

# Cabinet



**Monday, 11 July 2022 at 5.30 p.m.**

**Committee Room One - Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG**

## Agenda

**Mayor Lutfur Rahman**

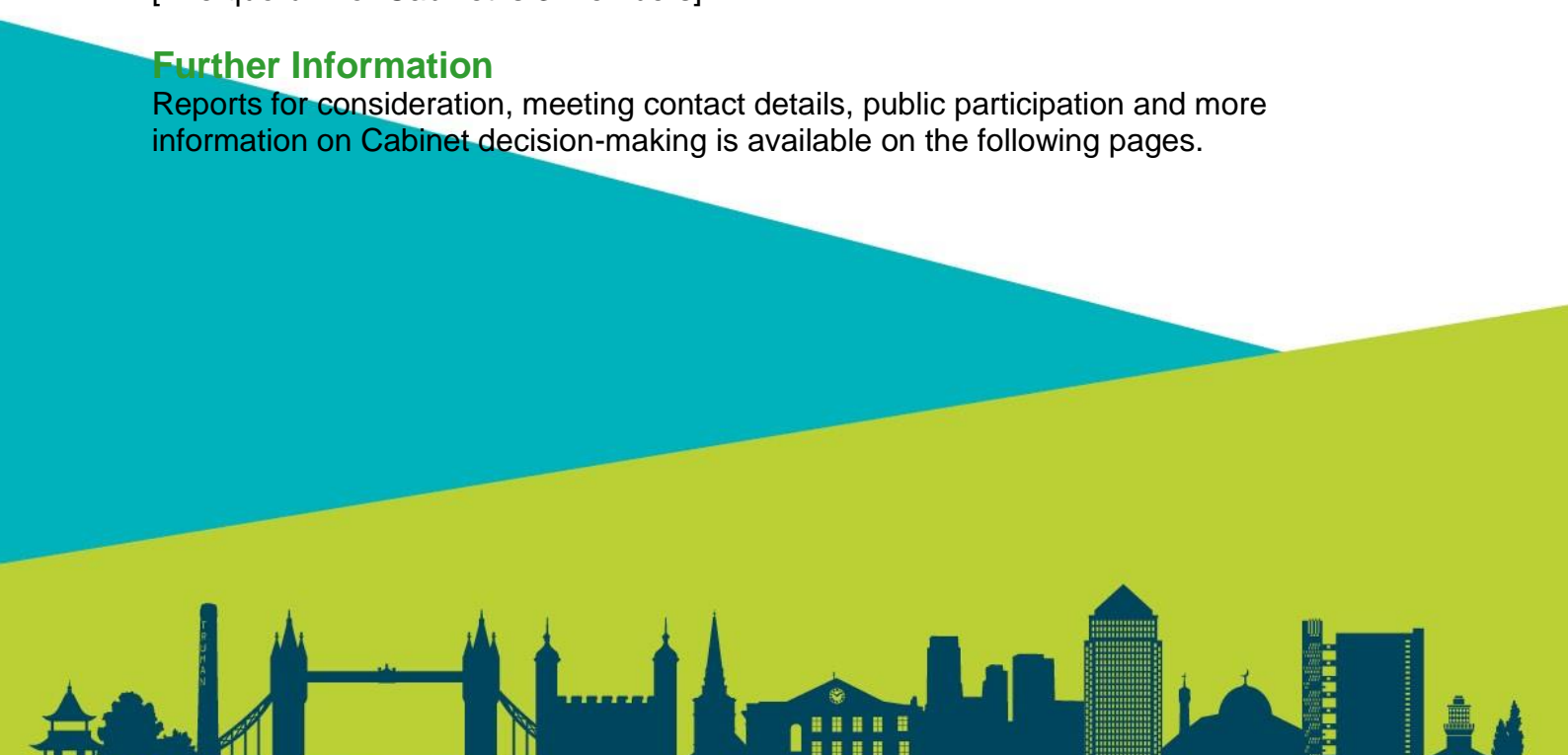
### Cabinet Members

Councillor Maium Talukdar	(Deputy Mayor and Cabinet Member for Education, Youth and Lifelong Learning (Statutory Deputy Mayor))
Councillor Kabir Ahmed	(Cabinet Member for Regeneration, Inclusive Development and Housebuilding)
Councillor Ohid Ahmed	(Cabinet Member for Safer Communities)
Councillor Saied Ahmed	(Cabinet Member for Resources and the Cost of Living)
Councillor Suluk Ahmed	(Cabinet Member for Equalities and Social Inclusion)
Councillor Gulam Kibria Choudhury	(Cabinet Member for Health, Wellbeing and Social Care)
Councillor Abu Chowdhury	(Cabinet Member for Jobs, Skills and Growth)
Councillor Iqbal Hossain	(Cabinet Member for Culture and Recreation)
Councillor Kabir Hussain	(Cabinet Member for Environment and the Climate Emergency)

[The quorum for Cabinet is 3 Members]

### Further Information

Reports for consideration, meeting contact details, public participation and more information on Cabinet decision-making is available on the following pages.



## Public Information

### Viewing or Participating in Cabinet Meetings

The public are welcome to attend meetings of the Cabinet. Procedures relating to Public Engagement are set out in the 'Guide to Cabinet' attached to this agenda. Except where any exempt/restricted documents are being discussed, the public are welcome to view this meeting through the Council's webcast system.

Physical Attendance at the Town Hall is also welcome, however, seating is limited and offered on a first come, first served basis. **Please note** that you may be filmed in the background as part of the Council's filming of the meeting.

### Meeting Webcast

The meeting is being webcast for viewing through the Council's webcast system.

<http://towerhamlets.public-i.tv/core/portal/home>

### Contact for further enquiries:

Matthew Mannion, Democratic Services,  
1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG  
Tel: 020 7364 4651  
E-mail: [matthew.mannion@towerhamlets.gov.uk](mailto:matthew.mannion@towerhamlets.gov.uk)  
Web:<http://www.towerhamlets.gov.uk>

### Electronic agendas reports and minutes.

Copies of agendas, reports and minutes for council meetings can also be found on our website from day of publication.

To access this, click [www.towerhamlets.gov.uk/committee](http://www.towerhamlets.gov.uk/committee) and search for the relevant committee and meeting date.

Agendas are available on the Modern.Gov, Windows, iPad and Android apps.

Scan this code for an electronic agenda:



## A Guide to CABINET

### Decision Making at Tower Hamlets

As Tower Hamlets operates the Directly Elected Mayor system, **Mayor Lutfur Rahman** holds Executive powers and takes decisions at Cabinet or through Individual Mayoral Decisions. The Mayor has appointed nine Councillors to advise and support him and they, with him, form the Cabinet. Their details are set out on the front of the agenda.

### Which decisions are taken by Cabinet?

Executive decisions are all decisions that aren't specifically reserved for other bodies (such as Development or Licensing Committees). In particular, Executive Key Decisions are taken by the Mayor either at Cabinet or as Individual Mayoral Decisions.

The constitution describes Key Decisions as an executive decision which is likely

- a) to result in the local authority incurring expenditure which is, or the making of savings which are, above £1million; or
- b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the borough.

Upcoming Key Decisions are published on the website on the 'Forthcoming Decisions' page through [www.towerhamlets.gov.uk/committee](http://www.towerhamlets.gov.uk/committee)

### Published Decisions and Call-Ins

Once the meeting decisions have been published, any 5 Councillors may submit a Call-In to the Service Head, Democratic Services requesting that a decision be reviewed. This halts the decision until it has been reconsidered.

- The decisions will be published on: **Wednesday, 13 July 2022**
- The deadline for call-ins is: **Wednesday, 20 July 2022**

Any Call-Ins will be considered at the next meeting of the Overview and Scrutiny Committee. The Committee can reject the call-in or they can agree it and refer the decision back to the Mayor, with their recommendations, for his final consideration.

### Public Engagement at Cabinet

The main focus of Cabinet is as a decision-making body. However there is an opportunity for the public to contribute through making submissions that specifically relate to the reports set out on the agenda.

Members of the public may make written submissions in any form (for example; Petitions, letters, written questions) to the Clerk to Cabinet (details on the previous page) by 5 pm the day before the meeting.

## Cabinet

Monday, 11 July 2022

5.30 p.m.

Pages

### **PUBLIC QUESTION AND ANSWER SESSION**

There will be an opportunity (up to 15 minutes) for members of the public to put questions to the Mayor and Cabinet Members before the Cabinet commences its consideration of the substantive business set out in the agenda.

#### **1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

#### **2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND OTHER INTERESTS**

9 - 10

Members are reminded to consider the categories of interest, identified in the Code of Conduct for Members to determine; whether they have an interest in any agenda item and any action they should take. For further details, see the attached note from the Monitoring Officer.

Members are also reminded to declare the nature of the interest at the earliest opportunity and the agenda item it relates to. Please note that ultimately it is the Members' responsibility to identify any interests and also update their register of interests form as required by the Code.

If in doubt as to the nature of an interest, you are advised to seek advice prior to the meeting by contacting the Monitoring Officer or Democratic Services.

#### **3. UNRESTRICTED MINUTES**

11 - 20

The unrestricted minutes of the Cabinet meeting held on Wednesday 9 March 2022 are presented for approval.

#### **4. ANNOUNCEMENTS (IF ANY) FROM THE MAYOR**

#### **5. OVERVIEW & SCRUTINY COMMITTEE**

##### **5.1 Chair's Advice of Key Issues or Questions**

Chair of Overview and Scrutiny Committee (OSC) to report on any issues raised by the OSC in relation to unrestricted business to be considered.

**Tower Hamlets Council**  
Town Hall  
Mulberry Place  
5 Clove Crescent  
E14 2BG

## 5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee

(Under provisions of Section 30, Rule 59 of the Constitution).

## 6. UNRESTRICTED REPORTS FOR CONSIDERATION

<b>6.1</b>	<b>Supporting residents through the cost of living crisis</b>	<b>21 - 28</b>
	<p><b>Report Summary:</b> To provide information to Cabinet on the cost of living crisis and potential steps the council could take in mitigation.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Resources and the Cost of Living <b>Corporate Priority:</b> A borough that our residents are proud of and love to live in</p>	
<b>6.2</b>	<b>MTFS and Budget Scene Setting 2023-26</b>	<b>29 - 90</b>
	<p><b>Report Summary:</b> This report sets out the issues and actions which inform the development of the Council's Medium Term Financial Strategy (MTFS) 2023-26 and budget for 2023-24 including timescales and next steps.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Resources and the Cost of Living <b>Corporate Priority:</b> A borough that our residents are proud of and love to live in</p>	
<b>6.3</b>	<b>Budget Monitoring Report 2021-22 Period 12 Provisional Outturn</b>	<b>91 - 156</b>
	<p><b>Report Summary:</b> Budget monitoring report 2021-22 Outturn - P12</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Resources and the Cost of Living <b>Corporate Priority:</b> All Priorities</p>	
<b>6.4</b>	<b>Decisions taken by the Chief Executive under urgency procedures</b>	<b>157 - 170</b>
	<p><b>Report Summary:</b> To report on decisions taken by the Chief Executive under urgency procedures as required by Section 24 of the Constitution.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> N/A <b>Corporate Priority:</b> All Priorities</p>	

**Tower Hamlets Council**  
Town Hall  
Mulberry Place  
5 Clove Crescent  
E14 2BG

**7. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT**

**8. EXCLUSION OF THE PRESS AND PUBLIC**

Should the Mayor in Cabinet consider it necessary, it is recommended that the following motion be adopted to allow consideration of any exempt/restricted documents.

“That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the Press and Public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government, Act 1972”.

**EXEMPT/CONFIDENTIAL SECTION (PINK)**

The Exempt / Confidential (Pink) Committee papers in the Agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

**9. EXEMPT / CONFIDENTIAL MINUTES**

Nil items.

**10. OVERVIEW & SCRUTINY COMMITTEE**

**10 .1 Chair's Advice of Key Issues or Questions in Relation to Exempt / Confidential Business**

Chair of Overview and Scrutiny Committee (OSC) to report on any issues raised by the OSC in relation to exempt/confidential business to be considered.

**10 .2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee**

(Under provisions of Section 30, Rule 59 of the Constitution).

**11. EXEMPT / CONFIDENTIAL REPORTS FOR CONSIDERATION**



**12. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS  
CONSIDERED TO BE URGENT**

**Next Meeting of the Committee:**

Monday, 1 August 2022 at 5.30 p.m. in Committee Room One - Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG



This page is intentionally left blank



# Agenda Item 2

## **DECLARATIONS OF INTERESTS AT MEETINGS– NOTE FROM THE MONITORING OFFICER**

This note is for guidance only. For further details please consult the Code of Conduct for Members at Part C, Section 31 of the Council's Constitution

### **(i) Disclosable Pecuniary Interests (DPI)**

You have a DPI in any item of business on the agenda where it relates to the categories listed in **Appendix A** to this guidance. Please note that a DPI includes: (i) Your own relevant interests; (ii) Those of your spouse or civil partner; (iii) A person with whom the Member is living as husband/wife/civil partners. Other individuals, e.g. Children, siblings and flatmates do not need to be considered. Failure to disclose or register a DPI (within 28 days) is a criminal offence.

Members with a DPI, (unless granted a dispensation) must not seek to improperly influence the decision, must declare the nature of the interest and leave the meeting room (including the public gallery) during the consideration and decision on the item – unless exercising their right to address the Committee.

**DPI Dispensations and Sensitive Interests.** In certain circumstances, Members may make a request to the Monitoring Officer for a dispensation or for an interest to be treated as sensitive.

### **(ii) Non - DPI Interests that the Council has decided should be registered – (Non - DPIs)**

You will have 'Non DPI Interest' in any item on the agenda, where it relates to (i) the offer of gifts or hospitality, (with an estimated value of at least £25) (ii) Council Appointments or nominations to bodies (iii) Membership of any body exercising a function of a public nature, a charitable purpose or aimed at influencing public opinion.

Members must declare the nature of the interest, but may stay in the meeting room and participate in the consideration of the matter and vote on it **unless:**

- A reasonable person would think that your interest is so significant that it would be likely to impair your judgement of the public interest. **If so, you must withdraw and take no part in the consideration or discussion of the matter.**

### **(iii) Declarations of Interests not included in the Register of Members' Interest.**

Occasions may arise where a matter under consideration would, or would be likely to, **affect the wellbeing of you, your family, or close associate(s) more than it would anyone else living in the local area** but which is not required to be included in the Register of Members' Interests. In such matters, Members must consider the information set out in paragraph (ii) above regarding Non DPI - interests and apply the test, set out in this paragraph.

### **Guidance on Predetermination and Bias**

Member's attention is drawn to the guidance on predetermination and bias, particularly the need to consider the merits of the case with an open mind, as set out in the Planning and Licensing Codes of Conduct, (Part C, Section 34 and 35 of the Constitution). For further advice on the possibility of bias or predetermination, you are advised to seek advice prior to the meeting.

### **Section 106 of the Local Government Finance Act, 1992 - Declarations which restrict Members in Council Tax arrears, for at least a two months from voting**

In such circumstances the member may not vote on any reports and motions with respect to the matter.

**Further Advice** contact: Janet Fasan, Director of Legal and Interim Monitoring Officer, Tel: 020 7364 4348.

## **APPENDIX A: Definition of a Disclosable Pecuniary Interest**

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to the Member's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and (b) either—  (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or  (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE CABINET**

**HELD AT 5.33 P.M. ON WEDNESDAY, 9 MARCH 2022**

**COUNCIL CHAMBER, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT,  
LONDON, E14 2BG**

**Members Present in Person:**

Mayor John Biggs	
Councillor Asma Begum	(Deputy Mayor and Cabinet Member for Children, Youth Services, Education and Equalities (Statutory Deputy Mayor)
Councillor Rachel Blake	(Deputy Mayor and Cabinet Member for Adults, Health and Wellbeing)
Councillor Motin Uz-Zaman	(Deputy Mayor and Cabinet Member for Work, Economic Growth and Faith)
Councillor Danny Hassell	(Cabinet Member for Housing)
Councillor Sirajul Islam	(Cabinet Member for Community Safety)
Councillor Candida Ronald	(Cabinet Member for Resources and the Voluntary Sector)
Councillor Mufeedah Bustin	Cabinet Member for Social Inclusion – (Job Share post as part of Social Inclusion and Public Realm portfolio)

**Members In Attendance Virtually:**

Councillor Sabina Akhtar	(Cabinet Member for Culture, Arts and Sports)
Councillor Asma Islam	(Cabinet Member for Environment and Planning)

**Other Councillors In Attendance Virtually:**

Councillor Mohammed Pappu

**Others Present in Person:**

Alison Gawthrop Tower Hamlets Education Partnership

**Others In Attendance Virtually:**

James Courtney NHS North East London CCG

**Officers Present in Person:**

Thorsten Dreyer	(Corporate Head of Strategy & Improvement)
Emily Fieran-Reed	(Senior Strategy and Policy Manager, Corporate Strategy & Policy, Communities Team, Governance)
Will Tuckley	(Chief Executive)
James Thomas	(Corporate Director, Children and Culture)
Matthew Mannion	(Head of Democratic Services, Governance)

**Officers In Attendance Virtually:**

Dr Somen Banerjee	(Director of Public Health)
Kevin Bartle	(Corporate Director, Resources & Section 151 Officer)
Stephen Bramah	Head of the Mayor's office)
Terry Bryan	(Service Head (Pupil Access and School Sufficiency))
Michael Darby	(Head of Parking & Mobility Services)
Janet Fasan	(Director of Legal & Monitoring Officer)
Sharon Godman	(Director, Strategy, Improvement and Transformation)
Dan Jones	(Director, Public Realm)
Daniel Kerr	(Strategy and Policy Manager)
Ahsan Khan	(Chief Accountant)
Peter Maskell	(Interim Head of Procurement)
Steve Nyakatawa	(Director of Education)
Damian Patchell	Markets Manager
Ann Sutcliffe	(Corporate Director, Place)

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received on behalf of:

- Councillor Kahar Chowdhury (Cabinet Member for Highways and Public Realm)
- Denise Radley, Corporate Director, Health, Adults and Community, for whom Somen Banerjee, Director of Public Health, was deputising.

**2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND OTHER INTERESTS**

There were no Declarations of Disclosable Pecuniary Interests.

**3. UNRESTRICTED MINUTES****RESOLVED**

1. That the unrestricted minutes of the Cabinet meeting held on Wednesday 9 February be approved and signed by the Chair as a correct record of proceedings.

**4. ANNOUNCEMENTS (IF ANY) FROM THE MAYOR**

The Mayor made a number of announcements including that:

- This was the last cabinet of the electoral cycle.

- He had visited the scene of the fire in the tall building in Whitechapel. The Council's thoughts were with those affected. He highlighted the Council was actively working on safety in tall buildings.
- Noted International Women's Day and Women's History Month and the campaigning and events taking place in relation to this.
- The Council had approved its budget including growth bids in a number of areas.
- The Council would support those impacted by the war in Ukraine including the arrival of refugees.

## **5. OVERVIEW & SCRUTINY COMMITTEE**

### **5.1 Chair's Advice of Key Issues or Questions**

Pre-Decision Scrutiny Questions and officer responses were tabled in relation to Agenda Items 6.4 (Service Action Plan: Parking Policy) and 6.7 (Therapy Provision for Children Under 5 with Special Educational Needs). These were considered in relation to the relevant agenda items.

In addition, Councillor Mohammed Pappu, Chair of the Overview and Scrutiny Committee, provided Cabinet with an update from their recent meetings. He highlighted that they had explored a number of issues including:

- Looking at the Council's budget proposals.
- Exploring issues and options around the commercial road car pound.
- Had received a call-in on the leisure estate investment plan.
- Progress against the recycling action plan.
- Balance of staff including ethnic and gender breakdowns at senior levels.
- Looking at the Council's response to the impact of Covid-19.
- Scrutinised performance against the council's strategy and budget.
- Considered the Committee's workplan for the new year.

Finally, he thanked the Mayor, Members and officers for their support of the Scrutiny function over the last four years.

The Mayor thanked Councillor Pappu for his update and thanked Scrutiny for their work over the municipal cycle.

### **5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee**

It was noted that there had been a call-in of Agenda Item 6.5 (Leisure Estate Investment Plan) of the Cabinet Agenda on 9 February 2022. This had been considered by the Overview and Scrutiny Committee who had decided that the decision could proceed and did not refer it back to Cabinet.

## **6. UNRESTRICTED REPORTS FOR CONSIDERATION**

### **6.1 Annual Equality Report 2020-21**

Councillor Asma Begum, Deputy Mayor and Cabinet Member for Children, Education and Equalities, introduced the annual noting report on equalities. She highlighted that the report provided an overview of equalities issues in the borough and enabled the council to look at issues such as structural racism, poverty and digital inclusion and identify actions to take.

A range of work around women's safety had been undertaken on the back of recent events and the Council was working with volunteers and champions to support local women.

She thanked all Cabinet Members for supporting this agenda when prioritising work in their own portfolio areas. A lot of excellent work was being undertaken and many of the highlights were set out in the report.

The Cabinet discussed the report and noted the importance of working with the Council's partners on this area of work.

The Mayor welcomed the report and hoped that the actions could be built on in the future. He proposed the recommendations as set out. These were unanimously agreed by the Members present and it was:

#### **RESOLVED**

1. To note the contents of the Tower Hamlets Council Annual Equality Report at Appendix 1 to the report.

### **6.2 Strategic delivery and performance reporting – Q3 2021/22**

The Mayor introduced the quarterly strategic delivery and performance report. He highlighted that performance reporting was useful in encouraging the Council to look to continuously improve. There was a challenging backdrop to the Council's performance, particularly in relation to the impact of Covid-19. However, the report highlighted many areas of good performance such as around safeguarding, customer services etc, as well as areas that required more work such as school attendance.

Finally, he noted that the report had been debated at Overview and Scrutiny Committee earlier in the week.

The Cabinet discussed the report and noted a number of points including around:

- Good work on supporting small businesses during Covid-19.
- The large keystart programme to get young people into work.
- Strong action on violence against women and girls.

The Mayor proposed the recommendations as set out. These were agreed unanimously by the Members present and it was:

### **RESOLVED**

1. To note the strategic delivery and performance report for quarter 3 of 2021/22;
2. To note that the Covid-19 pandemic continues to have an impact on service delivery in some parts of the council;
3. To note the performance of the strategic measures, including those measures where the minimum expectation has been missed.

### **6.3 Budget monitoring report 2021-22 – P9 (including Capital)**

Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector, introduced the quarterly budget monitoring report. She highlighted the forecast for a slight overspend on general fund at year end. The schools budget had a forecast for a slight underspend.

The Housing Revenue Account and the Health Grant were both showing small underspends.

However, the Covid-19 impact was still likely to be variable and was being closely monitored. Some impacts such as lower council tax collection rates were being seen. There were still big risks in some areas such as around homelessness.

The Mayor welcomed the report. He highlighted that all Cabinet Members monitored the budget forecasts in relation to their areas. He proposed the recommendations as set out. These were agreed unanimously by the Members present and it was:

### **RESOLVED**

1. To note the Council's projected outturn position against General Fund, Dedicated Schools Budget, Housing Revenue Account and earmarked reserves for 2021-22, based on forecasts as at 31<sup>st</sup> December 2021;
2. To note the reserves position of the Council is uncertain pending the closure of the statement of accounts for the period 2016 – 2021;
3. To note the progress made against the 2021-22 savings targets, based on forecasts as at 31<sup>st</sup> December 2021;
4. To note the Council's projected outturn position against General Fund and Housing Revenue Account capital programme approved budgets, based on forecasts as at 31<sup>st</sup> December 2021;

5. To note that there are no equalities implications directly resulting from this report, as set out in Section 4 of the report.

#### **6.4 Service action plan: response to OSC recommendations from the Parking scrutiny challenge session**

The Mayor introduced the report on a service action plan in relation to parking policy. This action plan followed a scrutiny challenge session. He highlighted the challenges of managing parking in such a densely populated borough.

He noted the Pre-Decision Question and officer response and proposed the recommendation as set out. This was unanimously approved by the Members present and it was:

#### **RESOLVED**

1. To note the report of the Parking scrutiny challenge on “the extent to which the council’s parking permit policy influences people’s behaviour” and agree the service action plan in response to the report recommendations.

#### **6.5 London Borough of Tower Hamlets Markets Improvement Plan 2022 - 2027**

Councillor Motin Uz-Zaman, Cabinet Member for Work, Economic Growth and Faith, introduced the report proposing improvements for the borough’s markets.

The Council had undergone significant consultation with stakeholders whilst developing this plan and would continue to do so, in particular with the markets themselves.

The Mayor welcomed the report. He noted that the borough had a large number of markets and a significant history with markets to support. He proposed the recommendations as set out. These were agreed unanimously by the Members present and it was:

#### **RESOLVED**

1. To adopt the London Borough of Tower Hamlets Markets Improvement Plan 2022-2027.
2. To note the individual action plans for each of our 10 street markets.
3. To note the positive equalities impact as set out in Paragraph 4 of the report.



## **6.6 Annual Schools Report 2020 -2021**

Councillor Asma Begum, Deputy Mayor and Cabinet Member for Children, Youth Services, Education and Equalities, introduced the Annual Schools report. It provided an overview of the work of local schools during the 2020-21 year and it particularly set out the impact of the Covid-19 pandemic.

Leaders and teachers had been doing an amazing job adapting their teaching to remote working and continuing to ensure that young people were able to learn and develop over this period. It was worth noting in particular that the children in care had been performing well over the year. The report also set out the impact of a number of council strategies such as those around improving digital access.

The Mayor thanked the Tower Hamlets Education Partnership for supporting education and children in the borough. He proposed the recommendations as set out in the report. These were approved unanimously by the Members present and it was:

### **RESOLVED**

1. To continue to develop school capacity in supporting children and young people with SEND
2. To develop consistently high-quality employment, education and training pathways for young people of all abilities and interests and,
3. To work with any school that has significantly underachieved to improve standards through effective leadership, data analysis and improved teaching and learning strategies.

## **6.7 Therapy Provision for Children Under 5 with Special Education Needs and Disabilities Proposal**

Councillor Asma Begum, Deputy Mayor and Cabinet Member for Children, Youth Services, Education and Equalities introduced the report recommending the commissioning of Barts Health to provide contracts for much needed investment for therapy for under 5s with Special Educational Needs.

The first strand provided Speech and Language treatment for children aged 3 to 5 through a number of new clinical pathways. The second procurement was to provide children under 5 with suspected autism or social communication difficulties with new therapy options.

The report was asking for a Cabinet decision as it was a proposal for a direct award of the contracts. It was noted that further reports to develop this area of support would be presented to future Cabinet meetings.

The Mayor noted the Pre-Decision Scrutiny Question and officer response and proposed the recommendation as set out in the report. This was unanimously agreed by the Members present and it was:

### **RESOLVED**

1. To approve the commissioning of Bart's Health via a direct award for a two year contract to deliver the following therapies provision: (a) Speech and Language Treatment (SLT) for Children in Tower Hamlets age 3-5 and (b) SLT and Occupational Therapy (OT) Treatment for Children age 0-5 with social communication difficulties (value of the contract: £343,174 per annum, total cost over two years: £686,348).

### **6.8 Preston's Road Roundabout – Two Towers East**

The Mayor introduced the report proposing highway advertising at Preston's Road roundabout. The Council has a contract for advertising and this report was looking to refresh that contract. The sum was above the delegated threshold so it was at Cabinet for decision. The Mayor noted the appendix which was exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 due to it containing information relating to the financial or business affairs of the authority.

The Mayor proposed the recommendations as set out and these were approved unanimously by the Members present and it was:

### **RESOLVED**

1. To authorise the Corporate Director Place to enter into an appropriate land related agreement to allow Ocean Outdoor UK Ltd to continue to license a site at Preston's Road Roundabout subject to the agreement of appropriate legal terms and conditions.
2. To authorise the Corporate Director Place to authorise the execution of any and all agreements, licences and if necessary, registrations necessary to give use of the land known as Preston's Road roundabout,
3. The above recommendations are subject to the Director of Legal being satisfied that the best consideration requirements of Section 123 of the Local Government Act 1972 are being met if applicable to the terms of the Contact.

### **6.9 Report on the outcome of representations received in response to the statutory (public) notice to amalgamate Marion Richardson and Old Church Nursery Schools**

Councillor Asma Begum, Deputy Mayor and Cabinet Member for Children, Youth Services, Education and Equalities presented the report proposing the amalgamation of Marion Richardson Primary School and Old Church Nursey School. The proposals had been out for formal consultation including a formal

statutory notice. It was noted that both schools already worked closely together.

The Mayor noted the results of the consultation and proposed the recommendations as set out. These were approved unanimously by the Members present and it was:

### **RESOLVED**

1. To note the report and its supporting documents, particularly the statutory notice (Appendix 1 to the report) and the Equality Assessment (Appendix 2 to the report), along with comments made by respondents to the Statutory Notice.
2. To agree to the amalgamation (merger) of Marion Richardson Primary and Old Church Nursery schools to form an all-through 3 to 11 years' primary school, taking effect from 1<sup>st</sup> September 2022.

### **6.10 Contracts Forward Plan 2021/22 – Quarter Four**

Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector introduced the report setting out the contracts forward plan. The report provided visibility to Cabinet on all high value contracts. She drew Members attention to recommendation three in relation to dealing with inflation increases to contracts.

Cabinet discussed the report and confirmed they were content to allow all contracts in Appendix 1 to the report to proceed to contract award.

### **RESOLVED**

1. To note the contract summary at Appendix 1 to the report.
2. To agree that all contracts set out in Appendix 1 to the report can proceed to contract award after tender.
3. Due to inflationary pressures impacting contract sums and staffing cost pressures, authorise the relevant Corporate Director following consultation with the Corporate Director, Resources to agree a change to the Value Total shown in a particular contract in Appendix 1 to the report by not more than either £100,000 or 10% of the original Value Total whichever is the greater. Any change approved will only be as a result of evidenced inflationary pressures.
4. To authorise the Director of Legal to execute all necessary contract documents in respect of the awards of contracts referred to at recommendation 2 above.
5. To note the procurement forward plan 2022-27 set out in Appendix 2.

**7. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT****7.1 Record of Corporate Director's Actions**

The Mayor introduced the report setting out a record of recent corporate director decisions. He confirmed the reasons for urgency which were that the report was not ready due to an administrative error but it had been presented as it was important the decisions were noted during this municipal year.

The Mayor proposed the recommendation as set out. This was unanimously agreed by the Members present and it was:

**RESOLVED**

1. To note the Record of Corporate Directors' Actions set out in Appendix 1 to the report.

**8. EXCLUSION OF THE PRESS AND PUBLIC**

Nil items.

**9. EXEMPT / CONFIDENTIAL MINUTES**

Nil items.

**10. OVERVIEW & SCRUTINY COMMITTEE****10.1 Chair's Advice of Key Issues or Questions in Relation to Exempt / Confidential Business**

Nil items.

**10.2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee**

Nil items.

**11. EXEMPT / CONFIDENTIAL REPORTS FOR CONSIDERATION**


Nil items.

**12. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS CONSIDERED TO BE URGENT**

Nil items.

The meeting ended at 6.38 p.m.

