amounts paid over to central and government and the GLA.

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**NNDR**

**We are expected to collect £460m for 2018/19.**

We are expected to collect £460m in Business Rates. To the end of August we have collected £215 (47%).

**NNDR is split between**

GLA 36%,  
LBTH 64%

At the end of the previous year there was also an outstanding debt of £21m relating to historic periods. Of this £11.5m (54%) has been collected.

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**Council Tax**

**We are expected to collect £123m for 2018/19.**

We are expected to collect £123m in Council Tax. We are on target to achieve a full collection with £51.9m (42%) having been collected by the end of August.

**CT is split between**

Government 23%,  
LBTH 77%

We also have historic Council tax debt of £19m at the end of last year. Of this we have collected £2.7m or 14%. This is a little lower than we would expect, but we have had to make a large refund during the year for properties that have changed tax status.

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**Overall Position**

For this period our portfolio totals £458m, and we are current receiving an average return of 0.85%.

**We have £458m of investments**

We currently have 8.3% of the total portfolio Investments, held in the Money Market Funds to provide liquidity and to diversify risk. Almost 32% (£146m) of the outstanding investments (including Money Market Funds) have less than 3 months until they mature. Of the remaining £312m, £185m (40%) will mature in less than 1 year and a further £127m (28%) of investments are held for periods longer than 12 months.

**Income Position**

At the start of the year we budgeted £4m investment income. As at 31st August 2018 we have received £1.25m, this is slightly below the budgeted amount, due to delay in setting up some pooled investments. We believe that by the end of the year we will be in-line with budget set if prevailing market buoyancy persists.

**Budgeted income of £4m.****Benchmarking****We compare favourably for the return we get from our internally managed funds, but at present we do not hold external investments**

According to the information we receive from our advisors Arlingclose, we are out performing both a group of London councils, and a group of national local authorities (both averaging 0.48% on internally invested funds). We are looking at alternative approaches to retain and protect the capital value of the investment, with our Treasury Management advisors investigating options which will balance the risks and rewards whilst including Equity, Bonds and Property in the portfolio.

**Inflation****Inflation is eroding the value of our investments.**

At the moment the Consumer Prices Index (CPI) inflation is running at 2.4%, and therefore the average return of 0.85% is lower. This means that the future value of the funds invested today will be less. The move of some funds into externally managed pooled funds is designed to improve this position.

**Pension fund****Fund outperformed over the quarter.**

The Fund marginally outperformed its benchmark return of 2.95% by 0.2% for the quarter.

**Seven mandates matched or Achieved benchmark set.**

For this quarter, seven mandates matched or achieved returns above the set benchmark. Three mandates performed below benchmark returns

The latest estimated Fund Valuation of £1.525bn represents a £40m increase over the quarter.

The next valuation of the Pension Fund will take place at March 2019 with any changes to pension contributions taking effect from April 2020

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**Fund outperformed over twelve months.**

For the twelve months to June 2018, the Fund returned 7.56% outperforming the benchmark of 6.26%, the Fund is ahead of its benchmark by 1.3%.

**Four mandates matched or achieved benchmark set.**

Four mandates underperformed their respective benchmark.

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**Fund is broadly in line with the strategic benchmark weight.**

Looking at the longer term performance, the three year return for the Fund was 10.04%, which is above its benchmark return by 0.4% for that period. Over the five years, the Fund posted a return of 9.53% outperforming the benchmark return of 9.03% by 0.5%.

The Fund remains in line with its long term strategic equity asset allocation and the distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight.

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**Equity Protection Strategy**

During this quarter the fund implemented an equity protection strategy designed to minimise the exposure to equity falls in the period leading to the next valuation (March 2019)

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Cabinet approval is required for the following increases to existing Capital schemes

<b>Alie Street Highways</b>	0.322	<p>The current capital programme includes an estimate of £0.405m to deliver a number of traffic management improvements in Alie Street, incorporating modelling for improved crossing facilities at the junction of Commercial Road with Alie Street. A further £0.322m is being requested to complete the programme of works and the total cost of £0.727m can be funded through Section 106 funding.</p> <p>Outcomes of the project include improved pedestrian and cycle environments, improved air quality and greening of the street to improve public realm. In addition to this, by encouraging a model shift to walking and cycling, it is hoped that this project will result in a reduction of car travel and an improvement in air quality.</p>
<b>Bartlett Park Landscape Improvement Project</b>	0.550	<p>In November 2013 a capital estimate of £3.71m was adopted for this project, including landscape improvements in the park, the canal side path and changing rooms. The extent of the works has increased since the outset and recent tender return has demonstrated that costs have increased. A contractor has now been appointed and it is anticipated that work will start on site in October 2018. The revised project cost is £4.26m and £0.550m is required in 2018/19.</p>
<b>Aberfeldy Practice</b>	0.119	<p>The shell and core health facility within the Aberfeldy New Village development is scheduled for completion and hand over to the NHS in June 2019. Works to undertake the fit out of the shell and core premises will enable a re-provision for the Aberfeldy GP Practice. A further £0.119m is required to complete the fit-out works and this could be funded through Section 106 funds. The current capital programme includes an estimate of £3m for this project; this approval would increase total cost of the project to £3.119m.</p>
<b>Maximising Health Infrastructure</b>	1.100	<p>Tower Hamlets CCG undertook an exercise to identify any additional capacity that could be provided in existing premises, primarily by converting non clinical space to clinical space. 11 GP Practices have been identified that could make improvements to their premises in order to increase capacity and access to provide more clinical appointments to the local population. The current capital programme includes an estimate of £0.771m; An additional £1.1m in required to complete the project and the total cost of the project would be £1.871m.</p>
<b>Acquisition of Properties</b>	20.000	<p>A provision of £20m is requested to enable further acquisitions of properties, mainly for use as temporary accommodation. This sum would be brought forward from future years' programmes for this purpose.</p>
<b>Boiler Replacement Programme</b>	0.600	<p>The Council had delivered a pilot project replacing old and inefficient boilers for households. Following the success of the project it is intended to continue this project which contributes to reducing carbon emissions and tackling fuel poverty in the borough. The scheme replaces old inefficient gas boilers and faulty radiators as well as upgrading heating controls. The scheme is open to eligible homeowners who are on low income and in receipt of a qualifying benefit.</p>
<b>Total</b>	<b>22.691</b>	

Cabinet approval is required for the following new Capital schemes

<b>Healthcare ICT Infrastructure</b>	0.493	This project involves an upgrade of healthcare IT and technology across the borough at GP surgeries and the accident and emergency department at the Royal London Hospital, as well as targeting increased accessibility to services and information for residents.
		<p>The project has five components:</p> <ul style="list-style-type: none"> <li>- Improving the ease of registering for GP services in Tower Hamlets through online access</li> <li>- Creating a Tower Hamlets health mobile app</li> <li>- Provision of surgery pods in practices</li> <li>- Provision of laptops equipped with 'EMIS Anywhere' and Skype to GP surgeries</li> <li>- Improving the front-line technology at GP surgeries</li> </ul> <p>£0.493m is urgently required to progress this project in 2018/19. The total cost of the project is £1.503m and the amounts required for future years will be incorporated into the Council capital programme as part of the MTFS report.</p>
<b>Improve the look and feel of Tower Hill Terrace</b>	0.359	This project aims to improve Tower Hill Terrace by installing a new garden, covered seating, and new entrances, creating an improved public open space that would be more fitting for a high profile tourist destination.
<b>SEND Review Implementation – Harpley</b>	0.400	This project will deliver additional special school places identified as required under the recent SEND review of demand. This follows on from an earlier review conducted during 2016, which found that projections of demand for places in SEND were poorly developed.
<b>Learning Disability accommodation for supported accommodation at Stewardstone/Antill Road</b>	0.200	The council proposes to carry out alteration works at these two buildings in its ownership. This is the first year requirement for the estimated £2m project. The balance will be brought into the capital programme as part of the MTFS report.
<b>Capital Investment Programme – Council Owned Assets</b>	0.500	A programme of plant replacement and fabric maintenance for the Council's general fund assets.
<b>South Dock Bridge Programme Overview</b>	1.370	<p>The new South Dock Bridge will provide a fully accessible link between South Quay and Canary Wharf and its new Elizabeth and Jubilee Line Stations. It will unlock the delivery of new housing and commercial development on the Isle of Dogs, and improve access to new jobs, retail and other town centre services at Canary Wharf. South Dock Bridge will also help ease congestion on the existing Wilkinson Eyre Pedestrian Bridge which is approaching capacity. The total cost of the project is estimated to be in the region of £15m (TBC) and approximately £7m has been secured through a successful bid from the 'Strategic Investment Pot (SIP)'. The SIP is funded through business rates growth from the London wide Business rates pooling pilot.</p> <p>The overall project will be incorporated into the Council's Capital programme through the MTFS and budget process 2019/20. However it is necessary to allocate an urgent sum of £1.370m in 2018/19 for initial project management, design and scope</p>

		development.
<b>Inclusive Playgrounds (phase 1)</b>	0.300	This project will deliver the first phase of a three year playground refurbishment programme (£1.4m in total). The borough is poorly provided with inclusive play opportunities for children with disabilities and active play. This phase will reanimate 3 to 4 run down playgrounds in key areas of the borough based on analysis of the most recent play equipment inspection in the borough and create inclusive play in areas that have little or no inclusive play equipment and high need.
<b>Improvements to sports facilities in parks</b>	0.075	<p>The Urban Adventure Base (UAB) is a dedicated youth activity centre located in Mile End Park, which provides adventurous activities for young people such as climbing, canoeing, kayaking and the Duke of Edinburgh's Award Scheme. It consists of two buildings, the main base and an urban gym. The project will mitigate the impact of high levels of criminal behaviour taking place around the site:</p> <ul style="list-style-type: none"> <li>- Improvements to CCTV / Cameras on sight to aid intelligence and assist the Police with enforcement action</li> <li>- Crown trees around the area and remove overgrown shrubbery and to improve sightlines and reduce the number of low visibility sheltered areas where criminal behaviour can thrive</li> <li>- Fence the urban gym with 2 metre high fencing</li> <li>- Improve lighting in and around the area to help act as a deterrent for criminal and anti-social behaviour and improve CCTV camera footage</li> <li>- Relocate the teenage shelter in the park</li> <li>- Install a vehicle deterrent mechanism at Mile End Park Leisure Centre to reduce out of hours use of the car park for criminal and Anti-social behaviour</li> </ul>
<b>Quality Parks: Master plan for the south of the Isle of Dogs</b>	0.040	This project will deliver a master plan linking the three main open spaces in the south of the Isle of Dogs: Millwall Park, Island Gardens and Mudchute Park & Farm. The project will produce a blueprint for improvements in line with the Open Space Strategy which identifies this area as a priority ward/area where the parks and open spaces fall below the quality standard and require investment to bring them up to standard or improve accessibility to existing sites.
<b>Improved Air Quality</b>	0.070	Installation of on street Electric Vehicle Charging Points & Mobile Parklet design and construction.
<b>Improving local accessibility</b>	0.100	Improving access to kerbside parking with innovative improvements to parking arrangements.
<b>Sustainable Schools</b>	0.390	Streetscene improvements outside schools to improve road safety and encourage walking to school initially targeting Sir William Borough School, Central Foundation Girls school, John Scurr school and Harry Gosling school.
<b>Bus priority</b>	0.030	To support and deliver the Mayor's Transport strategy to improve bus services and reduce cars on road.
<b>Go Ultra Low City Scheme (GULCS)</b>	0.036	Install streetlight column Electric Vehicle Charging Points; install medium charge Bluepoint units; install TfL rapid chargers.
<b>Total</b>	<b>4.363</b>	

## Proposed Feasibility Studies

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<b>Cycling Future Route 5</b>	0.050	A sum of £1.5m was set aside in 2018/19 for feasibility studies. To date approximately £685k has been allocated to specific feasibility studies and £815k remains available. A sum of £50k is requested for this feasibility and concept design work.
<b>Total</b>	<b>0.050</b>	

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# CONTROL BUDGET 2018-19

	Total General Fund	Health, Adults & Community	Children's Services	Place	Governance	Resources	Corporate Costs and Central Financing
Gross Expenditure Budget	811,959,766	168,425,485	158,770,113	170,956,794	20,734,853	287,891,923	5,180,598
Gross Income Budget	(468,229,962)	(27,451,103)	(51,542,957)	(106,573,176)	(7,604,483)	(265,575,243)	(9,483,000)
<b>Nex Expenditure Budget</b>	<b>343,729,804</b>	<b>140,974,382</b>	<b>107,227,156</b>	<b>64,383,618</b>	<b>13,130,370</b>	<b>22,316,680</b>	<b>(4,302,402)</b>
Growth awarded - Heritage Collections Backlog	0					115,000	(115,000)
Pay inflation adjustment 2018-19	0		(47,799)				47,799
Additional contribution from Public Health grant to support Children's Centres	0	(120,709)	(2,500,000)				2,620,709
Delivery Manager for Borough WiFi	0					95,500	(95,500)
Growth awarded - Planning Enforcement	0			151,000			(151,000)
	0						
	0						
<b>Total Adjustments</b>	<b>0</b>	<b>(120,709)</b>	<b>(2,547,799)</b>	<b>151,000</b>	<b>0</b>	<b>210,500</b>	<b>2,307,008</b>
<b>Revised Net Expenditure Budget</b>	<b>343,729,804</b>	<b>140,853,673</b>	<b>104,679,357</b>	<b>64,534,618</b>	<b>13,130,370</b>	<b>22,527,180</b>	<b>(1,995,394)</b>

