


Cabinet 5 January 2016	 TOWER HAMLETS
Report of: Zena Cooke – Corporate Director of Resources	Classification: Unrestricted
Corporate Revenue and Capital Budget Monitoring Q2 2015/16 (Month 6)	

Lead Member	Councillor David Edgar, Cabinet Member for Resources
Originating Officer(s)	Kevin Miles, Chief Accountant
Wards affected	All Wards
Key Decision?	No

Executive Summary

This monitoring report details the financial position of the Council at the end of the second quarter, September 2015 (Month 6) compared to budget. The report includes details of;

- General Fund Revenue
- Housing Revenue Account
- Capital Monitoring to Quarter 2

This report has previously been combined with the strategy and performance report. The reports are now presented separately on the same agenda to enable the reports to focus on the key issues.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the Council's revenue and capital financial performance compared to budget for 2015/16 as detailed in Sections 3 to 6 and Appendices 1-4 of this report.

1. REASONS FOR THE DECISIONS

- 1.1. Good financial practice requires that regular reports be submitted to Council/Committee setting out the financial position of the Council against budget, and its service performance against targets.
- 1.2. The regular reporting of the Corporate Revenue and Capital Budget Monitoring should assist in ensuring that Members are able to scrutinise officer decisions.

2. ALTERNATIVE OPTIONS

- 2.1 The Council reports its anticipated annual outturn position against budget for both revenue and capital net spend. It also reports its strategic performance.
- 2.2 Significant variations, trends and corrective action are reported in the body and appendices of the report. No alternative action is considered necessary beyond that included below and this report is produced to ensure that Members are kept informed about decisions made under the delegated authority.

3. DETAILS OF REPORT

3.1 General Fund

- 3.2 The following table summarises the current expected outturn position for the General Fund at the end of the financial year 2015/16 taking account of management action being taken by Directorates.

The current position is summarised below

Narrative	£m
Budget	291.362
Forecast Outturn	291.362

3.3 HRA

The HRA is projecting an underspend position of 0.798m for 2015/16. This represents 0.87% of the total budgeted income of £92.1m.

3.4 Capital Programme

Directorates have spent 23% of their capital budgets for the year (£26.9m against budgets of £119.3m) and projecting slippage of £5.9m. Further information is provided in section 6 of the report and Appendix 4.

3.5 More detailed financial information is contained in the following report appendices:

- **Appendix 1** - lists revenue and capital budget / target adjustments (including virements).
- **Appendix 2** - provides the General Fund budget outturn forecast by Directorate and explanations of any major variances.
- **Appendix 3** – provides the budget outturn forecast for the HRA
- **Appendix 4** – provides the projected Capital Monitoring outturn position

4. **FINANCE OVERVIEW**

4.1 The following table summarises the current expected outturn position for the General Fund at the end of the financial year 2015/16 taking account of management action being taken by Directorates.

SUMMARY	Latest Budget £'000	Budget to Date £'000	Actual to Date £'000	Forecast Outturn £'000	Variance £'000
Law, Probity & Governance	9,429	4,715	5,404	9,429	0
Communities & Localities	79,990	29,003	23,438	79,990	0
Development and Renewal	15,750	7,874	8,430	15,750	0
Adult Care Services	122,412	61,204	51,318	122,412	0
Children's Services	90,607	45,304	42,999	90,607	0
Resources	7,373	3,690	20,253	7,373	0
Corporate Costs / Capital Financing	(34,199)	(18,684)	10,223	(34,199)	0
Total	291,362	133,106	162,065	291,362	0

Variances are explained in the detailed budget analysis in Appendix 2. The summary position for each service directorate is set out below.

4.2 **Law Probity and Governance**

Nil

The LP&G directorate is projected to break even at the year end, any minor variances within the services will be contained within the directorate.

4.3 Communities & Localities Nil

The CLC directorate is projected to break even at the year end, any minor variances within the services will be contained within the directorate.

4.4 Development and Renewal Nil

The D&R directorate is forecasting a small underspend for the financial year, mainly due to a restructure in the planning and building control service.

4.5 Education Social Care and Wellbeing Nil

Cabinet are advised that based on present forecasts a balanced position can be reported for period 6 for the overall directorate. There is significant overall pressure which is reflected within divisional budgets, particularly in Social Care, however the drawdown of grants, reserves, and the potential to evidence growth pressures for extra central resources allows a balanced position to be reflected.

