


Cabinet 27 June 2017	 TOWER HAMLETS
Report of: Corporate Director, Resources	Classification: Unrestricted
Provisional Revenue and Capital Outturn Report 2016-17	

Lead Member	Cabinet Member for Resources - Councillor Edgar
Originating Officer(s)	Kevin Miles – Chief Accountant
Wards affected	(All Wards);
Key Decision?	No
Community Plan Theme	A transformed council, making best use of resources and with an outward looking culture

Executive Summary

This report details the provisional outturn position of the Council for the financial year 2016-17. Unlike previous budget management reports it is based on the actual position for the year rather than estimates and projections and forms the basis of the final accounts for the 2016-17 financial year. The information is presented to reflect the Council's new structure which was implemented in January 2017. The provisional position set out in this report is subject to change arising from the production of the statutory statement of accounts and their subsequent audit review. This report includes details of:-

- General Fund Revenue Account.
- Housing Revenue Account (HRA).
- General Fund and HRA Capital expenditure and financing.
- Summary of reserve movements.
- 2016-17 final savings position.
- The Council's Balance Sheet at 31st March 2017.

In February 2016 the Council approved a Medium Term Financial Strategy (MTFS) for the period 2016 – 2020 including its 2016-17 General Fund budget. The budgeted net position set out there indicated that there was an estimated funding gap of approximately £58m over the time of the MTFS.

The 2016-17 General Fund budget included approved savings of £19.5m in order to deliver a balanced budget. The provisional outturn position shows that £13.9m of savings were made with £4.6m slipping into future years. During the year The

Mayor in Cabinet approved the reversal of £966k of previously approved savings relating to Children's Services as the original proposals were now considered unachievable. A further £972k relating to saving proposals other than in Children's Services has now also been identified as not achievable.

Overall the Council's provisional outturn position is underspent by £733k which is in line with the £0.7m reported to Cabinet in March.

The closing balance on the General Fund (Reserve) is £31.7m, which is broadly in line with the projections made in the MTFS reported in Feb 2017.

The provisional outturn for the Housing Revenue Account (HRA) is a surplus of £9.1m which is an adverse movement of £2.1m above the position reported to Cabinet in March for period 9. This difference reflects the decision to purchase a property in March which was partly funded through the use of revenue resources and where the decision was taken after the previous outturn projection had been completed.

Within the overall Capital Programme (i.e. General Fund and HRA) 82% of the revised capital budget for 2016-17 was achieved (£79.9m against budgets of £97.3m). The original Capital Programme approved for 2016-17 which included a number of indicative schemes totalled £228m. All capital expenditure in 2016-17 was fully funded from available resources including additional borrowing of c£2m.

This report also includes a number of key indicators taken from the Council's balance sheet that give a 'snapshot' of the overall financial health and efficiency of the Council's business. This includes information relating to the Council's earmarked reserves and its Collection Fund.

Section 3 onwards provides the further detail supporting the Council's overall financial performance in 2016-17.

Recommendations:

The Mayor in Cabinet is asked to:

1. Note the Council's provisional revenue outturn position as at 31 March 2017 as detailed in Sections 3 to 5.
2. Note the Council's provisional capital outturn position as at 31 March 2017 as detailed in Section 6.
3. Note the position in achieving approved savings in 2016-17.
4. Note the key Balance Sheet indicators.
5. Note that the position set out in this report is subject to the preparation of the Council's statutory financial accounts and external audit processes.

1. REASONS FOR THE DECISIONS

- 1.1. The provisional outturn report sets out the position at the end of the financial year; this gives Members an opportunity to consider the final outturn position against the information provided during the course of the year and also to evaluate the Council's overall financial performance.
- 1.2. Set alongside other performance outcome measures it gives the opportunity to establish whether the objectives set by Members have been achieved within the financial resources allocated.

2. ALTERNATIVE OPTIONS

- 2.1. The production of the Council's Statement of Account is a statutory requirement and, whilst there may be changes to the position reported here as a result of finalising the accounts and undertaking the external audit, there is no scope other than to report the position reflected on the Council's financial system.
- 2.2. Any remedial action will need to be considered as part of the 2017-18 position including specifically where savings proposals have not been delivered and have slipped into 2017-18. In previous years' the level of amendment made following audit has been minimal.