MAYOR JOHN BIGGS

<p><b>Cabinet</b></p> <p>11 July 2022</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Ann Sutcliffe, Corporate Director Place</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Supporting residents through the cost of living crisis</b></p>	

<b>Lead Member</b>	<b>Councillor Saied Ahmed (Cabinet Member for Resources and the Cost of Living)</b>
<b>Originating Officer(s)</b>	Ellie Kershaw, Interim Director for Growth and Economic Development
<b>Wards affected</b>	All
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	30 May 2022
<b>Reason for Key Decision</b>	to be significant in terms of its effects on communities living or working in an area comprising two or more wards.
<b>Strategic Plan Priority / Outcome</b>	<ol style="list-style-type: none"> <li>1. People are aspirational, independent and have equal access to opportunities;</li> <li>2. A borough that our residents are proud of and love to live in;</li> </ol>

## Executive Summary

The United Kingdom is suffering from a cost of living crisis, which is disproportionately impacting those on the lowest incomes.

The government has recently announced a range of measures to support households, but these will not fully cover the increased costs which households will face.

The report recommends actions that the council can take to support those in the greatest need, the associated costs and how these would be met

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Agree that the recommended measures should be implemented
2. Where necessary, agree additional funding to undertake the measures
3. To give delegated authority to the Corporate Director Place to enter into any contracts that are required in order to deliver the measures
4. That a contract should be entered into with the Post Office as the primary means of distributing funds to residents

## **1 REASONS FOR THE DECISIONS**

- 1.1 Due to a combination of factors, both internal and external to the United Kingdom, the cost of standard household items like energy and food have increased significantly and will continue to do so.
- 1.2 The government has announced a number of measures that will support households, but these will not cover the additional costs households will incur in full. Therefore, the Council needs to find ways to support its most vulnerable residents.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The council could choose not to provide any intervention other than those funded by the Household Support Fund. This is not recommended, as it will lead to many more vulnerable residents remaining in crisis, with an associated detrimental impact on their physical and mental health. It is also likely that not supporting residents at an early stage would lead to increased costs for the council when residents make contact needing emergency support.

## **3 DETAILS OF THE REPORT**

- 3.1 The cost of living crisis is driven by many areas involving both income and expenditure.
- 3.2 In April 2022 the energy price cap increased by 54%, which is £700 a year for an average household. In October it is likely to increase by a further £800. This will mean that in the space of a year, the cost of energy bills has more than doubled.

- 3.3 Food prices have increased by an average of 5.9%, the largest increase since 2011. However, many items have exceeded this increase, such as pasta (10.1%), milk, cheese and eggs (8.6%). Lamb (16.9%), beef (8.9% and oils and fats (18.1%). In other words, items which are household staples have seen the largest increases, meaning the largest proportional impact is on low income households. The British Retail Consortium reports that they expect this trend to continue across the year. With an increase in energy, processing costs could rise even further than expected, driving further retail increases.
- 3.4 This is happening while benefits are at a 35 year low in real terms, and while coming out of a pandemic which has disproportionately impacted those on low wages.
- 3.5 According to data from the Council’s tackling poverty dashboard, which uses benefits and council tax data for information, inflationary pressures are rapidly increasing the number of households in need across Tower Hamlets. Increases below are against the previous month.
- 4765 households are in cash shortfall (less income than expenditure on necessities), an increase of 20%
  - 15,021 households are in relative poverty, an increase of 15%
  - 6,130 households are in food poverty, an increase of 17%
  - 17,623 households are in fuel poverty, an increase of 18%
- 3.6 The government has announced measures to support households to mitigate these impacts. Where applicable, households will receive more than one of these payments:
- £150 energy rebate to all band A-D properties where the resident has a council tax liability
  - £400 to be credited to all household utility bills in October
  - £650 payment to be made to households in receipt of means tested benefits, to be paid in two equal instalments in July and in the Autumn
  - £300 additional payment to pensioners, to be paid alongside the annual Winter Fuel Payment
  - £150 payment for those in receipt of a range of disability benefits
- 3.7 The government has also confirmed that a further tranche of Household Support Funding will be given to Local Authorities for use between October 22- March 23, but final details are not yet available, though it is indicated that payments should particularly target those who were ineligible for the above measures.
- 3.8 The table below shows the impact that price increases and support measures will have on a range of different household types (costs are shown as averages), based on published information and standardised thresholds for core costs. This is purely the new increases and mitigations and does not take any existing deficits and support into account.

Household	Energy increase p/a	Food p/a at 15% increase	Total increase	Mitigation	Shortfall

Single	£900	£400	£1300	£150 energy rebate £400 utility credit £650 cost of living payment <b>Total £1200</b>	£100
Small family	£900	£940	£1840	£150 energy rebate £400 utility credit £650 cost of living payment <b>Total £1200</b>	£640
Large family	£1350	£1250	£2600	£150 energy rebate £400 utility credit £650 cost of living payment <b>Total £1200</b>	£1400
Pensioner (single)	£1200	£400	£1600	£150 energy rebate £400 utility credit £650 cost of living payment £300 winter fuel payment <b>Total £1500</b>	£100
Where there are eligible disabled persons in the household, an additional £150 grant per person will apply					

3.9 The table below recommends actions to be taken by the council in order to provide additional support to households. Some can be funded through existing budgets, including the Household Support Fund. Others will require the Council to find additional funding. It should be noted that these measures do not include use of the October-March tranche of Household Support Funding as, while an award has been confirmed, we do not know how much this will be and what restrictions there may be on spending.

What	Who for	Cost	Funding stream	New funding needed
One-off payment to all households on free school meals distributed via schools	Households with school aged children	£100 per child= £1.55m	New funding	<b>£1,550,000</b>
One-off payment to	Households	£100 per child	New funding	<b>£200,000</b>



households that schools have deemed at risk of poverty but are ineligible for FSM (The size and membership of this group will vary as parents' employment and housing circumstances change. However we are confident that schools can signpost this support correctly as they assisted us to identify families with this level of need during the pandemic)	with school aged children	= £200k		
A payment to households with younger children. The poverty dashboard can identify those eligible for healthy start vouchers which is a good proxy for poverty. Currently there are 2,275 households eligible	Households with below school age children	£100 per household = £227.5k	Household Support Fund	£0
One off payment to pensioners on pension credit of whom there are currently 7135 in Tower Hamlets	Pensioners	£100 = £713.5k	Household Support Fund	£0
<b>Total</b>		<b>£2,691,000</b>		<b>£1,750,000</b>

3.10 Ordinarily this report would have been taken through GDSC. However, due to the urgency around the support that households need to navigate this crisis, as well as the government requirement for the Household Support Fund to be fully spent by 30 September 2022, recommendations are instead being brought to Cabinet.

3.11 There are four methods that can be used for distribution of funding to residents. The first is a direct transfer from the Council. This is not possible as it is not like the council tax energy rebate, which had a broad approach. These payments will be distributed to specific cohorts of residents and the council has no way of cross referencing this data with payment details. The second is use of a prepaid card. This would cost around £3 per card purchased, which would amount to somewhere between £150-200,000. In addition, substantial admin time would be needed as each card would need to be manually placed into an envelope with a letter for the resident. Initial conversations with the Council's bank also suggest that they would not be able to facilitate this option. The third is using the post office. This would allow the Council to upload residents details to a secure portal with the Post Office then sending a letter provided by the Council) to these residents with a code that can be exchanged for cash at any post office. This would cost approximately £1.50 per transaction. The fourth option is to continue using supermarket vouchers. The disadvantage of this system is that it dictates where residents must shop and disadvantages local businesses.

3.12 It is recommended that the Council uses a hybrid option, with the Post Office being the default, but supermarket vouchers being used where discussion with partners tells us that some cohorts of residents would be better served by this route. The Council can also offer an alternative cash route for people who

are unable to access a post office through its existing Residents Support Scheme.

#### **4 EQUALITIES IMPLICATIONS**

- 4.1 Single parents, disabled people, young working aged people and pensioners are more likely to be impacted by poverty and the ongoing issues caused by the pandemic. Distribution of funding to these groups would help to raise their income to levels enjoyed by other groups
- 4.2 A hybrid option for distributing funds would ensure that the Council is able to take the needs of a diverse range of residents into account.

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

- 5.1 Provision of support for food and heating supports the council's statutory safeguarding role

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

- 6.1 There are a number of factors that are contributing to the cost of living crisis that residents are currently experiencing. Significant increases in the cost of fuel and food combined with the lowest level of benefits in real terms seen for a generation has disproportionately impacted on the vulnerable and lower wage families as the Country comes out of the pandemic.
- 6.2 Para.3.9 provides details of the support the Council could provide to assist residents at a cost of £2.7m. Existing budgets and one-off Government funding can be used to meet some of these costs but to deliver the full support package would require additional unbudgeted funding of £1.75m with non-ringfenced reserves needing to be re-purposed to meet this additional expenditure.

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

- 7.1 The Council has the legal power to undertake the actions detailed in this report
- 7.2 This decision would ordinarily be made in Grants Determination (Cabinet) Sub Committee. However, due to timetabling and urgency of the decision the Executive may make this decision at full Cabinet as the delegator of the decision-making power to the sub-committee.
- 7.3 The Council will monitor any grants in accordance with the procedure rules associated with such grants to ensure that any funds are used for the purposes it is granted. This will contribute to the demonstration of compliance with the Council's Best Value duty

## **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:**

N/A

This page is intentionally left blank

<p><b>Cabinet</b></p> <p>11 July 2022</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Kevin Bartle, Interim Corporate Director - Resources (Section 151 Officer)</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>MTFS and Budget Scene Setting 2023-26</b></p>	

<b>Lead Member</b>	<b>Councillor Saied Ahmed, Cabinet Member for Resources and the Cost of Living</b>
<b>Originating Officer(s)</b>	Kevin Bartle, Interim Corporate Director - Resources
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Forward Plan Notice Published</b>	May 2022
<b>Reason for Key Decision</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	<p>1. People are aspirational, independent and have equal access to opportunities;</p> <p>2. A borough that our residents are proud of and love to live in;</p> <p>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</p>

## Executive Summary

The Council's Budget 2022-23 was approved by Full Council in March 2022. This report summarises the review of the MTFS as part of the 2023-24 budget setting process.

Despite the Chancellor announcing departmental spending limits for Government departments on 27 October 2021 for three years, 2022-23 to 2024-25, the Local Government Finance Settlement (LGFS) was only announced for a single year covering 2022-23. The funding landscape for Local Government over the medium term remains highly uncertain. Core Grants such as the Revenue Support Grant, New Homes Bonus and the Improved Better Care Fund were rolled forward for 2022-23, with additional funding received via the Social Care Grant, with much of this expected to contribute to additional costs arising from Adult Social Care Reforms. There was also a one-year one-off Services Grant distributed to Local Authorities for 2022-23.

One reason Councils were provided with a single year settlement was due to funding

reforms that have been delayed, annually, for several years that the Government has signalled its intention to now take forward. The distribution formula utilised for allocating resources across Local Authorities dates to 2013-14 and the Government propose to take forward a 'Fair Funding Review' to ensure a more up to date assessment of need. Business Rate Baselines have not been reset since 2013-14 and, therefore, Councils that have experienced growth in their Business Rates have been able to retain a share of growth since that year. The Government intends to reset the Baselines to coincide with a review of the funding formula. In early 2021 the Government consulted on ending New Homes Bonus (NHB), a targeted incentive providing funding based on housing growth within the Council area, and the Government has not yet announced the outcome of its consultation.

The impact of these funding reforms is particularly acute for Tower Hamlets. Funding retained from Business Rates Growth and the New Homes Bonus are significant and therefore the impact of resetting the Business Rates baseline or withdrawing New Homes Bonus would result in a substantial funding reduction for the Council. The Government has indicated that transitional relief would be provided to Councils who were impacted by the reforms. At this stage it is not clear when the reforms will be introduced nor what transitional relief would look like.

For 2022-23 the Council benefitted from rolled forward funding and new grants provided. The Council was therefore able to set a balanced budget and to propose a freeze in the Tower Hamlets element of Council Tax, only levying the 1% Adult Social Care precept to meet demographic pressures within that area. It will therefore be important to continue work to balance the budget over the medium term, ensuring alignment with the refreshed strategic plan.

The impact of inflation has significantly increased in recent months with high fuel and energy costs and food prices. As of April 2022, RPI Inflation was at 11.1% and CPI inflation at 9% and high inflation has a direct impact on the council's contracts and fuel and energy costs. The societal impacts of rising prices will also mean more individuals will require council support going forward. The latest treasury forecasts show high inflation through 2022-23 but reducing back to a lower level over the medium term.

The Coronavirus pandemic continues to have a residual impact on the Council's cost of services and reductions in income, forecast to be met in the short term by one-off Covid grant. The ongoing scale of the impact on society, the economy and public finances resulting from Covid-19, Brexit and recent inflationary pressures in the medium to long term is at this point unknown.

As previously, consultation with residents, businesses and other key stakeholders will be a feature of proposed changes and the results of the Council's 2023-24 budget consultation will be considered at Cabinet in October.

The MTFs will be updated throughout 2022 as the Chancellor's Autumn Statement and the provisional Local Government Finance Settlement (LGFS) are announced.

This report examines the key issues and pressures facing the Council in the medium term, with an updated position on funding, growth pressures and saving

requirements. Continued focus on identifying and delivering efficiencies for future years will play a central role in ensuring financial sustainability going forward.

### **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Note the current General Fund Revenue Funding Requirement of **£421.500m** for 2023-24 prior to the budget setting review to be carried out in year.
2. Note the budget gap assuming a 0% council tax increase compared to the normally permitted 1.99% and the implications on Adult Social Care funding if the Council was not able to levy the assumed 1% Adult Social Care Precept.
3. Note the latest draft position of the Council's reserves, subject to sign off of the statements of accounts.
4. Note that currently £1m funding from the Public Health grant is allocated to the Key Stage Two extension of Free School Meals as well as £2m from the Free School Meals Reserve.
5. Note that any increase in the Social Care Grant for 2023-24 is assumed to be allocated in full to the services (75% to adult social care and 25% to children's social care).
6. Note that the HRA housing rent and service charge increases will require consideration once the September 2022 CPI inflationary figure is known.
7. Note that the 2022-23 Management Fee payable to Tower Hamlets Homes (THH) was increased from £33.236m to £33.676m following addition of the 2021-22 pay award.
8. Note that under the Management Agreement between the Council and THH, THH manages delegated HRA income and expenditure budgets on behalf of the Council. In 2022-23, THH is managing delegated income budgets totalling £98.842m and delegated expenditure budgets totalling £32.128m.
9. Note the current assumption that the Local Council Tax Reduction Scheme will remain unchanged for 2023-24.
10. Note the Equalities Implications as set out in Section 4.

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

- 1.1 The Council is under an obligation to set a balanced and sustainable budget and to set the Council Tax Levels for the financial year 2023-24 by 11 March 2023 at the latest. The Council's Chief Financial (S151) Officer must confirm the robustness of the estimates applied and the adequacy of the Council's reserves as part of the budget setting report to Council.

- 1.2 The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Overview & Scrutiny Committee to allow for their comments to be considered before the final budget proposals are made to Full Council.
- 1.3 The announcements and consultations made about Government funding for the Council in the Chancellor's Spending Review, the Local Government Finance Settlement, challenges such as high inflation and the impact of the Covid-19 pandemic require a robust and timely response to enable a balanced budget to be set.
- 1.4 A Medium Term Financial Strategy (MTFS) covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty.
- 1.5 As the Council develops its detailed proposals it must continue to keep under review those key financial assumptions which underpin the Council's MTFS. Significant funding reforms have been signalled by Government and the Council has a reliance on funding sources that are potentially subject to change significantly in the Medium Term, and therefore it is important to continue to monitor the Medium Term position.
- 1.6 The Mayor is required by the Local Government and Housing Act 1989 to determine a balanced Housing Revenue Account (HRA) budget prior to the start of the new financial year. The Council must also approve the Management Fee payable to Tower Hamlets Homes (THH) so that it can fulfil its obligations under the Management Agreement to manage the housing stock on behalf of the Council.
- 1.7 In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. Capital will be subject to a separate report to Cabinet in July and the setting of capital budgets for the medium term will be aligned to revenue budget setting during the year.

## **2. ALTERNATIVE OPTIONS**

- 2.1 Whilst the Council will adopt a number of approaches to the identification of measures aimed at delivering its MTFS it must set a legal and balanced budget and maintain adequate reserves. The scale of the changes experienced mitigate against continuing on the basis agreed in March 2021 without a re-appraisal of both the financial and policy position.
- 2.2 The Council is required to set an affordable Council Tax and a balanced budget, while meeting its duties to provide local services. This limits the options available to Members. Nevertheless, the Council can determine its priorities in terms of the services it seeks to preserve and protect where



possible, and to the extent permitted by its resources, those services it wishes to prioritise through investment.

- 2.3 The Council has a statutory duty to set a balanced HRA and provide THH with the resources to fulfil its obligations under the Management Agreement. Whilst there may be other ways of delivering a balanced HRA, the budget setting process outlined in this report is considered the most effective, in realising all the Council's statutory duties having regard to the matters set out in the report.

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

#### **3.1 BACKGROUND**

- 3.1.1 The medium-term financial planning process is an essential part of the Council's resource allocation and strategic service planning framework. The MTFFS integrates strategic and financial planning over a multi-year period. It translates the Strategic Plan priorities into a financial framework that enables the Mayor and officers to ensure policy initiatives can be delivered within available resources and can be aligned to priority outcomes.

- 3.1.2 The drivers for the Council's financial strategy are:

- To set a balanced budget over the life of the MTFFS whilst protecting residents from excessive Council Tax increases, as defined by the government, through the legislative framework covering Council Tax referenda.
- To fund priorities agreed within the Strategic Plan, ensuring that service and financial planning delivers these priorities.
- To deliver a programme of planned reviews and savings initiatives designed to keep reductions to service outcomes for residents to a minimum.
- To maintain and strengthen the Council's financial position so that it has sufficient contingency sums, reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of service outcomes for residents.
- Ensuring the Council maximises the impact of its spend to deliver priority outcomes in the context of reducing resources.

#### **3.2 STRATEGIC APPROACH**

- 3.2.1 Budget setting during the year will be aligned with strategic planning for the authority, outlining the priorities for the new administration and aligning resources with key priority areas.

### 3.3 PROPOSED BUDGET

- 3.3.1 The refreshed MTFS is set out in Appendix 2A, and the detail by service area in Appendix 2B. The detailed figures and assumptions incorporated in these tables are explained more fully in this report.
- 3.3.2 The previous multi-year funding settlement agreed with the Government expired at the end of the 2019-20 financial year. Single year settlements were announced for first 2020-21, then 2021-22 and now 2022-23. The government announced the Spending Review 2021 on 27 October 2021, which provided resource budgets for Government Departments the three years 2022-23 to 2024-25. However, the Government only announced **a single year** provisional Local Government Finance Settlement (LGFS) for 2022-23, published on 16<sup>th</sup> December 2021, to enable funding reforms to be progressed. The absence of a long-term settlement hinders the ability of Local Authorities to plan for the Medium Term effectively.
- 3.3.3 Previously the direction of travel for Local Authority funding reflected a move away from direct general government support such as through Revenue Support Grant towards more targeted grant support coupled with an increased reliance on locally generated sources of income such as Council Tax, retained Business Rate growth and targeted incentive payments such as New Homes Bonus funding. Following the pandemic, the Government has signalled a change in direction consulting on ending New Homes Bonus payments and progressing a 'fair funding review' to assess needs and a business rates reset. The needs assessment formula utilised to distribute funding and business rates baselines have been unchanged since 2013-14 and a review of these will have significant implications for Tower Hamlets over the medium term. It is anticipated these reforms will be implemented on 1 April 2023 at the earliest and transitional relief will be provided to councils who will lose funding as a result. Given the lack of any announcement thus far, it is not expected that reforms will come into place until 1 April 2024.
- 3.3.4 The impact of the Covid-19 pandemic has inevitably impacted on the level of resources available and shaped the government's own short-term funding priorities. This means both the relative priority of local government against other government departments such as the NHS as well as the relative resource allocations between local government services. Since March 2020 the Government has announced various packages of one-off funding to Councils to support Local Authorities through the pandemic, including enabling Councils to defer the costs of deficits in Council Tax or Business Rates collection over multiple years. The long-term pressures on the Council's finances of the pandemic remain to be quantified.

### 3.4 IMPACT ON COUNCIL SERVICES

- 3.4.1 The one-year provisional Local Government Finance Settlement (LGFS) for 2022-23 was positive for Tower Hamlets as funding streams that were expected to come to an end were rolled forward for an additional year. This includes New Homes Bonus funding and another year of business rates growth, that Tower Hamlets has been able to retain since the baselines were set in 2013-14. There was also additional Social Care Grant and a one-off Services Grant for 2022-23. This enabled the Council to set a balanced budget for 2022-23 whilst freezing its element of Council Tax, aside from levying a 1% precept specifically for Adult Social Care to fund demographic pressures in that area.
- 3.4.2 The Government has signaled that the one-year settlement was provided to facilitate taking forward Local Government funding reforms including a 'fair funding' review of the needs assessment formula and a reset of Business Rates baselines essentially wiping-out growth since 2013-14. In early 2021 the Government also consulted on altering New Homes Bonus funding, with the outcome expected to be published in 2022.
- 3.4.3 The proposed changes would have significant implications for Tower Hamlets over the Medium Term. Retained Business Rates above the Council's baseline accounts for approximately £18.8m of the Council's funding and New Homes Bonus funding is expected to be £12.9m in 2023-24. If these funding sources are removed it is not clear how the money would be redistributed across Local Government, although the Government has signaled transitional relief would be provided to Councils to support them managing funding reductions. It is uncertain when any such reforms would come into place.
- 3.4.4 In addition to funding uncertainties in the medium term, the Council continues to face increases in demand for services, inflationary cost increases and demographic cost pressures particularly in Adult Social Care. The long-term impacts of the ongoing coronavirus pandemic remain uncertain.
- 3.4.5 The majority of the Council's costs relate to staffing and, given the scale of the challenges projected for future years, it is likely that continuing significant reductions will be needed to the Council's overall headcount and pay bill. The processes by which posts are identified draw upon the lessons learnt during the pandemic about which services are essential, which services are discretionary and which service delivery points are required for the future delivery of what are likely to be changed or redesigned services.

## 3.5 FINANCIAL RESOURCES

Table showing MTFS based on assumed general Council Tax increase of 0% for all years:

<b>MTFS Summary 2023-26</b>	<b>2023-24</b> £'000	<b>2024-25</b> £'000	<b>2025-26</b> £'000
<b>Net Service Costs</b>	389,473	421,500	438,256
Growth - Previously approved by Full Council	137	-	-
Growth - New	12,342	9,157	6,266
Inflation - Previously approved by Full Council	6,500	-	-
Inflation - New	17,300	10,000	6,900
Savings - Previously approved by Full Council	(7,181)	-	-
Savings - Write back of previously approved Savings	-	-	-
Savings - New (reprofiling & write-offs or approved savings)	2,929	(2,400)	(100)
<b>Total Funding Requirement</b>	<b>421,500</b>	<b>438,256</b>	<b>451,322</b>

<b>Core Grants:</b>			
- Revenue Support Grant	(36,883)	(37,617)	(38,369)
- New Homes Bonus	(2,328)	(2,328)	(2,328)
- New Homes Bonus - transitional funding (via Services Grant)	(10,550)	(10,550)	(10,550)
- Improved Better Care Fund	(16,810)	(16,810)	(16,810)
- Social Care Grant	(16,602)	(16,602)	(16,602)
- Public Health Grant	(39,315)	(40,101)	(40,903)
- Rough Sleeping Initiative	(658)	(672)	(672)
- Homelessness Prevention Grant	(6,062)	(6,183)	(6,183)
- Market Sustainability and Fair Cost of Care Fund	(8,546)	(12,208)	(12,208)
- Lower Tier Services Grant	(1,479)	(1,479)	(1,479)
<b>Core Grants</b>	<b>(139,232)</b>	<b>(144,550)</b>	<b>(146,104)</b>
<b>Business Rates</b>	<b>(150,596)</b>	<b>(147,970)</b>	<b>(155,122)</b>
<b>Council Tax:</b>			
- Council Tax - in year income	(128,226)	(134,702)	(140,863)
- Council Tax - Collection Fund deficit / (surplus)	364	-	-
<b>Council Tax</b>	<b>(127,862)</b>	<b>(134,702)</b>	<b>(140,863)</b>
<b>Total Funding</b>	<b>(417,690)</b>	<b>(427,221)</b>	<b>(442,090)</b>

<b>Budget Gap / (Surplus)</b>	<b>3,810</b>	<b>11,035</b>	<b>9,233</b>
<b>Contribution to Reserves / (Drawdown from Reserves)</b>	<b>(3,810)</b>	<b>(11,035)</b>	<b>(9,233)</b>
<b>Budget Gap after Contribution / (Drawdown) to Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>

Assumptions:

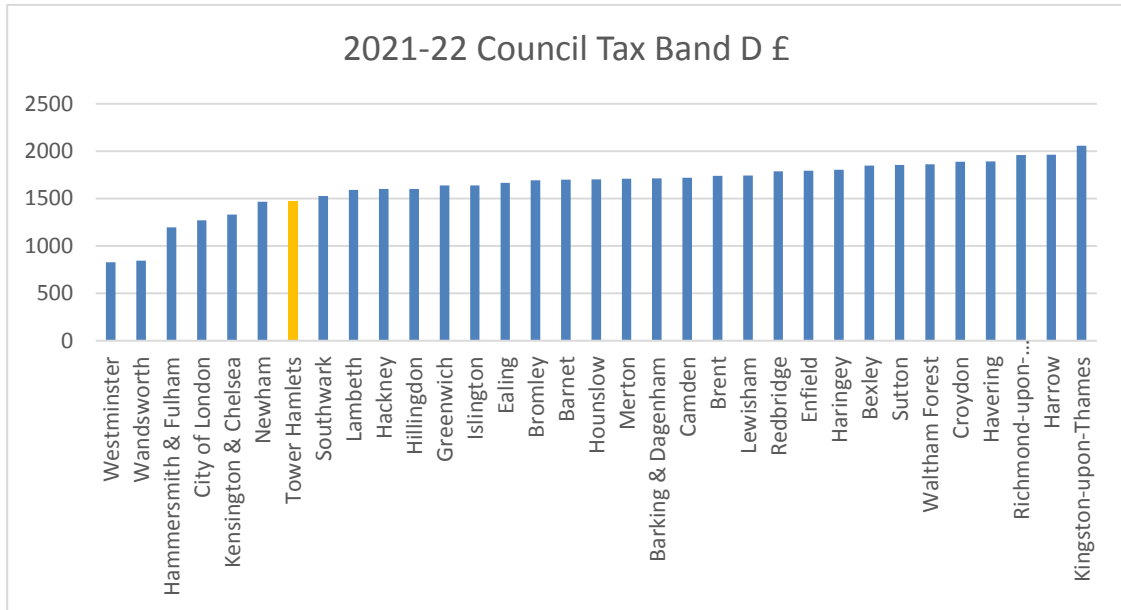
- No increase in General Council Tax for all years.
- ASC precept increase of 1% for all years - allocated to fund ASC demography.
- Business Rates income - assumes reset to occur in 2025-26 but partially offset by transitional funding (75% in 2025-26).
- New Homes Bonus - assumes transitional funding to retain funding level at current income (excluding legacy payments).
- Market Sustainability and Fair Cost of Care Fund grant fully given to services (primarily Adult Social Care for reduced client contribution income).
- Pay Inflation - 4% for 2022-23 and 2023-24; 2% for other years.
- Contractual Inflation - 4.5% for 2022-23; 6% for 2023-24; 4% for 2024-25; 2% for 2025-26.

Please note: If the ASC Precept was not able to be applied, this would not increase the budget gap per se, but would decrease the resources given to ASC (c£1.3m in 2023-24, c£2.7m in 2024-25 and c£4.2m in 2025-26).

### **Council Tax**

- 3.5.1 Council Tax income is a key source of funding for Council Services. The amount generated through Council Tax is principally determined by the Council Tax Base (the number of properties adjusted for exemptions and discounts) and the rate of charge per property.
- 3.5.2 The Council currently can, subject to legislative constraints, increase its Council Tax rate through two mechanisms; the Adult Social Care precept and general tax rate increases.
- 3.5.3 If the Council was to implement a general increase to Council Tax, **each 1%** would generate extra income (and therefore decrease the budget gap) of c£1.3m in 2023-24, c£2.7m in 2024-25 and c£4.2m in 2025-26).
- 3.5.4 For the Adult Social Care (ASC) precept, specifically to fund Adult Social Care pressures, the government agreed a maximum level of 1% for 2022-23 and the Council consulted on and implemented a 1% precept. The Council did not implement an increase in the general Council Tax rate for 2022-23.
- 3.5.5 The government has not stated to date what the referendum level for general tax rate increases will be (in recent years this has been 1.99%) and whether an ASC precept will be allowed for 2023-24. The government assumes in the Core Spending Power calculation that Councils will increase Council Tax at the maximum allowed level. If the Council, therefore, does not implement at the maximum level, then its spending power to provide services would be reduced going forward with no funding from government to mitigate this.
- 3.5.6 Currently Tower Hamlets has one of the lowest Council Tax rates across the 33 London Boroughs as shown in Chart 1 below.

### **Chart 1: 2021-22 Council Tax Rates Across London**



3.5.7 The borough has seen increases in the number of new homes over the last few years, however the Covid-19 pandemic has had a material impact on the level of income received from this source; the virus has impacted the number of people in work or receiving low pay and as a consequence increased significantly those claiming benefits, including through the Local Council Tax Reduction Scheme (LCTRS). There has also been a drop in the collection rate as residents have been affected by Covid-19 on their income levels.

3.5.8 The Mayor in Cabinet approved the Council Tax Base calculation for 2022-23 on 18 January. The Council Tax Base calculation assumed growth of 3.5% in 2022-23 and a 97.50% collection rate and the estimate of the 2023-24 Tax Base will be calculated later in 2022.

### **Local Council Tax Reduction Scheme (LCTRS) 2022-23**

3.5.9 In March 2022, the Council agreed that there would be no changes to the current Local Council Tax Reduction Scheme (LCTRS) for 2022-23. Due to the impacts of the pandemic, the cost of the scheme rose from £26.7m in 2019-20 to £31.6m in 2020-21. The level of claimants has reduced slightly from the increased pandemic level (£32.7m cost in 2021-22 which includes the effect of the annual Council Tax increases), however the impact of the current higher cost of living may impact the levels of claimants in the future.

3.5.10 The current LCTRS scheme remains amongst the most generous in the UK protecting Tower Hamlets residents on low incomes. Those on the lowest income are able to receive 100% relief and pay no Council Tax.

3.5.11 Each year, the Council is required to consider whether it wishes to change its LCTRS. Any changes to the scheme require a full public consultation and impact analysis.

3.5.12 The budget assumes that the existing 100% LCTRS will remain unchanged for 2023-24 protecting our residents on low incomes.

### **Settlement Funding Assessment and Revenue Support Grant**

3.5.13 Settlement Funding Assessment (SFA) reflects the government's current approach to funding most local authorities through Revenue Support Grant (RSG) and retained business rates.

3.5.14 Each authority's SFA is based on a needs assessment established at the beginning of the funding arrangements and thereafter reflecting the impact primarily of government funding reductions. The Baseline Funding Level represents the amount of retained business rates that the government expects each local authority to generate assuming no increase in the tax base since the scheme inception (i.e. it continues to increase only in line with the increase in the relevant business rate multiplier).

3.5.15 The difference between SFA and the Baseline Funding Level is the amount of RSG an authority receives. For Tower Hamlets, the 2022-23 calculation based on the Provisional Local Government Finance Settlement is shown below.