4.5 Children's Services (CS)

At present there are savings of £1.489m which are yet to be allocated across the Directorate - £500k of these relate to the review of administration, which leaves £0.989m as savings which need to be delivered, mitigated, or a case made for additional corporate resources via a target adjustment due to slippage/non-deliverability, these savings are being reviewed by the Directorate DMT – the achievability of mitigating savings remain a high risk for the Directorate and will continue to be closely monitored.

The Schools Budget is reporting a forecast unallocated DSG at year-end of £4.029m.

4.6 Adult Care Services (ACS)

ACS shows savings of £0.918m which are yet to be allocated across the Directorate. These savings need to be delivered, mitigated, or a case made for additional corporate resources via a target adjustment due to slippage/non-deliverability. These savings are being reviewed by the Directorate – the achievability of mitigating savings remain a high risk for the Directorate and will continue to be closely monitored.

4.7 Resources Nil

There are small variances in the resources directorate, but these are manageable within the overall resources budget, and overall a break even position is projected. The processing of housing benefit subsidy entries at year-end will offset expenditure to date.

4.8 Corporate Costs & Capital Financing Nil

A breakeven position is forecast for the financial year. Spend to date variance is due to items such as depreciation and minimum revenue provision being processed at year-end. The profiling of the budget will be reviewed to address this point.

5. Housing Revenue Account £0.798m Underspend

The overall projected HRA underspend is the net result of a number of variances. The high number of Right to Buy sales means service charges are projected to be higher than budgeted, although offsetting this, dwelling rental income is forecast to be lower – in the first six months of 2015/16 there were 127 Right to Buy sales. Energy costs are forecast to be lower than budgeted, along with other utilities, although this is a volatile budget and will be closely monitored. The additional net income needs to be seen in the context of emerging pressures on future rents brought about by changes in government policy, and the need to support future investment in existing or new stock as part of a sustainable HRA business plan.

6. CAPITAL

6.1 The capital budget for 2015/16 now totals £119.3m, decreased from the £211.1m reported to Cabinet in October 2015. The decrease is due mostly to re-profiling of budgets into future years.

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 Quarter 2 represented 23% of the revised capital programme budget for 2015/16 as follows:

	Annual Budget as at 30-Sep-15	Spent to 30-Sep-15	% Budget Spent
	£m	£m	%
TOTALS BY DIRECTORATE:			
Adults' Care Services	0.415	0.000	0%
Children's Services	13.874	3.415	25%
Communities, Localities and Culture	14.094	1.442	10%
Development and Renewal	5.794	2.086	36%
Building Schools for the Future (BSF)	1.014	-0.302	-30%
Housing Revenue Account (HRA)	83.731	20.283	24%
Corporate	0.350	0.000	0%
GRAND TOTAL	119.272	26.924	23%

This compares with 23% at the same stage last year. Expenditure tends to be heavily profiled towards the latter half of the year as new schemes are under development at the start of the year.

6.4 Projected capital expenditure for the year compared to budget is as follows:

	Annual Budget as at 30-Sep-15	Projection 31-Mar-16	Forecast Variance
	£m	£m	£m
TOTALS BY DIRECTORATE:			
Adults' Care Services	0.415	0.415	0.000
Children's Services	13.874	13.897	0.023
Communities, Localities and Culture	14.094	14.026	-0.068
Development and Renewal	5.794	4.868	-0.926
Building Schools for the Future (BSF)	1.014	1.014	0.000
Housing Revenue Account (HRA)	83.731	78.835	-4.896
Corporate	0.350	0.350	0.000
GRAND TOTAL	119.272	113.405	-5.867

Programme slippage of £5.867m is currently being projected. The projection does not reflect an underspend but is due to timing differences between years. Any amount of slippage will be spent in future years. The main reasons for the variance are as follows:

- **Housing Capital programme (£1.8m)**

In light of the summer budget announcements and the need to maximise the use of 1-4-1 receipts, and the stock condition survey that is currently being undertaken, uncommitted elements of the HRA capital programme are being reviewed.

- **Decent Homes Backlog (£3.0m)**

Tower Hamlets Homes manages the Decent Homes Programme and is currently projecting slippage of approximately £3 million from the £52 million remaining project budget. These resources are ring-fenced for the Decent Homes scheme and will be carried forward into 2016-17 as necessary.