<b>Capital Control Budget 2018-19</b>	<b>Total</b>	<b>Health, Adults &amp; Community</b>	<b>Children's Services</b>	<b>Place</b>	<b>Resources</b>	<b>Corporate</b>	<b>Housing Revenue Account</b>
	£	£	£	£	£	£	£
<b>Original Budget (Council, February 2018)</b>	<b>115,861,714</b>	<b>2,567,000</b>	<b>7,887,787</b>	<b>31,481,926</b>	<b>500,000</b>	<b>26,263,000</b>	<b>47,162,000</b>
<b>Slippage from 2017-18</b>	<b>60,329,045</b>	<b>2,034,708</b>	<b>8,701,614</b>	<b>21,552,629</b>	<b>280,487</b>	<b>6,964,145</b>	<b>20,795,463</b>
<b>Quarter 1 Total Adjustments</b>	<b>(8,434,191)</b>	<b>(2,018,085)</b>	<b>4,048,696</b>	<b>57,770</b>	<b>1,163,000</b>	<b>(11,748,699)</b>	<b>63,126</b>
<b>Cabinet Approvals</b>							
Island Medical Centre - Public Health (July 2018)	986,000	986,000					
Beatrice Tate - Temporary Classrooms - Conditions and Improvement (July 2018)	250,000		250,000				
Healthy Pupil Capital Funding (July 2018)	259,000		259,000				
SEND Review Implementation - Tommy Flowers House - Special Provision Capital Fund (July 2018)	100,000		100,000				
Capital Footway & Carriage Programme - Public Realm Improvements (July 2018)	2,730,000			2,730,000			
Depot relocation - Public Realm Improvements (July 2018)	100,000			100,000			
Open Space and Parks Planned Maintenance Assessment - Public Realm Improvements (July 2018)	85,000			85,000			
Remote Monitoring of Streetlighting - Public Realm Improvements (July 2018)	400,000			400,000			
Asset Maximisation (July 2018)	500,000			500,000			
Montefiore Centre Refurbishment Programme (July 2018)	1,000,000			1,000,000			
St Georges Town Hall Refurbishment Programme (July 2018)	750,000			750,000			
Section 55 Programme - Transport and Improvements (July 2018)	440,000			440,000			
Local Presence Project (July 2018)	50,000				50,000		
Pipeline Schemes (July 2018)	7,370,000						7,370,000
<b>Decisions Delegated to Corporate Directors</b>							
Principal Road Network - Hackney Road between Cambridge Heath Road & Goldsmiths Row - TfL Schemes	200,000			200,000			
Central Foundation Girls School - Transport S106 Funded Schemes	183,622			183,622			
<b>Budgets Re-profiled</b>							
Island Medical Centre - Public Health	(732,785)	(732,785)					
Bow Site - SEN Provision - Basic Need/Expansion	(600,000)		(600,000)				
Palmer Foundation School - Basic Need/Expansion	(560,000)		(560,000)				
Canon Barnett - Boiler Replacement Phase 2 - Conditions and Improvement	(68,760)		(68,760)				
Hackney - Kitchen Canopy - Conditions and Improvement	(30,000)		(30,000)				
Marner - Roofing Phase 2 - Conditions and Improvement	(90,000)		(90,000)				
Mayflower - Hot & Cold water pipework - Conditions and Improvement	(134,000)		(134,000)				
Smithy Street - Hot and Cold Water Pipework - Conditions and Improvement	(77,000)		(77,000)				
Bow South - Temporary Phoenix SEN provision - Conditions and Improvement	(200,000)		(200,000)				
Victoria Park Lodges - Parks	(146,824)		(146,824)				
Bartlett Park - Playground activity - Parks	(486,912)		(486,912)				
Bartlett Park Landscape Improvement Project - Parks	(3,000,000)		(3,000,000)				
Cavell Street Gardens - Parks	(190,000)		(190,000)				
Four Outdoor / Urban Gyms - Mayor's Priority - Parks and Open Spaces	60,000		60,000				
Leisure Centre Improvements - Culture	(900,000)		(900,000)				
Ford Square - Culture	(131,000)		(131,000)				
Schools Energy Retrofit Programme - S106 Schemes	(195,275)			(195,275)			
Conversion of council buildings to temporary accommodation	(172,000)			(172,000)			
<b>Other Adjustments / Approvals</b>							
Schools Urgent Works - Conditions and Improvement	(425,000)		(425,000)				
- Arnhem Wharf - Damp Issues	350,000		350,000				
- George Green's - Hygiene Room	25,000		25,000				
- Bow South - Temporary Phoenix SEN provision	50,000		50,000				
Improve the look and feel of Tower Hill Terrace (IDSG)	358,798		358,798				
Schools Carbon Reduction Programme - Boiler Replacements - S106 Schemes (Duplicate scheme in programme)	(180,000)			(180,000)			
Registered Provider new supply, grant funded through 1-4-1 receipts	(1,003,275)			(1,003,275)			
- Registered Provider Grant Scheme - Swan	1,003,275			1,003,275			
Additional S106 schemes - Transport S106 Funded Schemes (Complete)	(180,000)			(180,000)			
Provision for New Schemes	(9,666,750)					(9,666,750)	
Provision for Feasibility Studies	(685,000)					(685,000)	

<b>Capital Control Budget 2018-19</b>	<b>Total</b>	<b>Health, Adults &amp; Community</b>	<b>Children's Services</b>	<b>Place</b>	<b>Resources</b>	<b>Corporate</b>	<b>Housing Revenue Account</b>
	£	£	£	£	£	£	£
Short Life Properties (Complete)	(144,795)						(144,795)
<b>Quarter 2 Total Adjustments</b>	<b>(2,748,681)</b>	253,215	<b>(5,586,698)</b>	5,661,347	50,000	<b>(10,351,750)</b>	7,225,205
<b>Revised 2018-19 Budget</b>	<b>165,007,887</b>	2,836,838	15,051,400	58,753,672	1,993,487	11,126,696	75,245,794

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## MTFS Savings Tracker 2018-21 as at 31 August 2018 - Summary

	2018-19						2019-20						2020-21					
	Savings target	Slippage from previous year	Revised Savings target *	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery	Savings target	Slippage from previous year	Revised Savings target	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery	Savings target	Slippage from previous year	Revised Savings target	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Directorate</b>																		
Children's Services	2,604	686	3,290	<b>1,371</b>	1,919	-	3,002	1,919	4,921	<b>1,223</b>	3,698	-	350	3,698	4,048	<b>350</b>	3,698	-
Health, Adults & Community	2,733	792	3,533	<b>3,409</b>	129	(5)	2,652	129	2,781	<b>2,781</b>	-	-	1,000	-	1,000	<b>1,000</b>	-	-
Place	1,880	950	2,830	<b>2,279</b>	351	200	1,376	351	1,727	<b>1,727</b>	-	-	880	-	880	<b>880</b>	-	-
Governance	-	680	680	<b>680</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Resources	2,075	995	3,070	<b>1,120</b>	1,950	-	525	1,950	2,475	<b>2,475</b>	-	-	2,550	-	2,550	<b>2,550</b>	-	-
All	9,027	1,340	10,367	<b>7,527</b>	2,840	-	7,119	2,840	9,959	<b>9,959</b>	-	-	4,250	-	4,250	<b>4,250</b>	-	-
<b>Total</b>	<b>18,319</b>	<b>5,443</b>	<b>23,770</b>	<b>16,386</b>	<b>7,189</b>	<b>195</b>	<b>14,674</b>	<b>7,189</b>	<b>21,863</b>	<b>18,165</b>	<b>3,698</b>	<b>-</b>	<b>9,030</b>	<b>3,698</b>	<b>12,728</b>	<b>9,030</b>	<b>3,698</b>	<b>-</b>
<b>Savings Achievement Status</b>																		
Savings Delivered / On Target	11,750	1,843	13,601	<b>12,816</b>	790	(5)	9,315	790	10,105	<b>10,105</b>	-	-	9,030	-	9,030	<b>9,030</b>	-	-
Savings Slipping but Achievable	5,065	3,175	8,240	<b>3,470</b>	4,770	-	3,540	4,770	8,310	<b>8,060</b>	250	-	-	250	250	-	250	-
Not Deliverable / Not Achievable	1,504	425	1,929	<b>100</b>	1,629	200	1,819	1,629	3,448	-	3,448	-	-	3,448	3,448	-	3,448	-
<b>Total</b>	<b>18,319</b>	<b>5,443</b>	<b>23,770</b>	<b>16,386</b>	<b>7,189</b>	<b>195</b>	<b>14,674</b>	<b>7,189</b>	<b>21,863</b>	<b>18,165</b>	<b>3,698</b>	<b>-</b>	<b>9,030</b>	<b>3,698</b>	<b>12,728</b>	<b>9,030</b>	<b>3,698</b>	<b>-</b>

\* Total 2018-19 revised savings, £23.770m;

- 2018-21 MTFS, £1.758m
- 2017-20 MTFS, £20.621m
- Historic, £1.391m



Reference	PMO Project Reference	Directorate	Service Area	Title	Savings Achievement Status	2018-19										2019-20							2020-21												
						Savings target	Slippage from previous year	Revised Savings target	Delivered / cashed	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery	FTE Impact	Forecast savings RAG	Status update	Savings target	Slippage from previous year	Revised Savings target	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery	FTE Impact	Savings target	Slippage from previous year	Revised Savings target	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery	FTE Impact						
						£'000	£'000	£'000	£'000	£'000	£'000	£'000				£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000						
SAV/ RES 04 / 18-19		Resources	Revenue Services	Revenue Services – Workforce efficiencies through greater self-service and automation	Savings Delivered / On Target	-	-	-																			100	-	100	100	-	-	-	3.0	
SAV/ RES 05 / 18-19		Resources	ICT	ICT Savings	Savings Delivered / On Target	-	-	-																			750	-	750	750	-	-	-		
SAV/ RES 06 / 18-19		Resources	Corporate Finance	Finance Services – Process improvements and new Finance System Implementation	Savings Delivered / On Target	-	-	-																			100	-	100	100	-	-	-	2.0	
SAV/ RES 07 / 18-19		Resources	Wi-Fi Concession Contract	Income Through Wi-Fi Concession Contract	Savings Delivered / On Target	-	-	-																			300	-	300	300	-	-	-		
SAV/ RES 08 / 18-19		Resources	Housing	Income Through Housing Companies	Savings Delivered / On Target	-	-	-																			250	-	250	250	-	-	-		
SAV/ RES 09 / 18-19		Resources	Housing	THH - Potential support service Savings	Savings Delivered / On Target	-	-	-																			100	-	100	100	-	-	-		
SAV/ RES 10 / 18-19		Resources	Customer Access	Additional Local Presence Efficiencies	Savings Delivered / On Target	-	-	-																			300	-	300	300	-	-	-		
RES002/17-18		Resources	Benefits	Benefits Service Admin Savings	Savings Delivered / On Target	525	-	525	250	525				Green	1. On track; will be delivered through a reduction in the resilience contract, reduction in overtime and other staffing efficiencies, none of which will effect levels of service provision.	525	-	525	525	-	-	-													
ALL005/17-18		Governance	Corporate Strategy & Equalities	Consolidation of Strategy, Policy & Performance Functions	Savings Delivered / On Target	-	600	600		600				Green	1.Restricture completed and savings realised		-	-	-	-	-	-													
LPG002/15-16		Governance	Registrars & Democratic Services	Implementation of Registration Service new business model	Savings Delivered / On Target	-	80	80		80				Green	1.Service changes have been implemented; budget forecasted to be on target and thus savings have been realised		-	-	-	-	-	-													
SAV/ CORP 01 / 18-19		All	All	Treasury Management Investment Opportunities	Savings Delivered / On Target	1,458	-	1,458	700	1,458			0.0	Green	1. On track; treasury investment performance to date suggests this target will be achieved through additional investment income.		-	-	-	-	-	-													
SAV/ CORP 02 / 18-19		All	All	Contract Management Efficiencies	Savings Delivered / On Target	-	-	-		-																	4,250	-	4,250	4,250	-	-	-	0.0	
ALL002/17-18		All	All	Fees & Charges	Savings Delivered / On Target	419	-	419	200	419				Green	1. On track; budget monitoring report indicates that directorates are achieving relevant income targets.	419	-	419	419	-	-	-													
ALL003/17-18	SS03-IC	All	All	Debt Management & Income Optimisation	Savings Delivered / On Target	3,000	-	3,000		3,000			0.0	Amber	1. Expecting to deliver target. 2. Exact amounts from different income streams are currently being verified.	3,000	-	3,000	3,000	-	-	-	0.0												
ALL008/17-18		All	All	Treasury Management Efficiencies	Savings Delivered / On Target	500	-	500		500				Green	1. On track.		-	-	-	-	-	-													
ALL009/17-18	SS02-BSH	All	All	Consolidation of Business Support and Administration Functions	Savings Delivered / On Target	1,000	-	1,000		250	750		36.0	Amber	1. Project progressing but there is likely to be slippage; level of slippage being verified.		-	750	750	750	-	-	-												
ALL010/17-18		All	All	ICT Centralisation	Savings Delivered / On Target	-	-	-		-																	400	-	400	400	-	-	-		
<b>Savings Delivered / On Target</b>						<b>11,750</b>	<b>1,843</b>	<b>13,601</b>	<b>3,229</b>	<b>12,816</b>	<b>790</b>	<b>(5)</b>	<b>45.0</b>			<b>9,315</b>	<b>790</b>	<b>10,105</b>	<b>10,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.0</b>		<b>9,030</b>	<b>-</b>	<b>9,030</b>	<b>9,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.5</b>			