3. INTRODUCTION

Provisional General Fund Revenue Position 2016-17

- 3.1. The Council's 2016-17 revenue budget was agreed in February 2016, this assumed a net service cost of £361.9m against which the Council expected to receive £338.6m via Central Government funding, Council Tax, retained Business rates and core grants.
- 3.2. The resulting funding gap of £23.3m was to be funded from General Fund Balances and was in large part intended to support expenditure or provision for expenditure on the new Civic Centre (£20m).
- 3.3. Table 1 below summarises the provisional revenue outturn position for the General Fund. The table shows the position before transfers to or from reserves and the position after those transfers have been made.
- 3.4. Where directorates have utilised reserves, further detail has been included in the relevant paragraph of section 4 below. A full review of the reserves position was undertaken in 2016-17 and the Corporate Director, Resources identified a number of corporately held reserves that were intended to facilitate the achievement of the savings programmes and change. These have been consolidated into a single transformation reserve to support the strategic priorities of the Council. A separate ICT Reserve has also been created; both of these actions were identified in the Council's February 2017 budget setting report.

4. Details of the Report

4.1. Governance

	£000s
	2016-17
Revised Budget	10,490
Actual Expenditure	10,625
Variance	135
Funded From Reserves	(61)
Outturn Position	74
Total Savings Target	339
Savings Achieved	180
Savings Deferred	0
Savings not achieved	159

Position before reserve movements

£135k overspend

4.1.1. The Governance Directorate outturn position includes £155k of reallocated service spend from the former CLC directorate.

4.1.2. The final outturn position for the directorate is a net overspend of £135k which will be funded from reserves and contingencies.

4.1.3. The two areas requiring reserve adjustments totalling £61k are:-

- Communications, £23k – To fund the one off costs associated with the new Performance Management System.
- Registration of Births, Deaths and Marriages £38k – To fund one off repairs and maintenance costs to Bromley Public Hall and costs associated with the implementation of a new electronic diary system.

Position after reserve movements

£74k overspend

4.1.4. These reserve adjustments will leave an overspend of £74k which relates to the additional costs associated with agency staff cover in Legal services to cover workload and vacant posts pending review of the service and recruitment as well as to assist with the interim arrangements surrounding the Corporate Director Post within the Governance directorate.

4.1.5. In addition savings relating to 2015/16 which have not been achieved are contributing to the overspend; these savings are associated with the new business model for the Registrars Service and in particular the difficulties in

generating sufficient income to fully cover costs. The Directorate will need to consider whether the service is in a position to generate the additional income required and, if that is not possible, propose an alternative savings option for approval by Members.

4.2. Place

	£000s
	2016-17
Revised Budget	69,136
Actual Expenditure	70,657
Variance	1,521
Funded From Reserves	(1,894)
Outturn Position	(373)
Total Savings Target	3,693
Savings Achieved	2,543
Savings Deferred	950
Savings not achieved	200

Position before reserve movements

£1,521k Overspend

- 4.2.1. Within the Directorate payments for legal compensation relating to land assembly for the Blackwall Reach scheme (£850k) together with the costs associated with two projects - Women into work and Health Care (£672k) have been funded from reserves created to meet these costs.
- 4.2.2. Unbudgeted revenue costs associated with vacant council premises awaiting disposal, including security, and energy costs have also contributed to the overspend in this area. Consideration needs to be given to the likelihood of on-going costs in this area if the proposed property disposals continue to be delayed.
- 4.2.3. The Directorate operates a number of trading accounts where the balance of costs are transferred at the end of the year to a Trading Account Reserve. The Building Control required support of around £100k in 2016-17 and the Directorate will need to consider whether this support is on-going together with action to ensure that over time the trading accounts are balanced and therefore sustainable. In addition the use of the residual homelessness grant to support costs in that area needs to be reviewed to conclude whether these are on-going costs which are liable to require core budget provision in the future.
- 4.2.4. The street trading account operates in accordance with the London Local Authorities Act 1990 (as amended), which stipulates what charges can be made to the account. If income exceeds expenditure, the surplus is then available to make good any shortfall or be reinvested in the operation of street markets. Any deficit on the account should be recovered as soon as practicable.