### **Settlement Funding Assessment**

<b>Settlement Funding Assessment</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>
Settlement Funding Assessment (SFA)	145.5	146.6
Baseline Funding Level (BFL)	111.5	111.5
Revenue Support Grant (RSG)	34.0	35.1

### **Business Rates Retention Scheme**

3.5.16 The Council has entered a business rates pool with seven other neighbouring London Boroughs in 2022-23 (the 8 Authority Pool) which will enable the Council to retain some of the levy on growth that would otherwise be required to be paid to Central Government. The amount of extra growth retained was estimated to be £2.5m one-off extra income in 2022-23.

3.5.17 The Covid-19 pandemic significantly impacted the business rates income for the Council and created a 2020-21 Business Rates Collection Fund deficit which will be required to be repaid over the period 2021-24. The Council share of the accumulated Business Rates deficit to the end of 2020-21 is £55.0m (primarily funded through government grants for business rates reliefs), towards which the government will also provide compensation of £14.1m. The deficit reduced due to the removal of the provision for Material Change in Circumstances (MCC) appeals, following government legislation, which excluded the ability for businesses to request revaluations based on the short term effect of the Covid pandemic.

- 3.5.18 The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24. The Covid-19 pandemic continued to have a significant impact on the 2021-22 business rates income through revaluations, other changes to the rating list and a reduction in collection rates.
- 3.5.19 The business rates baseline was due to be reset in 2022-23, however this has been delayed until at least 2023-24. The refreshed MTFs currently assumes that this will be delayed further until 2025-26 (due to the lack of any announcement and due to recent indications by Local Government Finance in DLUHC) and partially offset by transitional funding (75% in 2025-26).
- 3.5.20 The current business rates system allows councils to retain a proportion of the growth in the local business rates tax base, however this is typically lost during funding rebasing. For Tower Hamlets this is c£18.8m of funding that could be lost because of a reset and the annual delays have improved the budget position in recent year and it is forecast this will continue for 2023-24 and 2024-25. The Government has signalled funding reforms to be implemented as part of the Levelling Up agenda which could encompass the reset of business rates baselines and allocations across the country. There is significant uncertainty around when the government will implement the reset, how the money would be redistributed across Local Government and the amount of any transitional relief provided to the Council; therefore, the level of business rates income is uncertain over the medium term with a risk of reduced funding for the Council going forward.

### **Collection Fund**

- 3.5.21 Due to the effect of the Covid-19 pandemic on the Collection Fund deficits for 2020-21, the government announced that 2020-21 deficits can be repaid over the three-year period 2021-24. This is a further spread of the impact over more years than the normal requirements for repayment periods. Furthermore, the Spending Review 2020 announced that the government will fund 75% of components of the 2020-21 deficit.
- 3.5.22 There is an accumulated Business Rates Collection Fund deficit to the end of 2020-21, of which the Council share is £55.0m (primarily funded through government grants for expanded retail and nursery scheme business rates reliefs). The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24. The Collection Fund currently remains under consideration by external audit and, therefore, the accumulated deficit to the end of 2020-21 may be subject to change.
- 3.5.23 The Business Rates accumulated deficit includes a significant increase in the loss allowance (bad debt provision) for potential non-payment of debts to the Council, again due to the pandemic, rising £5.8m (Council share) from £1.9m (2019-20) to £7.7m (2020-21).



3.5.24 There is an accumulated Council Tax Collection Fund deficit to the end of 2020-21, of which the Council share is £6.5m. The government has compensated £2.0m of this (being 75% of certain components of the 2020-21 gross deficit). The deficit includes the impact of the loss allowance (bad debt provision) which was increased by £2.9m (Council share) from £11.9m (2019-20) to £14.8m (2020-21) due to the impact of the pandemic.

3.5.25 The Collection Fund Smoothing Reserve has a draft balance of £66.8m at the end of 2020-21, subject to the closure and audit of the Council's accounts for the period 2016 - 2021. This includes Section 31 grant income from central government to fund the expanded retail and nursery scheme business rates reliefs for 2020-21, which will be drawn down over the period 2021-24 to match the years in which the related business rates deficit payments will impact the financial accounts. The purpose of the Smoothing Reserve is also to balance out potential deficits and surpluses across individual years for Business Rates and Council Tax income over the medium term. Income collection to date and forecasts for the year are monitored monthly including the impact of inflation and the pandemic on the Collection Fund.

### **Core Grants**

3.5.26 The Council is in receipt of several core grants to support specific service priorities. Given the uncertainty of the Fair Funding review and reforms signalled by the Government but not yet implemented, assumptions have been made in respect of most grants after the announced 2022-23 level. There are risks associated with this approach as the government may decide to change its priorities and reduce or cease funding through a grant or reallocate service specific grants into more general funding with a changed distribution methodology.

### **Revenue Support Grant**

3.5.27 Revenue Support Grant (RSG) is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement using the relevant funding formulae; the revision of these formulae is the focus of the (deferred) Fair Funding review process.

3.5.28 The Council's Revenue Support Grant (RSG) has decreased from circa £54m in 2017-18 to £35m in 2022-23.

### **New Homes Bonus**

3.5.29 The New Homes Bonus (NHB) scheme was introduced in 2011-12 to help tackle the national housing shortage. The scheme was designed to reward those authorities that increased their housing stock either through new build or by bringing empty properties back into use. Tower Hamlets is a high growth area and has attracted one of the highest levels of NHB in the country.

3.5.30 A consultation was launched after the 2021-22 settlement on the future of NHB with options including increasing the threshold for payment and various other factors that could be included for calculations. There is uncertainty in the amounts to be received going forward and it is likely that payments in future will be significantly lower. The Secretary of State for DLUHC had stated that the government's response to the consultation will be published in early 2022 and that they are committed to reform and will use the additional year to carefully consider how they can ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider government priorities. An announcement is now expected in the summer which will include potential NHB changes as part of the wider Levelling Up agenda.

3.5.31 If the NHB (including all legacy payments) were to come to an end in the medium term, it is expected that decreases in NHB will be re-allocated nationally into other funding streams such as the Revenue Support Grant or other core grants, however this will clearly need to be kept under review. As part of the provisional LGFS, the Secretary of State for DLUHC announced a further round of New Homes Bonus allocations under the current scheme for 2022-23. The allocations for 2022-23 include previously announced legacy payments but, as in 2021-22, these new allocations for 2022-23 will not result in new legacy commitments being made in subsequent years on those allocations. The New Homes Bonus grant has reduced nationally from £622m in 2021-22 to £554m in 2022-23. The Council's New Homes Bonus grant allocation has decreased from £17.646m in 2021-22 to £16.263m in 2022-23.

3.5.32 Over the medium term the level of funding potentially lost will depend on which changes are announced, the timescales for implementation and any transitional funding for Councils such as Tower Hamlets that would lose significant funds as a result. The amount of funding going forward remains therefore unclear. The MTFs currently assumes that funding would be retained at a similar amount to the 2022-23 allocation but will need to be updated when more information is available.

Table showing NHB allocations for Tower Hamlets 2020-21 to 2022-23:

<b>New Homes Bonus</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2017/18 allocation	5.406		
2018/19 allocation	6.180	6.180	
2019/20 allocation	3.812	3.812	3.812
2020/21 allocation	6.584		
2021/22 allocation		7.654	
2022/23 allocation			12.451
<b>Total Allocation</b>	<b>21.981</b>	<b>17.646</b>	<b>16.263</b>

## Improved Better Care Fund

3.5.33 The Better Care Fund (BCF) was introduced in the 2013-14 spending review. The fund is a pooled budget, bringing together local authority and NHS funding to create a national pot designed to integrate care and health services.

3.5.34 In addition to this, an Improved Better Care Fund (IBCF) was announced in the 2016-17 budget to support local authorities to deal with the growing health and social care pressures during the period 2017-20. The Spending Rounds since 2019 have extended this grant for one year at a time and the continued provision of this funding is built into the budget.

## Social Care Grant

3.5.35 In the Chancellor's 2019-20 budget, £410m of additional funding was announced for use for adult and children's social services. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care, therefore the existing Adult Social Care Relative Needs Formula was used to distribute this Social Care Support Grant funding.

3.5.36 The 2020-21 LGFS confirmed that the previous Social Care Support Grant allocations will be rolled into a new Social Care Grant for 2020-21. The Social Care Support Grant allocation for Tower Hamlets of £2.499m was used to support the revenue budget funding for demographic and inflationary growth for the directorates. The grant was increased in 2020-21 to £9.367m. This increase of £6.868m was allocated 50% to supporting the revenue budget funding for demographic and inflationary growth for the directorates, and the remaining 50% directly allocated as budget to the services (75% to adult social care and 25% to children's social care).

3.5.37 The Spending Review 2020 announced a further one-off increase to the Social Care Grant for 2021-22 of £2.974m and this was allocated in full as budget to the services. The 2022-23 LGFS retained the 2021-22 increase and further increased the grant by another £4.261m (to a total £16.602m) and this was also allocated directly to the specified services.

3.5.38 The table below demonstrates the allocations of the Social Care Grant.

Social Care Grant Allocations	Adult Social Care Budget	Children's Social Care Budget	Funding of Demography and Inflation	Total
	£m	£m	£m	£m
2019-20 Funding	-	-	2.499	2.499
2020-21 Additional Funding	2.575	0.858	3.435	6.868
2021-22 Additional Funding	2.230	0.744	-	2.974
2022-23 Additional Funding	3.196	1.065	-	4.261
<b>Total 2022-23</b>	<b>8.001</b>	<b>2.667</b>	<b>5.934</b>	<b>16.602</b>

## Social Care Reform

3.5.39 In December 2021 the Government published its long-awaited white paper on Adult Social Care reform entitled 'People at the Heart of Care' setting out a 10-year vision for transforming support and care in England. The document set out a range of priorities that the Government will seek to take forward with the sector in coming years.

3.5.40 The Government published 'Build Back Better: Our Plan for Health and Social Care' in September 2021 introducing a new health and social care levy to National Insurance Contributions, initially to help fund the clearance of NHS backlogs, a cap on care costs of £86,000 and the ability of self-funders to ask their Local Authority to arrange their care for them. The Government announced that the cost of the increased National Insurance Employer Contributions for Councils will be funded and the provisional LGFS stated that the 2022-23 funding has been included in the new Services Grant, although the grant is one-off whilst the tax increase is permanent.

3.5.41 The LGFS has stated that to ensure that local authorities are able to move towards paying a fair cost of care, the Government is providing an additional £1.4 billion over the next 3 years. This forms part of the £3.6 billion confirmed at Spending Review 2021 to implement Charging Reform. £162 million will be allocated in 2022 to 2023 to support local authorities as they prepare their markets for reform. A further £600 million will be made available in both 2023-24 and 2024-25. These proposals are funded by the new Health and Care Levy announced in September 2021, of which £5.4 billion is being invested into adult social care over the next 3 years. Beyond the next 3 years, an increasing share of funding raised by the levy will be spent on social care in England.

### **Market Sustainability and Fair Cost of Care Fund**

3.5.42 The provisional LGFS announced this new grant for 2022-23 intended to help local authorities to prepare their markets for reform and move towards paying the fair cost of care. The government has distributed funding using the adult social care relative needs formula and the 2022-23 allocation for Tower Hamlets was £0.989m. The budget allocated this funding in full to the Health, Adults and Community directorate.

3.5.43 Local authorities will be expected to carry out activities including:

- Conduct a cost of care exercise to determine sustainable rates.
- Engage with local authorities to improve data on operational costs and the number of self-funders.
- Strengthen capacity to plan and implement greater market oversight.
- Use the funding to increase fee rates (appropriate to local circumstances).

3.5.44 The grant is forecast to increase to circa £8.5m in 2023-24. The allocation of the budget to services is still to be determined, however it is envisaged that this will primarily be required to reduce adult social care client contribution income budgets (due to the cap on care costs) and to fund administration costs for the recording and monitoring of care costs paid and development of the market

(e.g., commissioning/brokerage, accountancy, financial assessments and debt monitoring).

### **Services Grant**

3.5.45 In the provisional LGFS, the Government introduced a one-off 2022-23 Services Grant and the allocation for Tower Hamlets was £7.688m. This grant was not ringfenced, and conditions on reporting requirements were not attached. It was provided in recognition of the vital services, including social care, delivered at every level of local government and also includes funding for local government costs for the increase in employer National Insurance Contributions.

3.5.46 The Government stated a clear intention for this grant to be one-off for 2022-23 but intend to work closely with local government on how to best use this funding from 2023-24 onwards. This funding would be excluded from any proposed baseline calculation for transitional support as a result of any proposed system changes but the funding could be used by Government to provide transitional relief from decreases in funding caused by the New Homes Bonus, Fair Funding Review and the Business Rates Reset.

### **Public Health Grant**

3.5.47 The Public Health grant is ring-fenced for use on public health functions exclusively and covers all ages. The final allocation of the Public Health grant to Tower Hamlets for 2022-23 was £37.372m. The MTFS currently assumes inflationary increases for future years.

### **Rough Sleeping Initiative**

3.5.48 The Rough Sleeping Initiative fund was created to provide local support for those living on the streets. This was first announced in March 2018 to make an immediate impact on the rising levels of rough sleeping. This funding combined the Rough Sleeping Initiative and Rapid Rehousing Pathway into a single, streamlined funding programme.

3.5.49 The budget estimates that the Council will receive an allocation of £0.646m in 2022-23 (allocation still to be announced) with the funding allocated directly to the Place directorate.

### **Homelessness Prevention Grant**

3.5.50 The Flexible Homelessness Support & Homelessness Reduction grant was designed to transform the way councils fund homelessness services to provide greater flexibility to prioritise the prevention of homelessness. The grant empowers the Council to support the full range of homelessness services.

3.5.51 The government created a newly named Homelessness Prevention Grant that replaced the Flexible Homelessness Support and Homelessness Reduction grant in 2021-22. The new allocation for 2021-22 was £5.852m which was a

£0.746m increase on the previous grant. The MTFs includes this new grant allocation and assumes that this level will continue in future years with added inflation, with the funding allocated directly to the Place directorate to support services relating to homelessness in the borough.

### **Local Tier Services Grant**

3.5.52 The Lower Tier Services Grant was introduced in the 2021-22 LGFS, intended to be “minimum floor funding” to ensure that no district or unitary council had a decrease in Core Spending Power for 2021-22. The government made it clear that “This funding is in response to the current exceptional circumstances and is a one-off. No local authority should take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms”.

3.5.53 The provisional LGFS retained the Lower Tier Services Grant for another year (2022-23) and the final LGFS confirmed the 2022-23 allocation for Tower Hamlets as £1.508m.

3.5.54 In 2021-22 the funding was placed into the Collection Fund Smoothing Reserve, to support the impact of the Covid-19 pandemic on Business Rates and Council Tax income. The 2022-23 budget utilised the one-off income to contribute to in-year funding of the Council’s expenditure and the MTFs currently assumes that this will continue in future years.

## **3.6 BUDGET PRESSURES, GROWTH AND INFLATION**

3.6.1 A key part of the annual budget setting process is the review of growth pressures across the MTFs period arising from demographic changes, new requirements or responsibilities or inflationary pressures.

3.6.2 In previous budget setting processes, the Council approved amounts for unavoidable growth and estimated inflation over the period to 2023-24. These have been reviewed as part of updating the MTFs for the period until 2026 and in the context of the overall funding pressures and in particular as a result of the current high inflation rate and continuing impact of Covid-19.

3.6.3 In line with this review methodology, previously agreed demographic growth funding for Adult Social Care (ASC) in 2021-22 and 2022-23 was revised downwards to take account of a range of demand management measures that include more effective price controls to mitigate pressures (£3.5m revised growth for 2022-23). This was a risk-based proposal given the Council’s overall financial gap and given that the service is currently experiencing financial pressures on care packages. The 2022-23 budget allocated funding from the ASC Precept to support ASC demography (£1.2m). The MTFs includes allowance for further adult social care demographic growth pressures of circa £5.4m for each of 2023-24 to 2025-26, of which circa £4m per annum would be funded through growth and circa £1.4m per annum would only be provided if the 1% ASC Precept was allowed by government and agreed by Council to be implemented. The demography provision for ASC will need to take account of

the government's ASC Reform and potential funding to be provided from the new health and social care tax.

- 3.6.4 The Council remains part of the National Joint Council (NJC) for Local Government Services for negotiating pay award arrangements. The 2020-21 pay inflation was agreed nationally at 2.75% and the 2022-23 budget ensured that pay inflation was provided for this higher increase. The 2021-22 pay award has been agreed at 1.75% for most officers (2.75% for officers on the lowest spinal point and 1.5% for Chief Officer grades) in line with the budget provided for in the MTF5 (which was based on a 1.75% average assumption).
- 3.6.5 The pay inflation requirement for 2022-23 was previously estimated at £3.8m, based on a 2% annual pay award and increased to provide for the recent bringing inhouse of IT and waste collection services. The 2022-23 budget also included a £1.4m allowance for the increased employer's NI contribution for the health and social care tax, funded in 2022-23 through the new Services Grant from Government. It is proposed in the MTF5 refresh for the pay award allowance for 2022-23 to be increased to 4% and 4% also allowed for 2023-24, due to cost of living pressures on national negotiations, before returning to a 2% assumption for 2024-25 and 2025-26.
- 3.6.6 The refresh of the MTF5 has also considered the currently heightened inflationary risks in non-pay inflation. Some large contracts include inflationary uplifts based on the Retail Price Index (RPI) or Consumer Price Index (CPI), which could be high in certain months following the recovery from the pandemic and the markets are experiencing pressures in areas such as labour and fuel which could affect the cost of new contracts. The year-on-year RPI increase for April 2022 is 11.1% and the CPI increase is 9.0%.
- 3.6.7 The 2022-23 budget allowed for non-pay inflation of 2.5%, slightly higher than the historic allowance of 2% based on the Bank of England's target rate. The refreshed MTF5 proposes to increase this to 4.5%, provide 6% for 2023-24 and 4% for 2024-25, then returning to 2% for 2025-26.
- 3.6.8 The GLA will announce the London Living Wage (LLW) increase for 2023-24 around October. The Council is committed to fund social care homecare providers for any LLW increase as part of the Ethical Care Charter.
- 3.6.9 Directorates in the Council will further review their service areas over the summer for unavoidable growth and budget pressures that would be requested to be funded in 2023-26. Pressures that are currently known have been included in the proposals listed together with inflation, demography and changes to savings and core grants in Appendix 5. The MTF5 currently assumes that the growth amounts previously indicated for 2023-24 and 2024-25, when the 2022-23 budget was set, will now be agreed in the 2023-26 budget.

## 3.7 SAVINGS PROPOSALS

### Savings Proposals – General Fund

- 3.7.1 The Council has previously approved savings to ensure that a balanced budget was in place for the MTFS three year period. However, amid considerable uncertainty around future funding levels, there remains an estimated budget gap for 2023-24 and 2025-26.
- 3.7.2 The Council will need to consider its strategy for meeting the budget gap going forward as part of budget setting for 2023/24.
- 3.7.3 The Council has previously approved savings totalling £7.181m in 2023-24. However, with the latest estimated significant budget gaps in both 2023-24 and 2024-25, there is a likely future need to identify significant additional savings for these years and to ensure all previously approved savings remain deliverable. Previously approved savings for 2023-24 will be reviewed by the current administration and are therefore subject to change. Detailed consultation and impact assessments will continue to be undertaken as the proposals agreed previously are taken through to implementation and the services will continue to develop and consult on proposals for future years.
- 3.7.4 The previously approved savings include increased fees and charges income for the Council of £0.235m in 2023-24, in line with results from the 2021 budget consultation which indicated support for an increase in income generation. The fees and charges report will be presented to Cabinet for agreement later in the financial year.

### Prior year savings to be written off - £2.200m

- 3.7.5 Following a robust review, the following previously agreed savings are considered to be no longer deliverable and it is proposed in this budget that these are now formally written off: -
- **Contract Management Efficiencies ref: SAV / CORP 02 / 18-19 £1.950m.** The current inflationary pressures on contract negotiations and procurements have resulted in these further contract efficiencies not being achievable.
  - **Income Through Housing Companies ref: SAV/ RES 08 / 18-19 £0.250m.** There is currently no activity within the housing companies and a review of the use of the housing companies is being undertaken with a view to having a clear strategy around their roles and any savings that could be delivered.

### Re-profiled savings to later financial year - £0.100m



3.7.6 The following previously agreed savings are considered to be no longer deliverable within the originally planned timescales and it is proposed in this budget to re-profile these to following years;

- **THH - Potential support service savings ref: SAV / COP 002 / 21-22 £0.100m re-profiled from 2023-24 to 2025-26.** This saving relates to support service savings from the in-sourcing of THH and is therefore proposed to be re-profiled to allow time for the consideration of potential in-sourcing.

### 3.8 RISKS AND OPPORTUNITIES

3.8.1 When setting the draft MTFs, Service Directors have provided their best estimate of their service costs and income based on the information currently available to them. However, there will always be factors outside of the Council's direct control which have the potential to vary the key planning assumptions that underpin those estimates.

3.8.2 There are a number of significant risks that could affect either the level of service demand (and therefore service delivery costs) or its main sources of funding. In addition, there are general economic factors, such as the level of inflation and interest rates that can impact on the net cost of services going forward.

3.8.3 Pressures in service demand are demonstrated in the Council's budget monitoring for 2021-22, especially for children's and adult social care. The Council commissioned an external review of adult social care budgets, demography projections and savings plans. Consideration of the review and identified risks will feed into the medium-term financial planning process.

3.8.4 Similarly, there are opportunities to either reduce costs or increase income which will not, as yet, be fully factored into the planning assumptions. The main risks and opportunities are summarised below.

#### **Risks**

##### **Inflation**

- CPI Inflation rose to 9% in April 2022 and high inflation expected to persist throughout this financial year, driven largely by energy and goods prices. Rises in commodity prices, increases in shipping costs and supply shortages have together pushed up goods prices globally and reflected in UK import prices.
- Currently CPI is expected to return to a lower level over the medium term. However, there are impacts on Council budgets in relation to higher costs, greater demand for services and lower income collection as households face pressures associated with increased prices.

##### **Covid-19 Pandemic**

- Public health and wellbeing – both residents and staff
- Increase in service demand – especially mental health, social care, homelessness, unemployment and domestic abuse
- Increased levels of financial hardship, with poverty exacerbating existing inequalities
- Economic impact on Council funding
  - Potentially significant decreased business rates and council tax income levels; it will be vital for the Council to continue to receive government support for these reduced income levels
  - Decreased sales, fees and charges income

### **Impact of decision to leave European Union (Brexit)**

- Workforce impact arising from direct or indirect employment of EU nationals.
- Supply chains are affected by changes in import and procurement legislation, and there are potential cost implications associated with currency fluctuations.
- The implications for pension funds are mixed as global investment vehicles have already priced in much of the uncertainty, but valuations on balance sheets and the cost of borrowing may lead to greater vulnerability.
- Commercial strategies may need to take into account the potential for any downturn in demand for properties in their investment portfolios which impact rental income and profitability.

### **Regulatory Risk**

- **Business Rate Reset** – A proposed business rates reset by the Department for Levelling Up, Housing and Communities (DLUHC) means that the baseline level will be raised to the current level of business rates, and therefore Tower Hamlets will only retain extra income for growth that occurs above the new baseline expected level.
  - The target business rates amount since 2013-14 was set on cash amounts received in previous years. This created winners and losers depending on the timing of appeals. Tower Hamlets benefited from the methodology chosen, plus has benefitted from growth achieved locally since 2013-14.
  - It was always DLUHC's intention to update the target amounts. This was planned to take place in 2019-20 but has been delayed until at least 2023-24, so, in this regard, Tower Hamlets has benefitted. It is envisaged that resets will also occur periodically going forward.
  - Once the reset takes place, the growth will be redistributed based on need (within the funding formula) and Tower Hamlets will receive a share. Tower Hamlets should also receive more resources going forward, if local growth continues.

- **Review of relative needs and resources (also called the Fair Funding Review)** - The government has committed to reforming the way local authorities are funded. Its Fair Funding Review aimed to introduce a new funding formula from April 2021, now delayed to at least April 2023. The government has said that the Fair Funding Review will: -
  - set new baseline funding allocations for local authorities;
  - deliver an up-to-date assessment of the relative needs of local authorities;
  - examine the relative resources available to local authorities;
  - focus initially on the services currently funded through the local government finance settlement;
  - be developed through close collaboration with local government to seek views on the right approach.
- It is considered likely that London authorities will be adversely affected by the changes and it is therefore sensible to plan for a variation in funding levels even after allowing for transitional arrangements.

### **Adult Social Care Services**

- **Price pressures in the social care market** – impact of workforce shortages and inflation on labour, fuel, food and clothing costs.
- **Discharge from hospital** – reduction in NHS funding for the short-term funding of care costs for residents that are discharged from hospital.
- **Long Covid** – the long term effects on the health and social care needs of residents are unclear and may increase demand for community and residential based services.
- **National implementation of a care cap on client contributions** – reduction in income and an increase in administration costs (updating the calculations of contribution levels and monitoring of contributions paid against the cap which will also include self-funders).

### **General Economic Factors**

- Economic growth slowing down or disappearing
- Reductions in grant and third party funding
- Reductions in the level of income generated through fees and charges
- A general reduction in debt recovery levels
- Increase in fraud

### **Increases in Service Demand**

- Adult Social Care homecare and residential care services

- Children's Social Care including an increase in the number of looked after children, unaccompanied asylum seekers or those with no recourse to public funds
- Housing (including homelessness and temporary accommodation)
- General demographic trends (including a rising and ageing population)
- Impact of changes to Welfare Benefits

#### **Efficiencies and Savings Programme**

- Non-delivery of savings remains a key risk to the Council and will continue to be monitored during the current and next financial year
- Slippage in the expected delivery of the savings programme

#### **Opportunities**

- Growth in local taxbase for both housing and businesses
- Service transformation and redesign including digital services
- Invest to save approach (including capital improvements) to reduce revenue costs
- Income generation opportunities including through a more commercial approach

### **3.9 RESERVES**

3.9.1 Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to mitigate future risks, such as increased demand and costs; to help absorb the costs of future liabilities; and to enable the Council to resource policy developments and initiatives without a disruptive impact on rates of Council Tax.

3.9.2 The Council's key sources of funding face an uncertain future and the Council, therefore, holds earmarked reserves and a working balance in order to mitigate future financial risks. There are two main types of reserves:

- Earmarked Reserves – held for identified purposes and are used to maintain a resource in order to provide for expenditure in a future year/s.
- General Reserves – these are held for 'unforeseen' events.

3.9.3 The Council maintains reserves for its General Fund activities, in respect of its Housing Revenue Account (HRA) and for Schools. Capital reserves are also held to support funding of the Council's capital investment strategy.

3.9.4 The amount of reserves held is a matter of judgment which takes into account the reasons why reserves are maintained and the Council's potential financial exposure to risks. The Council's current Reserves Policy is included in Appendix 7. Reserves are one-off funds and, therefore, the Council should always aim to avoid using reserves to meet on-going financial commitments other than as part of a sustainable budget plan. In the current unprecedented challenging environment, it is even more important to ensure reserves are maintained and not on a continuing declining trajectory. The level of General

Revenue balance is maintained at the level agreed in the Financial Regulations of the Council, currently £20m.

3.9.5 Reserves are therefore held for the following purposes:

- Providing a working balance i.e. Housing Revenue Account and General Fund.
- Smoothing the impact of uneven expenditure profiles between years e.g. collection fund surpluses or deficits, local elections, structural building maintenance and carrying forward expenditure between years.
- Holding funds for future spending plans e.g. capital expenditure plans and for the renewal of operational assets e.g. information technology renewal.
- Meeting future costs and liabilities where an accounting 'provision' cannot be justified.
- Meeting future costs and liabilities so as to cushion the effect on services e.g. the Insurance Reserve for self-funded liabilities arising from insurance claims.
- To provide resilience against future risks.
- To create policy capacity in a context of forecast declining future external resources.
- The use of some reserves is limited by regulation e.g. reserves established through the Housing Revenue Account can only be applied within that account and the Car Parking reserve can only be used to fund specific transport related expenditure. Schools reserves are also ring-fenced for their use.

3.9.6 An overview of reserves are presented below (subject to completion of outturn and audit completion of the statement of accounts)

<b>Reserves Summary</b>		<b>Forecast 31/03/22</b>
		<b>£m</b>
General Fund Reserve		23.8
Earmarked Reserves with Restrictions on use		120.7
Earmarked Reserves without Restrictions		86.5
<b>Total Forecast General Fund Earmarked Revenue Reserves</b>		<b>207.2</b>
<b>Other Reserves</b>		
Housing Revenue Account		52.5
Schools Balances		36.5
Dedicated Schools Grant Surplus / (Deficit)		(10.6)
<b>Reserves restricted by law to finance Capital Expenditure</b>		
Capital Grants Unapplied		192.7
Capital Receipts Reserve		128.3

<b>Overall Reserves Total</b>	<b>630.4</b>
-------------------------------	--------------

### 3.10 **SCHOOLS' FUNDING**

- 3.10.1 The largest single grant received by the Council is the Dedicated Schools Grant (DSG), which is ring-fenced to fund school budgets and services that directly support the education of pupils. The Local Authority receives its DSG allocation gross (including allocations relating to academies and post 16 provision), and then the Education & Skills Funding Agency (ESFA) recoups the actual budget for Academies to pay them directly, based on the same formula as the funding allocations made to Tower Hamlets maintained schools. This leaves a net LA cash budget.
- 3.10.2 The DSG is allocated through four blocks: The Schools Block, Central School Services Block, High Needs Block and Early Years Block. All elements of the DSG are calculated based on a national funding formula, however these are calculated using historic funding as a baseline.
- 3.10.3 Whilst the Schools Block allocation for 2022-23 is based on allocating a school level budget calculation, the method of distribution to schools is still through a local formula methodology.
- 3.10.4 In December 2021 the ESFA published initial allocations for 2022-23 for the Schools Block, Central Services Block High Needs Block and the Early Years block. The allocations for the High Needs block and the Early Years block are further updated in year in line with pupil data changes whilst the Schools Block and Central School Services block are final allocations.
- 3.10.5 The Early years block is based on pupil take up on an hourly rate which is £8.06 per hour for 3 and 4 year olds and £6.87 per hour for 2 year olds. Tower Hamlets rate has been frozen for 3 and 4 year olds for the last three years with only the 2 year old rate increased by 21p or 3.1% for 2022-23. The initial Early Years Block allocation is based on January 2021 early years numbers which were lower than in previous year due to the Pandemic, we would expect the final allocation to be increased for actual pupil take up.
- 3.10.6 Additional funding for Pupil growth in the Schools Block for 2022-23 has been included in the December allocation at £1.796m this is calculated using growing pupil numbers in Middle Super Output Areas between October 2020 and October 2021 ignoring reductions in other areas. This methodology benefits Tower Hamlets with the movement in demand across the borough plus we have seen an increase in total pupils from the previous year of 597 or 1.6%.
- 3.10.7 The Schools block of the DSG has increased by 2% per pupil for 2022-23, whilst the overall cash increase is 4% this relates to the growth in the pupil population.
- 3.10.8 The High Needs Block is funding to support costs of pupils with additional education needs, across mainstream and special schools as well as the

associated support costs. The allocation of the high needs block for 2022-23 has increased by 8%, which will go some way to ease the pressure on current spend and mean we are able to manage the high needs block spend within the financial year as well as build additional capacity. However, there continues to be an accrued deficit that will be bought forward and can, in line with government guidance, be bought back into balance over a number of future financial years.