APPENDIX 5 - CAPITAL Q2 (month 5) 2018/19

Directorate	Latest Budget 2018/19 (£m)	Spend to Q2 (month 5) 2018/19 (£m)	Spend to date as % of annual budget	Projected Spend to 31/3/2019 (£m)	Projected Variance for 2018/19 (£m)	Projected Variance for 2018/19 (%)	2019/20 Budget (£m)	2020/21 and Future Years' Budgets (£m)	Total Future Years Budget (£m)	Spend in previous years for current projects (£m)	Total Budget - All Years (£m)	Total Projection - All Years (£m)
Health, Adults and Communities	2.837	0.005	0%	3.169	0.332	12%	4.756	6.241	10.997	3.666	17.500	17.500
Children's Services	15.051	2.809	19%	15.130	0.079	1%	26.519	19.499	46.018	63.237	124.306	124.306
Place	58.753	22.562	38%	63.905	5.152	9%	39.185	76.218	115.404	37.142	211.299	211.299
Housing Revenue Account (HRA)	75.246	4.426	6%	50.420	-24.826	-33%	96.530	227.542	324.072	156.775	556.093	556.093
Resources	1.993	0.005	0%	0.780	-1.213	-61%	0.887	0.500	1.387	0.201	3.582	3.582
Corporate	11.127	1.242	11%	10.312	-0.815	-7%	51.594	43.864	95.458	4.771	111.356	111.356
<b>Grand Total</b>	<b>165.007</b>	<b>31.049</b>	<b>19%</b>	<b>143.716</b>	<b>-21.291</b>	<b>-13%</b>	<b>219.472</b>	<b>373.865</b>	<b>593.337</b>	<b>265.793</b>	<b>1024.136</b>	<b>1024.136</b>

Directorate	Programme	Current Year						Explanations for Projected Variance and for % Spend to Date	Future Years			All Years (inc Future and Past)		
		Latest Budget 2018/19 (£m)	Spend to Q2 (month 5) 2018/19 (£m)	Spend to date as % of annual budget	Projected Spend to 31/3/2019 (£m)	Projected Variance for 2018/19 (£m)	Projected Variance for 2018/19 (%)		2019/20 Budget (£m)	2020/21 and Future Years' Budgets (£m)	Total Future Years Budget (£m)	Spend in previous years for current projects (£m)	Total Budget - All Years (£m)	Total Projection All Years (£m)
Children's	Mayor's Priority - Parks and Open Spaces	0.235	0.164	70%	0.175	-0.060	-26%	Project nearly completed	0.000	0.000	0.000	0.015	0.250	0.250
Children's	Parks	0.345	0.111	32%	0.673	0.327	95%	Large proportion of the budget is the Bartlett Park project which is still in its infancy as far as works carried out	5.002	2.520	7.522	3.222	11.089	11.089
Children's	Conditions and Improvement	5.782	0.454	8%	5.723	-0.059	-1%	<b>Projected variance:</b> Underspend of £59k relates to completed projects for Marner and Bangbandhu re-roofing . <b>% spend to date:</b> Majority of Condition projects have been taking place during the school summer holidays, their invoicing should ensue in the upcoming periods. The remainder of the projects are due to commence during the upcoming school holidays.	2.100	0.000	2.100	10.039	17.920	17.920
Children's	Bishop Challenor	0.000	0.000	0%	0.000	0.000	0%		0.000	0.590	0.590	0.010	0.600	0.600
Children's	Basic Need/Expansion	6.375	1.864	29%	6.376	0.000	0%	Awaiting valuation invoicing of works in the upcoming periods.	18.086	16.189	34.275	47.764	88.414	88.414
Children's	Provision for 2 year olds	1.164	0.019	2%	1.021	-0.142	-12%	Several projects completed and any underspends to be used to cover ongoing statutory requirements subject to approval	0.000	0.000	0.000	1.321	2.485	2.485
Children's	Culture	0.791	0.198	25%	0.804	0.013	2%		1.331	0.200	1.531	0.866	3.189	3.189
Children's	Healthy Pupil Capital Funding (HPCF)	0.259	0.000	0%	0.259	0.000	0%	Programme being devised, still projecting to spend allocation at this stage.	0.000	0.000	0.000	0.000	0.259	0.259
Children's	Special Provision Capital Fund	0.100	0.000	0%	0.100	0.000	0%	£800k commitment was reduced in the Q2 budget as Programme still being revised.	0.000	0.000	0.000	0.000	0.100	0.100
<b>Children's Total</b>		<b>15.051</b>	<b>2.809</b>	<b>19%</b>	<b>15.130</b>	<b>0.079</b>	<b>1%</b>		<b>26.519</b>	<b>19.499</b>	<b>46.018</b>	<b>63.237</b>	<b>124.306</b>	<b>124.306</b>
Corporate	Whitechapel Civic Centre	9.812	1.242	13%	9.812	0.000	0%		51.324	43.864	95.188	4.771	109.771	109.771
Corporate	CORP - Indicative Schemes - Other	1.315	0.000	0%	0.500	-0.815	-62%	This budget includes a provision of £500k for the replacement cost of 2 underground refuse vehicles. The order has been placed and the vehicles should be delivered by March 2019 - Full spend is anticipated  Unallocated budget for feasibility studies of £465k is yet to be allocated. Further approvals anticipated in year - Spend unlikely in 2018/19	0.270	0.000	0.270	0.000	1.585	1.585
<b>Corporate Total</b>		<b>11.127</b>	<b>1.242</b>	<b>11%</b>	<b>10.312</b>	<b>-0.815</b>	<b>-7%</b>		<b>51.594</b>	<b>43.864</b>	<b>95.458</b>	<b>4.771</b>	<b>111.356</b>	<b>111.356</b>
HAC	Tele Care/Telehealth Equipment	0.000	0.000	0%	0.000	0.000	0%		0.097	0.000	0.097	0.275	0.372	0.372
HAC	Public Health	2.837	0.005	0%	3.169	0.332	12%	There is a delay in the spend to date because we are waiting for invoices from the NHS CCG who in turn are waiting to be invoiced by NHS property Services. This issue has been flagged by the Finance Business Partner (AO) to DLT so that a resolution can be arrived at. Variances are due to 2 projects (Andrew Street & Bow School) that are not expected to happen.	4.660	6.241	10.901	3.296	17.033	17.033
HAC	Condition	0.000	0.000	0%	0.000	0.000	0%		0.000	0.000	0.000	0.095	0.095	0.095
<b>HAC Total</b>		<b>2.837</b>	<b>0.005</b>	<b>0%</b>	<b>3.169</b>	<b>0.332</b>	<b>12%</b>		<b>4.756</b>	<b>6.241</b>	<b>10.997</b>	<b>3.666</b>	<b>17.500</b>	<b>17.500</b>
HRA	Housing Capital Programme	37.857	3.312	9%	28.246	-9.611	-25%	The significant element impacting the capital programme delivery relates to procurement delays following an issue with one of the main contractors on the LCP Framework. This required additional due diligence, but led to delays to the start of the larger programmes of work in Better Neighbourhoods, with current forecasts of c£5.5m slippage. There are also some procurement issues affecting some of the mechanical and electrical works programmes, with current projections indicating c£3.6m of slippage in this area.	29.257	65.520	94.777	110.198	242.832	242.832
HRA	Ocean Estate Regeneration	0.316	-0.096	-30%	0.316	0.000	0%		0.000	0.000	0.000	2.117	2.433	2.433
HRA	Blackwall Reach	3.252	0.038	1%	3.252	-0.000	0%		0.000	0.000	0.000	2.284	5.537	5.537
HRA	Fuel Poverty Works	0.429	-0.026	-6%	0.029	-0.400	-93%	No further spend is expected for Fuel Poverty Works. Funding will be re-allocated within the 2019-20 HRA Capital Programme.	0.000	0.000	0.000	3.878	4.307	4.307
HRA	Short Life Properties	0.005	0.002	33%	0.002	-0.003	-60%	Completed, no further costs expected. Funding will be re-allocated within the 2019-20 HRA Capital Programme	0.000	0.000	0.000	1.551	1.556	1.556
HRA	Phase 2a Pipeline Schemes (1-4-1)	8.653	0.351	4%	4.767	-3.886	-45%	New Pipelines are currently being identified and are under review	23.600	39.980	63.580	0.397	72.630	72.630
HRA	New Supply - Budget Provision	1.197	0.000	0%	0.000	-1.197	-100%	New Pipelines are currently being identified and are under review	4.000	19.092	23.092	2.416	26.705	26.705
HRA	Buybacks 1-4-1 Receipts	0.000	-0.000	0%	0.000	0.000	0%		0.000	0.000	0.000	0.061	0.061	0.061
HRA	New Supply - On site	12.985	0.552	4%	6.717	-6.268	-48%	Watts Grove has now completed, awaiting final defects costs to come through, remaining budget to transfer to New Supply Budget Provision (HRA-011)	10.000	13.500	23.500	30.284	66.769	66.769
HRA	New Supply - Pre construction (Phase 1)	3.716	0.115	3%	2.713	-1.003	-27%	Works are progressing with 3 schemes now on site in September. Budget profiles are under review.	11.173	43.400	54.573	3.564	61.853	61.853