4.2.5. Following a decision made by the authority to implement a Landlord Licensing scheme additional fee income of £1.1m was received. Cabinet took the decision in February 2016 to implement the scheme in October 2016 on the basis that this would be cost neutral to the authority for the period of the scheme.

Position after reserve movements

£373k Underspend

4.2.6. After the application of reserves there is an underspend of approximately £373k. The following reserves have been applied:-

Reserve	Description	£000
Building Control Trading A/c	This is a trading account and is specifically set up to cover variances arising during the year. This item will be reviewed to establish whether the service will be granted a budget with surpluses and deficits being taken to the general fund.	114
Street Trading Trading A/c	This is a trading account and is specifically set up to cover variances arising during the year.	101
Homelessness grant DCLG	These reserves hold the balance of a grant which has historically been used to support the homelessness service.	157
Working Start for Women	Earmarked historic grant transferred to reserves with the expressed purpose in supporting women getting back into work.	124
Access to Employment	Earmarked historic grant transferred to reserves with the expressed purpose in supporting unemployed residents back into work, in conjunction with the working Start for Women Grant above	548
Blackwall Reach Land Assembly	Reserve has been set up to meet the legal compensation relating to the Blackwall Reach scheme.	850
		1,894

4.3. Children's Services

	£000s
	2016-17
Revised Budget	99,525
Actual Expenditure	107,786
Variance	8,261
Funded From Reserves	(1,047)
Outturn Position - Overspend	7,214
Total Savings Target (after reversal of agreed savings)	7,757
Savings Achieved	6,781
Savings Deferred	976
Savings not achieved	0

Position before reserve movements

£8,261k overspend

- 4.3.1. The Directorate is currently reporting a gross £8,261k overspend position, though this is reduced to £7,214k once £1,047k of earmarked reserves and grant drawdowns are applied. There was a 2016-17 directorate savings target of £7,757k; those elements which relate to Social Care are considered to be partly at risk given on-going pressures in that area although currently these remain as proposals for delivery in 2017-18. The savings target also reflects the reversal of £966k of savings, approved by the Mayor in Cabinet as they were confirmed to be unachievable.
- 4.3.2. There has been a significant increase in the numbers of children and young people assessed as having special educational needs in the Borough. Changes in the demographic make-up of the Borough are also leading to impacts in both the size and nature of the demand. This additional demand is having a significant impact on budgets; with an overspend of £250k for 2016-17. The DfE is reviewing the way that school funding is assessed and these changes are likely to add further pressures to this budget for future years. The DfE has not impacted upon 2016-17.
- 4.3.3. An independent review has been commissioned of the SEN (Special Education Needs) service with the objective of providing a fully costed set of recommendations to identify the underlying demand and proposed solutions.
- 4.3.4. Within Children's Social Care (CSC) the 2016-17 overspend stands at £5,823k. The main causes of this overspend are the pressures around the Council's statutory obligation regarding Looked after Children (contributing £1,800k to the overspend alone). The number of cases, particularly those with complex needs, and the resultant need to maintain full staffing levels has led to the use of agency staff, who cost circa 20% more than permanent staff. The Directorate has taken action to

review its offer to staff as part of the 2017-18 budget growth proposals which is expected to have a positive impact on agency staffing levels and overall cost.

- 4.3.5. A service re-design group, led by the CSC Divisional Director, is undertaking a review of this area, looking at ways to maintain effective service provision alongside actions for bringing the current budget variances back into line. A growth bid has been approved as part of the MTFS to address historic budget pressures and the service re-design will be put in place during the course of the 2017-18 financial year. This service re-design proposal is expected deliver a balanced budget by the end of the current MTFS period.
- 4.3.6. The Contract Services trading account continues to experience the same pressures that were seen in previous years, with a 2016-17 overspend of £806k. A service review has been concluded and a number of options are being considered including price increases and amendments to menus. These proposals will be presented to the Schools Forum in June 2017. If agreed, new arrangements will be put in place from September 2017. Additionally, back office functions and the operating structure of Contract services has been reviewed to yield further efficiencies.
- 4.3.7. The Youth Service transferred to Children's Services in 2016-17. In July 2016 the service introduced interim delivery arrangements pending the development of a substantive service redesign later in 2016. Both the interim delivery arrangements and the service redesign are expected to contribute to the Council's overall savings programme. Arising from the interim delivery arrangements there was a small underspend (£425k) in 2016-17. The Mayor in Cabinet on 10th January 2017 approved the substantive redesign of the Youth Service, which is expected to cost less. As a result a further saving proposal was put forward for the Youth Service to take effect from the 2017/18 financial year. Any delays or substantive amendments to the agreed Youth Service redesign could result in budget pressures accruing to the service during 2017/18.