- 3.10.9 Significant work continues to take place to identify efficiencies in high needs provision, including remodelling of central services, review of top ups paid to individual schools as well as building local capacity to prevent expensive placements outside of LBTH. A long term management plan for high needs will be reviewed with the Department for Education in 2022-23.
- 3.10.10 The Central Schools Services Block (CSSB) was introduced in 2018-19 to fund LAs for their statutory duties relating to maintained schools and academies. The CSSB brings together funding previously allocated through the retained duties element of the Education Services Grant (ESG) funding for ongoing central functions e.g. admissions and funding for historic commitments including items previously agreed locally such as contributions to central Education budgets.
- 3.10.11 As part of the national funding formula the DfE are reducing the allocation within the CSSB of historic commitments and therefore the CSSB for Tower Hamlets has been decreased by £376k in relation to historic commitment for 2022-23.
- 3.10.12 In addition to the Central Schools Services Block, maintained schools can, through the Schools Forum, agree to de-delegate some of their Schools Block resources for certain specific services that schools would benefit from the economies of being managed centrally. Schools can also make contributions to support the former Education Services Grant (ESG) general duties which was removed as a separate grant in 2017. This contribution supports costs the Council is obliged to carry out as statutory duties for maintained schools, for example in relation to financial regulation, asset management, internal audit, HR and the provision of information to government departments and agencies. Schools Forum were asked at the School Forum of 12<sup>th</sup> January 2022 to increase these contributions and de-delegations by 2% to match the increase in the schools. These rates were agreed for one year only and will need to be reviewed in October for 2023-24.
- 3.10.13 The table below sets out the DSG allocation over the funding blocks for 2022-23. Please note that the 2022-23 allocations will be finalised in July 2022.

### Dedicated Schools Grant – Initial 2022-23 and Final 2021-22

Block Gross	2022-23	2021-22	Change
	£m	£m	£m
Schools Block	289,896	278,633	11,263
CSSB	3,511	3,887	(376)
High Needs Block	71,875	65,820	6,055
Early Years Block	27,927	31,139	(3,212)
<b>Total</b>	<b>393,209</b>	<b>379,479</b>	<b>13,730</b>

3.10.14 In addition, the Council receives, and passports fully to schools, funding for the pupil premium (£20.9m in 2021-22) and sixth form funding (circa £13m). Final allocations for the pupil premium will be confirmed in July 2022 and sixth form funding in March 2022. In 2021-22 a number of Covid related catch up funds were also passported fully to Schools which have yet to be confirmed as continuing into future years. Schools will receive a supplementary grant for 2022-23 to cover the health and social care NI tax and for other cost pressures.

### Tower Hamlets' Funding Formulae

3.10.15 The agreement on the local Schools Funding Formula and Early Years Funding Formula is a decision for the Council following consultation with the Schools Forum. Schools Forum have agreed to mirror the national funding formula which was confirmed in the January Forum meeting, and is line with the direction of travel stated by government. Schools Forum will consider the following:

- That the National Schools Funding Formula (NSFF) adopted by Tower Hamlets originally in 2019-20 continues for 2023-24.
- That the Minimum Funding Guarantee (the mechanism that guarantees schools a minimum uplift in per-pupil funding) would be set at the maximum allowed.
- That the structure of the Early Years Funding Formula remains unchanged.

### 3.11 HOUSING REVENUE ACCOUNT (HRA)



3.11.1 The Housing Revenue Account (HRA) relates to the activities of the Council as landlord of its dwelling stock. Since April 1990 the HRA has been “ring-fenced”. This means that any surplus or deficit on the Housing Revenue Account cannot be transferred to the General Fund. The HRA must also remain in balance.

3.11.2 From April 2012, the HRA subsidy grant was abolished and replaced by self-financing, under which local authorities retain all rental income, but are responsible for meeting all costs relating to Council housing.

### **2022-23 Rent Increase**

3.11.3 Section 23 of the Welfare Reform and Work Act forced local authorities to implement a rent reduction of 1% for four years starting in 2016-17. The last year to which the rent reduction applied was 2019-20.

3.11.4 In September 2018 the government published a consultation entitled ‘Rents for social housing from 2020-21’ in which it set out its proposals for social rent policy from 2020-21. The proposals are that the Regulator of Social Housing’s rent standard will, from 2020-21, apply to local authorities. This will mean that, in common with other Registered Providers (RPs), local authorities will be permitted to increase their rents by a maximum of CPI + 1% for at least five years.

3.11.5 Any rent increase is based on the September CPI figure, and therefore the maximum rent increase would be CPI +1%. In 2022-23 the increase was 4.1% (CPI of 3.1% plus 1%). The table below shows the impact on rental income by bedroom size:

<b>Bedroom Numbers</b>	<b>2015-16 Average Weekly Rent</b>	<b>2021-22 Average Weekly Rent</b>	<b>2022-23 Average Weekly Rent</b>	<b>£ Weekly Increase (21-22 to 22-23)</b>
0 Bed	85.49	85.81	89.33	3.52
1 Bed	99.28	99.32	103.39	4.07
2 Bed	112.17	112.27	116.87	4.60
3 Bed	126.06	126.48	131.67	5.19
4 Bed	141.35	143.36	149.24	5.88
5 Bed	156.97	156.19	162.59	6.40
6 Bed	160.34	160.06	166.62	6.56

The 2022-23 rent increase was the first year in which rent levels have risen above 2015-16 rents prior to the enforced rent cuts detailed in para. 3.11.3

3.11.6 Within the formula rent calculation there is the ability to charge up to 5% more on the base rent levels for specific reasons, for example, a new build council house. This flexibility has not been applied in Tower Hamlets to date.

### **2022-23 Increase in Tenanted Service Charges**

3.11.7 LBTH should budget to recover the cost it incurs on providing services to tenants through the service charge made to them. Historically these charges have been subject to an inflationary increase, with the assumption being that the cost of providing the services will incur an annual inflationary increase. As a result, the 2022-23 tenanted service charges were increased by 3.1% (September CPI figure).

3.11.8 The table below details the current service charges and the impact of the 2022-23 3.1% CPI inflationary increase.

Service Charge	2021-22 Average Weekly Charge	2022-23 Average Weekly Charge	£ Weekly Increase (21-22 to 22-23)
Block Cleaning	5.70	5.88	0.18
Estate Cleaning	2.50	2.58	0.08
Concierge	9.97	10.28	0.31
Horticulture	0.81	0.84	0.03
ASB	1.20	1.24	0.04
Boiler Fuel	14.28	14.72	0.44
Communal Energy	1.33	1.37	0.04
Total	35.79	36.91	1.12

### Repairs and Maintenance

3.11.9 The 2021-22 repairs and maintenance budget included a growth item of £250k for a five-year programme of electrical testing. The 2022-23 budget was increased by a 5% inflationary increase. The level of inflationary increase for 2023-24 will need to consider the currently higher level of inflation, especially in labour and material costs resulting from Brexit, the pandemic and the current cost of living pressures.

3.11.10 The main repairs and maintenance contract, currently with Mears is planned to be re-procured during the year. As a result the future cost of providing the service is unknown at this stage.

### Energy

3.11.11 The 2021-22 energy budget was held at the same level as the previous year with no inflation applied following a new energy contract being procured. However, wholesale gas and power markets have been extremely volatile since December 2020, with prices recently hitting a new decade high. It is uncertain whether this is a short-term increase or a more long-term fundamental change to the UK energy prices but it is likely to impact on the cost of energy and will need to be factored into the MTFs and annual HRA budgets.

3.11.12 Tower Hamlets exposure to these price increases has been partially mitigated in recent years through the pre-emptive step to hedge most of the energy required. However, the longer-term impact will affect prices and the impact on the 2023-24 budget is being evaluated. An inflationary rise has been applied

to the energy budget for 2022-23 however current market prices present a pressure to the HRA.

### Management Fee

3.11.13 The Management Fee represents the largest single expenditure element of the HRA budget. In March 2022, Council approved the 2022-23 Management Fee payable to THH for services provided to the Council at £33.236m. This has increased by £0.440m to £33.676m following the agreement of the 2021-22 NJC national pay award.

3.11.14 The table below shows the calculation of the 2022-23 Management Fee payable to THH.

#### Calculation of 2022-23 Management Fee

Description	Total £m
<b>Management Fee 2021-22</b>	32.615
Add: 2021-22 Pay Award	0.440
Savings from Salary and Non-Salary Budgets	(0.313)
Growth from Non-Pay related activities	0.075
Growth from Pay related activities	0.217
Growth - Building Safety	0.642
<b>Management Fee 2022-23</b>	<b>33.676</b>

3.11.15 The 2022-23 management fee does not include an inflationary increase in relation to the 2022-23 NJC pay award which is still to be agreed nationally. Salary costs represent approximately £20m of the management fee and any formally agreed increase will need to be reflected in the 2022-23 management fee.

### Savings

3.11.16 At its meeting on 26th July 2016, the Mayor in Cabinet agreed a HRA medium-term savings target of £6m. The budget for 2021-22 represented the final £1m tranche of this saving, with £5m already having been delivered across the management fee and delegated budgets.

3.11.17 Following the delivery of £6m of savings over the previous five years, THH indicated that it was difficult to deliver significant savings in 2022-23 without cutting services. It was therefore agreed to implement a negligible savings target in 2022-23, with larger targets in following years once THH move to the New Town Hall and can take advantage of the synergies that this will bring.

3.11.18 As part of its budget setting process, THH identified £0.313m of savings that were deliverable against the management fee in 2022-23. Staff savings of £0.042m were identified, primarily from the re-organisation of the Business Development Team to enable the creation of a Regulatory Assurance Team. The remaining £0.271m of savings related to non-staffing budgets following service reviews, new ways of working following on from the pandemic and in preparation to moving to the new Town Hall. The savings also included budgets that had not been utilised and for which no plans were in place for its use.

### **Growth – Management Fee**

3.11.19 In 2022-23 a new permanent growth item was agreed totalling £0.642m to ensure that the Council is meeting its obligations for building and fire safety following the Hackett review. The growth has funded the appointment of a team comprising a Fire Safety Manager and eight Building Safety Officers.

3.11.20 The Fire (Building) Safety Manager will be the Council's 'named individual' and will manage our programme of fire risk assessments, EWS surveys and Type 4/compartimentation surveys; ensure compliance with the requirements of PAS9980 which relates to the holistic risk assessment of external walls; manage as part of the wider team the building safety officers who will primarily focus on our portfolio of 69 high rise buildings; inform the investment programme and help us to understand our priorities and provide advice within the organisation and support the project managers and delivery of fire safety remedial works.

3.11.21 The Building Safety Officers (seven Officers and one Senior) will manage all 69 high rise buildings over 6 stories and other buildings as may be deemed appropriate; each officer will have a portfolio of 10 buildings and they will be the public face with all residents in those buildings and lead resident engagement strategies; lead on enforcement action in relation to all fire safety issues (inc. leaseholders) i.e. gates/grills etc; work with suitable 3rd parties in ensuring that all front entrance doors across the 3966 flats in the 69 high rise buildings meet the relevant standard. This includes 1353 leaseholders; have a high profile in each building and carryout regular inspections working with caretakers.

3.11.22 A further £0.217m of pay related growth related to the recruitment of additional caretakers for new build properties; the realignment of gardener's salaries as agreed with trade unions and overtime payments for ASB officers when providing an out of hours text service.

3.11.23 Non-pay growth of £0.075m related to an increase in rent paid on a property following a rent review, software upgrade for the Health & Safety system and training for the new building safety team.

### **Growth – HRA Delegated Budgets**

- 3.11.24 A further permanent growth bid of £356k was agreed relating to the clienting of the building safety bill. This growth was split over two years, with £108k required in 2022-23 and the remainder in 2023-24.
- 3.11.25 The Building Safety Bill introduces a new regime applicable to all high-risk/high-rise buildings that are 18 meters or 7 storeys and more in height with two or more residential units. This includes our existing housing stock, new developments that are ready for residents to move into and some commercial units located on the ground floor of residential blocks in scope of the Bill.
- 3.11.26 The Bill will improve the fire and structural safety of new and existing residential buildings and focuses on accountability at each stage of a building's lifecycle. Non-compliance with the Building Safety Act could result in fines and/or imprisonment.
- 3.11.27 The Council is required to undertake building safety case reviews with a requirement to complete intrusive external wall system surveys to the blocks managed by THH of 7+ storeys or 18m+. This represented a new requirement with costs estimated at £0.353m agreed as growth.
- 3.11.28 It was also agreed to increase the feasibility budget within the HRA by £1.5m to support the new build housing capital programme, enabling the continued identification of sites, develop designs, carry out cost and viability appraisals and proceed towards planning applications for the delivery programme.
- 3.11.29 The contracts for asbestos surveys, fire risk assessments and stock conditions surveys have been awarded and the procurement for water risk assessments has been relet. The overall 4-year budget for each contract was agreed resulting in growth of £0.783m.

### **Overall position on the HRA**

- 3.11.30 The HRA business plan will be refreshed as part of 2023-26 budget setting to model the impact of the risks and opportunities detailed above to assess that the key parameters within which it operates will not be breached. These include HRA reserve balances maintained at a minimum of £10m and an Interest Cover Ratio (the number of times rental income can cover interest repayments on borrowing) above 1.5.

### **Update on Government Policies Affecting the HRA**

- 3.11.31 There have been a number of recent government consultations and announcements and these are outlined below.

### **Social Housing White Paper**

- 3.11.32 In November 2020 the Government issued its social housing white paper - The charter for social housing residents, with a focus on tenant safety, consumer protection and redress. The Regulator of Social Housing (RSH) has

been tasked with setting up a new consumer regulatory function which will proactively monitor and ensure compliance with updated consumer standards

- 3.11.33 The removal of the 'serious detriment' test along with the introduction of both routine and reactive inspections for all landlords with more than 1000 homes signals a new approach to consumer regulation with implications for the way councils manage the ALMO relationship and gain assurance, providing the regulator with greater oversight of the performance of the local authority landlord function' emphasising that where management has been contracted out to an ALMO or TMO, it is the local authority as landlord that is responsible for meeting the regulatory standards.
- 3.11.34 This brings a renewed focus on the client role and how the local authority gains assurance. Councils will need to demonstrate to the regulator how they know the ALMO is performing and ensure there are robust measures in place to ensure compliance with the consumer standards and a shift towards more contractual compliance and the White Paper suggests councils should review their contracts to ensure they do not hinder the RSH in the exercise of its powers.
- 3.11.35 Landlords will also be required to specify a named 'responsible person for Consumer Standards' and a named 'responsible person for health and safety'. It is unclear whether it will be possible to delegate these roles to the ALMO, however the likelihood is that the Regulator will follow the precedent set in the Building Safety Bill which requires the landlord to undertake the Authorised Person role directly.
- 3.11.36 The White Paper also introduces new requirements in terms of landlord transparency and accountability to tenants. The regulator is tasked with developing arrangements to collect and publish a core set of tenant satisfaction measures for all social landlords so tenants will know how their landlord is performing relative to others in the sector. Whilst operationally much of this will be delegated to the ALMO, LBTH will need to keep a close eye on all aspects of performance including complaints and satisfaction levels with different aspects of the services.

### **Building Safety Bill**

- 3.11.37 The government is bringing forward fundamental changes in the draft Building Safety Bill that will improve building and fire safety, so that people will be, and will feel, safer in their homes following the Grenfell Tower fire.
- 3.11.38 Dame Judith Hackitt carried out an independent review of building regulations and fire safety to understand the causes of the fire. The review concluded that the whole system needed major reform and that residents' safety needed to be a greater priority through the entire life cycle of a building – from design and construction, through to when people are living in their home.

- 3.11.39 The Building Safety Bill will sit alongside the recent Fire Safety Act 2021 which was introduced on 5<sup>th</sup> July 2021 and has now recently received Royal Assent, with full implementation in 2023.
- 3.11.40 Measures will be put place to make people safer in their homes. The Bill will ensure that there will always be someone responsible for keeping residents safe in high rise buildings – those 18 metres and above. They will also have to listen and respond to residents’ concerns and ensure their voices are heard – they will be called the ‘Accountable Person’.
- 3.11.41 Residents and leaseholders will have access to vital safety information about their building and new complaints handling requirements will be introduced to make sure effective action is taken where concerns are raised.
- 3.11.42 As announced in the Queen’s speech on 11<sup>th</sup> May 2021, a new Building Safety Regulator will be established to oversee and make sure that Accountable Persons are carrying out their duties properly. The new Regulator will sit within the Health and Safety Executive and will have the power to prosecute property developers and landlords that do not meet safety standards as set out in the Bill.
- 3.11.43 The Regulator will work closely with duty holders both within the Council and THH throughout the lifecycle of Council owned stock and will ensure that high rise buildings and the people who live in them are being kept safe and will have new powers to raise and enforce higher standards of safety and performance across all buildings.
- 3.11.44 The draft Bill will make sure that those responsible for the safety of residents are accountable for any mistakes and must put them right. It will fully establish the regulator that will enforce new rules and take strong actions against those who break them.
- 3.11.45 The regulator will have 3 main functions: to oversee the safety and standard of all buildings, directly assure the safety of higher-risk buildings; and improve the competence of people responsible for managing and overseeing building work.
- 3.11.46 It will operate a new, more stringent set of rules for high-rise residential buildings. The new set of rules, contained in the draft Bill, will apply when buildings are designed, constructed and then later occupied.
- 3.11.47 At each of these 3 stages, it will be clear who is responsible for managing the potential risks and what is required to move to the next stage enabling a ‘golden thread’ of vital information about the building to be gathered over its lifetime.
- 3.11.48 When residents move into a building that falls under the new set of rules, it will need to be registered with the Building Safety Regulator and apply for a Building Assurance Certificate. The Accountable Person will need to conduct

and maintain a safety case risk assessment for the building and appoint a Building Safety Manager to oversee it day to day.

3.11.49 The bill also bans the use of combustible materials on the external walls of high-rise buildings, publishes clearer guidance on existing regulations that buildings owners must follow, and will make it mandatory for sprinklers to be fitted in all new blocks of flats over 11 metres high.

### **Fire Safety Act**

3.11.50 The Fire Safety Act 2021 received Royal Assent in April 2021. Implementation arrangements will be set out in legislation, namely Regulations and associated guidance to be issued by the Home Office. The implementation timetable envisaged a commencement date of April 2022.

3.11.51 These regulations will place significant obligations on landlords of high-rise and multi-occupancy residential buildings, including:

- Requiring the Council to consider the spread of fire across external surfaces of its buildings. This means that priority will need to be given to implementing a programme of External Wall Surveys which will require significant internal resource and expertise. It is proposed that the new Fire Safety Manager will take a leading role in this respect and manage the programme of inspections.
- The Fire Safety Act will also require front entrance doors and balconies to be included within the scope of fire risk assessments to ensure that they are in good condition and fit for purpose. This applies equally regardless of tenure and it is envisaged that the new building safety officers will play a key role in enforcing this.
- It is likely that the Act will require the Council to consider those residents who may need assistance in the event of the building being evacuated and put in place an appropriate plan (PEEP). Again, in high rise buildings the safety officers will lead on this.

The Act will empower fire and rescue services to take enforcement action and hold building owners to account if they are not compliant.

3.11.52 The Act provides a foundation for secondary legislation to take forward recommendations from the Grenfell Tower Inquiry phase one report, which stated that building owners and managers of high-rise and multi-occupied residential buildings should be responsible for a number of areas including:

- regular inspections of lifts and the reporting of results to the local fire and rescue services



- ensuring evacuation plans are reviewed and regularly updated and personal evacuation plans are in place for residents whose ability to evacuate may be compromised
- ensuring fire safety instructions are provided to residents in a form that they can reasonably be expected to understand
- ensuring individual flat entrance doors, where the external walls of the building have unsafe cladding, comply with current standards

### **Removal of HRA debt cap**

3.11.53 The government announced in October 2018 that the HRA debt cap would be scrapped and this took effect from 29<sup>th</sup> October 2018. Removing the HRA debt cap means that instead of having a limit to the amount of debt that the HRA can undertake, HRA borrowing must – along with General Fund borrowing - be subject to the Prudential Code meaning that borrowing must be affordable, prudent and sustainable.

3.11.54 Under current rules, although interest charges on outstanding debt must be paid, the HRA has not made any provision for debt repayment in recent years. As non-repayment of debt is not sustainable over the long-term as it would result in increasing levels of interest charges being incurred, the s151 officer has decided that the charging of Minimum Revenue Provision (MRP) must be made to ensure the repayment of any borrowing is made over the usable lifespan of the assets, similar to the Minimum Revenue Provision (MRP) arrangements that operate for the Council's General Fund. If MRP is not charged, then future administrations will inherit ongoing debt costs that will be very difficult to reduce within budget constraints.

3.11.55 The s151 officer has also introduced a number of metrics within which the HRA must remain to ensure that borrowing levels remain prudent and interest / debt repayment remains affordable. These most important metric is a maximum interest cover ratio (the number of times LBTH can cover its interest payments from its income) of 1.5. This in effect places an artificial cap on the HRA as it limits the interest that can be repaid and therefore the amount borrowed. An ICR of 1.5 is in line with other similar Local Authorities and therefore deemed to be set at the right level.

### **Social Rent policy 2019-20 onwards**

3.11.56 On 13<sup>th</sup> September 2018 the government published a consultation 'Rents for social housing from 2020-21' in which the government set out its proposals in relation to social rent policy from 2020-21.

3.11.57 In the consultation the government proposed that the Regulator of Social Housing's rent standard will:

- permit Registered Providers (RPs) to increase their rents by a maximum of CPI + 1% for at least five years
- also now apply to Local Authorities

- 3.11.58 The government has now confirmed this policy and this means that in future local authorities will no longer have any discretion over their rent policy and will have to adhere to the Regulator's rent standard.
- 3.11.59 Historically local authorities have been able to make decisions on their rent policy with the only control mechanism being the annual 'Limit Rent', used to control Housing Benefit grant paid to the Authority by the Government.
- 3.11.60 With the introduction of HRA Self-Financing in April 2012, in return for being responsible for all items of expenditure and risk within the HRA, local authorities were meant to have discretion over their rent policy. As rent is the largest income stream within the HRA, having discretion over rent levels is seen as crucial in terms of running the HRA as a 'business'.
- 3.11.61 However, since 2012, the government has in relation to rents -:
- ended their rent restructuring policy a year early;
  - implemented legislation to impose a 1% rent cut for four years;
  - introduced the Regulator's rent standard to local authorities (as well as RPs) so that annual rent increases will be set out by the Regulator.
- 3.11.62 The most recent HRA 30 year financial modelling already assumes that after the four years of 1% rent cuts, HRA rents will increase by CPI + 1% for five years, and then by CPI only. The financial model set CPI at 3.1% for 2021-22 rent setting and assumes 2% throughout the remainder of the 30 year period.

### **Right to Buy receipts**

- 3.11.63 The government's consultation on the use of right to buy receipts was launched in August 2018, reaching a conclusion in March 2021 with the publication of its consultation 'Use of receipts from Right to Buy sales'.
- 3.11.64 Original rules set out that Right to Buy 'one for one' receipts must be spent on replacement social housing within three years. Any unused receipts after three years were paid back, along with interest at 4% to MHCLG.
- 3.11.65 Under the new rules put forward by the Government in its Right to Buy consultation response, the timeframe local authorities have to spend new and existing Right to Buy receipts will be extended from three years to five years. This change has been backdated, and Councils will be able to apply this to receipts received as long ago as 2017-18 with the view that it will allow longer-term planning, including allowing larger plots of land to be remediated.
- 3.11.66 The response to the consultation also brought changes to the percentage cap that Councils can use on the construction of new homes, with the cap rising from 30% to 40% in a bid to make it easier for Local Authorities to fund replacement homes, particularly those for social rent. In Tower Hamlets, the cap has been applied at 30% to the existing housing programme and 40% to the future programme.

- 3.11.67 Authorities can use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent, to help them build the types of home most needed in their communities.
- 3.11.68 Right to Buy receipts for acquisitions will be capped to help drive new supply with effect from 1 April 2022 and phased in over 2022-23 to 2024-25. From April 2022 it will prohibit more than 50% of RTB replacements being delivered as acquisitions in financial year 2022-2023, reducing to 40% in 2023-24 and 30% from 2024-25 onwards.
- 3.11.69 Pooling of RTB receipts will take place annually, replacing the former quarterly system. Deadlines for spending retained receipts will also be calculated on an annual basis. A minimal amount of non-financial management information will still be collected quarterly.

### **Risks – Welfare Reform**

- 3.11.70 The cumulative impact on the HRA will not be clear until the various reforms all take effect. Provision has been made within the HRA MTFP for an increase in bad debts but as the introduction of Universal Credit has been delayed it is not yet clear precisely what the future level of bad debts will be.

### **Risks – Brexit and Cost of Living Inflation**

- 3.11.71 On 31 December 2021 the United Kingdom left the European Union. The house building industry is reliant on a significant number of EU workers and procuring materials from EU countries. As a result, there is a risk of delays to house building and costs increasing which will impact on the 30-year business plan and delivery of Government legislation and manifesto commitments.
- 3.11.72 The BCIS Price Adjustment Formula Indices for May 2021 shows the most significant cost increase is in materials. The highest increase is in the cost of structural steel which increased by more than 30% between May 2020 and May 2021 (Source: BCIS). Other increases are lower (e.g. cost of composite windows and doors increased by around 15%; hardwood fittings by 7%; ready mixed concrete and tile cladding by 3%), but will still have an impact on total scheme costs. Added to this, lead-in times for materials and components have lengthened resulting in delays in delivery and the associated increase in costs.
- 3.11.73 Rising labour costs, combined with shortage of skills in certain trades, is also having an impact on project costs and delivery timetables. Contractors who rely on sub-contractors rather than their own directly employed labour force are most affected. Some workers have left the industry permanently due to pandemic and post-Brexit immigration rules have resulted in a reduction in the pool of workers available for construction activity.
- 3.11.74 In addition to changes in market conditions, new Health and Safety rules including the Fire Safety Bill, Building Safety Bill and Construction and Design Management Regulations will add further cost to construction projects, as will the target of meeting net carbon zero by 2025.

- 3.11.75 Turner and Townsend estimate that tender prices will be inflated over the next three years, increasing from 1.5% in 2021 to 4.5% in 2024 for built product and from 2% in 2021 to 5% in 2024 for infrastructure projects. However, recent returns for projects in the capital programme tendered in the last three months have seen prices increase by up to 15% as a result of material, supply chain and labour costs. These cost increases will impact on affordability within the HRA business plan.
- 3.11.76 The current high level of inflation in the economy will have an impact on pay and non-pay budgets across the HRA and will be reviewed as part of the HRA business plan update.

### **Risks – Covid-19 Pandemic**

- 3.11.77 On the 23<sup>rd</sup> March 2020 the UK entered into its first lockdown in response to the coronavirus pandemic. Since then, there have been two further lockdowns, with a phased ending of the third lockdown commencing on 8 March 2021. In total the UK has spent in excess of six months in lockdown restrictions. During this time many tenants have experienced hardship through the inability to work or loss of employment. Despite this, rent and service charge collection rates have remained stable and broadly in line with pre-pandemic levels. However, any further restrictions resulting from the pandemic could result in collection rates falling and an impact on the affordability of the HRA business plan.

### **3.12 CAPITAL**

- 3.12.1 Council approved the 2022-25 capital programme of £347.282m for the General Fund programme and £411.927m for the Housing Revenue Account programme in March 2022. The capital programme was for a three-year period, with commitments beyond 2025 resulting from the current programme to be funded in future years. Capital expenditure is focussed on the council's strategic priorities.
- 3.12.2 The 2021-22 capital outturn, including details on slippage, is presented separately at today's Cabinet meeting. The capital programme is being refreshed for 2023-26 and will be presented, including any additions and changes to the programme, to a later Cabinet meeting for approval.

### **3.13 TREASURY MANAGEMENT STRATEGY**

- 3.13.1 The Treasury Management Strategy Statement will be revised and agreed with Audit Committee in January 2023, and recommended for full Council approval in March 2023 in accordance with the CIPFA Treasury Management Code of Practice. The Statement sets out the proposed strategy with regard to borrowing, the investment of cash balances and the associated monitoring arrangements.

3.13.2 The proposed prudential indicators set out in the Treasury Management Strategy will be based on the proposed Capital Programme 2023-26.

### 3.14 **TIMETABLE**

3.14.1 Following the budget consultation process, a report will be brought to the November Cabinet which will provide a detailed update of the financial planning assumptions underpinning the current MTFS and the outcome of the budget consultation with stakeholders.

3.14.2 In the January Cabinet report, Members will be presented with updated information following the Provisional Local Government Finance Settlement (LGFS) and any impacts on the MTFS assumptions for government funding, Council Tax and Business Rates.

3.14.3 The draft timetable for the budget setting process is as follows:

Activity	Draft Dates
MTFS and Budget Scene Setting report to Cabinet	July 2022
Local Council Tax Reduction Scheme – if to be changed from 2023-24 then statutory consultation will need to begin in the late summer	LCTRS changes would require Council approval by end of January 2023
Statutory Budget Consultation (businesses)	TBC
MTFS and Budget report to Cabinet (first version)	November 2022
Fees and Charges report to Cabinet	November 2022
Local Government Finance Settlement (provisional)	December 2022
Local Government Finance Settlement (final)	January 2023
MTFS and Budget report to Cabinet (final version)	January 2023
MTFS and Budget report to Full Council and setting of Council Tax	March 2023
Treasury Management Strategy report to Full Council	March 2023

### 3.15 **BUDGET CONSULTATION AND SCRUTINY PROCESS 2022-25**

3.15.1 The Council must undertake statutory budget consultation with Business Rates payers in the borough and it is also good practice to consult with Council Tax payers and a broad range of other key stakeholders. In addition, meaningful consultation must take place with service users before any changes to service provision are implemented. Furthermore, the Council's budget framework sets out the need for the Overview and Scrutiny Committee to be involved in the setting of the Council's budget.

3.15.2 The Council is intending to carry out a consultation with businesses. The consultation will aim to ask how the Council should consider its approach in light of the budgetary pressures it faces which have increased due to the impact of inflation, Brexit and the Covid-19 pandemic. It is not currently proposed to carry out a consultation with residents as their priorities have

already been demonstrated through the recent election based on the administration's manifesto proposals.

- 3.15.3 The on-going role of the Overview and Scrutiny Committee in scrutinising business cases and undertaking targeted reviews in a number of key areas identified by them is key to maintaining the rigour of budget scrutiny of the Medium Term Financial Strategy (MTFS).
- 3.15.4 In addition to the scrutiny of relevant revenue savings and growth proposals the O&S Committee will undertake similar scrutiny of capital programme proposals. They will also have an overview of the medium term financial proposals being considered for approval by the board of Tower Hamlets Homes (THH), including proposals for rent setting and medium term savings. Similarly, the budget strategy for the Schools Budget which will be proposed for approval by the Cabinet, from the Schools Forum.