Directorate	Programme	Current Year							Future Years			All Years (inc Future and Past)		
		Latest Budget 2018/19 (£m)	Spend to Q2 (month 5) 2018/19 (£m)	Spend to date as % of annual budget	Projected Spend to 31/3/2019 (£m)	Projected Variance for 2018/19 (£m)	Projected Variance for 2018/19 (%)	Explanations for Projected Variance and for % Spend to Date	2019/20 Budget (£m)	2020/21 and Future Years' Budgets (£m)	Total Future Years Budget (£m)	Spend in previous years for current projects (£m)	Total Budget - All Years (£m)	Total Projection All Years (£m)
HRA	HRA - Mayoral Priority Growth 2017-18 to 2019-20	0.000	0.000	0%	0.000	0.000	0%		0.000	0.000	0.000	0.000	0.000	0.000
HRA	Community Benefit Society - 1-4-1 receipts	4.500	0.000	0%	2.300	-2.200	-49%	Process of establishing a company is underway. On track for first purchase in Q3	0.000	0.000	0.000	0.000	4.500	4.500
HRA	Mayor's Priority - Housing	0.686	0.010	1%	0.686	-0.000	0%		1.300	1.300	2.600	0.014	3.300	3.300
HRA	Phase 2b Mixed Tenure Schemes (1-4-1)	1.650	0.169	10%	1.392	-0.258	-16%		17.200	44.750	61.950	0.011	63.611	63.611
<b>HRA Total</b>		<b>75.246</b>	<b>4.426</b>	<b>6%</b>	<b>50.420</b>	<b>-24.826</b>	<b>-33%</b>		<b>96.530</b>	<b>227.542</b>	<b>324.072</b>	<b>156.775</b>	<b>556.093</b>	<b>556.093</b>
Place	Contaminated Land Works	0.063	0.010	16%	0.000	-0.063	-100%		0.106	0.106	0.212	0.058	0.333	0.333
Place	ICT Solution - Handheld Devices	0.373	0.109	29%	0.373	0.000	0%		0.000	0.000	0.000	0.171	0.544	0.544
Place	TfL Schemes	3.485	0.367	11%	3.417	-0.068	-2%	Minor adjustments to the funding streams from TfL have occurred since start of the financial year due to changes in the scope of works of certain projects	2.868	1.015	3.883	7.630	14.998	14.998
Place	Public Realm Improvements	5.901	-0.011	0%	4.456	-1.445	-24%	Principally brought about by the limitations imposed upon the existing Street Lighting Contract. It is capped at £1m p.a. Contract negotiations are on-going with a view to the issue of an invitation to tender to cover the whole contract commitment associated with the renewal of the programme of Streetlighting in the Borough.	4.283	7.700	11.983	3.662	21.547	21.547
Place	Transport S106 Funded Schemes	2.902	0.081	3%	2.728	-0.175	-6%	Minor adjustments to the programme have occurred since start of the financial year due to changes in the scope of works of certain projects and that some of the funds have been passported onto TfL	0.233	0.623	0.856	1.355	5.114	5.114
Place	OPTEMS	0.219	-0.000	0%	0.161	-0.058	-27%	£57.5k funding withdrawn.	0.000	0.000	0.000	0.530	0.749	0.749
Place	PLACE - Mayoral Priority Growth 2017-18 to 2019-20	0.100	0.000	0%	0.100	0.000	0%	Mayoral grants - applications received being assessed, will all be allocated.	0.000	0.000	0.000	0.000	0.100	0.100
Place	Private Sector Improvement Grants	0.043	0.012	28%	0.043	-0.000	-1%		0.100	0.800	0.900	0.009	0.953	0.953
Place	Disabled Facilities Grants	1.687	0.557	33%	1.400	-0.287	-17%	Distribution of grant is demand and need led, unused resources will be carried forward into future years	1.500	3.000	4.500	0.110	6.296	6.296
Place	Section 106 Passported Funding	4.538	0.000	0%	4.488	-0.050	-1%		0.125	0.000	0.125	0.372	5.035	5.035
Place	S106 Schemes	2.011	0.258	13%	1.334	-0.677	-34%	Budget provision for schemes to be approved in year	0.610	0.000	0.610	0.942	3.562	3.562
Place	Conversion of council buildings to temporary accommodation	4.288	0.221	5%	1.931	-2.357	-55%	Buildings have been identified and works are under way	0.172	0.000	0.172	0.090	4.550	4.550
Place	Community Hubs/Buildings	1.120	0.178	16%	1.433	0.313	28%	More extensive works required in year - funds brought forward from 19/20	0.950	0.000	0.950	1.090	3.160	3.160
Place	Registered Provider Grant Scheme (from 1-4-1)	5.221	0.280	5%	5.221	0.000	0%		2.269	1.674	3.943	2.902	12.066	12.066
Place	Purchase of Properties for use as temporary accommodation	11.505	19.912	173%	30.000	18.495	161%	Programme of purchasing properties for TA is progressing and funds from future years budgets will be brought forward.	24.970	58.300	83.270	13.854	108.629	108.629
Place	Thriving High Streets Pilot Programme	0.851	0.101	12%	0.851	-0.000	0%		0.000	0.000	0.000	0.149	1.000	1.000
Place	Establish a Wholly Owned Company	6.000	0.000	0%	1.000	-5.000	-83%	Process of establishing company has started, anticipate first acquisitions Q3/4	0.000	0.000	0.000	0.000	6.000	6.000
Place	Establish a Community Benefit Society	2.500	0.000	0%	0.000	-2.500	-100%	Slippage into 19-20	0.000	0.000	0.000	0.000	2.500	2.500
Place	CCTV	0.067	0.000	0%	0.067	-0.000	-1%		0.000	0.000	0.000	0.000	0.067	0.067
Place	BSF ICT Infrastructure	0.978	0.000	0%	0.000	-0.978	-100%	The BSF programme is finished and final accounts are being concluded. Once this is resolved a proposal will be brought forward to utilise any remaining resources. It is anticipated this will happen in 18-19	0.000	0.000	0.000	2.900	3.878	3.878
Place	Mayor's Priority - Public Realm Improvements	1.455	0.013	1%	1.455	-0.000	0%		1.000	3.000	4.000	0.545	6.000	6.000
Place	Investment works to LBTH Assets	0.561	0.419	75%	0.593	0.032	6%		0.000	0.000	0.000	0.768	1.329	1.329
Place	WorkPath / Young WorkPath	0.193	0.052	27%	0.193	0.000	0%		0.000	0.000	0.000	0.007	0.200	0.200
Place	Asset Maximisation	0.500	0.000	0%	0.470	-0.030	-6%		0.000	0.000	0.000	0.000	0.500	0.500
Place	Montefiore Centre Refurbishment Programme	1.000	0.002	0%	1.000	0.000	0%		0.000	0.000	0.000	0.000	1.000	1.000
Place	St Georges Town Hall Refurbishment Programme	0.750	0.001	0%	0.750	0.000	0%		0.000	0.000	0.000	0.000	0.750	0.750
Place	Section 55 Programme - Transport and Improvements	0.440	0.000	0%	0.440	0.000	0%		0.000	0.000	0.000	0.000	0.440	0.440
<b>Place Total</b>		<b>58.753</b>	<b>22.562</b>	<b>38%</b>	<b>63.905</b>	<b>5.151</b>	<b>9%</b>		<b>39.185</b>	<b>76.218</b>	<b>115.404</b>	<b>37.142</b>	<b>211.299</b>	<b>211.299</b>
Resources	Idea Store	0.280	0.000	0%	0.280	0.000	0%		0.000	0.000	0.000	0.201	0.482	0.482
Resources	RESOURCES - Mayoral Priority Growth 2017-18 to 2019-20	0.500	0.000	0%	0.000	-0.500	-100%		0.500	0.500	1.000	0.000	1.500	1.500
Resources	Local Presence Project	1.213	0.005	0%	0.500	-0.713	-59%		0.387	0.000	0.387	0.000	1.600	1.600
<b>Resources Total</b>		<b>1.993</b>	<b>0.005</b>	<b>0%</b>	<b>0.780</b>	<b>-1.213</b>	<b>-61%</b>		<b>0.887</b>	<b>0.500</b>	<b>1.387</b>	<b>0.201</b>	<b>3.582</b>	<b>3.582</b>
<b>Grand Total</b>		<b>165.007</b>	<b>31.049</b>	<b>19%</b>	<b>143.716</b>	<b>-21.291</b>	<b>-13%</b>		<b>219.472</b>	<b>373.865</b>	<b>593.337</b>	<b>265.793</b>	<b>1,024.137</b>	<b>1,024.137</b>

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# Agenda Item 9.2

Non-Executive Report of the:  <b>Overview and Scrutiny Committee</b>	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Zena Cooke, Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>LBTH Council Tax Reduction Scheme: A Scrutiny Challenge Report</b>	

## REASONS FOR URGENCY

The report was not published five clear days in advance of the meeting. Therefore, before this report can be considered at this meeting, the Chair of the Committee would need to be satisfied that it is necessary to consider the scrutiny challenge report in response to the Council Tax Reduction Scheme consultation without that consideration being delayed to a later meeting. As this report is timed to coincide with the report on changes to the local council tax reduction scheme consultation that will be considered at Cabinet on 31st October, 2018, the Committee may take the view that it is important that this report does not go to Cabinet without member oversight.

### **Executive Summary**

- 1.1 This report provides the report and recommendations of the Scrutiny Challenge Session report on the issue of the London Borough of Tower Hamlets Council Tax Reduction Scheme.

### **Recommendations:**

The Overview and Scrutiny Committee is recommended to:

1. Agree the report and the recommendations; and
2. Authorise the Divisional Director of Strategy, Policy and Partnership to amend the draft report before submission to Cabinet, after consultation with the Chair of the Overview and Scrutiny Committee.

### **1. REASONS FOR THE DECISIONS**

- 1.1 This report highlights the proposed changes to the Council's council tax reduction scheme (CTRS) and outlines the findings and recommendations from the Scrutiny Challenge session on the CTRS in time to feed into the formal consultation process.

### **2. ALTERNATIVE OPTIONS**

- 2.1 The committee may decide to not to agree the recommendations. This is not recommended as the report outlines work undertaken by Councillors and

officers to identify areas of improvement.

### **3. DETAILS OF REPORT**

#### **Background and context**

- 3.1 The Local Council Tax Reduction Scheme (LCTRS) challenge session was chaired by Councillor Marc Francis in his role as Scrutiny Lead for Resources in order to examine the impact of proposed changes to the Council's LCTRS as highlighted in a report to Cabinet in July 2019. Cabinet agreed Option 4 of the report, and these proposed changes are currently being consulted on and are due to be presented to Cabinet at the end of October, prior to a formal decision being taken at Full Council in January 2019.
- 3.2 The Local Government Finance Act 2012 ended the national system of Council Tax Benefit (abolished in April 2013) and replaced it with a Local Council Tax Reduction Scheme. Under this legislation responsibility was passed to local authorities to administer and fund financial support around Council Tax. By law, for the entitlement of pensioners under Council Tax Benefit has had to remain in place, but local authorities have been given the power to determine a new local replacement scheme for working age residents.
- 3.3 Under council tax benefit all awards were fully funded by central Government via an annual subsidy grant predicated on the total amount of benefit awarded. Each financial year the Council is required to review and consider whether to revise its existing LCTRS.
- 3.4 The Challenge Session was held in August 2018. It was acknowledged that Tower Hamlets Council still has one of the most generous LCTRS in London. Nevertheless, Members of Overview and Scrutiny Committee were concerned that the proposed changes do not go far enough to help all those adversely impacted by the changes.
- 3.5 The scrutiny challenge session was underpinned by five core questions:
- 1) Are the proposals in the Cabinet Report the best options for residents of Tower Hamlets?
  - 2) What is the financial impact of these proposals on our vulnerable residents and what support can the council offer?
  - 3) Are other London councils applying the Minimum Income Floor (MIF) and is this appropriate for self-employed residents?
  - 4) How are self-employed residents supported through the impact of LCTRS and how is Section 13A being implemented to support these groups?
  - 5) What support is in place to mitigate the need to instigate council tax debt recovery and support those through resolving debt issues and improving financial wellbeing?
- 3.6 Members that attended the challenge session were:

<b>Name</b>	<b>Title</b>	<b>Organisation</b>
<b>Cllr Marc Francis</b>	Scrutiny Lead for Resources, Councillor, Overview and Scrutiny Vice Chair, and Councillor	LBTH

	for Bow East Ward	
<b>Cllr Sufia Alam</b>	Overview and Scrutiny Member, and Councillor for Poplar Ward	LBTH
<b>Cllr Kahar Chowdhury</b>	Overview and Scrutiny Member, and Councillor for Lansbury Ward	LBTH
<b>Cllr Ehtasham Haque</b>	Councillor for Blackwall and Cubitt Town Ward	LBTH
<b>Cllr Tarik Khan</b>	Overview and Scrutiny Member (substitute) and Councillor for St Peter's Ward	LBTH
<b>Cllr James King</b>	Overview and Scrutiny Member and Councillor for Limehouse Ward	LBTH
<b>Cllr Puru Miah</b>	Councillor for Mile End Ward	LBTH
<b>Cllr Gabriela Salva-Macallan</b>	Councillor for St Peter's Ward	LBTH
<b>Cllr Eve McQuillan</b>	Councillor for Bethnal Green Ward	LBTH
<b>Cllr Kyrsten Perry</b>	Overview and Scrutiny Member and Councillor for Canary Wharf Ward	LBTH
<b>Cllr Candida Ronald</b>	Cabinet Member for Resources and the Voluntary Sector and Councillor for Blackwall and Cubitt Town Ward	LBTH

- 1.15 The panel received evidence from members of the Executive, a range of officers and experts including;

**London Borough of Tower Hamlets:**

<b>Zena Cooke</b>	Director of Resources	LBTH
<b>Steve Hill</b>	Head of Benefits Services and Grants	LBTH
<b>Lee Fearon</b>	Central Benefits Officer	LBTH
<b>Ellie Kershaw</b>	Tackling Poverty Programme Manager	LBTH
<b>Sam Crosby</b>	Adviser	Toynbee Hall Advice Centre
<b>Muzammel Hussen</b>	Adviser	Legal Advice Centre
<b>Jo Ellis</b>	Adviser	Island Advice Centre

- 3.8 The report with recommendations is attached as Appendix 1. There are seven recommendations arising from the review. It is useful to note that the report reflects the discussions from the challenge session and background research.
- **Recommendation 1:** Implement the proposed extension of backdating period to 52 weeks from 1<sup>st</sup> April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit
  - **Recommendation 2:** Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's Local Council Tax Reduction scheme (LCTRS).

- **Recommendation 3:** Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount
- **Recommendation 4:** Ensure those who might be directly impacted, for example, disabled non-dependents and self-employed claimants are written to inviting their views. Other stakeholders such as local advice agencies should also be directly engaged in the consultation process.
- **Recommendation 5:** Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal these decisions.
- **Recommendation 6:** End the use of the Minimum Income Floor (MIF) in the calculation of entitlement for Council Tax Support from 1<sup>st</sup> April 2019 onwards and base assessments on actual income, not an assumed level of income aligned to the National Minimum Wage.
- **Recommendation 7:** Undertake an assessment of whether the “ethical debt collection policy”, being promoted by Stepchange and the Money Advice Trust and implemented by the Hammersmith & Fulham, and Bristol, could be implemented in Tower Hamlets, and report back to Cabinet by 31<sup>st</sup> March 2019.

#### **4. EQUALITIES IMPLICATIONS**

- 4.1 HM Revenues and Customs latest poverty profile shows that Tower Hamlets is the 10<sup>th</sup> most deprived local authority in England in terms of its average deprivation score with 18,875<sup>1</sup> children living in poverty. Census figures found that 78 percent of Bangladeshi residents lived in households receiving council tax benefit, compared with 33 percent of other (non-Bangladeshi) residents. Members at the Challenge Session felt that the proposed changes in relation to the Minimum Income Floor may disproportionately affect some of our most vulnerable residents – for example disabled non-dependents and self-employed claimants. Taking steps to mitigate against residents on lower incomes being disproportionately impacted by the changes to the CTRS is therefore at the heart of the review and a focus for recommendations.

#### **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
  - Consultations,
  - Environmental (including air quality),
  - Risk Management,

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<sup>1</sup> <https://www.gov.uk/government/statistics/personal-tax-credits-children-in-low-income-families-local-measure-2015-snapshot-as-at-31-august-2015>

- Crime Reduction,
- Safeguarding.