Services transferred to Children's Directorate

- 4.3.8. Children's Services took over budgets worth £8.0m from the former CLC directorate when the new structure was announced.
- 4.3.9. Renegotiation of the Leisure contract has been undertaken in order to deliver savings of £1.24m. The objective has always been to provide for a full year's saving including agreement with Greenwich Leisure (GLL) to reinstate the current year's provision following the completion of the negotiations. Agreement in principle was reached with GLL in January on the fee waiver – this will require the approval of the Mayor in Cabinet as part of the Council's procurement framework. Therefore, subject to this agreement the full saving will be made on an ongoing basis.
- 4.3.10. Following the decision to run the Mela festival in-house at a cost of £286k, funding of £87k was identified from sponsorship and commercial income, and £29k from the Arts and Events budget. This leaves a balance of £170k that has been met from reserves.

Position after reserve movements

£7,214k overspend

4.3.11. Children's services are proposing the use of a total of £1,163k of earmarked reserves as set out below.-

4.3.12. In addition the council has received a new grant for Sport and Physical Activities of £116k for which a new earmarked reserve will be set up for community engagement programmes with the Poplar Baths Scheme. The net transfer from earmarked reserves is therefore £1.047m

Reserve	Description	£000
Urban Adventure	Reserve is intended to replace a kitchen at the Outdoor centre after the existing one was deemed unsafe	50
Arts, Parks & Events	Reserve is to enhance safety equipment and inspection regime in Mile End Park	105
Gang Violence Prevention	Reserve applied to fund the 'childview' computer database and staff involved with gang violence prevention	50
SEN Reserve	Contribution towards special education needs cost pressures (explained in paragraph 4.3.2).	159
Support for higher education	Contribution of Mayor's Education Grant towards secondary school improvement service	300
Redundancy Reserve	Corporate funding of redundancy payments	499
		1,163

4.4. Health, Adults and Community Services

	£000s
	2016-17
Revised Budget	131,971
Actual Expenditure	138,908
Variance	6,937
Funded From Reserves	(2,224)
Outturn Position - Overspend	4,713
Total Savings Target	6,931
Savings Achieved	3,590
Savings Deferred	2,748
Savings not achieved	593

Position before reserve movements**£6,937k overspend**

- 4.4.1. The Directorate is currently reporting a £4,713k overspend position after the application of the remaining ring-fenced Public Health Reserve (£850k), Supporting People Reserve (£800k) and Care Act Reserve (£466k).
- 4.4.2. £3,590k of the directorate's saving target of £6,931k has been met, with the remainder slipping into 2017-18. This slippage is due, in part, to the late start on projects. In addition £0.593m was unachievable (detailed in 4.4.3). The total unrealised saving equates to £2.7m and this amount is reflected in the projected overspend. The 2.7m comprises:-

Joint Funding Packages with NHS	£1.000m
Reablement	£0.400m
Sharing Services with NHS Partners	£0.435m
Charging for Social Care Services	£0.540m
Review of Day-care	£0.241m
Restructure of Out of Hours Service	£0.124m
Total	£2.740m

- 4.4.3. A saving of £593k relating to historic savings within the Learning Disabilities Day Services is now considered to be not achievable and as a consequence the Directorate will either need to make an alternative proposal or seek Member's agreement to reinstate the original budget provision.
- 4.4.4. The Public Health Service has identified a net overspend of £1,851k (after use of the £850k ring-fenced reserve). Government grant reduction, historical staffing cost pressures, increased service demand within Sexual Health (Gum) services has contributed to this overspend. Action to mitigate pressures in free school meals was taken during the year. A recovery plan has been prepared which addresses these pressures in 2017/18.
- 4.4.5. The Adult Social Care Service is reporting an overspend of £5,794k, reduced to £4,528k by the use of £1,266k reserves and after the application of £4.837m investment for demographic growth, inflation and the ethical care charter. This overspend is mainly within the costs of care packages. The client area that has increased most is within Physical Disabilities, with other areas experiencing relatively small increases. The Directorate has implemented a person centred assessment approach which is helping to mitigate some of the budget pressures.
- 4.4.6. The Commissioning and Health budget, which is mainly staffing and block contracts, has reported an underspend of £1,304k. Grant funding of the Carers Centre, re-provision of Supporting People block contracts and the recent staffing restructure are the main contributors to this variance. The Directorate is planning a review of a number of services with the aim of implementing more efficient and effective delivery models.