#### **4 EQUALITIES IMPLICATIONS**

- 4.1 The Equality Act 2010 requires the Council, in the exercise of its functions to have due regard to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
- 4.2 Tower Hamlets is one of the fastest growing and most densely populated places in the UK. Our population has grown by almost 31% since 2011 to just under 332,000. It is expected to increase to 364,000 by 2028 (a further 9.6% increase). More homes are built here than almost anywhere else. The borough is expecting to accommodate a further 35,000 homes by 2028. We are a young borough - the average age is 32 and 44% of the population is between 20 and 39.
- 4.3 Tower Hamlets is a world borough with a proud history of diversity and equality. Over 117 languages are spoken in the borough's schools – 43% of residents were born in over 200 different countries. The mid-pandemic residents survey 2021 showed that 79% of our residents feel that people from different backgrounds get on well together.
- 4.4 This diversity and rapid growth mean that ensuring equality is embedded throughout Council plans, services and activities is the number one priority and at the heart of all decision making. To help meet its duty under the Equality Act the Council undertakes equality impact assessments to analyse a proposed change to assess whether it has a disproportionate impact on persons who share a protected characteristic. As part of our budget setting process an equality impact assessment checklist is carried out on all new savings and growth proposals to determine if a full equality impact assessment needs to be carried out.
- 4.5 Corporate Directors will ensure equality analyses are completed to inform decisions for implementation of these proposals.

- 4.6 In setting the 2022-23 budget, no new savings were agreed, however existing savings for 2022-23 and 2023-24 that were agreed in the 2020-23 and 2021-24 budgets will still need to be implemented or reviewed for any changes. The new growth items proposed in the 2022-23 budget represented a positive impact for residents and organisations in the borough.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 The Council is required to consider the value for money implications of its decisions and to secure best value in the provision of all its services. It is important that, in considering the budget, Members satisfy themselves that resources are allocated in accordance with priorities and that best value is achieved.
- 5.2 The preparation of the MTFs takes account of the Council's obligations in relation to its Best Value duty. The budget proposals are based on securing best value within the context of continuing reductions in Council funding and service demand pressures.
- 5.3 The sustainable action for a greener environment implications of individual proposals in the budget are set out in the papers relating to those proposals.
- 5.4 Managing financial risk is of critical importance to the Council and maintaining financial health is essential for sustaining and improving service performance. Setting a balanced and realistic budget is a key element in this process. Specific budget risks will be reported to Cabinet as the budget process develops. The Council will maintain a range of budget provision (contingency) earmarked reserves for specific risks and general reserves for unforeseen events and risks.
- 5.5 The crime and disorder implications of individual proposals in the budget are set out in the papers relating to those proposals.
- 5.6 Any safeguarding implications of individual proposals in the budget are set out in the papers relating to those proposals.

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

- 6.1 As this report is primarily financial in nature the comments of the Chief Finance Officer (Section 151 Officer) have been incorporated throughout this report.
- 6.2 The government's Core Spending Power calculation makes assumptions about the level of growth in the Council Tax base and that authorities will increase Council Tax each year up to the referendum limit.
- 6.3 Not increasing the Council Tax in line with government assumptions would reduce the income available to the Council for 2023-24 and future years due to the impact on the Council's on-going tax raising base and also through the Fair Funding review where the government has indicated its preference to use a notional level of Council Tax rather than actual Council Tax levels to determine the extent of resources available to each authority. There are significant risks

facing the Council's funding over the medium term due to planned Local Government funding reforms.

- 6.4 Due to only receiving a one-year settlement for 2022-23 from Central Government, and funding reforms signalled within the settlement, it is extremely challenging to forecast the Council's funding over the medium term. The impact of the fair funding review, business rates reset and changes pertaining to New Homes Bonus, especially in light of the government's Levelling Up agenda, will impact Tower Hamlets significantly and timing of the implementation of these reforms together with details of how funding will be redistributed, including any transitional arrangements, are unknown at this stage. Over the medium term the funding gap could be in the range of circa £10m to £30m, however the MTFS will continue to be refreshed in 2022 as more information is received on the government's intended changes to funding, to ensure a sustainable budget going forward and alignment with the refreshed Strategic Plan.

## **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 of which this report forms part. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets from time to time and as set out in this report. It is also consistent to be continually reviewing the position on a rolling basis and setting strategic directions for the coming months.
- 7.2 The monitoring of budgets and financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report complies with that legal duty.
- 7.4 There are areas covered in the report where persons with a protected characteristic for the purposes of the Equality Act 2010 may be indirectly affected by the budgets as set. However, where changes in the budgetary position may result in a change to the delivery of a service, the effect on such persons will be considered separately and prior to the making of a change to that service.
-



---

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

### **Appendices**

- Appendix 1 Draft Budget Setting Timetable
- Appendix 2A MTFS Summary
- Appendix 2B MTFS Detail by Service Area
- Appendix 3 Previously Approved Growth and Inflation
- Appendix 4 Previously Approved Savings
- Appendix 5 New Growth, Inflation and Changes to Existing Savings
- Appendix 6 Projected Movement in Reserves
- Appendix 7 Reserves Policy

### **Linked Report**

- None

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

- None

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

Nisar Visram, Director of Finance, Procurement and Audit  
Allister Bannin, Head of Strategic and Corporate Finance  
Shakil Rahman, Senior Accountant

This page is intentionally left blank

**Draft Budget Setting Timetable 2023-24**

<b>Date of Meeting / Task</b>	<b>Meeting and Agenda</b>
<b>Mon 04 July 2022</b>	<b>Overview &amp; Scrutiny</b> MTFS and Budget Scene Setting 2023-26 report
<b>Mon 11 July 2022</b>	<b>CABINET</b> MTFS and Budget Scene Setting 2023-26 report
<b>TBC</b>	<b>Task</b> Deadline to submit savings proposals for 2023-24
<b>TBC</b>	<b>Corporate Leadership Team</b> Review savings proposals submitted for 2023-24
<b>TBC</b>	<b>Mayor's Advisory Board</b> Review savings proposals submitted for 2023-24
<b>TBC</b>	<b>Task</b> Budget Consultation (businesses)
<b>Fri 14 October 2022</b>	<b>Task</b> Capital - draft programme to be submitted to Corporate Finance HRA - draft budget including assumption on rent and service charge increases to be submitted to Corporate Finance
<b>Tue 25 October 2022</b>	<b>Corporate Leadership Team</b> MTFS and Budget 2023-26 report (including Capital, HRA and DSG) Fees and Charges 2023-24 report
<b>Wed 09 November 2022</b>	<b>Mayor's Advisory Board</b> MTFS and Budget 2023-26 report (including Capital, HRA and DSG) Fees and Charges 2023-24 report
<b>Mon 28 November 2022</b>	<b>Overview &amp; Scrutiny</b> MTFS and Budget 2023-26 report (including Capital, HRA and DSG) Fees and Charges 2023-24 report
<b>Wed 30 November 2022</b>	<b>CABINET</b> MTFS and Budget 2023-26 report (including Capital, HRA and DSG) Fees and Charges 2023-24 report
<b>DATE TBC</b>	<b>Chancellor's Autumn Statement - 2022 Spending Review</b>
<b>DATE TBC</b>	<b>Provisional Local Government Finance Settlement – specific details received</b>
<b>DATE TBC</b>	<b>Final Local Government Finance Settlement – specific details received</b>
<b>DATE TBC</b>	<b>School's Forum</b>
<b>Tue 10 January 2023</b>	<b>Corporate Leadership Team</b> MTFS and Budget 2023-26 report
<b>Wed 11 January 2023</b>	<b>Mayor's Advisory Board</b> MTFS and Budget 2023-26 report
<b>Mon 23 January 2023</b>	<b>Overview &amp; Scrutiny - Budget Scrutiny</b> MTFS and Budget 2023-26 report
<b>Wed 25 January 2023</b>	<b>CABINET</b> MTFS and Budget 2023-26 report
<b>Thu 26 January 2023</b>	<b>Audit Committee</b> Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2023-24
<b>TBC</b>	<b>Overview &amp; Scrutiny - Budget Scrutiny (reserve)</b> MTFS and Budget 2023-26 report
<b>Wed 01 March 2023</b>	<b>FULL COUNCIL- First Budget Meeting</b> MTFS and Budget 2023-26 report Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2023-24
<b>Thu 09 March 2023</b>	<b>FULL COUNCIL- Second Budget Meeting (reserve)</b> MTFS and Budget 2023-26 report Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2023-24

This page is intentionally left blank

## MTFS Summary 2023-26

	2023-24 £'000	2024-25 £'000	2025-26 £'000
<b>Net Service Costs</b>	389,473	421,500	438,256
<b>Growth</b>			
- Previously approved by Full Council	137	-	-
- New	12,342	9,157	6,266
<b>Inflation</b>			
- Previously approved by Full Council	6,500	-	-
- New	17,300	10,000	6,900
<b>Savings</b>			
- Previously approved by Full Council	(7,181)	-	-
- New (previously approved savings reprofiling and write-offs)	2,929	(2,400)	(100)
<b>Total Funding Requirement</b>	<b>421,500</b>	<b>438,256</b>	<b>451,322</b>
<b>Core Grants:</b>			
- Revenue Support Grant	(36,883)	(37,617)	(38,369)
- New Homes Bonus	(2,328)	(2,328)	(2,328)
- New Homes Bonus - transitional funding (may be provided via Services Grant)	(10,550)	(10,550)	(10,550)
- Improved Better Care Fund	(16,810)	(16,810)	(16,810)
- Social Care Grant	(16,602)	(16,602)	(16,602)
- Public Health Grant	(39,315)	(40,101)	(40,903)
- Rough Sleeping Initiative	(658)	(672)	(672)
- Homelessness Prevention Grant	(6,062)	(6,183)	(6,183)
- Market Sustainability and Fair Cost of Care Fund	(8,546)	(12,208)	(12,208)
- Lower Tier Services Grant	(1,479)	(1,479)	(1,479)
- Services Grant	-	-	-
<b>Core Grants</b>	<b>(139,232)</b>	<b>(144,550)</b>	<b>(146,104)</b>
<b>Business Rates</b>	<b>(150,596)</b>	<b>(147,970)</b>	<b>(155,122)</b>
<b>Council Tax:</b>			
- Council Tax - in year income	(128,226)	(134,702)	(140,863)
- Council Tax - Collection Fund deficit / (surplus)	364	-	-
<b>Council Tax</b>	<b>(127,862)</b>	<b>(134,702)</b>	<b>(140,863)</b>
<b>Total Funding</b>	<b>(417,690)</b>	<b>(427,221)</b>	<b>(442,090)</b>
<b>Budget Gap / (Surplus)</b>	<b>3,810</b>	<b>11,035</b>	<b>9,233</b>
<b>Contribution to Reserves / (Drawdown from Reserves)</b>	<b>(3,810)</b>	<b>(11,035)</b>	<b>(9,233)</b>
<b>Budget Gap after Contribution / (Drawdown) to Reserves</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
<b>Assumptions:</b>	<ul style="list-style-type: none"> <li>• No increase in General Council Tax for all years.</li> <li>• ASC precept increase of 1% for all years - allocated to fund ASC demography.</li> <li>• Business Rates income - assumes reset to occur in 2025-26 but partially offset by transitional funding (75% in 2025-26).</li> <li>• New Homes Bonus - assumes transitional funding to retain funding level at current income (excluding legacy payments).</li> <li>• Market Sustainability and Fair Cost of Care Fund grant fully given to services (primarily Adult Social Care for reduced client contribution income).</li> <li>• Pay Inflation - 4% for 2022-23 and 2023-24; 2% for other years.</li> <li>• Contractual Inflation - 4.5% for 2022-23; 6% for 2023-24; 4% for 2024-25; 2% for 2025-26.</li> </ul>		

This page is intentionally left blank

MTFS Detail by Service Area 2023-26

	2022-23					2023-24					2024-25					2025-26
	Total	Savings		Growth		Total	Savings		Growth		Total	Savings		Growth		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Funding Requirement</b>																
<b>Services</b>																
Health, Adults and Community	124,141	(100)	(71)	403	10,650	135,023	-	-	-	9,126	144,150	-	-	-	5,464	149,614
Public Health	37,372	-	-	718	1,225	39,315	-	-	-	786	40,102	-	-	-	802	40,904
Children and Culture	73,828	(380)	-	24	(1,754)	71,718	-	-	-	-	71,718	-	-	-	-	71,718
Place	73,890	(5,216)	350	(1,070)	343	68,297	-	(500)	-	(721)	67,076	-	(100)	-	-	66,976
Chief Executive's Office	14,306	-	-	-	(35)	14,271	-	(200)	-	(35)	14,036	-	-	-	-	14,036
Resources	38,680	(700)	700	-	201	38,881	-	(700)	-	-	38,181	-	-	-	-	38,181
<b>Net Service Costs</b>	<b>362,217</b>	<b>(6,396)</b>	<b>979</b>	<b>75</b>	<b>10,630</b>	<b>367,505</b>	<b>-</b>	<b>(1,400)</b>	<b>-</b>	<b>9,157</b>	<b>375,262</b>	<b>-</b>	<b>(100)</b>	<b>-</b>	<b>6,266</b>	<b>381,428</b>
<b>Corporate Costs</b>																
Inflation	8,508	-	-	6,500	17,300	32,308	-	-	-	10,000	42,308	-	-	-	6,900	49,208
Capital Charges	5,481	-	-	-	-	5,481	-	-	-	-	5,481	-	-	-	-	5,481
Levies	2,048	-	-	62	-	2,110	-	-	-	-	2,110	-	-	-	-	2,110
Contribution to Local Government Pension Scheme (LGPS) deficit	12,790	-	-	-	-	12,790	-	-	-	-	12,790	-	-	-	-	12,790
Corporate Contingency	3,100	-	-	-	-	3,100	-	-	-	-	3,100	-	-	-	-	3,100
Other Corporate Costs	(4,671)	(785)	1,950	-	1,712	(1,794)	-	(1,000)	-	-	(2,794)	-	-	-	-	(2,794)
<b>Net Corporate Costs</b>	<b>27,256</b>	<b>(785)</b>	<b>1,950</b>	<b>6,562</b>	<b>19,012</b>	<b>53,994</b>	<b>-</b>	<b>(1,000)</b>	<b>-</b>	<b>10,000</b>	<b>62,994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,900</b>	<b>69,894</b>
<b>Total Funding Requirement</b>	<b>389,473</b>	<b>(7,181)</b>	<b>2,929</b>	<b>6,637</b>	<b>29,642</b>	<b>421,500</b>	<b>-</b>	<b>(2,400)</b>	<b>-</b>	<b>19,157</b>	<b>438,256</b>	<b>-</b>	<b>(100)</b>	<b>-</b>	<b>13,166</b>	<b>451,322</b>

<b>Funding</b>																
<b>Core Grants</b>																
Revenue Support Grant	(35,056)	-	-	-	(1,827)	(36,883)	-	-	-	(734)	(37,617)	-	-	-	(752)	(38,369)
New Homes Bonus	(16,263)	3,812	10,123	-	-	(2,328)	-	-	-	-	(2,328)	-	-	-	-	(2,328)
New Homes Bonus - transitional funding (may be provided via Services Grant)	-	-	-	-	(10,550)	(10,550)	-	-	-	-	(10,550)	-	-	-	-	(10,550)
Improved Better Care Fund	(16,810)	-	-	-	-	(16,810)	-	-	-	-	(16,810)	-	-	-	-	(16,810)
Social Care Grant	(16,602)	4,076	-	-	(4,076)	(16,602)	-	-	(251)	251	(16,602)	-	-	-	-	(16,602)
Public Health Grant	(37,372)	-	-	(738)	(1,205)	(39,315)	-	-	(753)	(34)	(40,101)	-	-	-	(802)	(40,903)
Rough Sleeping Initiative	(646)	-	-	(12)	-	(658)	-	-	(14)	-	(672)	-	-	-	-	(672)
Homelessness Prevention Grant	(5,944)	-	-	(118)	-	(6,062)	-	-	(121)	-	(6,183)	-	-	-	-	(6,183)
Market Sustainability and Fair Cost of Care Fund	(989)	989	-	-	(8,546)	(8,546)	-	-	-	(3,662)	(12,208)	-	-	-	-	(12,208)
Lower Tier Services Grant	(1,508)	1,508	-	-	(1,479)	(1,479)	-	-	-	-	(1,479)	-	-	-	-	(1,479)
Services Grant	(7,688)	7,688	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Core Grants</b>	<b>(138,878)</b>	<b>18,073</b>	<b>10,123</b>	<b>(868)</b>	<b>(27,683)</b>	<b>(139,232)</b>	<b>-</b>	<b>-</b>	<b>(1,138)</b>	<b>(4,179)</b>	<b>(144,550)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,554)</b>	<b>(146,104)</b>
<b>Business Rates</b>																
Collection Fund - in year income	(130,260)	-	-	(2,641)	(15,143)	(148,044)	-	2,723	(2,649)	-	(147,970)	-	-	-	(11,852)	(159,822)
Top up / (Tariff)	6,026	14,956	-	-	(20,982)	-	-	-	-	-	-	18,800	-	-	-	18,800
Damping / Scaling (transitional funding for Business Rates reset)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,100)	(14,100)
Government compensation towards 2020-21 deficit	(2,552)	-	-	-	-	(2,552)	2,552	-	-	-	-	-	-	-	-	-
Business Rates 8 Authority Pool	(2,500)	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Business Rates</b>	<b>(129,286)</b>	<b>17,456</b>	<b>-</b>	<b>(2,641)</b>	<b>(36,125)</b>	<b>(150,596)</b>	<b>2,552</b>	<b>2,723</b>	<b>(2,649)</b>	<b>-</b>	<b>(147,970)</b>	<b>-</b>	<b>18,800</b>	<b>-</b>	<b>(25,952)</b>	<b>(155,122)</b>
<b>Council Tax</b>																
Council Tax - in year income	(121,674)	-	3,214	(9,766)	-	(128,226)	-	2,678	(9,153)	-	(134,702)	-	-	-	(6,162)	(140,863)
2020/21 related payments - Mid Year (spreading)	1,461	-	-	-	-	1,461	-	-	(1,461)	-	-	-	-	-	-	-
2020/21 related payments - Deficit support	(1,097)	-	-	-	-	(1,097)	1,097	-	-	-	-	-	-	-	-	-
Council Tax - Collection Fund deficit / (surplus)	364	-	-	-	-	364	1,097	-	(1,461)	-	-	-	-	-	-	-
<b>Council Tax</b>	<b>(121,309)</b>	<b>-</b>	<b>3,214</b>	<b>(9,766)</b>	<b>-</b>	<b>(127,862)</b>	<b>1,097</b>	<b>2,678</b>	<b>(10,614)</b>	<b>-</b>	<b>(134,702)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,162)</b>	<b>(140,863)</b>
<b>Total Funding</b>	<b>(389,473)</b>	<b>35,529</b>	<b>13,337</b>	<b>(13,275)</b>	<b>(63,808)</b>	<b>(417,690)</b>	<b>3,649</b>	<b>5,401</b>	<b>(14,402)</b>	<b>(4,179)</b>	<b>(427,221)</b>	<b>-</b>	<b>18,800</b>	<b>-</b>	<b>(33,668)</b>	<b>(442,090)</b>

<b>Budget Gap / (Surplus)</b>	-					<b>3,810</b>					<b>11,035</b>					<b>9,233</b>
<b>Contribution to Reserves / (Drawdown from Reserves)</b>	-					<b>(3,810)</b>					<b>(11,035)</b>					<b>(9,233)</b>
<b>Savings to be identified</b>	-					-					-					-

This page is intentionally left blank



## Previously Approved Growth and Inflation

Title	Reference	Financial Year Approved	Type	Directorate	Service	2023-24 £'000	2024-25 £'000	Total £'000
Levies	GRO / COP 001 / 21-22	2021-22	Unavoidable Growth	Corporate	Corporate	62	-	62
Mulberry Place - short term rent increase	GRO / PLA 001 / 21-22	2021-22	Budget Pressure	Place	Property & Major Projects	(1,200)	-	(1,200)
Public Health Grant		2021-22	Core Grant	Health, Adults & Community	Public Health	718	-	718
Improved Better Care Fund		2021-22	Core Grant	Health, Adults & Community	Adult Social Care	332	-	332
Social Care Grant (from SR19)		2021-22	Core Grant	Health, Adults & Community	Adult Social Care	71	-	71
Social Care Grant (from SR19)		2021-22	Core Grant	Children & Culture	Children Social Care	24	-	24
Homelessness Prevention Grant		2021-22	Core Grant	Place	Homelessness	118	-	118
Rough Sleeping Initiative		2021-22	Core Grant	Place	Homelessness	12	-	12
Pay Inflation		2021-22	Inflation	Corporate	Corporate	3,100	-	3,100
Contractual Inflation		2021-22	Inflation	Corporate	Corporate	3,400	-	3,400
<b>Previously Approved Growth and Inflation - Total</b>						<b>6,637</b>	<b>-</b>	<b>6,637</b>

This page is intentionally left blank

## Previously Approved Savings

Title	Reference	Financial Year Approved	Type	Directorate	Service	2023-24 £'000	2024-25 £'000	Total £'000
Hostels and Substance Misuse	SAV / HAC 013 / 21-22	2021-22	Reduction in Provision	Health, Adults & Community	Integrated Commissioning	(100)	-	(100)
Children's Commissioning – Contracts Review	SAV / CHI 003 / 21-22	2021-22	Reduction in Provision	Children & Culture	Youth and Commissioning	(300)	-	(300)
Children's Social Care - Changes to Edge of Care Service	SAV / CHI 008 / 21-22	2021-22	Service transformation	Children & Culture	Children's Social Care	(80)	-	(80)
Environmental Service Team - increased enforcement activity to target fly tipping	SAV / PLA 003 / 21-22	2021-22	Income generation	Place	Public Realm	(20)	-	(20)
New Town Hall revenue savings	SAV / PLA 006 / 21-22	2021-22	Service transformation	Place	Property & Major Projects	(3,446)	-	(3,446)
Transformational review of the Homelessness service	SAV / PLA 009 / 21-22	2021-22	Service transformation	Place	Housing Options	(1,750)	-	(1,750)
Human Resources - reprofile of agreed saving RES001/17-18	SAV / RES 010 / 21-22	2021-22	Service transformation	Resources	HR and OD	(700)	-	(700)
Change of working hours and use of Flexible Retirement schemes	SAV / ALL 002 / 21-22	2021-22	Service transformation	Corporate	Workforce	(200)	-	(200)
Income Through Housing Companies - reprofile of agreed saving SAV/ RES 08 / 18-19	SAV / COP 001 / 21-22	2021-22	Service transformation	Corporate	Corporate	(250)	-	(250)
THH - Potential support service Savings - reprofile of agreed saving SAV/ RES 18 / 18-19	SAV / COP 002 / 21-22	2021-22	Service transformation	Corporate	Corporate	(100)	-	(100)
Fees & Charges - reprofile of agreed saving SAV / ALL 003 / 20-21	SAV / COP 003 / 21-22	2021-22	Income generation	Corporate	Cross-directorate	(235)	-	(235)
<b>Previously Approved Savings - Total</b>						<b>(7,181)</b>	<b>-</b>	<b>(7,181)</b>

This page is intentionally left blank

**New Growth, Inflation and Changes to Existing Savings**

Title	Reference	Type	Agreed indicatively during budget setting 2022-23	Directorate	Service	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Total £'000
<b>General Fund</b>										
<b>Growth and Adjustments</b>										
Demographic Pressures in Adult Social Care	GRO / HAC 001 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Health, Adults & Community	Adult Social Care	-	4,070	4,074	-	8,144
Demographic Pressures in Adult Social Care (funded by 1% ASC precept)	GRO / HAC 001 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Health, Adults & Community	Adult Social Care	1,200	1,270	1,390	-	2,660
Community Safety - Increasing Safety	GRO / HAC 002 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Health, Adults and Community	Community Safety	675	(675)	-	-	(675)
Carers Support and Wellbeing	GRO / HAC 003 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Health, Adults and Community	Integrated Commissioning	374	(374)	-	-	(374)
Supporting Older Residents to Maintain their Independence and Lead Healthy and Happy Lives	GRO / HAC 004 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Health, Adults and Community	Adult Social Care / Integrated Commissioning	300	(300)	-	-	(300)
Delivering Free School Meals - Contract Services	GRO / CHI 001 / 22-23	Budget pressure	Agreed indicatively during budget setting 2022-23	Children and Culture	Contract Services	500	-	-	-	-
Special Educational Needs & Disabilities (SEND) Improvement Plan	GRO / CHI 002 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Children and Culture	Special Educational Needs & Disabilities (SEND)	643	(249)	-	-	(249)
Bounce Back Programme – creative, sporting and community events	GRO / CHI 003 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Children and Culture	Sports, Leisure and Culture	450	(450)	-	-	(450)
TH...IS Youth Offer	GRO / CHI 004 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Children and Culture	Youth Justice and Young People's Service	460	(460)	-	-	(460)
Born in Covid	GRO / CHI 005 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Children and Culture	Early Years - Early Education and Childcare	500	(500)	-	-	(500)
Fire Safety Team Funding for Cladding and Remediation	GRO / PLA 001 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Place	Housing & Regeneration, Planning & Building Control, and Public Realm	671	(35)	(636)	-	(671)
New Local Plan Funding	GRO / PLA 002 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Place	Planning and Building Control – Strategic Planning	420	(40)	(220)	-	(260)
Temporary Accommodation (cost pressure above Housing Benefit subsidy)	GRO / PLA 003 / 22-23	Budget pressure	Agreed indicatively during budget setting 2022-23	Place	Homelessness	3,000	-	-	-	-
Waste Treatment and Disposal	GRO / PLA 004 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Place	Operational Service, Public Realm	255	-	-	-	-
Waste Operations – additional recycling round and enhanced night time cleansing	GRO / PLA 005 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Place	Waste Operations, Public Realm	293	-	-	-	-
Environment Enforcement and Neighbourhood Management	GRO / PLA 006 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Place	Public Realm	474	(474)	-	-	(474)
Recycling and Behavioural Change	GRO / PLA 007 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Place	Public Realm	163	(163)	-	-	(163)
Waste Operations	GRO / PLA 008 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Place	Public Realm	910	(910)	-	-	(910)
Increased support for Energy Bills	GRO / PLA 009 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Place	Growth and Economic Development	200	(200)	-	-	(200)
Food Distribution Hub	GRO / PLA 010 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Place	Growth and Economic Development	370	(370)	-	-	(370)
Provision for 50+ Employment Support	GRO / PLA 011 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Place	Employment and Skills	465	(465)	-	-	(465)
Digital Inclusion Ambassador	GRO / CHE 001 / 22-23	Mayoral Priority	Agreed indicatively during budget setting 2022-23	Chief Executive's Office	Strategy, Improvement and Transformation	70	(35)	(35)	-	(70)
Retention of PowerGate	GRO / RES 001 / 22-23	Budget pressure	Agreed indicatively during budget setting 2022-23	Resources	IT	80	(80)	-	-	(80)
ICT - (A) Security Operations Centre Operative (B) Software Licensing for Idea Stores Public Access Computers (C) Mosaic Hosting	GRO / RES 002 / 22-23	Budget pressure	Agreed indicatively during budget setting 2022-23	Resources	IT	346	-	-	-	-
Concessionary Fares - one-off budget adjustment		Budget adjustment	Agreed indicatively during budget setting 2022-23	Place	Mobility Support, Public Realm	(3,000)	3,000	-	-	3,000
Levies	GRO / COP 001 / 22-23	Unavoidable Growth	Agreed indicatively during budget setting 2022-23	Corporate	Corporate	29	-	-	-	-
Demographic Pressures in Adult Social Care	GRO / HAC 001 / 23-24	Unavoidable Growth		Health, Adults & Community	Adult Social Care				3,974	3,974
Demographic Pressures in Adult Social Care (funded by 1% ASC precept)	GRO / HAC 001 / 23-24	Unavoidable Growth		Health, Adults & Community	Adult Social Care				1,490	1,490
Review of Corporate Support Recharges	GRO / COP 001 / 23-24	Unavoidable Growth		Corporate	Corporate		1,712			1,712
						9,848	4,272	4,573	5,464	14,309
<b>Core Grants</b>										
Improved Better Care Fund		Core Grant	Agreed indicatively during budget setting 2022-23	Health, Adults & Community	Adult Social Care	166	(332)	-	-	(332)
Social Care Grant		Core Grant	Agreed indicatively during budget setting 2022-23	Health, Adults & Community	Adult Social Care	5,320	(3,342)	188	-	(3,154)
Social Care Grant		Core Grant	Agreed indicatively during budget setting 2022-23	Children & Culture	Children Social Care	1,773	(1,114)	63	-	(1,051)
Market Sustainability and Fair Cost of Care Fund		Core Grant	Agreed indicatively during budget setting 2022-23	Health, Adults & Community	Adult Social Care	989	(989)	-	-	(989)
Public Health Grant		Core Grant	Agreed indicatively during budget setting 2022-23	Health, Adults & Community	Public Health	490	20	753	-	773
Rough Sleeping Initiative		Core Grant	Agreed indicatively during budget setting 2022-23	Place	Homelessness	-	-	14	-	14
Homelessness Prevention Grant		Core Grant	Agreed indicatively during budget setting 2022-23	Place	Homelessness	4	-	121	-	121
Social Care Grant		Core Grant		Health, Adults & Community	Adult Social Care		3,057	(188)	-	2,869
Social Care Grant		Core Grant		Children & Culture	Children Social Care		1,019	(63)	-	956
Market Sustainability and Fair Cost of Care Fund		Core Grant		Health, Adults & Community	Adult Social Care		8,265	3,662	-	11,927
Market Sustainability and Fair Cost of Care Fund		Core Grant		Resources	Revenue and Benefits / Finance, Procurement & Audit		281			281
Public Health Grant		Core Grant		Health, Adults & Community	Public Health		1,205	34	802	2,041
						8,742	8,070	4,584	802	13,456
<b>Growth, Adjustments and Core Grants - Total</b>						<b>18,591</b>	<b>12,342</b>	<b>9,157</b>	<b>6,266</b>	<b>27,765</b>
<b>Inflation</b>										
Pay Inflation - 1.75% increase for 2021-22 and 2% for the other years		Pay Inflation	Agreed indicatively during budget setting 2022-23	Corporate	Corporate	2,940	700	3,800	-	4,500
Increase in Employer's NI Contribution (Health and Social Care Tax)		Pay Inflation	Agreed indicatively during budget setting 2022-23	Corporate	Corporate	1,412	-	-	-	-
Contractual Inflation		Non-Pay Inflation	Agreed indicatively during budget setting 2022-23	Corporate	Corporate	500	(300)	3,100	-	2,800
Pay Inflation - 4% for 2023-24, 2% increase for future years and an additional 2% for 2022-23		Pay Inflation		Corporate	Corporate		7,600	-	3,800	11,400
Contractual Inflation		Non-Pay Inflation		Corporate	Corporate		9,300	3,100	3,100	15,500
<b>Inflation - Total</b>						<b>4,852</b>	<b>17,300</b>	<b>10,000</b>	<b>6,900</b>	<b>34,200</b>