5.2 No specific statutory implications.

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 This report and attachments summarises the work undertaken and recommendations of the Overview and Scrutiny committee following their review of the Local Council Tax Reduction Scheme (LCTRS). It included a review of changes consulted on during 2018 with a proposed implementation from April 2019.
- 6.2 Consultation has taken place on a number of options and the results of that consultation together with the outcome of the scrutiny review will be reported to Cabinet on the 31<sup>st</sup> October 2018.
- 6.3 The cost of the current scheme in 2018-19 is £25m. The financial benefit of implementing the various proposals will need to be made clear so that Cabinet and the Council are fully aware of the financial implications from a decision to vary the operation of the LCTRS.
- 6.4 Changes to the LCTRS scheme must be approved by Full Council before the end of January proceeding the year of implementation.

## **7. COMMENTS OF LEGAL SERVICES**

- 7.1 The Council is required by section 9F of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its inhabitants and may make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions.
- 7.2 The Council has a Local Council Tax Reduction Scheme (LCTRS) in accordance with powers contained in section 13A of and Schedule 1A of the Local Government Finance Act 1992. For each financial year, the Council must consider whether to revise its scheme or to replace it with another scheme. Any revision to its scheme, or any replacement scheme, must be made no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 7.3 The Council must comply with the following steps when revising its scheme:
- a. consult any major precepting authority which has power to issue a precept to it;
  - b. publish a draft scheme in such manner as it thinks fit; and
  - c. consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 7.4 It is consistent with the Council's constitution and legal duties for the Executive to give due consideration to the recommendations of the Overview and Scrutiny

Committee. When deciding whether or not to follow these recommendations, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). A proportionate level of equality analysis must be undertaken prior to the ultimate decision being taken in order to enable the Council to adequately discharge its equality duty.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- Appendix 1: Council Tax Reduction Scheme Scrutiny Challenge Report

### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of "Background Papers" used in the preparation of this report**

- NONE

## **APPENDIX 1**

**LBTH Council Tax Reduction Scheme**

**Scrutiny Challenge Session Report**



**September 2018**

## Chair's Foreword

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Ninety-seven years ago, thirty councillors from Poplar Borough Council were jailed for refusing to authorise the collection of rates for the London County Council and Metropolitan Police. They felt it was wrong that Poplar alone had to bear the burden of Poor Law Relief for the tens of thousands of local people who were out of work because of the post-war recession. Their stand ultimately forced the Coalition Government of the day to bring forward legislation equalising the value of the local rates, so that richer areas subsidised poorer ones.

To a greater or lesser degree that principle stood for the next ninety years. But in 2013, a new Coalition Government began to dismantle it. As well as dramatically cutting the Revenue Support Grant – subsidy from central Government – they “localised” the national system of Council Tax Benefit, along with a ten per cent cut in funding for local schemes. That change left local authorities facing an invidious choice between charging disabled and unemployed residents Council Tax or making further savings by cutting services.

In Tower Hamlets, councillors rightly chose to absorb the cut. In many other authorities, however, charges were introduced. Unemployed residents in those areas were forced to pay around £5 a week from their Job Seekers Allowance of £73 – a sum already regarded as too low to cover basic living costs like food, clothing and energy bills. Inevitably, hundreds of thousands of those being charged were unable to pay, and so ended up receiving a court summons. Many of those have had bailiffs sent to their door to recover the debt owed.

Faced with continuing cuts to Tower Hamlets' grant, the Mayor decided to review this authority's position in 2016. And in the autumn of that year, consultation began on the introduction of a 20 per cent Minimum Payment - £150-200 a year - for those previously exempt under our Council Tax Reduction Scheme. The public and political response was unsupportive and plans for a Minimum Payment were dropped. However, other changes were made, including a reduction in the capital limit, a reduction in the backdating period, changes to the Non Dependent Deduction charges and the introduction of the use of the Minimum Income Floor for self-employed claimants.

The last two of these were not properly described in the consultation which by law has to precede any changes to the scheme. (Indeed, they were not even fully described in the report that went to Full Council in January 2017 to approve the revised scheme.) The consequences of these changes have been very serious for hundreds of the Borough's poorest households. I have seen myself a family with two adult disabled sons suddenly hit with a bill of nearly £1,500 Council Tax. Bailiffs were sent to recover that money when they didn't pay it – adding another £400 to their debt. Self-employed claimants, like mini-cab drivers, saw their bills increase by £500 a year or more.

Those struggling to pay these new or increased bills have been invited to apply for relief under section 13A of the Local Government Finance Act 2012. However, they have been required to demonstrate financial hardship to be successful. They must give details of their family expenditure as well as their income – a 1930s-style means-test. Many were granted. But others were not. Many more simply refused to subject themselves to this indignity.

In July, the Mayor authorised a consultation on further changes to the Council Tax Reduction Scheme, including the extension of the backdating period to 52 weeks and the disregarding of Disability Living Allowance and Personal Independence Payments as income for the purposes of calculating Non Dependent Deductions. However, it proposes no change to the use of the Minimum Income Floor for self-employed claimants, so this authority would still assume they earn the equivalent of at least 35 hours a week at the National Minimum Wage. The consultation also proposes to use DWP's Two Child Limit.

This Scrutiny Challenge Session was held to examine the impact of the changes made in 2017/18 and the merits of the proposals in this consultation. Ten back bench members took part, and we were helped in this work by the expert advice of representatives from Island Advice Centre, the Legal Advice Centre (University House) and Toynbee Hall, as well as by the Lead Member for Finance, Cllr Ronald and officers from the Resources Directorate. I am grateful to everyone who gave their time and views. I hope this report and the recommendations we make will help inform this authority's final decision on the shape of our Council Tax Reduction Scheme from April 2019 onwards.

**Councillor Marc Francis**

## Summary of Recommendations

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- **Recommendation 1:** Implement the proposed extension of backdating period to 52 weeks from 1<sup>st</sup> April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit
- **Recommendation 2:** Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's Local Council Tax Reduction scheme (LCTRS).
- **Recommendation 3:** Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount
- **Recommendation 4:** Ensure those who might be directly impacted, for example, disabled non-dependents and self-employed claimants are written to inviting their views. Other stakeholders such as local advice agencies should also be directly engaged in the consultation process.
- **Recommendation 5:** Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal these decisions.
- **Recommendation 6:** End the use of the Minimum Income Floor (MIF) in the calculation of entitlement for Council Tax Support from 1<sup>st</sup> April 2019 onwards and base assessments on actual income, not an assumed level of income aligned to the National Minimum Wage.
- **Recommendation 7:** Undertake an assessment of whether the “ethical debt collection policy”, being promoted by Stepchange and the Money Advice Trust and implemented by the Hammersmith & Fulham, and Bristol, could be implemented in Tower Hamlets, and report back to Cabinet by 31<sup>st</sup> March 2019.

## 1. Introduction

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- 1.1 The Local Government Finance Act 2012 ended the national system of Council Tax Benefit (abolished in April 2013) and replaced it with a Local Council Tax Reduction Scheme (LCTRS). Under this legislation responsibility was passed to local authorities to administer and fund financial support around Council Tax. By law, for the entitlement of pensioners under Council Tax Benefit has had to remain in place, but local authorities have been given the power to determine a new local replacement scheme for working age residents.
- 1.2 Under council tax benefit all awards were fully funded by central Government via an annual subsidy grant predicated on the total amount of benefit awarded. However, subsidy for LCTRS awards has been frozen at the amount awarded for 2012/13 less 10% since April 2013, representing a national reduction of funding to Local Authorities of nearly £500m.
- 1.3 Each financial year the Council is required to review and consider whether to revise its existing LCTRS.
- 1.4 Initially, LBTH's scheme retained 100% support for all working-age claimants as well as pensioners. However, in 2016, a consultation was undertaken which proposed to introduce a 20% Minimum Payment as well as other changes to the LCTRS. Ultimately, councillors decided against introducing a Minimum Payment. However, other changes were made to the scheme – some of which may have caused those residents significant financial hardship.
- 1.5 A cabinet report was put forward in July 2018 to seek views on proposed changes to its Local Council Tax Reduction Scheme for 2019-2020. Cabinet agreed Option 4 of the report which agreed public consultation on the proposed changes listed below, and for officers to bring a report, setting out feedback from the consultation, back to the October Cabinet prior to a formal decision being taken.
  - Proposed changes to the deductions applied in respect of disabled non dependants with a view to applying a maximum weekly deduction of £4 for disabled non dependants
  - Proposal to retain the principle of applying the MIF for self-employed residents together with an enhanced support package and the application of Section 13A discounts to avoid hardship
  - Proposal to increase the current four week backdating provision to 52 weeks and remove the child allowance for families with more than two children (disregarding income that is not received within LCTRS).
- 1.6 It was acknowledged that Tower Hamlets Council still has one of the most generous LCTRS in London. Nevertheless, Members of Overview

and Scrutiny Committee were concerned that the proposed changes do not go far enough to help all those adversely impacted by the changes in 2017/18.

1.7 Therefore a scrutiny challenge session on the proposed changes was held by Councillor Marc Francis, Overview and Scrutiny Committee Lead for Resources on 28<sup>th</sup> August 2018, to seek views from local advice agencies supporting low income households and allow fellow back bench Councillors to discuss the proposed changes and any implications it may have on residents given the fact that Tower Hamlets is one of the most deprived local authorities in England.

1.8 The scrutiny challenge session was underpinned by five core questions:

- 1) Are the proposals in the Cabinet Report the best options for residents of Tower Hamlets?
- 2) What is the financial impact of these proposals on our vulnerable residents and what support can the council offer?
- 3) Are other London councils applying the Minimum Income Floor (MIF) and is this appropriate for self-employed residents?
- 4) How are self-employed residents supported through the impact of LCTRS and how is Section 13A being implemented to support these groups?
- 5) What support is in place to mitigate the need to instigate council tax debt recovery and support those through resolving debt issues and improving financial wellbeing?

1.9 At the challenge session, Members heard from expert witnesses from three advice centres who spoke about their experiences in supporting residents in financial difficulties having to pay Council Tax.

- 1) Toynbee Hall Advice Centre – the charity reported that in the last two financial years, priority debt has risen. They also reported a rise in self-employed residents seeking help due to council tax debt.

They acknowledged Tower Hamlets commitment to maintain a Local Council tax Reduction Scheme under which maximum entitlement was based on 100% of council tax liability but their two main areas of concerns were related to the impact of the MIF for self-employed residents and the removal of child allowance for families with more than two children.

- 2) Island Advice Centre spoke about a case they had dealt with where a self-employed resident who had contacted them about being affected by the MIF, and whom they'd subsequently supported in gaining a Section 13A discount for 2017/18. In addition they raised a concern about effectiveness of using bailiffs in aiding debt recovery.

- 3) Legal Advice Centre raised a concern about using bailiffs when collecting council tax debts.
- 1.10 Members were invited to ask questions and express their concerns heard from residents and as such there are seven recommendations being put forward in the report to be considered by the Overview and Scrutiny Committee. The report and recommendations will be presented to Cabinet in October, as the Committee's contribution to the wider consultation on the proposals prior to a decision at January Full Council.
- 1.10 At the scrutiny challenge session, Members and representatives from the advice services welcomed the proposed extension of the backdating period to 52 weeks to increase the support available for many claimants by Universal Credit as a very positive step which should be implemented from 1<sup>st</sup> April 2019. In addition, Members also wanted to see Section 13A relief considered for those claimants currently hit by the existing four-week limit.
- 1.11 Members was unclear whether the proposed use of the Two Child limit in the allowance would result in larger families affected having to pay more in future. Officers were requested to provide greater clarity on that in time to inform the response to the consultation and any final decision by councillors whether this change should be made to LBTH's LCTR scheme (subsequently provided and included in paragraph 3.1.5(4)).
- 1.12 Members heard evidence of the adverse impact of the inclusion of Disability Living Allowance and Personal Independence Payment (PIP) in the income assessments for non-dependents, and as such, strongly support the proposal to change the LCTR scheme to apply the lowest deduction of £4.00 in respect of these non-dependants from April 2019. Currently the council has written to all households affected to confirm the expenditure incurred due to the non dependents disability and has applied a Section 13A discount to all those who responded. Members welcomed this move but recommended that all claimants who have been adversely affected by this charge should have that bill and any costs, including bailiff fees, waived and any monies paid should be refunded.

**RECOMMENDATION 1:** Implement the proposed extension of backdating period to 52 weeks from 1<sup>st</sup> April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit.