Services transferred to Health, Adults and Community

- 4.4.7. When the new structure was implemented the Health Adults and Community (HAC) Service took over functions which were supported by a £3,360k budget.
- 4.4.8. A reduction in tier 4 DAAT (Drug & Alcohol Action Team) activity levels resulted in an underspend of £484k. Due to the reduction in tier 4 services, there is a savings target of £950k for substance misuse in 2017/18.

Position after reserve movements

£4,713k overspend

- 4.4.9. Health, Adults and Community are proposing the use of a total of £2,224k of earmarked reserves, including use of the following:-

Reserve		£000
Public Health	Ring-fenced Public Health Reserve	850
Supporting People Reserve	To support the implementation of the National Stroke Strategy by raising the quality of treatment of care for stroke survivors and their carers.	800
Care Act Integrated Transformation Fund	To fund phased implementation of the Care Act	466
Violence against women post	To fund the post of 'Violence against Women Co-ordinator'	38
Victim Support	to assist in the provision of the Victim support scheme	70
Total		2,224

4.5. Resources

	£000's 2016-17
Revised Budget	19,190
Actual to date	19,493
Variance	303
Funded From Reserves	(273)
Outturn Position - Overspend	30
 Total Savings Target	 772
 Savings Achieved	 694
Savings Deferred	78
Savings not achieved	0

Position before reserve movements

£303k overspend

- 4.5.1. For 2016-17 this Directorate has achieved a broadly balanced budget position. The budget has increased by £8.7m to reflect services now included that had previously been within the CLC directorate
- 4.5.2. There is an overspend of £200k as a consequence of Tower Hamlets Homes withdrawing from Service Level Agreements around helpdesk call handling. The pressure has been managed in 2016-17 through directorate underspends including through financial systems (c.£50k) and corporate finance budgets (c.£80k) as a consequence of vacancies in permanent roles, graduate trainee posts and general supplies and services spend. The overall resource levels will be considered as part of the work of the Smarter Customer Access Programme in order to ensure that the overspend does not continue in future.

Position after reserve movements

£30k Overspend

4.5.3. The following earmarked reserves have been utilised:-

Reserve		£000
Grants Fund	Used to support grant funding for voluntary sector organisations	57
ICT project	ICT system development projects	216
Total		273

4.6. Corporate Costs & Capital Financing

£12.4m underspend

- 4.6.1. These budgets provide for unforeseen events (contingencies) and Council wide budgets for growth and inflation approved at the time of the MTFS. The budgeted provisions for contingencies; growth and inflation were not fully utilised. The main elements of underspend were for unallocated growth - £1.7m; unallocated inflation - £3.3m; contingency sum - £2.7m, reduced capital financing costs - £3.3m together with an additional contribution from parking income.
- 4.6.2. Of the approved inflation of £5.5m for 2016-17; £4.6m was awarded. Also the Inflation budget for 2016-17 included a sum of £2.4m brought forward from the previous financial year. The total underspend of £5m for inflation and growth has been reflected in the Medium Term Financial Strategy (MTFS) and used to fund the expenditure requirement for future years’.
- 4.6.3. Capital financing costs for the year were less than budgeted due to the need for a lower Minimum Revenue Provision, which are resources set aside to repay borrowing and a reduced requirement for borrowing to fund capital investment projects both as a result of slippage against proposed capital expenditure in the current and previous years’.