**New Growth, Inflation and Changes to Existing Savings**

Title	Reference	Type	Agreed indicatively during budget setting 2022-23	Directorate	Service	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Total £'000
<b>Savings to be reprofiled / written off</b>										
Savings to be reprofiled - Property Asset Strategy - SAV / PLA 001 / 20-21		Reprofiling of Agreed Savings	Agreed indicatively during budget setting 2022-23	Place	Corporate Property & Capital Delivery	500	-	(500)	-	(500)
Savings to be reprofiled - Legal services - SAV / GOV 001 / 20-21		Reprofiling of Agreed Savings	Agreed indicatively during budget setting 2022-23	Chief Executive's Office	Legal Services	200	-	(200)	-	(200)
Savings to be reprofiled - Review of Telecare - SAV / HAC 014 / 21-22		Reprofiling of Agreed Savings	Agreed indicatively during budget setting 2022-23	Health, Adults & Community	Adult Social Care	71	(71)	-	-	(71)
Savings to be reprofiled - Human Resources - RES001/17-18 (previously reprofiled)		Reprofiling of Agreed Savings	Agreed indicatively during budget setting 2022-23	Resources	Human Resources	-	700	(700)	-	-
Savings to be part written off and reprofiled - Greater Commercialisation - SAV / ALL 007 / 19-20		Reprofiling of Agreed Savings	Agreed indicatively during budget setting 2022-23	Cross-Directorate / Resources	Cross-Directorate	1,000	-	(1,000)	-	(1,000)
Savings to be part written off and reprofiled - Greater Commercialisation - SAV / ALL 007 / 19-20		Unachievable Saving	Agreed indicatively during budget setting 2022-23	Cross-Directorate / Resources	Cross-Directorate	1,000	-	-	-	-
Savings to be written off - Local Presence and Idea Store Asset Strategy - SAV / RES 003 / 21-22		Unachievable Saving	Agreed indicatively during budget setting 2022-23	Resources	Customer Services	600	-	-	-	-
Savings to be written off - Local Presence / Contact Centre Review - ALL006/17-18		Unachievable Saving	Agreed indicatively during budget setting 2022-23	Cross-Directorate	Customer Services	689	-	-	-	-
Savings to be reprofiled - THH - Potential support service Savings - SAV / COP 002 / 21-22		Reprofiling of Agreed Savings		Place	Housing		100	-	(100)	-
Savings to be written off - Income Through Housing Companies - reprofile of agreed saving SAV/ RES 08 / 18-19		Unachievable Saving		Place	Housing		250	-	-	250
Savings to be written off - Contract Management Efficiencies - Reprofiling of agreed savings (SAV/CORP 02 / 18-19)		Unachievable Saving		Corporate	Corporate		1,950	-	-	1,950
<b>Changes to Existing Savings - Total</b>						<b>4,060</b>	<b>2,929</b>	<b>(2,400)</b>	<b>(100)</b>	<b>429</b>
<b>New Growth, Inflation and Changes to Existing Savings - Total</b>						<b>27,502</b>	<b>32,571</b>	<b>16,757</b>	<b>13,066</b>	<b>62,394</b>

**Housing Revenue Account**

**Growth**

Title	Reference	Type	Agreed indicatively during budget setting 2022-23	Directorate	Service	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Total £'000
LBTH New HRA Building Safety Obligations and Recruitment	GRO / HRA 001 / 22-23	Unavoidable Growth		Place - HRA	Housing & Regeneration	108	248	-	-	248
New Building Safety Obligations in the HRA	GRO / HRA 002 / 22-23	Unavoidable Growth		Place - HRA	Tower Hamlets Homes	642	-	-	-	-
External Wall System Surveys	GRO / HRA 003 / 22-23	Unavoidable Growth		Place - HRA	Housing & Regeneration	353	-	(353)	-	(353)
HRA Feasibility – annual allocation of revenue funding from the HRA for feasibility studies, associated surveys and pre-development activity	GRO / HRA 004 / 22-23	Mayoral Priority		Place - HRA	Property & Major Projects / Public Realm	1,500	-	-	-	-
New Contracts - Asbestos Surveys, Fire Risk Assessments, Stock Condition Surveys and Water Risk Assessments	GRO / HRA 005 / 22-23	Unavoidable Growth		Place - HRA	Housing & Regeneration	783	(70)	(29)	-	(99)
<b>Housing Revenue Account Growth - Total</b>						<b>3,386</b>	<b>178</b>	<b>(382)</b>	<b>-</b>	<b>(204)</b>

## Projected Movement in Reserves - April 2018 to March 2022

Reserves Summary	31/03/2018*	31/03/2019*	31/03/2020*	31/03/2021*	Forecast 31/03/2022
	£m	£m	£m	£m	£m
<b>General Fund Reserve</b>	<b>26.1</b>	<b>17.5</b>	<b>24.6</b>	<b>24.8</b>	<b>23.8</b>
<b>Earmarked Reserves with Restrictions</b>					
Insurance	21.2	17.7	8.7	10.0	10.0
New Civic Centre	17.2	17.2	17.0	0.0	0.0
Parking Control	3.3	3.3	3.3	3.3	6.1
Collection Fund Smoothing **	0.0	6.5	11.4	66.8	51.0
Free School Meals Reserve	0.0	0.0	2.0	6.0	4.0
Public Health Reserve	1.3	1.7	1.0	3.3	6.9
Revenue Grants Unused	5.7	9.5	8.5	8.7	10.3
Covid-19 Grant	0.0	0.0	10.3	3.5	9.3
Local Elections earmarked reserve	0.0	0.0	0.0	0.8	0.9
CIL reserve	0.0	0.0	7.8	7.8	6.7
BAME Inequalities Commission	0.0	0.0	0.0	0.0	1.0
Covid Recovery Fund	0.0	0.0	0.0	0.0	2.1
HA&C Joint Funding Arrangements	0.0	0.0	0.0	0.0	12.4
Earmarked Reserves with Restrictions Sub-Total	48.7	55.9	70.0	110.2	120.7
<b>Earmarked Reserves without Restrictions</b>					
Risk Reserve	8.8	4.5	7.4	6.5	6.5
Transformation Reserve	15.0	9.2	5.3	3.6	3.6
ICT Reserve	21.0	16.1	14.5	9.6	9.2
Mayor's Tackling Poverty Reserve	4.1	3.4	3.4	3.4	3.4
Mayor's Priority Investment Reserve	7.0	4.6	5.5	5.0	5.0
New Homes Bonus	12.1	28.9	30.6	40.6	44.2
Services Reserve	1.5	4.4	6.4	8.5	14.6
Earmarked Reserves without Restrictions Sub-Total	69.5	71.1	73.1	77.2	86.5
<b>Total Earmarked Reserves</b>	<b>118.2</b>	<b>127.0</b>	<b>143.1</b>	<b>187.4</b>	<b>207.2</b>
<b>Other Reserves</b>					
Housing Revenue Account	47.6	44.6	48.2	52.3	52.5
Schools Balances	25.5	25.6	25.9	36.5	36.5
DSG Reserve Surplus / (Deficit)	0.2	-4.5	-11.1	-11.6	-10.6
<b>Capital</b>					
Capital grants unapplied	141.7	158.4	194.2	200.2	192.7
Capital Receipts Reserve	194.6	190.7	134.2	139.0	128.3
Major Repairs Reserve	5.5	0.0	0.0	0.1	0.0
<b>Reserves Total</b>	<b>559.4</b>	<b>559.3</b>	<b>559.1</b>	<b>628.7</b>	<b>630.4</b>

\* The reserves position is subject to the closure and audit of the Council's accounts for the period 2016 – 2021.

\*\* Profile of draw down of smoothing reserve (mostly grant paid in advance for council to fund NNDR Reliefs) to be confirmed.

This page is intentionally left blank



### 1. Background and Context

- 1.1. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
- 1.2. CIPFA has issued Local Authority Accounting Panel (LAAP) Bulletin No.55, Guidance Note on Local Authority Reserves and Balances and LAAP Bulletin 99 (Local Authority Reserves and Provisions). Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
- 1.3. This policy sets out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance.
- 1.4. Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks.
- 1.5. Earmarked reserves are reviewed annually as part of the budget process, to determine whether the original purpose for the creation of the reserve still exists and whether or not the reserves should be released in full or in part. Particular attention is paid in the annual review to those reserves whose balances have not moved over a three year period.

### 2. Overview

- 2.1. The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the Annual Governance Statement. Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management and performance management.
- 2.2. The Council will maintain:
  - a general fund general reserve;
  - a housing revenue account (HRA) general reserve; and
  - a number of earmarked reserves.
- 2.3. Additionally, the Council is required to maintain **unusable** reserves to comply with accounting requirements although, as the term suggests, these reserves are not available to fund expenditure.
- 2.4. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves. The level will be expressed as a cash sum over the period of the general fund medium-term financial strategy. The level will also be expressed as a percentage of the general funding requirement (to provide an indication of financial context).
- 2.5. In principle, only the income derived from the investment of reserve funds should be available to support recurring spending.

### 3. Strategic context

- 3.1. The Council is facing a significant withdrawal of grant funding and the transfer of funding risk from Government with demand for at least some services forecast to grow. The Council has to annually review its priorities in response to these issues.
- 3.2. Reserves play an important part in the Council's medium term financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience.


- 3.3. The Council holds reserves in order to mitigate future risks, such as increased demand and costs; to help absorb the costs of future liabilities; and to enable the Council to resource policy developments and initiatives without a disruptive impact on Council Tax.
- 3.4. Capital reserves play a crucial role in funding the Council's Capital Strategy. The Capital Expenditure Reserve is used to create capacity to meet future capital investment.
- 3.5. The Council relies on interest earned through holding reserves to support its general spending plans.
- 3.6. Reserves are one-off money. The Council aims to avoid using reserves to meet ongoing financial commitments other than as part of a sustainable budget plan. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long term future planning.

#### **4. Purposes**

- 4.1. Reserves are therefore held for the following purposes, some of which may overlap:
  - Providing a working balance i.e. Housing Revenue Account and General Fund general reserves.
  - Smoothing the impact of uneven expenditure profiles between years e.g. local elections, structural building maintenance and carrying forward expenditure between years.
  - Holding funds for future spending plans e.g. Capital Expenditure Reserve, and for the renewal of operational assets e.g. repairs and renewal, and Information Technology renewal.
  - Meeting future costs and liabilities where an accounting 'provision' cannot be justified.
  - Meeting future costs and liabilities so as to cushion the effect on services e.g. The Insurance Reserve for self-funded liabilities arising from insurance claims.
  - To provide resilience against future risks.
  - To create policy capacity in a context of forecast declining future external resources e.g. Tackling Poverty Reserve.
- 4.2. All earmarked reserves are held for a specific purpose. This, together with a summary on the movement on each reserve, is published annually, to accompany the annual Statement of Accounts.
- 4.3. The use of some reserves is limited by regulation e.g. the Collection Fund balance must be set against Council Tax levels, reserves established through the Housing Revenue Account can only be applied within that account and the Parking Reserve can only be used to fund specific spending. Schools reserves are also ring-fenced for their use, although there are certain regulatory exceptions.

#### **5. Management**

- 5.1. All reserves are reviewed as part of the budget preparation, financial management and closing processes. The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process and receive his/her advice on the use of reserves. The report will contain estimates of reserves where necessary. The Audit Committee will review the balances of reserves when approving the statement of accounts each year.
- 5.2. In accordance with the Council's constitution, authorisation of the use of reserves is given by the S151 Officer.
- 5.3. The following matters apply to individual reserves:
  - The General Fund working balance will not fall below £20 million without the approval of The Council.
  - The Capital Expenditure Reserve is applied to meet future investment plans and is available either to fund investment directly or to support other financing costs. The reserve can also be used for preliminary costs of capital schemes e.g. feasibility.
  - The Parking Reserve will be applied to purposes for which there are specific statutory powers. This is broadly defined as transport and environmental improvements (the latter as defined in the Traffic Management Act 2004).
  - The Schools Reserve, the Insurance Reserve, and the Barkantine (PFI Reserve) are clearly defined and require no further authority for the financing of relevant expenditure.
- 5.4. The Council will review the Reserves Policy on an annual basis.

<p><b>Cabinet</b></p> <p>11 July 2022</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Kevin Bartle, Interim Corporate Director Resources</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Budget Monitoring Report 2021-22 Period 12 Provisional Outturn</b></p>	

<b>Lead Member</b>	<b>Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living</b>
<b>Originating Officer(s)</b>	Ahsan Khan – Head of Strategic Finance (Chief Accountant)
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Forward Plan Notice Published</b>	19 May 2022
<b>Reason for Key Decision</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	<p><b>1. People are aspirational, independent and have equal access to opportunities.</b></p> <p><b>2. A borough that our residents are proud of and love to live in.</b></p> <p><b>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</b></p>

## Executive Summary

This report presents the Provisional Outturn compared to the budget report 2021-22 as at 31<sup>st</sup> March 2022 (Period 12) for the General Fund, Dedicated Schools Budget (DSB), Housing Revenue Account (HRA), progress made against savings targets and the Council’s capital programme.

It also provides projections on General Fund earmarked reserves and the forecast impacts of Covid on the Councils finances in 2021-22.

## Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the Council’s provisional outturn position against General Fund, Dedicated Schools Budget, Housing Revenue Account and earmarked reserves for 2021-22, based on forecasts as at 31<sup>st</sup> March 2022;

2. Note the reserves position of the Council is uncertain pending the closure of the statement of accounts for the period 2016 – 2021;
3. Note the progress made against the 2021-22 savings targets, based on forecasts as at 31<sup>st</sup> March 2022;
4. Note the Council's projected outturn position against General Fund and Housing Revenue Account capital programme approved budgets, based on forecasts as at 31<sup>st</sup> March 2022 and approve the net slippage of 2021-22 budgets to periods 2022-23 to 2024-25;
5. Note that there are no equalities implications directly resulting from this report, as set out in Section 4.

## **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 4 March 2021 the Council considered and agreed the Revenue Budget and Council Tax for 2021-22. The Council also agreed Dedicated Schools Budget (DSB) and the Housing Revenue Account (HRA) budget for 2021-22, which includes rent setting and other charges.
- 3.2 The net budget requirement for 2021-22 has been set at £364.1m and includes delivering savings of £28.9m (£23.7m for 2021-22, and £5.2m slippage from previous years).
- 3.3 The gross 2021/22 Period 12 Provisional Outturn after the utilisation of Covid-19 grants and re-imbursments on loss of sales, fees and charges (totalling £34.0m in 2021/22) is an underlying underspend of (£28.8m). The position after the net transfer to earmarked revenue reserves (£28.6m directly relating to the General Fund) is a forecast net underspend of £0.2m. The net transfer to earmarked revenue reserves largely relates to monies received from Joint Funding Agreements with the CCG (£12.4m) to be utilised in future years, the planned contribution of New Homes Bonus (NHB) monies (£7.6m) and contributions to service specific reserves relating to Parking (£2.8m) and the future running costs of the New Town Hall and Mulberry Place in the first year of transition (£2.0m).
- 3.4 Given the latest provisional outturn position, earmarked and General Fund reserves are consequently projected to increase; from £212.2m to £231.0m by the end of this financial year. It is important to note that the reserves position of the Council is uncertain pending the closure of the statement of accounts for the period 2016 – 2021.
- 3.5 We are in a hugely unpredictable environment and we are facing significant challenges over the medium-term thus it is important to maintain reserves at an adequate level to help mitigate and manage these significant risks and ensure the council remains on a sustainable footing going forward.
- 3.5 The Dedicated Schools Budget (DSB) has a provisional outturn underspend of £1.0m for 2021-22. The allocation of the DSG for high needs block was increased by 8%, this has meant significant increases in budgets for 2021-22. This will go towards addressing the brought forward cumulative deficit of £11.6m, forecast reducing it to £10.6m at year end. A mitigation plan is also being developed by the Council to address the DSG cumulative deficit.

- 3.6 The Housing Revenue Account has a provisional outturn favourable variance of (£0.2m) when compared with budget. This underspend will be transferred to HRA general reserves at year end. This is largely due to favourable variances forecast within HRA Non delegated budgets of (£3.3m). This largely relates to a £1.2m favourable variance for residual pension costs where there is a historic budget and a £1.0m favourable variance relating to depreciation charges based on the actual costs posted allocation. This has been offset by adverse variances forecast within HRA delegated budgets of £2.5m largely relating to delays in procurement and start on site across the capital programme which have resulted in less costs being capitalised (£1.7m), and the THH Management Fee of £0.6m relating to the unbudgeted for 2021/22 pay award. Further details for the drivers to these variances are provided in Appendix A, Section 4.
- 3.7 The detailed monitoring report, setting out the provisional outturn against revised budgets and the reasons for the variances, along with the financial implications of the currently reported financial position, is attached as Appendix A to this report.
- 3.8 Detailed progress made against savings targets are contained in Appendix B.
- 3.9 A summary of the non ring-fenced and ring-fenced Covid-19 grants and provisional outturn Covid spend and reduced income is detailed within Appendix C.
- 3.10 Further details of the period 12 provisional outturn capital monitoring position at programme level is provided in Appendix A, section 10 as well as Appendix D and Appendix E (for the GF and HRA respectively).

#### **4 EQUALITIES IMPLICATIONS**

- 4.1 There are no equality implications directly resulting from this 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.
- Data Protection / Privacy Impact Assessment.

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 Cabinet to receive information about the revenue and capital budgets as set out in this report

7.2 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report complies with that legal duty.

---

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

#### **Linked Report**

- None

#### **Appendices**

- Appendix A: Budget monitoring report 2021-22 as at 31<sup>st</sup> March (Period 12 Provisional Outturn)
- Appendix B: Summary MTFS Savings Tracker 2021-24
- Appendix C: Covid-19 Provisional Outturn Summary 2021-22
- Appendix D: 2021-22 Provisional Outturn General Fund (GF) Capital Programme Monitor
- Appendix E: 2021-22 Provisional Outturn Housing Revenue Account (HRA) Capital Programme Monitor

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

- None

**Officer contact details for documents:** N/A

This page is intentionally left blank



## Budget Monitoring Report 2021-22 Period 12 Provisional Outturn

### Explanations of Revenue Reserves Movements 2021-22

£m	Balances as per draft accounts 2020/21 £m	Forecast contribution to / (from) Reserve £m	Forecast balance 31 March 2022 £m	
GF balances (general reserve)	24.8	0.2	25.0	Budget Surplus transferred to reserves and budgeted drawn down enacted
Budgeted drawdown in MTFS	0.0	(1.2)	(1.2)	
	24.8	(1.0)	23.8	
<b>Earmarked reserves consist of:</b>				
<b>Earmarked reserves with restrictions</b>				
Insurance	10.0	0.0	10.0	N/A
Parking Control	3.3	2.8	6.1	Parking Surplus transferred to parking reserve
Collection Fund Smoothing*	66.8	(15.8)	51.0	NDR Reliefs (Covid Relief from Govt) funding from Govt utilised
Free School Meals Reserve	6.0	(2.0)	4.0	Draw down to fund free school means for Primary School Children
Public Health Reserve	3.3	3.6	6.9	Public Health surplus transferred to reserve
Revenue Grants Unused	8.7	1.6	10.3	Mainly Homelessness Prevention Grant carried forward
COVID 19 grant	3.5	5.8	9.3	Covid funding from Govt carried forward
Local Elections	0.8	0.1	0.9	Top up to fund May 2022 election
CIL**	7.8	(1.1)	6.7	Draw down of CIL Admin funding to meet related costs
BAME Inequalities Commission	0.0	1.0	1.0	New reserve setup in year
Covid Recovery Fund	0.0	2.1	2.1	New reserve setup in year
HA&C Joint Funding Agreements	0.0	12.4	12.4	Funding from CCG received in advance carried as reserve for technical reasons
<b><i>Earmarked reserves with restrictions – Subtotal</i></b>	<b>110.2</b>	<b>10.5</b>	<b>120.7</b>	
<b><i>Earmarked reserves without restrictions</i></b>				
Risk Reserve	6.5	0.0	6.5	N/A
Transformation Reserve	3.6	0.0	3.6	N/A
ICT Reserve	9.6	(0.4)	9.2	Draw down to meet ICT costs in year
Mayor's Tackling Poverty Reserve	3.4	0.0	3.4	N/A
Mayor's Priority Investment Reserve	5.0	0.0	5.0	N/A
New Homes Bonus	40.6	3.6	44.2	Additional funding in December 2021 announced as part of settlement relating to New Homes Bonus.
Services Reserve	8.5	6.1	14.6	Various service carry forwards including £2.5m from PLACE and £2.6m from HAC
<b><i>Earmarked reserves without restrictions - Subtotal</i></b>	<b>77.2</b>	<b>9.3</b>	<b>86.5</b>	

<b>Total Earmarked Reserves</b>	<b>187.4</b>	<b>19.8</b>	<b>207.2</b>
<b>Total GF and Earmarked reserves</b>	<b>212.2</b>	<b>18.8</b>	<b>231.0</b>

Some reserve movements do not show on the outturn table due to the way they are accounted for – their balance movements do not directly impact service Directorates. A reconciliation between the above table and the services outturn table is below:

	£m
<b>Reserve Movements as per reserve table (above)</b>	<b>18.8</b>
Collection Fund Movement	15.8
COVID Grants Movement	-5.8
Net Underspend at year end overall	-0.2
<b>Directorates Movement in Reserves</b>	<b>28.6</b>

## Appendix A

# Budget Monitoring Report 2021-22 as at 31<sup>st</sup> March (Period 12 Provisional Outturn)

	Section	Page
<b>Summary</b>	<b>1</b>	<b>2</b>
<i>Directorate positions</i>		
Children and Culture	2.1	5
Resources	2.2	8
Chief Executive's Office	2.3	11
Health, Adults & Community	2.4	13
Place	2.5	18
<b>Corporate Costs</b>	<b>3</b>	<b>30</b>
<b>Housing Revenue Account</b>	<b>4</b>	<b>32</b>
<b>General Fund and Earmarked Reserves</b>	<b>5</b>	<b>34</b>
<b>HRA, DSG and Capital Usable Reserves</b>	<b>6</b>	<b>35</b>
<b>NNDR and Council Tax</b>	<b>7</b>	<b>36</b>
<b>Treasury</b>	<b>8</b>	<b>38</b>
<b>Savings</b>	<b>9</b>	<b>40</b>
<b>Capital</b>	<b>10</b>	<b>41</b>

Circulated to	Cabinet
Date	11 July 2022
Classification	Unrestricted
Report of	Interim Corporate Director of Resources
Lead Member	Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	Ahsan Khan, Head of Strategic Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

Provisional Outturn Overall General Fund (GF) £0.2m underspend

Provisional Outturn Public Health GF £3.6m underspend before transfer to reserve

Provisional Outturn Dedicated Schools Grant (DSG) £1.0m underspend before transfer to reserve

Provisional Outturn Housing Revenue Account (HRA) £0.2m underspend before transfer to reserve

### Period 12 Provisional Outturn as Overspend/(Underspend) (£m)

	2021/22 Net expenditure budget	Provisional Outturn (exc. reserve transfers)	Gross over / (under) spend	Transfer to / (from) reserves	Net variance (impact on GF / DSG / HRA)	Increase / (decrease) overspend from Period 9
	A	B	C = B - A	D	E = C + D	
Children & Culture Resources	83.6	86.4	2.8	(1.6)	1.2	(0.4)
Chief Executive's	42.5	42.2	(0.3)	0.1	(0.2)	(0.5)
HA&C	17.9	17.6	(0.3)	0.1	(0.2)	(0.2)
Place	131.0	112.4	(18.6)	18.3	(0.3)	(2.2)
	73.9	67.8	(6.1)	5.3	(0.8)	1.7
<b>Sub-total GF services</b>	<b>348.9</b>	<b>326.4</b>	<b>(22.5)</b>	<b>22.2</b>	<b>(0.3)</b>	<b>(1.6)</b>
Corporate and Financing costs	15.2	8.9	(6.3)	6.4	0.1	1.3
<b>Total General Fund</b>	<b>364.1</b>	<b>335.3</b>	<b>(28.8)</b>	<b>28.6</b>	<b>(0.2)</b>	<b>(0.3)</b>
<u>Ringfenced Items</u>						
DSG Grant			(1.0)	1.0	0.0	0.0
HRA			(0.2)	0.2	0.0	0.0

#### Status of Outturn

This is a provisional outturn statement which is subject to the final closure of the council's ledger and completion of internal review (including the review of earmarked reserve transfers requests subject to the S151 officer's approval - which is currently in progress at the time of writing), and the external Audit of the Statement of Accounts.

#### General Fund

The gross 2021/22 Period 12 Provisional Outturn after the utilisation of Covid-19 grants and reimbursements on loss of sales, fees and charges (totalling £34.0m in 2021/22) is an underlying underspend of (£28.8m). The position after the net transfer to earmarked revenue reserves (£28.6m directly relating to the General Fund) is a forecast net underspend of £0.2m. This is following an unprecedented year in relation to the on-going COVID-19 pandemic, which has continued to create uncertainties for the council in 2021/22. Significant savings planned for 2021/22 are still to be delivered within a continuing challenging environment for the council. Any under/over spend at the year-end will be transferred to/funded from reserves and it should be noted that the overall reserves position remains uncertain pending the delayed closure and audit of the Council's accounts for the period 2016 – 2021.

## Covid-19

Directorate	Forecast Gross Expenditure (£m)	Ringfenced COVID-19 Funding (£m)	Non-ringfenced COVID-19 Grant Funding (£m)	Sales, Fees and Charges re-imbursments (£m)	Net variance (impact on GF / DSG / HRA) (£m)
	( A )	( B )	( C )	( D )	= A - B - C - D
Children & Culture	3.5	0.0	1.7	0.6	1.2
Resources	0.8	0.9	0.0	0.1	(0.2)
Chief Executive's Office	0.0	0.2	0.0	0.0	(0.2)
HA&C	14.9	14.5	0.0	0.7	(0.3)
Place	13.5	9.2	4.6	0.5	(0.8)
Corporate	1.1	0.0	1.0	0.0	0.1
<b>Total</b>	<b>33.8</b>	<b>24.8</b>	<b>7.3</b>	<b>1.9</b>	<b>(0.2)</b>
<b>Total COVID-19 Funding Applied in 2021/22 = B + C + D</b>					<b>34.0</b>

The Council has continued to face COVID-19 related pressures on its finances pertaining to supporting local businesses, reopening the economy, loss of income due to reduced economic activity and dealing with continued pressures related to hospital discharges within Health and Social Care and infection control.

In 2019/20 and 2020/21 the Government provided total non-ringfenced COVID-19 grant funding of £38.1m of which £3.5m was carried forward into the current financial year. A further tranche of COVID-19 funding amounting to £13.0m was received this year. It is currently forecast that the Council will have non-ringfenced COVID-19 funding of £9.3m, and ringfenced COVID-19 grants of £4.4m to carry forward into the next financial year (2022/23). The council will need to continue to monitor this position in light of any further potential Covid-19 pressures that may arise in future years.

Please refer to 'Appendix C – Covid-19 Provisional Outturn Summary 2021-22' for an analysis of the non ring-fenced and ring-fenced COVID-19 grants and estimated overall Covid related spend and reduced income.

### Collection Fund

For business rates, to the end of 2021-22, we have collected £386m of £409m billed (94.4% in-year collection rate) compared to 94.8% for 2020-21, which is a slight deterioration on 2020 however some businesses will have delayed payment against accounts awaiting the allocation of Covid Additional Relief Fund (CARF) reliefs. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Debt collection is temporarily on hold while the CARF fund is allocated to business rates accounts and re-billing takes place.

For council tax, to the end of 2021-22 we collected £144m of the £157m Council Tax bills raised (92% in-year collection rate) compared to 90% for the same period in 2020-21, which is an improvement on 2020-21 but lower than pre-pandemic collection levels. As debt enforcement processes have recommenced, the collection of debt arrears for previous years has improved (£8.6m collected in 2021-22 relating to previous years). Future years' collection rates could be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on employment, energy and food costs).

### Dedicated Schools Budget

The forecast underspend is £1.0m. The allocation of the DSG for High Needs Block was increased by 8%, this has meant significant increases in budgets for 2021/22. This will go towards addressing the brought forward cumulative deficit of £11.6m, reducing it to **£10.6m** at year end. The Council continues to work with schools to ensure a recovery plan is progressed to reduce the deficit in future.

### HRA

The Housing Revenue Account is forecasting a favourable variance of (£0.2m) when compared with budget. This underspend will be transferred to HRA general reserves at year end. This largely due to favourable variances forecast within HRA Non delegated budgets of (£3.3m), offset by adverse variances forecast within HRA delegated budgets £2.5m and the THH Management Fee £0.6m. Further details of these variances are provided within section 4 of this report.

### General Fund and Earmarked Revenue Reserves

There is a provisional outturn increase in the year-end reserves position, this is summarised in the table below:

All in figures in £m	Draft Accounts outturn 2020/21	Provisional Outturn 2021/22	Increase/(decrease)
General Fund Balance	24.8	23.8	(1.0)
Reserves without restrictions	77.2	86.5	9.3
<b>Total</b>	<b>102.0</b>	<b>110.3</b>	<b>8.3</b>
Restricted Reserves	110.2	120.7	10.5

Reserves (excluding restricted reserves) are forecast to increase by £8.3m. We are in a hugely unpredictable environment and we are facing significant challenges over the medium-term thus it is important to maintain reserves at an adequate level to help mitigate and manage these significant risks and ensure the council remains on a sustainable footing going forward.

Provisional Outturn overspend of £1.2m

Provisional Outturn DSG underspend (£1.0m)

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Supporting Families	66.9	65.9	(1.0)
Commissioning and Culture	6.6	6.7	0.1
Education	8.9	9.7	0.8
Children's Resources	1.2	2.1	0.9
Education Impact of School Closures and Amalgamations	0.0	0.4	0.4
<b>Total</b>	<b>83.6</b>	<b>84.8</b>	<b>1.2</b>

The general fund provisional Gross outturn is an overspend of **£3.2m**. This forecast has taken account of the application of additional funding to support the impact of Covid-19 of 2.4m. There is a Contribution from an earmarked reserve of £2m for the cost of providing free school meals for all Children in Tower Hamlets Primary Schools, giving a net GF position of a **£1.2m overspend**. The Supporting Families service is showing an underspend of £1.0m, Commissioning, and Culture an overspend of £0.1m, Children's Resources £0.9m overspend (including redundancy costs from school closures) and Education £1.2m overspend (including 343k one off pressure from school closures).

For context - the total MTFS savings which have been applied to the budget for the Directorate in 2021/22 stand at £3.295m with three major elements in respect of the revised Early Help and Youth offer (c£1m), the ending of growth that invested in Children's Social Care and the Social Work Academy (800k), and Education savings including upon SEND School Travel (c£1m).

### Supporting Families: - (£1m) underspend

Whilst the current outturn in supporting families is significantly positive, there are a number of underlying offsets. We would expect much of this to have been addressed in the comprehensive realignment work that has been completed this year which will be place for the 2022/23 budget primarily we have seen that the placements costs are lower than budgeted whilst the staffing costs are considerably above the previous budget. The drivers are as below.

Children's Placements (£1.3m underspend) - The number of Looked After Children has remained low as we have come out of the Pandemic, and therefore placements costs are showing a significant underspend. At the same time the number of Children in Need has increased which could lead to increases in care numbers and placements for the next Financial Year. We continue to see a specific increased financial pressure on the placements' budget with the unexpected demand to accommodate a new cohort of asylum seekers, placed in local hotels by the Home Office.

Children's Centres/Early Help (£1.3m underspend) - The Children & Family Centres underspend has continued, in part due to a period of reduced services due to Covid restrictions and the movement of services to other areas of early help. The service has had a significant reorganisation and redesign which has been developed over this financial year. Within that reorganisation there were a number of posts that have taken longer than initially forecast to recruit which has meant a significant increase in the staffing underspend than in previous forecasts as well as other areas of spend that were slower to put in place. The budget has been realigned as part of the full budget realignment program to ensure budgets and costs are more accurately reflected in the 2022/23 budget year.