The Council has secured additional GLA Decent Homes funding of £13 million towards the programme. The scheme is being managed in accordance with the terms of the GLA grant agreement which has placed a cap on the level of leaseholder recharges. The consequential effect of the enhanced leaseholder consultation that has been undertaken has led to the programme for the financial year being back-loaded, and it is therefore likely that some residual costs will be incurred in 2016-17.

- **Private Sector Housing Improvement Grants (£0.8m)**

Resources are ring-fenced and any underspends will be carried forward into 2015/16 to fund ongoing commitments.

6.5 The total approved budget, taking into account the whole life of all capital schemes, is currently £983.4m against which full spend is forecast.

The breakdown by directorate is shown below:

	All years budget as at 30-Sep-15	Projection (all years)	Variance
	£m	£m	£m
Adults' Care Services	1.289	1.289	0.000
Children's Services	114.440	114.440	0.000
Communities, Localities and Culture	63.425	63.425	0.000
Development and Renewal	29.371	29.371	0.000
Building Schools for the Future (BSF)	332.146	332.146	0.000
Housing Revenue Account (HRA)	430.717	430.717	0.000
Corporate	12.000	12.000	0.000
GRAND TOTAL	983.388	983.388	0.000

6.6 Capital receipts received in 2015/16 from the sale of Housing and General Fund assets as at 30th September 2015 are as follows:

Capital Receipts		
	£m	£m
Sale of Housing assets		
Receipts from Right to Buy (127 properties)	14.959	
less pooled amount paid to DCLG	-0.887	
		14.072
Sale of General Fund assets		
Wapping Lane overage payments	0.036	
Land adjacent to 309-317 Cambridge Heath Road	0.085	
		0.121
Total Capital Receipts 2015/16		14.193

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. Glossary of Term and Acronyms

ACS	- Adult Care Services
BATs	- Buildings and Technical Services
C&L	- Communities and Localities
CMBM	- Corporate Monthly Budget Monitor
CS	- Children's Services
D&R	- Development and Renewal
DCLG	- Department of Communities and Local Government
DSG	- Dedicated Schools Grant
GF	- General Fund
GLA	- Greater London Authority
HRA	- Housing Revenue Account
LPG	- Law, Probity and Governance
PH	- Public Health
SLA	- Service Level Agreement

8. COMMENTS OF THE CHIEF FINANCE OFFICER

8.1 Under Financial Regulations it is the responsibility of senior managers to contain expenditure within budgets and, where necessary, management action will need to be taken over the remainder of the financial year to avoid overspend.

- 8.2 Any ongoing revenue overspend during 2015/16 will have a negative impact on the Medium Term Financial Plan. At present a broadly break-even position for Directorates is predicted for 2015/16, however there are cost pressures within social care that potentially require the use of earmarked reserves during the year.

9. LEGAL COMMENTS

- 9.1 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. For the same reason, it is reasonable for the Council to consider the views of residents about the borough and how the Council is discharging its functions.
- 9.2 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.
- 9.3 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.
- 9.4 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). The Council’s targets are formulated by reference to its public sector equality duty and monitoring performance against those targets should help to ensure they are delivered.

10. CONCLUSIONS

This report and the subsequent appendices are for noting only.

11. ONE TOWER HAMLETS CONSIDERATIONS

The Corporate Budget Monitor assists in reviewing the financial position of the council. It ensures that financial resources are applied to deliver services meeting the needs of the diverse communities living in Tower Hamlets and supporting delivery of One Tower Hamlets.

12. BEST VALUE (BV) IMPLICATIONS

Best Value implications for 2015/16 are incorporated within the forecast outturn. Best Value is assessed annually as part of the final audit of the Councils financial statements.

13. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

There are no specific actions for a greener environment implications

14. RISK MANAGEMENT IMPLICATIONS

There is a risk to the integrity of the authority's finances if an imbalance occurs between resources and needs. This is mitigated by regular monitoring and, where appropriate, corrective action. This report provides a corporate overview to supplement more frequent monitoring that takes place at detailed level.

The explanations provided by the Directorates for the budget variances also contain analyses of risk factors.

15. CRIME AND DISORDER REDUCTION IMPLICATIONS

There are no specific crime and disorder reduction implications.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- **Appendix 1** - lists revenue and capital budget / target adjustments (including virements).
- **Appendix 2** - provides the General Fund budget outturn forecast by Directorate and explanations of any major variances.
- **Appendix 3** – provides the budget outturn forecast for the HRA
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Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

Officer contact details for documents:

- N/A