Reserves

- 4.6.4. ICT spend of approximately £2.0m has been met from the ICT reserve, the Council's Insurance Reserve, has been applied to meet the cost of claims in 2016-17 (c£1.1m) and £2.8m of the Transformation Reserve has also been used to cover the following approved schemes:
- Bank transfer from the Co-operative Bank to NatWest
 - Financial systems improvement works
 - MTFs strategic partner costs (Grant Thornton led Consortium)
 - HR improvement programme
 - Programme and project management resources supporting delivery of the Council's savings programme

5. Housing Revenue Account (HRA)

£9.1m surplus

- 5.1. The 2016-17 HRA revenue outturn is a £9.1 m surplus. The overall HRA underspend is the result of a number of variances; the main one being that, as reported throughout the year, the 2016-17 HRA budget assumed that a levy of £8.4 m would be payable in relation to the sale of higher value void properties policy contained within the Housing and Planning Act 2016, however the government confirmed in November 2016 that no levy will payable until April 2018 at the earliest, therefore no expenditure was incurred in 2016-17.
- 5.2. In addition, the final expenditure on the energy budget was lower than budgeted; due to delays in invoicing by the energy companies and a lack of information provided in relation to energy bills, it was not possible to accurately forecast this area of expenditure during the year. Also, expenditure on repairs was lower due to a reduction in demand, reflecting the reduction in tenanted stock numbers following the increased number of Right to Buy sales that have taken place over the last few years.
- 5.3. However there were also some areas of overspend: there was lower capital fee income due to lower expenditure on the HRA mainstream capital programme. Also, the proposed level of Revenue Contribution to Capital (RCCO) was £2 m, whereas the final level of RCCO that was applied to finance the HRA Capital Programme was £5.3m; this increase was mainly due to the Council taking advantage of an opportunity to purchase the former GP's surgery at 99 St Paul's Way that took place in March 2017 and which was partially funded by a revenue contribution, as well as Right to Buy 'one for one' receipts.
- 5.4. The 2016-17 surplus of £9.1 m will increase HRA balances to £41.7m, which will be used to fund future capital expenditure on the Council's housing stock, and contribute to the 70% HRA funding that is necessary in order to spend the substantial amount of Right to Buy 'one for one' receipts that have been retained by the Council. Members are reminded that HRA funding is ring-fenced and is available only for social housing and cannot be applied for general fund purposes.

6. CAPITAL

- 6.1. The revised capital budget totalled £97.3m, an increase from the £92.7m reported to Cabinet in the third quarter monitoring report. The increase is due to new scheme approvals and the re-profiling of a scheme for new housing supply into 2016-17.
- 6.2. Details of all the changes to the capital budget are set out in Appendix 1.
- 6.3. Total capital expenditure to the end of 2016-17 was £79.9m against a revised budget of £97.3m, resulting in slippage of £17.4m or 18% as follows:

<i>Structure after 9/1/17</i>	Annual Budget as at 31-Mar-17	Expenditure 2016-17	Variance (Slippage)	Variance as % of budget
	£m	£m		
TOTALS BY DIRECTORATE:				
Health, Adults and Communities	3.687	2.107	-1.580	-43%
Children's Services	18.135	15.419	-2.716	-15%
Place	12.756	10.973	-1.783	-14%
Resources	0.225	0.122	-0.103	-46%
Housing Revenue Account (HRA)	58.977	51.269	-7.708	-13%
Corporate	3.488	0.000	-3.488	-100%
GRAND TOTAL	97.268	79.890	-17.378	-18%

- 6.4. Resources not used in the current year are proposed to be used in future years of the programme. The main reasons for the slippage are as follows:

- **HRA Buybacks of Previous Right to Buy Sales (£-6.4m)**

The Council purchased eight properties in 2016-17 with the intention of using HRA resources. However, these properties will now be used as temporary accommodation and so have therefore been acquired in the General Fund with most of the expenditure now showing under the 'Purchase of properties for use as temporary accommodation' budget line. Expenditure incurred under both approved budget headings is eligible expenditure for the purposes of spending Right to Buy one for one receipts.

- **Corporate Budget Provision for Infrastructure Delivery (£-3.5m)**

This relates to budget provision for allocations made under the Infrastructure Delivery Framework (IDF) Process. Amounts will be moved to Directorates as allocations are approved, and spend projections will be added accordingly.. Any amounts unspent in the current year will be rolled forward to 2017-18.