Social Worker Staffing £1.6m overspend - Whilst there has been considerable work done to get social workers into permanent contract and we have managed to maintain good retention with existing social workers, there are still a number of areas that continue to be reliant of temporary staff. This is particularly the case in the front-line assessment teams. Our proportion of locum Social Workers is now significantly better than the London average and our long term trajectory remains a positive one in large part due to the success of our Social Work Academy. Additional Costs are also incurred through the support needed for large numbers of newly qualified social workers working through the Social Work Academy.

#### Commissioning and Culture Gross £0.1m overspend

Most areas of this division have been significantly influenced by the effects of the pandemic and the final outturn is shown after the application of Covid support funding to reflect a revised budget position. After Covid relief there are only a small number of variations that are of significant note.

Commissioning Services 0.3m overspend - There is an overspend on commissioning staff which relates to the increased capacity built into the system which will be corrected through the budget realignment exercise for the 2022/23 budget year.

Sport and Leisure (0.2m underspend) - The Sports and physical activity cost centre have shown a significant increase in activity and shown an early recovery from Covid as people have been able to engage in outside sporting activity for the whole of the financial year.

#### Education £1.1m overspend

Education Psychology £0.4m overspend - There has been a significant reduction in income from schools, and savings which have yet to come to fruition – whilst the need to drive improvement in the timely completion of Education, Health and Care Plan assessments in line with our SEND Improvement Plan and following our recent inspection has led to increased locum costs. Increasing capacity here has been essential to meet our statutory duty.

Services to Schools £0.2m overspend - There have been a number of areas of services to schools that have not claimed additional support through Covid funding as Schools have remained open for all this year, but schools have been less likely to buy additional services whilst they slowly return to normal ways of working. It is expected that these service areas will revert back to previous levels of service buyback in 2022/23.



Central SEN Costs £0.3m overspend - Additional resource is being recruited to support the additional EHCP support work identified within the SEN review. Whilst a growth bid has been approved for 2022/23 to cover the staffing cost, staff were recruited early in order to drive our improvement, and a number of higher cost interims employed which has caused an overspend in the later part of this financial year.

School Closures £0.3m overspend - 3 Schools have closed this year due to reduced numbers, with the balance on their accounts being transferred to the LA. The three Schools concerned were Cherry Trees, Shapla and St Matthias. However, the redistribution of pupils to neighbouring Schools has led to those Schools having a longer-term sustainable budget.

Education Resources £0.9m overspend

The significant variance in Education resources relates to a number of redundancy costs that have gone through during the year. This has included staff previously employed at the three closing Schools, as well as support for schools going through significant reorganisation to prevent the school from going into a future deficit.

Provisional Outturn (£0.2m) underspend

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Customer Services	5.7	5.7	0.0
Revenue and Benefits Service	1.6	1.4	(0.2)
Finance, Procurement & Audit	8.3	8.1	(0.2)
Workforce, OD and Business Support Service	11.5	11.1	(0.4)
ICT	15.4	15.3	(0.1)
Resources Covid-19 Response	0.0	0.7	0.7
<b>Total</b>	<b>42.5</b>	<b>42.3</b>	<b>(0.2)</b>

The Resources directorate provisional outturn is an underspend of (£0.2m). This position is following staffing costs allocated to the Covid Outbreak Management Fund (COMF) grant of £0.3m and after the net contribution to reserves.

The reserve movements include the proposed transfer into earmarked reserves for the Residents Hub (£0.55m) and a drawdown from the ICT Transformation Reserve for CRM development (£0.25m).

Please also note that there will be a drawdown of £0.2m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.1m.

### Customer Services – Provisional Outturn Breakeven

A breakeven provisional outturn position for the Customer Services division, after a proposed transfer into earmarked reserves of £0.55m to be utilised in 2022-23 towards the new Customer Services Residents Hub in the Civic Centre.

The provisional outturn for the **Customer Contact Centre and Central Customer Services** is an overspend of £0.2m following a proposed transfer into earmarked reserves for the Residents Hub pilot (£0.550m), the drawdown from the ICT transformation reserve for Customer Relationship Management (CRM) developments (£0.253m) and following CCG funding towards the contact centre for Covid-19 work (£0.306m).

The provisional outturn for **Idea Stores** is an overspend of £0.4m. This is demonstrated by £0.6m unachievable savings and £0.3m savings slippage, reduced by (£0.3m) of staffing allocated to the Covid Outbreak Management Fund grant and a reduction in running costs of (£0.2m) due to periods of lockdown closures. The unachievable savings (£0.6m of the total £1.6m savings target) relate to the Local Presence and Idea Store Asset Strategy agreed at Cabinet in March 2021 and were agreed to be written off in the 2022-23 budget.

The provisional outturn for **Idea Stores Learning** is an underspend of (£0.3m) due to the allocation of staffing costs against adult community learning grants (including the Innovation Fund grant). The

Council received Sales, Fees and Charges income compensation from MHCLG of £49k for the period April to June 2021 for reduced income from adult community learning classes due to the pandemic.

The provisional outturn for **Registrars Services** is an underspend of (£0.2m) due to increased fees & charges income. The service has moved into St George Town Hall and this has increased income maximisation from events such as weddings.

The provisional outturn for **Information Governance** is an underspend of (£0.1m) due to periods of staffing vacancies.

#### Revenues and Benefits Service – Provisional Outturn (£0.2m) Underspend

Provisional outturn of (£0.2m) underspend, being a (£1.4m) underspend in Housing Benefits due to high levels of collection of overpayment debts, partially offset by underachievement in income £0.6m, overspend costs of extra administration staffing £0.4m and transaction fees of £0.2m.

Covid-19 had a significant impact on the staffing levels required in Revenues Services for administering Business Rates, Council Tax, Housing Benefits and Council Tax reduction claims. There was a 2021-22 extra cost of £963k demonstrated by an £873k overspend on direct staffing costs and a £90k overspend on the commissioned contract for external processing support, towards which the government provided Additional Burdens Funding of £605k for administration of Covid-19 business grants and the Council Tax Hardship Fund.

There has also been extra staffing required to facilitate Covid-19 grant payments and rates reliefs for businesses. The government has recently announced additional grants schemes and the Covid Additional Relief Fund for Business Rates and the Energy Rebate Scheme for council taxpayers all of which will continue to place a significant administrative burden on the Revenues team in 2022-23.

The long-term staffing requirement from the pandemic and increased properties for Council Tax will need to be considered as part of future updates to the MTFs. Investment will be needed to help recover collection rates and to maximise income collection for both Council Tax and Business rates.

Enforcement activity to recover debts through the courts was suspended during the pandemic and this created an under-achievement in court costs awarded income in 2020-21. With new grants now announced for business rates, all enforcement action is now suspended, and with council tax still taking a softer approach to enforcement this means income from court costs has remained £0.3m below budget in 2021-22, although has improved significantly on 2020-21 levels.

As well as the main Housing Benefits Administration Grant, the Benefits Service has also historically received ad hoc grants from government departments, such as from the DWP for participation in pilot schemes. Due to the Covid-19 pandemic, these other grants have not been available in full and this resulted in income of £0.3m below budget for 2021-22. This pattern is expected to continue next year, as will the reduction in administration grant funding for Council Tax Support and Housing Benefits.

Work levels however do remain high for Council Tax Support claims and the move to Universal Credit remains very slow meaning Housing Benefit caseloads are not reducing quickly enough to consider reducing staffing levels at this time.

There was an overspend pressure of £0.2m due to increased bank transaction fees for card payments online and by touchtone phone, as the Council has increased the use of self-service options for the payment of bills by residents.

#### Workforce, OD and Business Support Service – Provisional Outturn (£0.4m) Underspend

The provisional outturn for the Workforce, OD and Business Support Service is an underspend of (£0.4m). The position includes an underspend in Learning, Organisational and Cultural Development of (£0.8m) in the areas of corporate training and events due to pandemic restrictions, and the graduate development programme. This underspend is partially offset by an overspend in Business Support of £0.4m due to centralisation savings still to occur and funding pressures from pay inflation and changes to terms and conditions. Business Support has achieved the £0.8m 2021-22 new savings targets as planned. Remaining centralisation savings will be considered as part of potential future structure reviews and centralisations.

The service is expected to request a drawdown from transformation reserves in 2022-23 to support an HR improvement plan and a report is anticipated in future outlining funding required for systems and operational improvements.

#### Finance, Procurement and Audit – Provisional Outturn (£0.2m) Underspend

A provisional outturn underspend of (£0.2m) due to the timing of self-insurance payments and the insurance recharges to directorates on a three-year averaged basis.

The council has committed to continue with its improvement journey following issues highlighted in the audits of the council's accounts for 2018-19 and 2019-20. CLT has approved a further extension of the Finance Improvement Programme into the beginning of 2022-23 and £0.4m will be drawn down from the Transformation Reserve in 2022-23 for this extension. This sum has been taken into account in the forecast council reserve levels going forward.

The finance staffing budgets include an historic assumption that £0.1m of costs will be capitalised annually. This is under review (together with capitalisation across other directorates) and may require a future growth bid to resolve corporately.

#### Information Technology – Provisional Outturn (£0.1m) Underspend

A provisional outturn underspend in 2021-22 of (£0.1m) due to periods of staffing vacancies, however the IT service is experiencing inflationary pressures on contract renewals which will impact 2022-23.

Please also note that there will be a drawdown of £0.2m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.1m.

#### Resources Covid-19 Response – Provisional Outturn £0.7m

Provisional outturn expenditure of £0.7m, being £0.5m for extra IT equipment costs to support remote working and hybrid meetings, £0.1m for BECC staffing and £0.1m for additional Registrars staffing for the backlog of registrations.

Provisional Outturn (£0.2m) underspend

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Communications and Marketing	2.1	1.9	(0.2)
Strategy, Improvement and Transformation	9.3	9.2	(0.1)
Legal, Monitoring Officer, Democratic and Electoral Services	5.5	5.5	0.0
Corporate Management and Mayor's Office	1.0	0.9	(0.1)
Chief Executive's Office Covid-19 Response	0.0	0.2	0.2
<b>Total</b>	<b>17.9</b>	<b>17.7</b>	<b>(0.2)</b>

The Chief Executive's Office provisional outturn is a £0.2m underspend. This position is following allocation of costs to the Covid Outbreak Management Fund grant of £0.2m and after the net contribution to reserves totalling £0.1m.

The reserve movements include contribution to the Local Election Reserve (£150k), creation of a VCS projects reserve (£116k), and drawdowns from the Covid Recovery Fund Reserve (£110k), Local Community Fund reserve (£30k) and ESOL for Integration Fund reserve (£7k).

#### Communications and Marketing – Provisional Outturn (0.2m) Underspend

Provisional outturn underspend of £0.2m in corporate campaigns, after funding from the Contain Outbreak Management Fund (COMF) grant for pandemic related external communications (£0.1m).

#### Strategy, Improvement and Transformation – Provisional Outturn (0.1m) Underspend

A provisional outturn underspend of £0.1m after reserve movements and the funding of staffing costs by the Contain Outbreak Management Fund (£0.1m).

Reserve movements have related to:

- the creation of a VCS projects reserve (£116k) relating to the Innovation Fund, Equalities Contracts Review Mitigation and Emergency Fund
- drawdown from the Covid Recovery Fund of £110k for community-led recovery, health and economic recovery, and supporting children and young people
- drawdown from the Local Community Fund (LCF) reserve of £30k for expenditure incurred (the remaining £30k will be spent in 2022-23)
- net drawdown from the ESOL for Integration Fund reserve of £7k (drawdown of £156k for expenditure incurred in 2021-22 and addition into reserve of £149k relating to grant monies that will be spent in 2022-23)

#### Legal, Monitoring Officer, Democratic and Electoral Services – Provisional Outturn Breakeven

The provisional outturn is a breakeven position, aided through an underspend in pay and non-pay expenditure for Democratic Services, however legal services is a demand led service and the level of

work will need to be monitored throughout 2022-23 to identify any potential overspend pressures as the backlog of cases from the pandemic now work their way through the courts.

The governance referendum of the Mayoral system was carried out in May 2021 as well as the London Assembly elections. The London elections were funded through the GLA. A contribution of £150k has been added to the Local Elections Reserve for the cost of local elections in 2022-23.

Corporate Management and Mayor's Office – Provisional Outturn (0.1m) Underspend

A provisional outturn underspend of £0.1m in Corporate Management non-pay expenditure and Mayor's Office staffing expenditure.

Chief Executive's Office Covid-19 Response – Provisional Outturn £0.2m

Covid-19 related spend of £208k, being £195k for Electoral Services costs (extra social distancing and cleaning costs for the governance referendum and London Assembly elections in May 2021) and £13k for Covid information booklets and resident engagement on the poverty impact of Covid.

Provisional Outturn underspend of (£0.3m)

Provisional Outturn Public Health (PH) (£3.6m) underspend before transfer to reserve

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Adult Social Care	82.1	83.4	1.3
Community Safety	5.8	5.7	(0.1)
Integrated Commissioning	10.2	8.7	(1.5)
Public Health	32.9	32.9	0.0
<b>Total</b>	<b>131.0</b>	<b>130.7</b>	<b>(0.3)</b>

The Health, Adults and Community Directorate's provisional outturn for 2021-22 is a £0.314m underspend against a revised budget of £131.0m (after net transfers to reserves of £18.3m). This represents a reduction from the projected variance at period 9 by £2.232m.

Utilisation of further Covid and related grant monies has significantly reduced the forecast overspend on Adult Social Care by £1.2m. This has led to a much-improved outturn position and a broadly balanced end of year position for the directorate. However, this is a one-off situation with most grants now having ceased. Therefore, the underlying, significant budget pressure in adult social care continues to be a significant risk to the budget. The Adult Social Care Improvement Programme has been put in place to reduce costs in the medium to long-term.

During 2021/22, a total of £3.948m has been claimed from the Clinical Commissioning Group (CCG) under the NHS Hospital Discharge and Community Support Funding for all eligible discharges from hospital. This funding stream has now ceased and this presents a further ongoing risk to the adult social care budget.

### **Transfers to and from Reserves at financial year-end**

Costs during 2021/22 associated with projects with agreed funding via the Mayor's Covid Recovery Fund will also be drawn down from reserves at financial year-end and are included within the provisional outturn. The total amount approved for HA&C projects is £0.578m of which a total cost of £0.367m has been incurred in 2021/22 and will be drawn down from reserves. The draw-down was reduced by £0.022m of expenditure charged against available eligible Covid Grants that were utilised in place of a draw-down from the Mayor's Covid Recovery Fund. The balance of costs for projects agreed from this funding will be drawn down in 2022/23.

Joint Funding agreements have been signed with the CCG for funding to be received in the current financial year for costs to be incurred from April 2022 to 31<sup>st</sup> March 2024. The Tower Hamlets Place Investment Fund Agreement (s256 agreement) and the Integrated Discharge Hub Agreement (s75 agreement), total £12.427m and funding will be transferred to reserves. This funding will be utilised for priorities across health and social care and will support pressures in the system including discharge from hospital, via a process through Tower Hamlets Together Partnership Board to agree allocation and approval of funding.

It has been agreed with the CCG that underspends against the Joint Funded Better Care Fund (BCF) Local Incentive Scheme Projects for 2021/22 will be transferred to reserves for use in 2022/23 totalling £0.833m. Further, an underspend relating to the Community Equipment Service during 2021/22, in the amount of £0.337m will be transferred to this BCF reserve.

The allocated inflationary uplift budget for HA&C for 2021/22, in the amount of £1.487m, has not been used during the financial year, however, inflationary uplifts for providers have now been agreed and will be paid in 2022/23. This budget will be transferred to reserves and used in 2022/23 to meet the committed and agreed costs of inflation that are outstanding for 2021/22.

The provisional transfer to the ring-fenced Public Health Grant reserve for 2021/22 will be £3.584m. An additional grant of £0.074m in relation to PrEP (pre-exposure prophylaxis – drugs to protect from HIV) grant for 20/21 that remains unused, will be transferred from reserves.

### **Adult Social Care – Provisional Outturn £1.348m Overspend**

The provisional outturn for Adult Social Care is reporting an outturn variance position of £1.348m overspend, which represents a reduction of £2.863m from the period 9 position.

This movement in forecast has been due mainly to the materialisation of deemed suspensions of care packages £0.773m, increase in the direct payments claw-back of £0.213m, reduction in the estimated loss provision £0.294m and unfilled staff vacancies £0.175m. In addition to this, the availability of additional covid funding has offset the position after the period 9 forecast in the amount of £0.631m to offset staffing costs, £0.093m for Extra Care Sheltered Housing and a balance of £0.451m across other Adult Social Care services.

#### **(i) Employee Costs – Provisional Outturn £2.330m Underspend**

At outturn, there is a full-year underspend in staffing costs of £2.330m. This has been mainly due to the ongoing difficulty in recruiting into permanent posts and unfilled vacancies, as well as well as deliberate action to reduce agency costs, where possible. In addition, there has been one-off Covid workforce and recruitment grant funding that has been used to contribute towards some staffing overtime and sickness costs in the amount of £0.631m. Furthermore, whilst there has been a reduction in agency costs, in anticipation of the national OT recruitment issues, some additional budget was realigned to staffing.

#### **(ii) Care Package Costs – Provisional Outturn £4.380m Overspend**

Care package costs are projected to overspend by £4.380m against a total budget of £91.081m in 2021/22. This represents a decrease of £1.088m on the period 9 forecast. The pressures from extended Home Care needs and Residential placements have continued to fuel the overspend. However, there has been the additional work to claw back unutilised direct payments. This has moved the total clawback figure at year-end to £1.4m, an increase of £0.213m since period 9. In addition, there has been the net reduced impact of suspended packages on outturn of £0.733m. With all the work carried out on Homecare placement contracts and payments during the financial year, the outturn has stayed largely in line with the forecasted pressure of £3.275m, an increase of only £0.049m on the period 9 forecast.

#### **(iii) Other – Provisional Outturn £1.811m Overspend**



Other costs relate to Supplies and Services, premises related expenditure and other contributions to provisions. The provisional outturn projects a £1.811m overspend, representing a decrease of £0.033m on the period 9 forecast, primarily due to the reduction in the loss allowance provision for Adult Social Care at outturn than previously projected.

**(iv) Income – Provisional Outturn £2.513m Underspend**

Income budgets are projecting an underspend position of £2.513m overbudget at outturn. At outturn income forecasts have reflected the work carried by the Mental Health team on the S117 income and is expected to be £0.565m over budget based on invoices now agreed and issued. A lot of work has been undertaken in services to ensure income from health for joint funding agreements for service users has been received and this is expected to be £0.225m over budget. Income from client contributions, at outturn, is £0.349m over budget. In addition, there has been some added government grants including covid: Community Discharge Grant, and Empowering Voices and Quality checkers (£0.922m). The Better Care Fund (BCF) budgets were rebased at period 12, and actuals posted onto the general ledger into the various ASC service budgets to offset costs.

**Integrated Commissioning – Provisional Outturn £1.524m Underspend**

The Integrated Commissioning Budget is forecast to underspend by £1.524m at outturn. This represents a decrease in the underspend position by £0.635m on the period 9 position. The reduction in the underspend position is mainly related to budget realignment between ASC and Integrated Commissioning. The overall underspend for the financial year arose as a result of:

1. **Client Transport** recharges underspent by £0.255m mainly due to the impact of Covid, which resulted in fewer routes operating as not all day services were operating at full capacity resulting in less transport requirements.
2. **Carers & Cross Cutting services** underspent by £0.292m. This is mainly as a result of contract underspends – for example the Carers Emergency service and the Carers Link Service contracts, which underspent by £0.067m. The emergency service is a spot contract and the take up of the service was lower, due to the pandemic. The Carers Link Service is a 5-year contract with varying annual values, which increase up to year 5. The Information and Advice contract started mid-way in the year resulting in a part-year effect, and the Advocacy contract has a spot element which was not spent, in total resulted in an underspend of £0.100m. There is also an underspend due to staff vacancies, which were posts held on account of the Enabling Functions Review, and lower software recharges for the digital portal than there will be in future years, both totalling an underspend of £0.125m.
3. **Day Centres** underspent by £0.211m. This a budget recently set up following the closure of day centres and was set up to fund additional recruitment and running costs that did not materialise at the end of the financial year.
4. **Ageing Well and Supporting people** underspent by £0.550m. This is mainly as a result of early delivery of savings from Hostel closures where savings were to be taken in 2022-23 in the amount of £0.350m. Further underspends related to a one-off refund for void costs in Hostels of £0.100m, clearance of balance sheet income £0.047m, savings arising from held vacancies of £0.070m and lower contract costs of the handy person service following the recommissioning of services.
5. **There were further underspends in the Integrated Commissioning budget of £0.168m** due to underspends across various budget areas.

### **Community Safety – Provisional Outturn £0.139m Underspend**

Community Safety is projected to underspend by £0.139m at outturn broadly in line with the month 9 forecast.

This is due to the conclusion of the Community Safety Reorganisation and lower recharges. The use of the ADDER grant to fund the new Adder Community Navigator service model and associated staffing costs has also assisted in mitigating redundancies. The Service secured additional grant monies from the new ADDER (Addiction, Diversion, Disruption, Enforcement and Recovery) Programme. This followed the announcement from the Government in January 2021 of an additional £80 million nationally to enhance drug treatment, focused on reducing drug-related crime and the rise in drug-related deaths.

All planned MTFs savings have now been mitigated within revenue budgets.

### **Public Health – Forecast Breakeven**

Public Health will break-even at outturn due to the balance being transferred to the ring-fenced Public Health Grant Reserve, after all expenditure has been met.

The projected transfer to Public Health reserve for 2021/22 is £3.584m from an overall Public Health Grant allocation in 2021/22 of £36.351m.

The underspend is due to three main factors:

1. Substance misuse (£0.733m)
  - a. Due to the impact of COVID-19 on services;
2. Sexual health (£1.2m)
  - a. Due to the impact of COVID-19 on demand for sexual health services;
  - b. Due to deferred payment pay increments in commissioned sexual health service staff (London-wide issue);
3. Recharge of salary costs for time spent on COVID to the Contain Outbreak Management Fund in line with grant conditions (£1.1m).

The Public Health Grant reserve balance at the end of 2020/21 was £3.322m. At the end of 2021/22 the balance in the reserve will be £6.980m.

Commitments against this reserve include:

1. £2.5m of the Public Health Grant reserve is ring-fenced for the Community First Programme Healthy Borough Programme aiming to address increased health need and health inequalities following COVID including the Black, Asian & Minority Ethnic Commission health recommendations, disparities outreach, anti-racism strategy work, Health Family Parent Ambassadors, Eat Healthy Food Vouchers, Community First Health Ambassadors, and Community First Primary Care Networks to address health inequalities.
2. £1m of the Public Health Grant Reserve is being held for potential further Covid variants and surge pressures.

3. £1m is retained to manage any risks to the Public Health budget each year, in particular risks around demand-led budgets such as sexual health.

### **Covid-19 Grants 2021/22**

During 2021/22 there was continuation of some Covid-19 grants for services within the directorate and some new grants. The receipt of Covid-19 grants has continued to offset some of the financial pressures in the directorate and in particular in adult social care. Several of the grants have arrived with a very short time period to use the funding which has proved a significant challenge.

The Adult Social Care Infection Control and Testing Fund continued into 2021/22 with further rounds of funding. In total, during 2021/22 Tower Hamlets received a grant allocation of £2.749m and spent a total of £2.482m, which was passported to care providers to reduce the rate of Covid-19 transmission. Funding for providers included allocations for infection, prevention and control measures, vaccines funding and testing funding, and all providers were required to evidence expenditure that they actually incurred.

The government introduced an Adult Social Care Workforce Recruitment and Retention Grant in 2021/22, which was a continuation of the Workforce Capacity Grant from 2020/21. The main purpose of this grant was to support local authorities address adult social care workforce pressures and support providers to deliver more hours of care. Total grant income allocated to Tower Hamlets for 2021/22 totalled £2.823m, against which £2.127m was spent. The Government only released the grant conditions for Round 1 of the grant on November 2021 and Round 2 of the grant in December 2021. Both had the requirement for full utilisation of the grant by 31<sup>st</sup> March 2022. Due to the short timescales to spend the grant, it was difficult to recruit locum staff on short term contracts to expand the Adult Social Care workforce. The balance of £0.696m will need to be repaid to the DHSC in July 2022. A range of initiatives were implemented using this funding, including bonus payments to Adult Social Care Staff, wellbeing sessions, recruitment of additional temporary Senior Practitioner and Social Worker posts, funding to the Carers Centre and Tower Hamlets Connects, as well as payments to care providers in the amount of £1.242m.

The grant allocation for the Adult Social Care Omicron Support Fund for Tower Hamlets was £0.366m. The full allocation was distributed to care providers.

The carry-forward from 2020/21 in relation to the Contain Outbreak Management Grant (COMF) was £8.958m. A further £3.389m COMF Grant was received for 2021/22, making a total available grant of £12.347m to use in 2021/22. With balancing other Covid-19 related grants and expenditure into the COMF grant for 2021/22, including Community Covid Testing Fund, will result in a final carry-forward of COMF to 2022/23, which has been confirmed is allowed by the UKHSA, of £3.494m.

Provisional Outturn underspend of (£0.8m)

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Property & Major Programmes	16.5	19.2	2.7
Resources	1.1	1.4	0.3
Public Realm	40.9	38.9	(2.0)
Growth & Economic Development	4.2	3.7	(0.5)
Planning & Building Control	2.7	1.3	(1.4)
Housing & Regeneration	8.5	8.6	0.1
<b>Total</b>	<b>73.9</b>	<b>73.1</b>	<b>(0.8)</b>

**Forecast Outturn Position**

The Place Directorate has a favourable variance of £6.1m before any reserve adjustments. The Directorate is proposing a number of drawdowns and top ups which were planned as part of its business-as-usual activities. These adjustments net to a £5.3m top up of reserves, resulting in a favourable outturn variance of £0.8m against a budget of £73.9m.

Significant favourable variances have occurred within Public Realm and Planning & Building Control, which are partially offset by budget pressures within Property & Major Programmes. The outturn position represents a favourable movement of £2.5m from that reported to Cabinet in period 9. The main reason for this movement is additional income being received from demand driven services as we come out of the pandemic and additional grants received late in the year that have been used to fund expenditure.

The s151 officer has taken the decision to further top up reserves from the Place Directorate favourable variance by £4.8m, this is made up of £2.8m to the Parking reserve, representing the underspend on the Parking Control Account and £2.0m towards the parallel running costs of the New Town Hall and Mulberry Place in the first year of transition. After adjusting for these reserve movements, the Place Directorate is reporting a favourable variance of £0.8m.

**Savings Targets**

The Directorate has £3.9m of savings targets in 2021/22. Of these savings, £2.8m have been delivered, £1m of savings have slipped into the next financial year and £0.1m has not been delivered.

The slippage relates to savings targets within the Property division relating to better use of the Council owned assets. Although a work plan has been developed to deliver the saving, the current Covid-19 environment is making it increasingly difficult to either let or dispose of property. Incentives are having to be offered when letting properties, for example rent holidays to secure tenants, resulting in

delays to the delivery of the savings. Delivery of these savings is further hampered by an inherent budget pressure relating to loss of rent at Jack Dash House following THH vacating the premise.

The £0.1m undeliverable saving is predicated on efficiencies from insourcing THH. A decision was taken to continue with the ALMO, making the saving undeliverable. An alternative saving is currently being sought to mitigate this pressure.

#### Covid-19 Response

The Place Directorate is continuing with its response to the Covid-19 pandemic. Costs incurred and income loss attributable to Covid-19 across the Directorate totals £14.3m in 2021/22, of which £9.2m is offset by specific ring-fenced grant, £0.5m from the sales, fees and charges recompense scheme for lost income and £4.6m from general Covid-19 grant.

A further £1.2m was assigned to the Place Directorate from the Mayor's Covid-19 Recovery fund reserve for specific projects. Spend against this fund totals £0.4m

#### Property & Major Programmes – £2.7m Adverse

The Property & Major Programmes division has incurred expenditure of £19.2m against a budget of £16.5m inclusive of transfers to reserves. This represents an adverse variance of £0.7m from business-as-usual activity, with this variance increasing to £2.7m following a s151 officer decision to top up reserves by £2m to fund future revenue costs of the new town hall. This compares to a forecast adverse variance of £1.8m that was previously reported. Favourable movements within Facilities Management, Corporate Landlord Model and Corporate Property have contributed to this improved position.

#### Corporate Property – £0.3m Adverse

Four schools were declared surplus to requirements at the end of October. These schools were previously funded from Basic Needs grant. Vacant property costs including security, insurance, utilities and general maintenance are being incurred, creating a part-year budget pressure of £0.4m without any financial provision being made as part of the decision-making process for declaring the buildings surplus to requirements.

This adverse variance has been partially offset by vacant posts, in particular the Divisional Director post. This post forms part of the saving relating to the review of the senior management structure, but the budget was not taken in year.

#### Corporate Landlord Model (CLM) – (£0.7m) Favourable

A £0.2m favourable variance on service charges relating to buildings the Council leases. The number of leased buildings has reduced during the year, resulting in reduced costs. Running costs amounting to £0.6m for sites being used as Covid-19 test and vaccine centres are being recharged to the COMF Covid-19 grant and NHS and a further £0.2m against the non-ringfenced Covid grant for Albert Jacob House, resulting in a one-off underspend within the general fund.

The Cleaning budget has a favourable variance of £0.2m with some of the costs being attributable to Covid and charged against the general Covid grant. The CLM rates budget is forecasting an adverse variance of £0.1m due to the cross-rail multiplier not forming part of the base budget for business rates. A £0.1m adverse variance relating to insurance costs at Mulberry Place.

The energy budget is forecasting an adverse variance of £0.2m with unit costs increasing above budgeted rates. There is a risk that further increases in electricity costs as they are variable and global prices are rising. Reactive repairs & maintenance budgets have an adverse variance of £0.1m with the cost of materials and labour rising following Brexit and the Covid pandemic.

#### Capital Delivery – £0.1m Adverse

Budget shortfall of £0.1m against the capitalisation of salaries

#### Facilities Management – (£0.6m) Favourable

A £0.5m favourable variance on salaries resulting from vacancies that were not filled in year. These posts will be filled in the next financial year once the team moves to the new town hall. During the pandemic FM staff have been redeployed onto specific Covid-19 related work associated with making the Council buildings safe and compliant ahead of the planned return to the office. These costs have been charged against the general Covid-19 grant, resulting in a projected underspend of £0.1m within the general fund.

#### Non-Operational Investment Estate – £1.6m Adverse

Adverse variance relating to slipped savings relating to the better use of Council assets with rent holidays being given to new Organisations leasing Council properties where it is increasingly difficult and time consuming to secure new tenants in a post pandemic environment.

#### New Town Hall – £2m Adverse

The adverse variance relates to the decision to create a new reserve to contribute towards the future running costs of the New Town Hall and Mulberry Place in the first year of transition. This contribution is being funded from the overall favourable variance within the Place Directorate.

#### Resources – £0.3m Adverse

The Resources Division has an adverse variance of £0.3m where one month of employee costs for the newly formed Enabling Functions service has been charged to this division. The budgets have remained in the other divisions where this adverse variance nets off. The budgets for these officers have transferred to this division for 2022/23.

#### Public Realm – (£2.0m) Favourable

The Public Realm division has incurred expenditure of £38.9m against a budget of £40.9m inclusive of transfers to reserves. This represents a favourable variance of £4.8m from business-as-usual activity, with this variance reducing to £2m following a s151 officer decision to top up the Parking reserve by £2.8m, this amount being the favourable variance for the Parking Control account at outturn.