**RECOMMENDATION 2:** Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's LCTR scheme.

**RECOMMENDATION 3:** Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount.

1.13 Members that attended the challenge session were:

<b>Name</b>	<b>Ward</b>
<b>Cllr Marc Francis</b>	Bow East Ward
<b>Cllr Sufia Alam</b>	Poplar Ward
<b>Cllr Kahar Chowdhury</b>	Lansbury Ward
<b>Cllr Ehtasham Haque</b>	Blackwall and Cubitt Town Ward
<b>Cllr Tarik Khan</b>	St Peter's Ward
<b>Cllr James King</b>	Limehouse Ward
<b>Cllr Puru Miah</b>	Mile End Ward
<b>Cllr Gabriela Salva-Macallan</b>	St Peter's Ward
<b>Cllr Eve McQuillan</b>	Bethnal Green Ward
<b>Cllr Kyrsten Perry</b>	Canary Wharf Ward
<b>Cllr Candida Ronald</b>	Blackwall and Cubitt Town Ward, Cabinet Member for Resources and the Voluntary Sector

1.14 The challenge session was supported by;

<b>Susie Quinn &amp; Vicky Allen</b>	Strategy Policy and Performance Officers
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1.15 The panel received evidence from members of the Executive, a range of officers and experts including;

**London Borough of Tower Hamlets:**

<b>Zena Cooke</b>	Director of Resources
<b>Steve Hill</b>	Head of Benefits Services and Grants
<b>Lee Fearon</b>	Central Benefits Officer

<b>Ellie Kershaw</b>	Tackling Poverty Programme Manager
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1.16 **External Speakers:**

<b>Sam Crosby</b>	Toynbee Hall Advice Centre
<b>Muzammel Hussen</b>	Legal Advice Centre
<b>Jo Ellis</b>	Island Advice Centre

## **2. National and Regional Context**

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- 2.1 In April 2013, Council Tax Benefit (CTB) was replaced with Council Tax Support (CTS). CTB was not a benefit as such, but gave low income households a discount on the amount of council tax they had to pay, often to nothing.
- 2.2 The change marked a historic move from a nationally devised system to one of 326 different local schemes in England. Alongside this restructuring, the money provided by central government to fund CTS was cut by 10%. Each local authority is now responsible for devising its own scheme within the reduced budget. They are also responsible for any shortfall or surplus in the CTS budget.
- 2.3 Government ministers argue that the change from CTB to CTS is designed to:
- increase local authorities' financial autonomy;
  - give local authorities a greater financial stake in the economic future of their area;
  - Save £410 million in a year across England.
- 2.4 Apart from one major requirement – that pensioners receive the same amount as they did in 2011-12 – councils have near full autonomy to create and amend the new local schemes. They have been advised to devise schemes that encourage work and protect the vulnerable, but defining the vulnerable is at the discretion of each local authority.
- 2.5 The New Policy Institute, commissioned by the Joseph Rowntree Foundation has analysed changes to council tax support, and the findings are presented in 2.6-2.8 below<sup>1</sup>:

### **2.6 How have councils changed the support available?**

- 2.6.1 From April 2013, local authorities across England were given the power to devise their own systems of Council Tax Support (CTS) for working-age adults. It replaced the national system of the Council Tax Benefit (CTB) which ensured that the poorest households did not have to pay council tax.
- 2.6.2 In the first year of CTS the funding available from central government was 10% less than that available under the former system of CTB (which central government funded in full). This central government funding for CTS has now been combined with the general grant that local authorities receive and is subject to the same cuts.
- 2.6.3 Each year the local authority decides how CTS should work in their area. Now in its fifth year, 264 (of 326) councils require everyone to pay at least some council tax regardless of income, five more than last

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<sup>1</sup> Council Tax Update 2017/18 – New Policy Institute

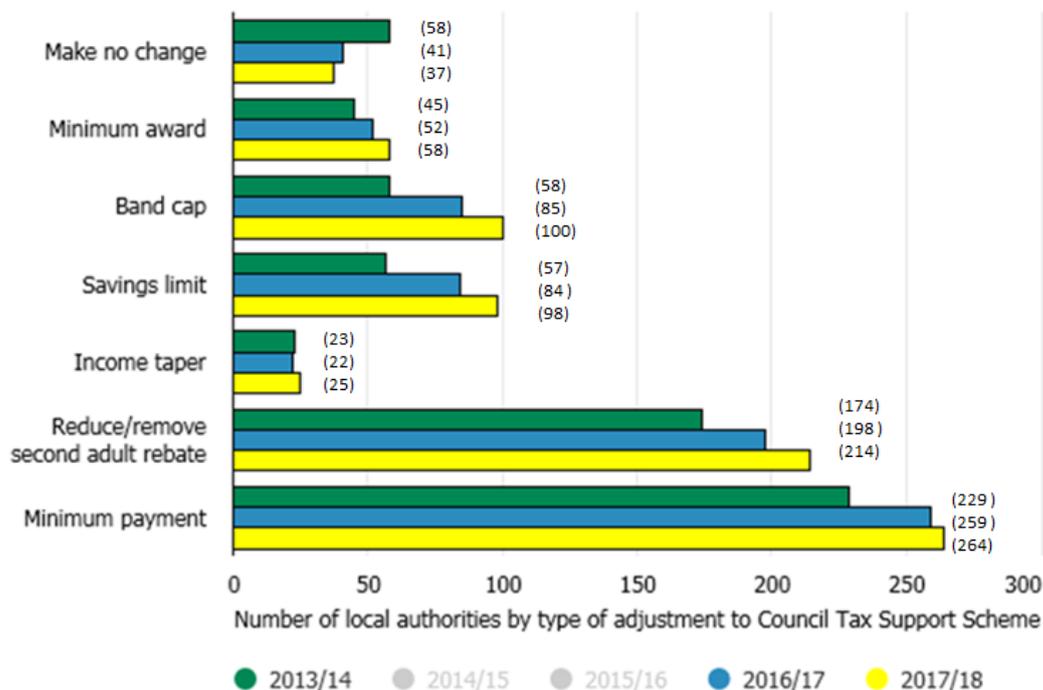
year and 30 more than in April 2013. This approach is akin to the minimum contribution required of all households regardless of their income under the Community Charge or “Poll Tax” in the early-1990s.

## 2.7 Changes over the past five years

2.7.1 From April 2017, only 37 councils (out of 326) are continuing to provide the levels of support available under the former Council Tax Benefit system, down from 58 in April 2013. Seventy four councils changed their schemes in April 2017, which is a slight increase compared to the 66 councils who changed their scheme in April 2016 and an increase from the 50 who changed their scheme in April 2015.

2.7.2 The most common change that local authorities have made from the former CTB system has been to introduce a “minimum payment” which requires everyone to pay at least some council tax regardless of income. From April 2017, 264 schemes include a minimum payment, up from 259 in April 2016, and 229 in April 2013. Along with a minimum payment, councils can make other changes to CTS.

2.7.3 The graph below shows the number of councils that have introduced a particular change. Some local authorities introduced more than one new measure (for example reducing the second adult rebate and introducing a band cap), so councils may be counted more than once.



2.7.4 New Policy Institute analysis found that:

- 214 councils have reduced or removed the second adult rebate (the benefit homeowners not on a low income are entitled to if they share their home with someone on a low income), 16 more than the previous year, April 2016, and 40 more than April 2013.

- 100 councils have introduced a band cap which involves limiting the amount of benefit received in higher value properties to the amount provided to those in lower value properties, 15 more than the previous year and 41 than in April 2013. The most common band cap applied is D.
- 98 councils have lowered the maximum savings limit (the savings limit over which one is no longer eligible for Council Tax Benefit), 14 more than the previous year and 41 more than in April 2013. Most reduced the threshold to £6,000.
- 58 councils have introduced a minimum CTS entitlement, 13 more than in April 2013. A minimum CTS entitlement of £5 per week would mean that claimants entitled to less than this would receive nothing.
- 25 councils increased the income taper (the amount by which support is withdrawn as income increases) from the CTB rate of 20p per £1.19 councils increased the taper whilst 3 have lowered it

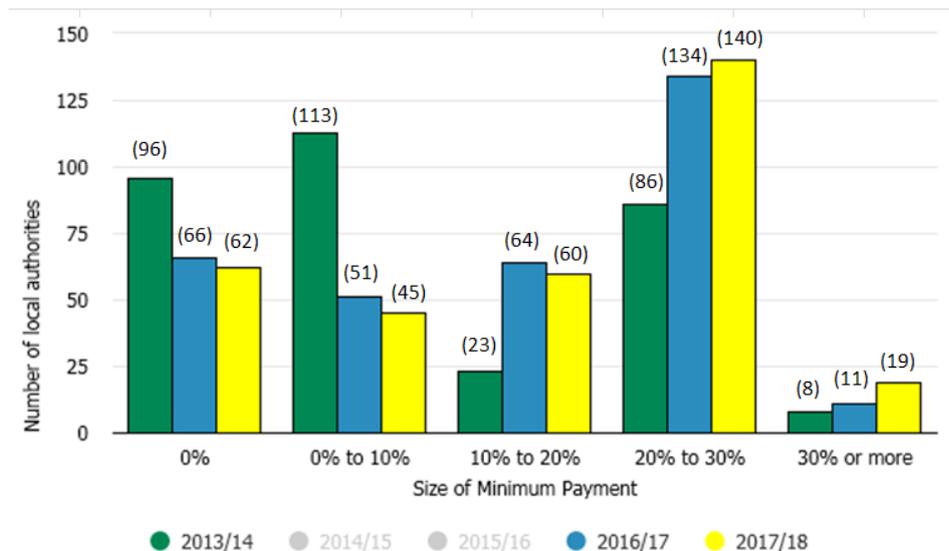
## **2.8 The range of minimum payments**

2.8.1 Analysis undertaken by the New Policy Institute indicates that the most common change that local authorities made from the former CTB system was to introduce a “minimum payment” which requires all households to pay at least some council tax regardless of income.

2.8.2 From April 2014, 245 schemes included a minimum payment, 16 more than in April 2013. From April 2015, this number increased to 250, from April 2016 it reached 259 and from April 2017 it has reached 264.

2.8.3 A minimum payment can be administered in a range of ways. Most local authorities with a minimum payment require all residents to pay a proportion of their council tax, and they are only entitled to council tax support for the remaining share. For example, a resident must pay 20% of their council tax liability but can apply for council tax support to help pay for the remaining 80%.

2.8.4 The size of this minimum payment varies by area; in 50 councils it is less than 10% of council tax liability and 140 councils it is from 20% up to 29%. Whilst for 19 councils it is 30% or more.



2.8.5 The graph above shows the number of councils by the level of minimum payment. It shows that:

- There has been a steady decline in the number of councils with smaller minimum payments levels (of 10% or less); from 113 in April 2013 to 45 in April 2017.
- The number of councils with a minimum payment of between 10% and 20% has fallen slightly to 60 in April 2017, four fewer than last year but up from 23 in April 2013.
- 20% to 30% is the most common minimum payment, with 140 councils choosing this level in April 2017, six more than the previous year and up from 86 in April 2013.
- The largest increase in April 2017 was among councils setting a minimum payment at 30% or above. Currently, 19 councils had a minimum payment of 30% or over, up from 11 the previous year and 8 in April 2013.
- In London, however, while the picture is equally mixed, there is a tendency for more generous schemes.

### 3. Tower Hamlets Council Tax Support Scheme

#### 3.1 Minimum Council Tax payments across London

3.1.1 In changing the scheme in 2017, the council ensured that residents on the lowest incomes continue to receive 100% rebate of their council tax liability. Tower Hamlets is one of only eight London councils who have retained 100% support within their LCTRS since April 2013 and in doing so the Council continues to offer one of the most generous schemes in London. In 2017/18 19,321 residents received 100% rebate (based on a caseload of 27,890).

3.1.2 The table below sets out the latest information available for 2018/19 LCTR schemes regarding minimum council tax contributions, residents who receive full LCTRS were expected to pay as a percentage of their council tax liability in each of 33 London boroughs.

<b>Local Authority</b>	<b>Minimum Council Tax Payment (%)</b>
Camden	0%
City of London	0%
Hammersmith & Fulham	0%
Kensington & Chelsea	0%
Kingston Upon Thames	0%
Merton	0%
<b>Tower Hamlets</b>	<b>0%</b>
Westminster	0%
Hounslow	8.5%
Islington	8.5%
Croydon	15%
Greenwich	15%
Hackney	17%
Havering	15%
Lambeth	15%
Richmond Upon Thames	15%
Southwark	15%
Sutton	18%
Haringey	20%
Bexley	20%
Brent	20%
Newham	20%
Redbridge	20%
Waltham Forest	24%
Bromley	25%
Ealing	25%
Enfield	27%
Harrow	30%
Wandsworth	30%
Lewisham	33%

**Note**<sup>2</sup>– Richmond has just begun consulting on dropping its charges and reinstating 100% support for all claimants. Haringey is currently consulting on reinstating 100% support for families with children (as well as disabled people who are already exempt from its Minimum Payment.)

3.1.3 Members at the scrutiny challenge session were pleased to support the intention to retain up to 100 per cent support under the council's LCTR scheme, which means this authority, continues to have one of the most generous schemes in London.

<sup>2</sup> Data obtained by FOI request by Chair of Grants Scrutiny sub-committee

## **3.2 Current Council Tax Reduction Scheme**

3.2.1 From April 2013 to March 2017 Tower Hamlets Council maintained a scheme for working age residents broadly similar to CTB. However, as the funding available from the Government has reduced every year it was decided to change the scheme from April 2017.

3.2.2 The council wanted to ensure its financially vulnerable residents were protected and as such the new scheme retains many of the features of the previous scheme:

- It is based on 100% of council tax liability;
- Entitlement is assessed on the applicant's income and circumstances;
- Deductions are applied for non-dependants (adults other than the applicant/partner who live in the household).