- **Purchase of Properties for Use as Temporary Accommodation (£+2.5m)**

The Council purchased eight properties in 2016-17. Most of these have been acquired in the General Fund for use as temporary accommodation; therefore the majority of the expenditure is now showing under this budget line rather than the

HRA Buybacks budget line. Expenditure incurred under both budget lines is eligible expenditure for the purposes of spending Right to Buy one for one receipts

- **New Housing Supply – Schemes On Site (£-2.4m)**

This budget relates to new-build schemes that are currently onsite (Watts Grove and the Extensions programme) or where work has finished and accounts are being finalised (Bradwell Street). The Watts Grove new-build scheme is forecast to complete during the first quarter of 2017-18, therefore the remaining Watts Grove budget will slip forward to 2017-18.

- **Housing Capital Programme (£+1.8m)**

This is an ongoing capital programme to maintain the condition of the Council's housing stock. The 2016-17 spend was slightly ahead of the budget profile, this will be adjusted in 2017-18.

- **Condition and Improvement - Schools (£-1.5m)**

Slippage occurred on a number of different projects within this programme area:

- Stephen Hawking School project slippage due to procurement process delay causing works to begin in March 2017, later than planned.
- Delay in Marner School sports pitch work due to planning approval being received later than planned, causing works to begin in March 2017.
- Harbinger School works near completion, awaiting Final Account to make payment.

- **Public Health (£-1.5m)**

Slippage on William Cotton Place and Various Site Improvements, works are ongoing in 2017-18. These projects are fully funded by section 106 resources.

6.5. The capital expenditure of £79.9m has been funded from the following sources of finance:

Source of Financing	£m
Government Grants and Contributions	25.049
Capital Receipts	7.913
External Borrowing	2.096
Developers' Contributions (section 106)	4.687
Revenue Contributions (including earmarked reserves)	25.628
Major Repairs Reserve	14.517
Total	79.890

6.6. Capital receipts received in 2016-17 from the sale of Housing and General Fund assets as at 31st March 2017 are as follows:

Capital Receipts*		
	£m	£m
Dwellings Sold under Right To Buy (RTB)		
Receipts from RTB sales (263 properties)	42.098	
less poolable amount paid to DCLG	-1.755	
		40.343
Sale of other Housing Revenue Account (HRA) assets		
Preserved Right to Buy receipts	4.255	
11-31 Toynbee St and 67-69 Commercial St	8.000	
32-34 Hessel Street	0.027	
31 Turner Street	1.800	
327-329 Morville Street	4.751	
		18.833
Sale of General Fund assets		
2 Jubilee St	4.050	
Limehouse Library deed of variation	0.033	
Cheviot House	14.040	
Sovereign Court Overage	1.838	
		19.961
Total		79.137

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.

7. Balance Sheet Items

The following extracts are items from the balance sheet, which give the Councils position as at the 31 March 2017. Comparatives for 2015/16 are also included.

7.1. Debtors

Debtors are individuals, organisations and companies that owe the Council for goods and services. Significant movements year on year are included below

£m	31 March 2016	31 March 2017	
Debtors			
- Council Tax Debtors	17.7	16.9	
- NNDR Debtors	14.6	20.7	
- Other Debtors	64.9	46.9	15/16 debtors figures included large debtors for NHS trusts relating to social services, these have not been repeated in 2016/17.
Total Debtors	97.2	80.5	

7.2. Creditors (liability)

Creditors are individuals, organisations and companies that the Council owes for goods and services at the end of the financial period.

£m	31 March 2016	31 March 2017	
Total Creditors	201.8	150.2	Lower creditor figure relates to a reduction in the Infrastructure Levy ;lower creditors for NNDR and Council tax . The previous year also included a number of late accruals for the NHS which have not been repeated in 2016/17.

7.3. Reserves

Reserves held by the Council are amounts set aside, which do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances which every Council must maintain as a matter of prudence.

£m	31 March 2016	31 March 2017	
Usable Revenue Reserves			
- General Fund	72.1	31.7	Reduction attributable to movement to earmarked reserve including Transformation and new Civic Centre reserve.
- Housing Revenue Account	32.1	39.1	
- Schools	31.8	24.7	
- Earmarked Reserves	122.0	134.6	Net effect after formation of Transformation and Civic Centre Reserve and the effect of directorate movements.