3.2.3 Following a full public consultation in October 2016, the following changes were made to the scheme in April 2017:

- The maximum amount of capital/savings allowed is £6,000.
- The amount of non-dependant deduction is based on the non-dependants total income;
- A minimum earnings floor equal to 35 hours at the national minimum wage is applied to applicants of residents who have been self-employed for over 1 year.
- Entitlement can be backdated for up to 1 month
- Entitlement will only normally be awarded during a period the resident is abroad if the absence is not expected to exceed 4 weeks.

3.2.4 The council now needs to consider whether to make changes to the current scheme which if agreed will need to be implemented before January 2019. As in 2017, these changes are subjected to full public consultation which is planned to take place in September and October 2018.

3.2.5 This consultation will focus on 4 main questions

1. Limit the maximum non-dependant deduction applied in respect of any person who gets disability benefits i.e. Disability Living Allowance, Personal Independent Payments, Attendance Allowance or Employment and Support Allowance to £4.00 per week.
2. Adjust the assumed level of minimum income for Self Employed claimants to reflect their age. Currently the council assumes an equivalent of 35 hours per week at the National Minimum Wage,

(£7.83 per hour, £274.05 per week) in the assessment of Council Tax Reduction for residents who have been self-employed for more than one year and who state they earn less than this amount. The Council wants to link this more closely with minimum wage rules and instead of applying a blanket 35 hours at £7.83 per hour the hourly rate will be based on the claimant's age as follows:

Age	Hourly Earnings	Weekly Earning (Based on 35 hours per week)
25 and over	£7.83	£274.05
21-24	£7.38	£258.30
18-20	£5.90	£206.50
Under 18	£4.20	£174.00

3. Allow entitlement to be backdated for up to 52 weeks.
4. Change the Child Allowances included in the local scheme to reflect those used in the assessment of Child Tax Credit and Universal Credit and Housing Benefit. The Child Allowance included in the assessment of LCTRS in effect discounts the amount awarded for each child in a residents Child Tax Credit or Universal Credit award. The effect of this change ensures that the child allowance discount in the assessment of LCTRS aligns with the amount of Child Allowance paid in Universal Credit or Child Tax Credit.

3.2.6 Following the Councils Code of Practice and legal advice, this process will last a total of 7 weeks starting from 3<sup>rd</sup> September 2018. It will be a much narrower consultation as compared to the consultation that took place in 2016 and will be co-ordinated by the Communications team. A report on outcomes is to be presented to the October 2018 Cabinet meeting.

3.2.7 Members who attended the scrutiny challenge session were aware of concerns raised about the 2016 consultation and argued that this consultation process must reach a wider audience and target hard to reach people. They wanted an assurance that groups directly affected for example, disabled non-dependents, self-employed single mothers and those that have health concerns who are least likely to be able to reach the MIF threshold of 35 hours should be invited to take part in the consultation. Members also gave feedback that the letter used in the 2016 consultation process was not well written and had links that could not be accessed. This was noted by officers and letters have been amended and written in plain English.

**RECOMMENDATION 4:** Ensure those who might be directly impacted, for example, disabled non-dependents and self-employed single mothers and those who have health concerns, are written to inviting their views. Other stakeholders such as local advice agencies

should also be directly engaged in the consultation process.

### **3.3 Council Tax Reduction Scheme in the poverty context**

- 3.3.1 Tower Hamlets latest poverty profile illustrates that according to HM Revenue and Customs (HMRC) it is the 10th most deprived local authority in England, in terms of its average deprivation score. However, while deprivation remains widespread in Tower Hamlets, the borough now contains fewer of the most highly deprived areas in England than before.
- 3.3.2 Tower Hamlets also has the highest rate of child poverty in the county and according to the *HMRC's children in low income families local measure*<sup>3</sup> 18,875 children in Tower Hamlets were living below the national poverty line in 2015; this represents 31% of the children in the Borough, the highest rate in Great Britain. However, HMRC poverty rates take no account of the housing costs families pay, so understate poverty levels. Indeed 35,900 children in Tower Hamlets live in families that rely on Housing Benefit to pay their rent; this represents 58% of children, the highest rate in Great Britain (2016).
- 3.3.3 Poverty rates vary considerably by ethnic group. National estimates suggest that the Bangladeshi population has the highest rate of poverty across all groups, more than twice as high as the rate for the White population (50 vs. 19 per cent, UK). Other ethnic groups with high poverty rates include those from Pakistani, Black and Other BME groups (40-46 per cent). These national trends are also evident in Tower Hamlets with Bangladeshi residents being far more likely than other groups to live in low income households. In 2011, research for the Council found that 78 per cent of Bangladeshi residents lived in households receiving CTB, compared with 33 per cent of other (non-Bangladeshi) residents.
- 3.3.4 In view of this and other poverty measures, the council has previously decided it would be unfair to follow the lead of many other councils which have moved away from a scheme based on 100% council tax liability as this would mean that most households will have to make a minimum payment towards council tax regardless of their income and circumstances. Instead, Tower Hamlets LCTRS retains 100% provision, which means the lowest income households qualify for a full reduction under the scheme and do not have to pay any council tax.
- 3.3.5 Consequently currently, 69% of households entitled to LCTRS receive a 100% reduction, equating to 19,030 households against a total LCTRS caseload of 27,697.

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<sup>3</sup> <https://www.gov.uk/government/statistics/personal-tax-credits-children-in-low-income-families-local-measure-2015-snapshot-as-at-31-august-2015>

### **3.4 Section 13A of The Local Government Finance Act 1992 - Discretionary Council Tax reduction**

3.4.1 The LCTRS scheme references discretionary provision available under Section 13A of The Local Government Finance Act 1992, to discount council tax liability where there is evidence of hardship.

3.4.2 Every council taxpayer is entitled to make an application for a discretionary council tax reduction. This discretionary reduction will only be granted to council taxpayers in exceptional circumstances and will normally be for a short term period (12months). An application for a further award can be made and there will be a review of the application and what actions have been taken since the last award.

3.4.3 Since April 2017, Section 13A has been used to help those experiencing hardship caused by the LCTRS changes. To date, 498 council tax payers have been supported, costing a total of £210,000.

	Self-Employed MIF		Disabled Non-Dep	
2017/18	78	£56.1k	194	£33.6k
2018/19	66	£32.3k	160	£32.3k

3.4.4 Members heard from representatives from advice centres in the borough about their experiences of dealing the Council's LCTRS. Island Advice Centre spoke about a case they had dealt with where the client was affected by the MIF. Through their intervention, they had been able to support their client to apply for a Section 13A discount which was successfully awarded. Advisers said that it is common that residents generally delay seeking advice about issues relating to paying Council Tax and other priority bills. In addition the Advisers said that the majority of affected residents were not aware of Section 13A, and had they known, they may have been more likely to seek support earlier. Members and Advisers at the session felt communicating this support more widely would make the process of seeking support less stressful. Advisers reported that some residents who had received support in the last year had become ineligible when re-applying in the second year, and they felt that the process of awarding by the Council was opaque. They pointed out that other councils have published their processes and guidance when applying under Section 13A on their websites and felt that Officers should look into this as a way of promoting this support to residents in a more open and transparent way.

**RECOMMENDATION 5:** Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal

these decisions.

### **3.5 Minimum Income Floor (MIF) and Self Employed Residents**

3.5.1 A MIF equivalent to 35 hours at National Living Wage is applied to claimants who have been self-employed for 12 months or more and have declared earnings below the MIF level.

Officers argued that a benefit of using the MIF for self-employed people allows the Council to support and encourage resident to increase their earnings and reduce the risk of a significant loss of benefit when they migrate to Universal Credit as it will negatively affect the level of both the Housing Cost element, (formerly Housing Benefit) and Living Cost element, (formerly Tax Credits).

3.5.2 The MIF was applied from 1 April 2017 for claimants who had completed 12 months self-employment at this date and from the date on which 12 months self-employment is completed for claimants who had worked less than one year at 1 April 2017. This mirrors the assessment criteria applied in Universal Credit (UC) which is currently being implemented in Tower Hamlets.

3.5.3 The table below shows the number of self-employed residents in receipt of LCTRS in relation to the introduction of the MIF over the last two financial years. In March 2017 the numbers reflect self-employed residents prior to the introduction of the MIF and April 2017 shows the numbers after the introduction of the MIF. Thereafter the decrease is due to a combination of both caseload churn and the length of self-employment extending beyond the 12 month threshold triggering the MIF. In July 2018 there are an additional 49 residents in receipt of LCTRS who are now in receipt of Universal Credit.

<b>Pre-MIF</b>	<b>Post-MIF</b>		
<b>March 2017</b>	<b>April 2017</b>	<b>March 2018</b>	<b>July 2018</b>
2,544	834	586	523

Table 1: self-employed and the introduction of the minimum income floor

3.5.4 Since April 2017 the Council has used Section 13A of The Local Government Finance Act 1992 – Discretionary Council Tax reduction in respect of self-employed residents affected by the MIF and families with disabled non dependants.

3.5.5 Support for self-employed residents affected by the Minimum Income Floor (MIF)

Members heard from Officers about the processes they had put in place to offer support and help for self-employed residents affected by the MIF.

**Stage One** - once initial contact with the Benefits Team has been made, officers will contact the resident requesting the following information:

- Completion of a personal financial statement
- Latest bank statements
- Latest self-employed accounts
- Contact details

The Benefits Team will then contact the Council Tax Team to arrange any recovery action to be suspended pending resident response.

**Stage Two** - In cases where the resident does not respond the following the process is in place:

- If the Benefits Service does not hear from the resident within two weeks a reminder is issued. The reminder advises that unless a response is received within two weeks it will be assumed he/she does not wish to take up the offer of help and advice.
- However, if no response has been received within the two week period, the resident is written to a second time. This letter advises that as a response has not been received it is assumed he/she does not want to pursue the offer of help but if they remain interested they should contact the service within 7 days.
- Finally, if the resident does not contact the service within 7 days a third letter is sent explaining that as he/she has not responded within 7 days we assume he/she does not wish to take up of the help on offer and is liable to pay the council tax as indicated on the latest demand issued. Council Tax team is advised to resume recovery action.

**Stage Three** - In cases where the resident provides the information requested the following support is provided:

- The resident is contacted to arrange a date, time and venue for interview.
- At the interview the Benefits Service will try to establish if any help or advice can be provided in respect of budgeting and ways in which to improve their business. This includes signposting to other services as required.
- Following the interview the Benefits Service will consider whether to apply a discretionary reduction in council tax for a temporary period in accordance with Section 13A of the Local Government Finance Act 1992 and the service will write to notify the resident of the outcome. The resident is advised to make contact should they disagree with the outcome.
- If a reduction is awarded the council tax team are notified of the amount and a revised council tax demand is issued to the resident following application of the reduction.
- The reduction is reviewed as the reduction period is due to expire and the resident is contacted to see whether their

circumstances have improved, or whether the reduction needs to continue.

- 3.5.6 Members heard that whilst there were 2,544 self-employed residents who were originally affected by the MIF, only 217 (8.5%) had initially contacted the council to apply for Section 13A support. Of those 217, just over half (112) responded and attended interviews set up to establish the support required. This represents 4.5% of the residents affected. Although the council's Benefit Service has attempted to contact the remaining 105 residents on at least three occasions, they have failed to respond. Further engagement is on-going to maximise the opportunity for self-employed respondents to seek support.
- 3.6.7 To date 75 self-employed residents affected by the MIF have been awarded a Section 13A discount.
- 3.5.8 At the session, Members reported feedback from some residents in Tower Hamlets who had felt it was difficult to access MIF relief and to take steps aimed at increasing their earnings. They felt it might be unrealistic to expect some residents, especially those with health problems or who are lone parents, to achieve this.
- 3.5.9 In addition Members were concerned that the Council was requesting personal financial information statements when assessing need. They felt that this could be seen by residents as being intrusive and stop people applying or re-attending the second interview. It is also not a legal requirement but council policy and requested if this could be reviewed.
- 3.5.10 Members were concerned that the result of using the MIF in the calculation of entitlement for council tax support was that approximately 2,000 households had seen significantly higher council tax bills than they would have expected had the MIF not been applied.
- 3.5.11 Officers outlined the rationale for using personal financial information when calculating CTR. This approach is taken as part of the council's duty to safeguard tax payer money, ascertain whether there is evidence of hardship, prepare residents for what will happen should they be placed onto Universal Credit, and ensure that the discretionary power to apply a Section 13A discount is applied fairly and consistently. In addition, DWP has recently requested that the council's Benefit Service should undertake a full evidence check on the earnings declared by self-employed residents for Housing Benefit purposes.
- 3.5.12 Whilst Members understood the advantage of identifying those self-employed claimants who would be hit by the switch to Universal Credit, they were not persuaded it is necessary to reduce their entitlement to Council Tax Support in order to help them increase their hours/earnings. Members also noted this is not being done by other local authorities. Consequently Members felt the level of Council Tax

Reduction should be based on their actual income, not an assumed level of income aligned to the National Minimum Wage.

**RECOMMENDATION 6:** End the use of MIF in the calculation of entitlement for Council Tax Support from 1<sup>st</sup> April 2019 onwards and base on residents actual income, rather than an assumed level of income aligned to the National Minimum Wage

### **3.6 Local Council Tax Reduction Scheme - Costs**

3.6.1 Nationally, it is reported that in the fifth year of local LCTRS, 2million families have been adversely affected by the change from Council Tax Benefit (CTB). On average these families will have had to pay £191 additional Council Tax in 2017/18 in comparison to what they would have paid under CTB. The most common financial impact of CTS changes on claimants in 2017/18 was an additional £150 to £200 per year to pay in council tax than they would have under CTS. The number of CTS claimants paying £200 or more has increased to 825,000.

3.6.2 In Tower Hamlets, the cost of the current LCTRS scheme for 2017-2018 was approximately £24.7m with £17.3m supporting working age households and £7.4m supporting pensioner households.

3.6.2 With regard to council tax income collection for self-employed residents, the collection rate was 95.9%, compared to the borough average collection rate of 97.5%. This analysis is based on all self-employed cases in receipt of LCTRS prior to the scheme change in April 2017 (2,500 cases).

### **3.7 Local Council Tax Reduction Scheme – Arrears and Debt Recovery**

3.7.1 As reported in 3.6.2 above, council tax collection rate in Tower Hamlets was 97.5% in 2016/17, comparable with the average collection rate in London according to benchmarking collected by London Councils.

3.7.2 Council tax arrears arise when a resident falls behind with their council tax payments. The way that missed payments are pursued varies from council to council. In March 2018, Tower Hamlets Council signed up to the Citizens Advice and Local Government Association council tax protocol<sup>4</sup> national initiative. The protocol offers practical steps aimed at preventing people from getting into arrears and advises on procedures for ensuring that enforcement agents act within the law and their guidelines when collection becomes necessary. It also sets out a best

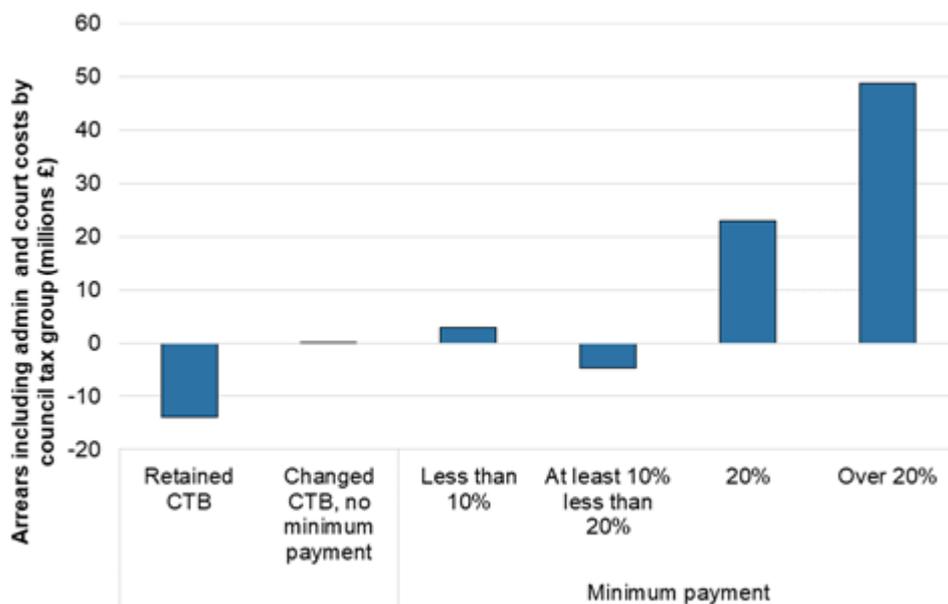
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[https://www.towerhamlets.gov.uk/News\\_events/News/2018/March\\_2018/Mayor\\_Biggs\\_backs\\_Citizens\\_Advice\\_guidelines\\_to\\_stop\\_residents\\_getting\\_into\\_Council\\_Tax\\_arrears.aspx](https://www.towerhamlets.gov.uk/News_events/News/2018/March_2018/Mayor_Biggs_backs_Citizens_Advice_guidelines_to_stop_residents_getting_into_Council_Tax_arrears.aspx)

practice standard for how collection processes can work well, with more early intervention to assist people struggling with payments, helping prevent further charges, alleviating stress and reducing both collection costs and demand on local public services.

3.7.3 National statistics show that in 2016-17, local authorities would have collected £26.8bn in council tax if everyone liable for council tax paid in full. Within this context, a small percentage point increase in uncollected tax represents a large sum. The graph below shows the level of arrears in, and takes into account the change in the council tax bases between the years to calculate the additional amounts of uncollected taxes in 2016-17 compared with 2012-13 the last year of CTB.<sup>[2]</sup>



3.7.4 At the challenge session, Officers briefly outlined the steps that the council takes when residents have failed to pay their council tax, for whatever reason. Officers stressed their commitment to supporting residents who were unable to pay because of lack of funds, at the pre-recovery of arrears stage and at the debt recovery stage. Officers explained the steps made to engage with residents in Council Tax debt.

Pre-recovery of arrears

3.7.5 The legal protocol for pre-court recovery is shown below. In Tower Hamlets this protocol is adhered to with additional steps in terms of timing and discretionary reinstatement of instalments.

- 1) *Demand instalment becomes due* – a reminder issued – if not paid, a summons is issued. In Tower Hamlets, on live accounts, a

<sup>[2]</sup> Council Tax Update 2017/18 – New Policy Institute <https://www.npi.org.uk/publications/council-tax/key-changes-council-tax-support-201718/>

- summons is issued where residents are behind by two instalments, i.e. the reminder was not paid and the following monthly instalment
- 2) *A Reminder is Paid* - on further default a "2nd Reminder" is issued - if the 2nd Reminder is not paid, summons is issued where 2 instalments are behind, i.e. the reminder was not paid and the following monthly instalment)
  - 3) *2nd Reminder Paid* – on further default – ‘Cancellation/Final Notice’ issued ending instalments & tax to year end due. At this stage residents have the opportunity to pay the overdue instalment and set a direct debit and instalments are reinstated. If the account is not rectified, paid or the direct debit set a summons is issued, the following month.

### Debt recovery

3.7.8 Legally, it is only on the granting of a Liability Order that the Council can take further enforcement steps. This may include the use of Enforcement Agents and attachments to benefits along with other powers detailed on our web site. An attachment of benefits is where after a Liability Order is granted in favour of the council by the Magistrate; the council can request the Department for Social Security / Department for Works and Pensions to make deductions from the following benefits: Jobseeker's Allowance (JSA); Income Support (IS); Employment Support Allowance (ESA); Pension Credit Guaranteed Credit (PCGC) and for some of the benefits which have been replaced by Universal Credit (UC). The attachment of benefit can only happen if the person whose name appears on the Council Tax bill is in receipt of one of the above benefits. However, attachments will only be made by the DWP where a prior attachment is not in place for another debt, be it water rates, benefit overpayment or a prior Council Tax order. The Department for Work and Pensions will pay the deduction over to the council on a monthly basis until the debt is cleared. The rate for council tax deductions is currently £3.70 per week.

3.7.9 The Council's enforcement team take the following addition steps to benefit our residents that are not required by regulation.

- 1) Issuing at least one SMS/email reminder, before issuing the first postal reminder - to prompt engagement.
- 2) E-reminders are sent approximately 9-12 days after an instalment is overdue and after a further seven days paper reminders are issued.
- 3) With the summons and all post court enforcement notices debt advisory service information is included to sign post residents to both national and local partner advice agencies, such as the Citizens Advice Bureau, Toynbee Hall and Island Advice. We also pre-warn on costs of enforcement action and encourage residents to engagement with us.
- 4) Issuing a 'Warning Notice' not required by regulation advising of the powers held under a liability order – prior to use of post court enforcement action. This is done to prompt engagement and to

encourage contact and to agree payment. This notification clearly warns of costs of enforcement officer action.

- 5) A check is made, on cases with the council tax reduction in payment within the debt year prior to passing cases to an agent and attachments made where appropriate. Where attachments are not made, a letter is issued to advise why and encouraging the resident to call us and agree a payment plan. Again enforcement action costs are detailed. SMS/emails are issued again to prompt engagement.
- 6) Where discretionary payment plans are agreed once a Liability Order application is made, if payment is late the Council issue a further reminder and then a cancellation notice, to allow payment to be made and prevent further enforcement. Attachments are made where appropriate on default and failed plans are checked before passing to an Enforcement Agent.

3.7.10 The table below illustrates cycle of recovery reminders and number of reminders sent so far this financial year. Email and SMS reminders are only issued if the council holds this information.

Instalment Due Date	E-reminder date	Number of e-reminders issued (email and SMS)	Legal reminder date (letter)	Number issued	Summons date	Liability Order Hearing date
01/04/2018	09/04/2018	2,385 + 6,954 = 9,339	16/04/2018	9,634	08/05/2018	31/05/2018
01/05/2018	09/05/2018	1,052 + 3,478 = 4,530	16/05/2018	3,120	12/06/2018	05/07/2018
01/06/2018	08/06/2018	838 + 3,189 = 4,027	15/06/2018	6,817	10/07/2018	02/08/2018
01/07/2018	09/07/2018	868 + 2,817 = 3,685	16/07/2018	5,192	14/08/2018	06/09/2018
01/08/2018	09/08/2018	745 + 2,583 = 3,328	16/08/2018	3,981	11/09/2018	04/10/2018

Please note the above figures relate to Reminder 1, Reminder 2 and Cancellation Notices only.

3.7.11 The council's arrears procedures for are as available via the council website:

[https://www.towerhamlets.gov.uk/ignl/council\\_and\\_democracy/council\\_tax/What\\_happens\\_if\\_I\\_dont\\_pay.a.spx](https://www.towerhamlets.gov.uk/ignl/council_and_democracy/council_tax/What_happens_if_I_dont_pay.a.spx)

3.7.12 At all stages in the arrears and recovery process, residents are encouraged to contact the Council and agree a payment plan, being prompted to do so more than once and advised of the consequences of not doing so. On the whole agents are only instructed where attachments are not appropriate or cannot be made and where a resident has not contacted the Council, despite messages or notices being issued, to agree a payment plan or have subsequently failed to pay an agreed plan. Officers regularly assist residents with payment, sign post residents to organisations such as the Citizens Advice Bureau and put the enforcement process on hold to allow those agencies to work with the residents and the council to agree an affordable payment plan.

3.7.13 Nevertheless, Members were concerned that the application of debt recovery costs incurred by residents was causing increased financial

hardship on residents who were already struggling to pay. They were also concerned that the use of bailiffs to recover outstanding sums, including from council tax support claimants may not always be happening “as a last resort”.

- 3.7.14 Councillor Marc Francis spoke about the Ethical Debt Collections Policy which aims to see the end of using bailiffs for council tax debt. Advocates argue the main benefit is avoiding increased hardship for residents and greater expense for the council, especially where there are unintentional consequences such as paying Council Tax at the expense of another priority bill such as rent, as this can lead to eviction.

**RECOMMENDATION 7:** The Mayor should undertake an assessment of the “ethical debt collection policy”, being promoted by the Stepchange debt charity and the Money Advice Service and implemented by the Hammersmith & Fulham and Bristol and report back to Cabinet by 31st March 2019 whether it will be implemented by LBTH.

## Glossary

Attachments	Attachment of benefits order: Money can be taken from benefit (for example Income Support, Job Seeker's Allowance, Employment Support Allowance or Pension Credit) and passed to the council.
Council Tax Protocol	A revised collection of council tax arrears good practice protocol agreed by Citizens Advice, June 2017 and Local Government Association, June 2017 <a href="https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Council%20Tax/Citizens%20Advice%20Council%20Tax%20Protocol%202017.pdf">https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Council%20Tax/Citizens%20Advice%20Council%20Tax%20Protocol%202017.pdf</a>
CTR LCTRS	Council Tax Reduction / Local Council Tax Reduction Scheme. A scheme which can help you to pay your council tax if you have a low income. If you are entitled to a CTR, your council tax bill is reduced.
CTS CTB	Council Tax Scheme formerly known as Council Tax Benefit.
DLA	Disability Living Allowance - money for people who have extra care needs or mobility needs (difficulty getting around) as a result of a disability.
MIF	Minimum Income Floor. For Universal Credit purposes, if a person is in gainful self-employment in an assessment period, and their earned income (i.e. their gross profits along with any employed earnings) in that assessment period amounts to less than their individual earnings threshold (the minimum income floor, MIF), they are treated as having earned income equal to the MIF. The MIF only applies to claimants who are placed in the all-work related requirements group (or who would be disregarding the operation of the MIF). Those who are in the no work related activity group, the work focused interview group or the work preparation group are not be subject to the MIF. The amount of the MIF is, very broadly, equivalent to the national minimum wage for each hour that the claimant is expected to work. For most people that will be 35 hours a week.
PIP	Personal Independence Payment - a benefit that helps with the extra costs of a long-term health condition or disability for people aged 16 to 64. It's gradually replacing Disability Living Allowance (DLA).
Section 13A	Section 13A of the Local Government Finance Act 1992 provides the council with a discretionary power to discount the amount of council tax that is payable to us on a case by case basis or to specify a specific class where several council tax payers may fall into a group due to similar circumstances.

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