- Capital Receipts unapplied	86.3	156.8	A number of properties have been sold including Cheviot House, 2 Jubilee St. and 11-31 Toynbee St.
- Capital Grants unapplied	56.2	82.0	Mainly attributable to the receipt of the Community Infrastructure Levy (£18m).
- Major Repairs Reserve (HRA)	9.2	9.5	
Total Reserves	409.7	478.4	

7.4. Business Rates

In 2016-17 £397m of Business Rates were collected by the Council, at present it retains 30%, with the balance being distributed to the GLA (20%) and Central Government (50%).

Business Rates	2015-16		2016/17	
	£m	%	£m	%
	Collected	378.0	99.6	397.0

- Percentages include prior years collections, and therefore may exceed 100%

Business Rates collection achieved a budgeted collection rate of 102.05%. This remains a good performance, but due to additional funds having to be allocated to mitigate the risk of the large number of appeals received in the last quarter of 2016-17, and a small number of cases yet to be resolved regarding the application of relief and rates avoidance schemes, this money will not be immediately released into the collection fund.

7.5. Council Tax

In 2016-17 £101. m was collected in council tax. The Council retains 75% of this with the remainder being paid over to the GLA.

Council Tax	2015-16		2016/17	
	£m	%	£m	%
	Collected	97.5	96.3	101.0

- Percentages include prior years collections, and therefore may exceed 100%

Council Tax collection achieved a budgeted collection rate of 101.46%. This remains a good performance, with a great deal of work being done to reduce single person discounts (SPD) levels throughout the year and ensuring all new properties are identified and added to the local list. SPD levels are now the lowest ever achieved.

8. APPROVED SAVINGS PROGRAMME

8.1. A total saving of £19.492m was agreed for delivery in 2016-17. £17.423m of this relates to new savings projects agreed as part of the 2016-17 budget setting process. The balance represents historic savings (£2.069m), mainly within Health, Adult and Community and Children's Services. The table below summarises the 2016-17 savings position by directorate.

Table 2 – Total 2016-17 savings

Directorate	Total Savings 2016-17 £'000	Savings 2016- 17 Delivered £'000	Slippage 2016- 17 £'000	Variance (Total Non Delivery) 2016-17 £'000
Health, Adults & Community	6,931	3,590	2,748	593
Children's Services	7,757	6,781	976	-
Place	3,693	2,543	950	200
Governance	339	180	-	159
Resources	772	694	78	-
Total	19,492	13,788	4,752	952

9. COMMENTS OF THE CHIEF FINANCE OFFICER

- 9.1. The outturn report summarises the Council's financial position at the end of the financial year and is subject to external audit verification. The underspend position is consistent with that reported to members throughout the year and in particular the position reported to Cabinet in March 2017. In addition the General Fund balance reflects the position set out in the Budget setting report to members in February 2017.
- 9.2. The financial implications of variances against revenue savings and capital projects will be addressed in 2017-18 and management actions set out in the first financial monitoring report for that year.

10. LEGAL COMMENTS

- 10.1. The report provides performance information, including by reference to key performance indicators and the budget. It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted.
- 10.2. Section 3 of the Local Government Act 1999 requires the Council as a best value authority to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Monitoring of performance information is an important way in which that obligation can be fulfilled.

- 10.3. 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 Members to receive information about the revenue and capital budgets as set out in the report.
- 10.4. When considering its performance and any procurement, 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 do not (the public sector equality duty). Relevant information is set out in the body of the report.

11. ONE TOWER HAMLETS CONSIDERATIONS

- 11.1. There are no 'One Tower Hamlets' Considerations contained within this report.

12. BEST VALUE (BV) IMPLICATIONS

- 12.1. Achieving Best Value is integral to the budget setting, monitoring and reporting process and members will want to consider, on the basis of the information in this report, the extent to which the outcomes they have set out have been delivered within the resources set aside in the budget for their delivery.

13. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 13.1. There are no 'Sustainable Actions for a Greener Environment' considerations contained within this report.

14. RISK MANAGEMENT IMPLICATIONS

- 14.1. This is an information only report and Risk Management implications are considered as schemes and actions are proposed and improved rather than when the budget outturn is reported.

15. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 15.1. There are no 'Crime and Disorder' considerations contained within this report.

16. SAFEGUARDING IMPLICATIONS

- 16.1. There are no 'Safeguarding Implications' considered within this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE.

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

- NONE.

Officer contact details for documents:

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