Public Realm was previously reporting a favourable variance of £3.5m, the movement resulting from improved positions within Highways & Traffic Management and the Street Trading Account (Markets) being offset by the increase in transfer to reserves from the Parking Control account.

#### Public Realm Management - (£0.2m) Favourable

Vacant posts within the management team.

#### Highways and Traffic Management – (£0.7m) Favourable

Over recovery of network management income by £0.3m. This has resulted from an increased demand for road closures, fees for digging up roads and pavements, traffic management orders, licenses and permits. The Borough has seen significant increases in development activity requiring such activities post pandemic. A further £0.1m favourable variance across the non-employee related expenditure budgets. Street and Traffic enhancement budgets have a favourable variance of £0.5m. These budgets are demand driven and have historically been used to fund Councillor and other (members of the public, Council departments such as ASB, Schools etc) requests for highway alterations that are usually minor in nature, for example pedestrian crossings, traffic calming, addressing pavement parking etc. In 2021/22 there were very few requests, possibly a function of the sizeable highway improvement programme being progressed in year. For 2022/23 officers are devising a strategy to ensure these funds are fully spent.

A £0.1m favourable variance against the lamp column maintenance budget within Public Lighting. The reduced maintenance costs result from recent capital investment in the columns and their good condition.

Insurance recharges has a £0.1m favourable variance with the service experiencing a reduction in the number of claims.

A £0.1m adverse variance on employee related costs. Capitalisation shortfall of £1.1m which is being offset by a corresponding underspend of £1m on salaries resulting from posts being held vacant and difficulties in recruitment following a service restructure.

The Council has incurred unbudgeted costs totalling £0.2m against the Flood & Gulley Waste budget relating to emergency deep drainage works at Learmouth Road. This works are revenue in nature and result from the illegal capping of the drainage network. Although the Council is trying to recover its costs from the developer, it is deemed unlikely and has resulted in a budget pressure.

Income from outdoor advertising has under recovered by £0.1m due to some advertising boards being inactive. The contracts for these sites will be re-procured as digital units and will be in place during the next financial year

#### Operational services - £0.1m Adverse

Favourable variance of £0.2m from unbudgeted income relating to the sale of recyclable materials.

A £0.1m adverse variance relating to the purchase and repair of refuse and recycling bins with a significant number of bins being old and in poor condition. An income assumption has been made within commercial waste relating to internal waste collection services. This has already been accounted for within waste services and therefore duplicated, resulting in an adverse impact of £0.2m on the general fund position.

There is an under recovery of income totalling £0.4m for commercial waste due to the pandemic. This loss will be partly reclaimed from the MHCLG Sales, Fees & Charges Losses scheme and the remainder from Covid non-ringfenced grant and therefore has no impact on the general fund position.

The Council has a statutory responsibility to clear fly tipped materials from around the Ailsa Wharf site which has been sold to Country Gardens. The clearing of the site was outsourced at a cost of £0.5m.

Although this work was completed in this year it is being funded from reserves and will have no impact on the general fund outturn position.

The Green team are forecasting to spend an additional £0.1m on replacement trees. This will be funded from CAVAT developer income received in previous years and will have no impact on the outturn position.

#### Waste Operations (Environmental Services) – £0.5m Adverse.

A favourable variance of £0.1m relating to third party expenditure resulting from reduced cleaning of Blackwall tunnel during the pandemic. An adverse variance of £0.4m relating to the running costs of the fleet due to unscheduled maintenance during the year. Additional costs of £0.3m for agency and overtime cover during the year. Costs totalling £0.2m will be offset against the general COVID-19 grant and not impact on the outturn position. The remaining amount relates to unbudgeted staff costs associated with the day to day running of the service, resulting in a £0.1m adverse variance.

An adverse variance of £0.1m relating to increased costs of fuel. The service has received £0.3m from the Mayor's Covid-19 recovery fund for use on enhanced street cleansing. This work is in its infancy and there has been no significant spend.

#### Environmental Service Improvement – (£0.1m) Favourable

Delays in recruiting to posts following reorganisation.

#### Passenger transport – £0.1m Adverse

Unachievable income target relating to support service recharges. It is proposed to mitigate this pressure in future years as part of the budget realignment work on passenger transport involving Place, HAC and Children's services but remains a pressure in year.

#### Concessionary Fares – (£1.3m) Favourable

Concessionary Fares is projecting a favourable variance for Freedom Passes as a result of fewer TFL journeys being undertaken during the pandemic. The current years calculation is based on the previous two year's average journeys where travel was restricted due to lockdown. This is a one-off saving and budget has not been reduced to reflect the lower charge.

#### Parking services – (£2.8m) Favourable

The Enforcement service (PCN related income) is currently operating at pre covid-19 levels with tickets being issued in line with budgeted levels. The team have worked with highways to introduce new moving traffic cameras, including school street cameras to reduce the overall environmental impact and increase road user safety, which has resulted in an increase in CCTV tickets issued across the borough and additional income of £3.6m.

However, this is being offset by pressures on the Parking debt budget with an under recovery against the income target of £1.4m is forecast. This target relates to aged debt cases where the central debt



collection team are falling short of the targeted debt recovery levels that they felt were recoverable and therefore budgeted.

Bay suspension income is forecasting to over recover by £1.5m with demand for the service continuing to be high. Income is being forecast to over recover by £1.3m from direct suspensions, with the remaining £0.2m representing income foregone from the re-opening of high streets programme where bays were suspended to enable businesses to use outdoor space free of charge. This income loss will be met from the Covid-19 general grant.

Casual Parking income is forecasting to over recover by £0.9m. This is mainly due to the introduction of the diesel levy in May 2020 and its full year impact where drivers of higher polluting diesel vehicles pay a surcharge to park within the Borough. The impact of the diesel levy was not included in the budget.

Permit related income spans more than one financial year. A decision has been taken to accrue the income that was received in advance in year, resulting in an adverse variance of £1.1m. An increased contribution towards the running costs of Highways & Traffic Management of £0.7m.

#### Parking Reserve Top Up – £2.8m Adverse

A decision has been taken to top up the Parking reserve by £2.8m, representing the surplus on the Parking Control Account detailed above.

#### Environmental & Regulatory services – (£0.4m) Favourable

Vacant posts within Environmental Protection, Pest Control, Food Safety, Trading Standards and Health and Safety. These vacancies are currently being recruited too but have saved £0.3m in year. Re-deployment of Environmental Health Officers on to Covid-19 work during lockdown has resulted in a favourable variance of £0.1m.

A further £0.1m of costs have been incurred for the mortality wave 2 payment. This cost has been offset against the general COVID-19 grant and no impact on the forecast outturn position. Works undertaken by COVID Marshalls cost £0.2m during the year. These costs are being met from COMF grant and has no impact on the outturn position.

#### Street Trading – Nil Variance

The Street Trading account is projecting to outturn to budget, after offsetting a forecast income shortfall of £0.5m against the Covid-19 general grant and Sales, Fees & Charges reclaim for quarter 1. This represents a £0.4m favourable movement on that previously reported, resulting from new burdens money that was received late in the year, back dated rebates for business rates payments and a small upturn in the income received from traders.

Since full reopening, Markets have started to see a slight bounce back in Casual traders, but this has not made up for those lost during the pandemic. There has been an overall reduction in market trader numbers since pre-covid levels and the Markets have lost income as a result. This lost income is being reclaimed through Covid grant and the Sales, Fees & Charges recompense scheme.

The previously reported £0.4m adverse variance primarily relate to abortive costs resulting from the PSI capital project that is no longer taking place. These costs have been absorbed within the final outturn position because of one-off new burdens monies and business rate rebates. The Markets service

successfully bid for £0.1m funding from the Mayor's Covid Recovery fund for use in developing and training market traders to use an online trading platform. This project is yet to commence and no spend has been incurred.

### Growth & Economic Development – (£0.5m) Favourable

The Growth & Economic Development division has a favourable variance of £0.5m against a net budget of £4.2m after reserve transfers. This outturn position assumes s106 drawdowns from reserves totalling £1.7m for core activities and approved projects across the division and a proposed reserve top up of £1.6m from the unspent Residents Support budget. There is also a budgeted drawdown of £0.8m from the Mayoral Priority Reserve to fund the Tackling Poverty team. This drawdown has not been requested due to the high level of Covid grant received in year, which has instead been used to fund the team costs as their work has focused on assisting vulnerable residents negatively impacted by the pandemic. This outturn position represents a £0.3m improvement on the position previously reported.

### Employment & Skills – (£0.1m) Favourable

Employment & Skills is forecasting to outturn with a favourable variance of £0.1m after s106 drawdowns totalling £0.9m for projects across the service. Previously it was forecast to be in line with budget. There are a number of favourable and adverse variances making up this forecast.

The Supported Employment service focuses on the Kickstart project, getting 16–25-year-olds into employment. It is funded from a combination of grant and s106 income. The grant covers the salaries of the kickstart trainees being placed and the s106 income the salaries and costs of the officers providing this service. The Council receives an admin fee of £300 for every placement and £1,600 when directly employed. The number of placements has exceeded budgeted levels, resulting in a favourable variance against budget of £0.1m.

The Employment and Skills service has an adverse variance of £0.1m as a result of delays in a service restructure preventing savings being made and reduced s106 funding. This pressure has been offset by a compensating favourable variance within Careers Young Work Path service resulting from vacancies.

### Growth – (£0.3m) Favourable

The Business Partnerships team has a favourable variance of £0.3m after s106 drawdowns of £0.8m resulting from the unbudgeted capitalisation of staff costs within the High Streets team (£0.1m), vacant posts within Business Support & Growth (£0.1m) and delays to the restructure within Enterprise Support (£0.1m).

### Economic Development Management – (£0.1m) Favourable

A favourable variance from recharging part of the cost of the Divisional Director to Property & Major Programmes following a senior management restructure.

### Tackling Poverty – Nil Variance

Tackling Poverty service has received £7.6m in Covid grant during the year. As a result, the majority of its expenditure in year has been against these grants. This has resulted in the team being entirely funded from Covid grant rather than drawing down from the Mayors Tackling Poverty reserve and the Resident Support Service budget not being spent in full, resulting in a favourable variance of £0.6m. The Tackling Poverty team has requested a reserve is set up to allow this to be used in the following

financial year as part of the Council's cost of living crisis response. If this reserve contribution is approved the Tackling Poverty service will outturn in line with budget.

#### Continuing Covid-19 response

The Tackling Poverty & Crisis Support team continues to undertake significant work in response to the Covid-19 pandemic, with rules around the resident support scheme being relaxed and through the opening of a food bank and food deliveries to vulnerable and shielding residents. Food vouchers have also been distributed to vulnerable residents and a track and trace system implemented.

In total, Tackling Poverty Covid related spend in 2021/22 is estimated at £7.6m, which will be met from ringfenced grant, £3m from Household Support Grant to fund Food Hubs (£0.2m), Residents Support Scheme (£0.6m), Energy & Food Vouchers (£1.8m) and Admin (£0.4m); £1.8m from the Covid Local Support Grant to fund holiday vouchers (£1.2m), Food Hubs (£0.3m), Small Grants (£0.1m) and Admin (£0.2m); £1.8m from Test and Trace grant funding, £0.2m from COMF grant and £0.8m grant funding towards free school meals. There is no forecast use of the general Covid grant.

The Growth service has spent £0.8m on projects related to the reopening of high streets as the Country comes out of the pandemic. Grant funding of £0.4m relating to Welcome Back programme was received. This grant funding has been used for marshalling and security within the high streets as part of their reopening. This grant has been spent in full. The service has also spent £0.2m of Heritage Action Zone funding (part of £0.5m funding received, the remainder being spent within the Plan Making team within Planning & Building Control). The remaining £0.2m was planned to be drawn down from the general Covid grant but is not required due to the favourable budget position and instead has been included as part of the general fund expenditure within the Growth service.

On top of this funding the directorate has been successful in securing funding from the Mayor's Outbreak Recovery fund for specific projects. In total Growth & Economic Development has received approval for £0.6m of spend across a number of activities including business adaptation grants (£0.4m for schemes to help small and micro businesses) of which £350k has been spent, support to advice agencies (£0.1m to increase their capacity to support clients) of which £25k has been spent in year and £0.1m for food pantries of which 48k was spent in year.

#### **Planning & Building Control – (£1.4m) Favourable**

The Planning & Building Control service is forecasting to outturn with a favourable variance of £1.4m against a net budget of £2.7m after reserve movements. This projection includes a drawdown of s106 funding totalling £0.3m to fund posts and activities across the Divisional Support & Technical Services team, Management Team and Infrastructure Planning, £0.5m to fund LIF projects and £0.2m from the Building Control Trading reserve to meet the services adverse variance. These drawdowns are in line with that budgeted.

The Planning & Building Control service also utilises both Mayoral (MCIL) and Tower Hamlets (THCIL) CIL revenue funding. In 2021/22 the Council received £0.4m THCIL and £0.5m MCIL which has primarily funded the Infrastructure Planning service. This funding is also in line with budgets. This favourable variance represents an improved position of £0.7m compared with that previously reported, primarily the result of higher income levels within development management (planning fees) and local land charges.

#### **Building Control Revenue – (£0.1m) Favourable**

The service has a number of vacant posts which are currently being advertised. The underspend resulting from these vacancies is being offset by a pressure within the income budgets, where the income target is historical and unachievable. This will be addressed as part of the budget realignment work.

#### Development Management – (£0.4m) Favourable

There is no net General Fund budget within Development Management, with the service being income funded. The service has overachieved its income target by £0.7m with demand for planning being high post pandemic. This favourable variance is being partially offset by recharges that are not fully budgeted where services are being received from Noise officers, Highways and other teams within Planning when assessing planning applications.

#### Divisional Digital & Support Services – (£0.5m) Favourable

This favourable variance is the result of vacancies within the newly restructured Divisional Support and Digital & Commercial Innovation Unit (£0.2m). It has taken longer to recruit to some posts than had been planned. These roles have now been advertised and recruitment is underway. Local Land Charge income has exceeded its budgeted target by £0.3m with demand for the service being high in a housing market that is buoyant after the pandemic.

#### Strategic Planning – (£0.3m) Favourable

Unspent consultancy budget within the Plan Making team along with the successful bid for Neighbourhood Planning grant are contributing to the favourable variance. It was previously assumed the Neighbourhood Planning costs would be met from general fund budget provision.

#### Wentworth Street High Street Heritage Action Zone – Nil Variance

The Council received £0.5m grant funding towards the HSHAZ. This grant has been spent in full, £0.3m within Strategic Planning on projects unlocking the potential of the high streets with the aim of fuelling their economic, social and cultural recovery. The remaining £0.2m has been used on projects led by the Growth team within Growth & Economic Development.

#### Infrastructure Planning – (£0.1m) Favourable

There is budgeted use of CIL revenue funding of £0.9m and s106 reserve drawdowns of £0.3m towards the running costs of the Infrastructure Planning team. Actual funding is in line with these budgeted levels. The favourable variance has arisen from unbudgeted work completed within the team providing TH viability advice and reduced legal costs.

#### Building Control Trading Account – Nil Variance

This building control traded account has an adverse variance of £0.2m before reserve drawdowns. This results from income projections being lower than budgeted levels. It is proposed that this shortfall will be offset against the trading account reserve, resulting in nil variance for the general fund.

#### Housing & Regeneration – £0.1m Adverse

The Housing & Regeneration division has an adverse variance of £0.1m against a budget of £8.5m after reserve movements. This compares to a favourable variance against budget of £0.1m previously

reported, an adverse movement of £0.2m. This position includes a number of reserve movements, resulting in an overall top up to reserves of £1.6m. The Housing & Regeneration division has received grant in year totalling £9.3m. This includes a number of additional unbudgeted grants that were received during the year which resulted in the request to top up reserves where grant has not been spent in full.

The main reason for the adverse variance relates to Place Limited being dissolved. The Council is a shareholder of this company and the lead authority. As a result, LBTH has incurred costs on behalf of Place Limited and there is uncertainty whether these costs will be recovered from Place Limited or the other partner shareholder authorities. An unbudgeted provision has therefore been made for this cost, resulting in an adverse variance. This pressure was not previously reported as Place Limited had not been dissolved at this time.

#### Housing Options – Nil Variance

The Housing Options (Homelessness and Rough Sleeping) service has a breakeven outturn position. This is in line with previous forecasts. However, the service had budgeted to drawdown £2.1m of reserves for specific activities to reach this position but during the year has received significantly more Government grant funding, mainly in the form of Homelessness Prevention Grant and winter top up grant than it had budgeted. These grants result in Housing Options no longer requiring this reserve drawdown to meet its costs. Instead, Housing Options are proposing to top up reserves by £1.4m when arriving at a nil variance outturn position.

Homelessness numbers remain high, but the service has seen a small decrease over the year. Current numbers in Temporary Accommodation are 2,563 (2,063 households with children and 488 households without). This compares with 2,638 households (2,136 with children and 502 without) at the beginning of the financial year, a reduction of 75 households. This decrease has been achieved despite the lifting of the evictions ban that has been in place since the onset of the pandemic and the service experiencing an increase in the numbers of private evictions.

These high numbers place pressure on the use of expensive nightly booked and bed & breakfast accommodation at additional cost. A lack of move on options in affordable housing within London is increasing this pressure, particularly for larger properties, making it very difficult for the Council to discharge its duty. Private License Accommodation costs and Non-Secure Tenancy costs remain high but are reducing with T.A. clients being moved on in shorter timescales.

The service is embarking on an ambitious transformation programme with the aim of reducing both numbers and costs in Temporary Accommodation. Service redesign is underway to enable more work to be undertaken upstream to prevent homelessness occurring, bringing homeless people into employment and moving them into cheaper accommodation to reduce the impact on the housing benefit subsidy loss. The early indicators are that this process is starting to have an effect, with increases in discharges of duty into Private Licensed Accommodation and a reduction in the business-as-usual use of bed & breakfast accommodation. Currently 80% of new acceptances are now moved straight to self-contained accommodation rather than using bed & breakfast and five additional families per week are moved out of bed & breakfast within two weeks, along with 20 single people.

Housing Options had budgeted for a significant increase in its bad debt provision due to a backlog of cases requiring assessment and delays in getting clients on to Housing Benefits, along with a significant number of benefit-capped households with large arrears. In recent months this backlog has been cleared and the benefit capped clients prioritised within the transformation project, all of which has reduced the contribution to the bad debt provision.

The Homelessness service incurred an unbudgeted Housing Benefit Subsidy loss of £2.8m during the year. The Council can claim back Housing Benefit costs incurred up to 90% 2011 LHA rates. Rents within Tower Hamlets are normally higher than this rate, resulting in the Housing Benefit payment made being higher than the amount claimed back. In 2021/22, £33.9m of housing benefit was paid out and £27.1m claimed back, resulting in a deficit of £6.8m against a £4m budget. This £2.8m pressure is being funded from Covid general grant in the current financial year and the service has received growth within its budget to meet the cost in 2022/23.

The transformation project detailed above is projected to deliver £2m savings. Key officers are in post and policies and initiatives are going live or being programmed. A cabinet report in September highlighted the key elements of the transformation project and main changes. Costs of this transformation work have been met from base budget and grant in year rather than reserves.

#### Lettings – (£0.2m) Favourable

Vacant posts totalling £0.1m and additional income from RSL recharges of another £0.1m for use of the Council's housing register. This favourable variance is in line with that previously reported.

#### Energy & Sustainability – (£0.2m) Favourable

The Energy & Sustainability service has a £0.1m favourable variance against budget before any reserve adjustments. After drawing down against the Barkentine PFI smoothing reserve this favourable variance increases to £0.2m. This favourable variance relates to the energy procurement team where additional commission income has been received over that budgeted. The commission is based on energy consumption with a percentage charge being made to schools and suppliers.

#### Housing Supply – £0.5m Adverse

The outturn position for Housing Supply is a £0.5m adverse variance after proposed reserve drawdowns totalling £0.2m. This represents an adverse movement of £0.4m when compared with previous forecasts. The main reason for this adverse movement is Place Limited being dissolved as a company and the Council needing to increase its bad debt provision for the costs it has incurred and may not be able to recover. Place Limited remained a going concern when previously forecast.

#### S&I Management

The S&I Management Team is incurring unbudgeted costs of £0.1m relating to the Fire Safety team. The Fire Safety team are undertaking and documenting the results of fire risk surveys on the external walls of privately owned high-rise properties. In 2021/22 it is proposed that this team will be funded from External Walls System grant that has been held in reserve specifically for this project and will therefore not impact on the forecast outturn.

#### Shared Use of Amenities

The General Fund makes a recharge to the HRA for its contribution towards the cost of shared use of amenities. This may be a park or a community building for example that is on HRA land and benefits both tenants and the wider public. This contribution is unbudgeted and represents a pressure of £0.1m. This budget pressure has been addressed as part of the budget realignment work.

#### ALMO Client Team

The ALMO client team has an adverse variance of £0.2m. There is a £0.1m unachievable savings target relating to the insourcing of THH which has not been mitigated and a further pressure of £0.1m relating to a historical and unachievable income target from when the client team was larger and there was a higher recharge to the HRA. Again, this budget pressure will be addressed as part of the budget realignment work.

#### Harford Street

A £0.3m favourable variance for the Harford Street community centre and shops. Income from the south side shops had been budgeted to fund contracts with Ocean Regeneration Trust but this is now not happening, with this income being retained.

#### Affordable Housing

A £0.1m favourable variance resulting from a post being recharged to the Regeneration Vision team. The cost of this post will be met from LIF funding.

#### Regeneration & New Build Service

The Regeneration & New Build service has a favourable variance of £0.2m as a result of additional CPO income collected in year that is unbudgeted and vacancies within the service.

#### Housing Development

An adverse variance of £0.8m within the Housing Development service relating to an increase in the bad debt provision following the winding up of Place Limited. This provision represents the costs that the Council, as lead Authority has incurred and may not be able to recover from either the other shareholder Authorities or Place Limited themselves.

#### Covid-19 Response

Homelessness and Rough Sleeping have spent £1.4m on ongoing Covid-19 related activity with accommodation costs forecast at £0.7m, support packages totalling £0.6m and staffing costs of £0.1m. This is being funded from DLUHC 2021/22 Rough Sleepers Initiative grant of £1.1m (a £0.5m one off uplift for additional support and move on costs and a second tranche of £0.6m for an extension of covid safe emergency and intermediate accommodation and on-site support). A further £0.1m will be met from the Protect and Vaccinate grant. A total of £0.1m will be met from a combination of public health COMF grant and winter pressures funding, with the remaining £0.1m from Covid general grant. A further £2.9m relating to the Housing Benefit Subsidy loss has been charged to Covid general grant.

Housing have been successful in securing £0.2m of Mayor's Covid recovery funding to fund Health and Wellbeing support workers and to provide services to maintain wellbeing and physical and mental health for households struggling financially with rent payments. There has been no spend against this fund in year.

## Corporate Costs

3

Provisional Outturn £0.1m overspend

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Corporate Costs	15.2	15.3	0.1
<b>Total</b>	<b>15.2</b>	<b>15.3</b>	<b>0.1</b>

Provisional outturn position for Corporate of £0.1m overspend, following the net contribution to reserves of £6.4m. The reserves movements include the budgeted contribution to New Homes Bonus reserve of £7.6m and the budgeted use of reserves to balance the 2021-22 budget of £1.2m.

Please note that the Collection Fund (Business Rates and Council Tax income) is still to be finalised and audited, and the Collection Fund Smoothing Reserve will be utilised to fund deficits including through the government's Tax Income Guarantee (TIG) compensation scheme and business rates relief grants.

### Pay inflation budget held centrally – Provisional Outturn £2.2m Adverse

Pay inflation budget of £1.056m remained centrally towards the 2021-22 pay award increase. £2.044m of the 2021-22 £3.1m budget had been allocated to directorates to fund the 2020-21 pay inflation shortfall from the 2.75% national pay award increase (2020-21 General Fund cost increase of £5.144m against the 2020-21 pay inflation budget of £3.1m).

The 2021-22 pay award has now been agreed at 1.75% for most officers (2.75% for officers on the lowest spinal point and 1.5% for Chief Officer grades), this represents an overspend of circa £2.240m across the Council's General Fund areas above the central budget held of £1.056m. This overspend is one-off in 2021-22 because the MTFs includes this extra £2.240m pay inflation budget in 2022-23 to be allocated to directorates.

### Cross-Directorate Savings – Provisional Outturn £2.1m Adverse

Cross-directorate savings of £3.809m are held corporately. The Reduction in Enabling and Support Services Costs restructure saving of £1.5m was implemented during 2021-22, achieving in-year savings of £0.75m, with the other £0.75m slipping into 2022-23 when the full-year effect will be achieved.



For the Local Presence / Contact Centre Review saving of £1.150m, there is slippage of £0.461m and the rest of the savings of £0.689m were identified as unachievable following a review supported by the Programme Management Office and have been agreed to be written-off in the 2022-23 budget.

Covid non-ringfenced emergency grant has been allocated to fund Covid related savings slippage of £1m, being Greater Commercialisation (£0.431m), Review of Printing/ Scanning/ Use of Multi-Functional Devices (£0.371m) and Change of working hours and use of Flexible Retirement schemes (£0.200m).

There were two savings identified, through the review of 2021-22 fees & charges, towards the Greater Commercialisation savings target of £0.5m. These were £39k extra income through the introduction of household bulky waste charges after 2 free collections and commercial bulky waste charges, and £30k extra income in Registrars Services. The remaining savings of £431k are being identified through increased venue hire by the Commercialisation Board.

#### Recharges to ringfenced funding areas review carried out in 2021-22 – Provisional Outturn £1.7m Adverse

A provisional outturn pressure of £1.7m for the General Fund has arisen from a review of recharges, from directorates and corporate support recharges, to ringfenced funding areas and trading accounts and to Community Infrastructure Levy (CIL) and Section 106 funding due to reduced income receipts for the Council.

#### Redundancy, Severance and Early Retirement – Provisional Outturn £0.7m Adverse

Provisional outturn overspend of £0.7m against budget of £2.45m for redundancy, severance and early retirement pension strain costs. The corporate budget only funds redundancy costs where these relate to achieving savings agreed in the medium term financial strategy (MTFS).

#### Corporate income – Provisional Outturn (£0.9m) Underspend

Provisional outturn overachievement of income of £0.9m against Corporate income budgets including allocated miscellaneous income from cash suspense.

#### Pension Fund deficit repayment – Provisional Outturn (£1.0m) Underspend

Provisional outturn underspend against the budget allowed of £12.8m for the payment to the Pension Fund to meet the deficit estimated by the actuary.

#### Corporate contingency budget to cover unforeseen circumstances – Provisional Outturn (£3.1m) Underspend

There were no commitments against the contingency budget of £3.1m.

#### Treasury Management – Provisional Outturn (£8.0m) Underspend

A provisional outturn underspend on the borrowing costs budget due to slippage in the capital programme. Minimum Revenue Provision (MRP) internal borrowing costs of £4.8m have been funded by the rental income earned through the property buyback programme in Place directorate.

The provisional outturn interest and dividend income in 2021-22 was £1.6m. This is below the income budget of £2.3m and continues to be significantly lower than the 2019-20 and 2020-21 levels of income, mainly due to the Covid-19 impact on the economy and the Bank of England subsequently reducing its base rate to 0.1% from 19 March 2020 (recently increased to 0.25% on 16 December 2021, further to 0.50% on 3 February 2022 and further to 0.75% on 17 March 2022).

## Housing Revenue Account (HRA)

4

Provisional Outturn underspend of (£0.2m) before transfer to reserve

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(2.3)	(2.5)	(0.2)
<b>Total</b>	<b>(2.3)</b>	<b>(2.5)</b>	<b>(0.2)</b>

The Housing Revenue Account has a favourable variance of £0.2m when compared with budget. This balance will be transferred to the HRA general reserve, giving a balanced position at year-end. This compares with a Favourable variance of £0.9m previously reported.

### Delegated Budgets – £2.5m Adverse

#### Income

Income from Dwelling Rents has exceeded budgeted levels by £0.6m. £0.1m results from additional income being claimed back from a contractor due to delays in completing the Barchester development, £0.2m relates to Housing Benefit income for Tenant Management Organisations and Discretionary Housing Payment income both of which were not reflected in the budget and £0.3m from the write off of Housing Benefit Overpayments against the bad debt provision.

Leaseholder Service Charges have a £0.2m adverse variance as service charge actuals are lower than budgeted. Many of the services were impacted by Covid, reducing the amounts recovered. Garage rents have a £0.3m adverse variance following the decommissioning of parking bays on development sites.

Tenants Service Charges have a £0.1m adverse variance relating to delays in new properties being handed over to the HRA and their occupation. This has resulted in lower than budgeted service charge income.

A £0.5m adverse variance for Major Works income for leaseholders due to delays in completing the works programmed during the pandemic.

#### Expenditure

A £0.3m adverse variance against the Repairs & Maintenance budget resulting from increased labour and material costs post pandemic and Brexit. A £0.2m favourable variance for Mayoral ASB due to reduced costs with the Police. Business Rates has a favourable variance of £0.1m based on actual expenditure. The budget is historic and overstated. Community Investment - £0.3m favourable variance resulting from lower than budgeted project activity as a result of the pandemic.

Recharges to Capital are £1.7m lower than budgeted. Delays in procurement and start on site across the capital programme have resulted in less costs being capitalised. The Building Insurance budget has a £0.3m adverse variance based on actuals posted and claims history. Energy costs have an adverse variance of £0.2m primarily due to recent market increases in unit cost. Concierge - £0.1m adverse variance arising from additional fire patrols at Brewster & Maltings following commencement of structural works on the building. Payments totalling £6.5m have been made in year for the Thames Water Recompense Scheme. These costs will be met in full from a provision within the HRA and will not impact on the revenue position.

#### Management Fee – £0.6m Adverse

This adverse variance relates to the pay award for 2021/22 which is not built into the base budget for the management fee.

#### Non delegated budgets – Forecast £3.3m Favourable

The Leaseholder Enfranchisements income has exceeded budgets by £0.5m. 93 applications were received to extend leases which is significantly higher than budgeted. Shop Income has over recovered its income target by £0.2m with a number of shops vacant post pandemic. A £1m favourable variance relating to depreciation charges based on the actual costs posted. A £1.2m favourable variance for residual pension costs where there is a historic budget allocation. The most recent triennial review has resulted in a lower charge to the HRA. A favourable variance of £0.1m against the Apprenticeship Levy. The HRA has incurred the charge as part of the salary oncosts and this budget is surplus to requirements.

Debt Management costs have a £0.3m favourable variance. The charge for the year is £0.1m against a £0.4m budget and relates to the financing charge on outstanding HRA debt and is calculated on a formulaic basis with a fixed and variable element. Historic budgets relating to the running costs of Dame Collet and Poplar Baths resulting in a £0.8m favourable variance. A reduction in the contribution to the bad debt provision of £1.1m by using Thames Water refunds due to reduce debt where accounts are in arrears. A £0.4m favourable variance against the Capital Feasibility budget with more works progressing to a capital scheme and their costs have been capitalised.

Shop repairs & maintenance has an adverse variance of £0.5m, with no budget for this expenditure. A £0.3m adverse variance on Support Services Recharges which relates to a higher than budgeted recharge from asset management for time spent managing the shops portfolio. There is a £1.4m adverse variance for Item 8 Adjustment with a larger than budgeted capital financing requirement to meet the new build housing programme. A £0.1m adverse variance for insurance recharges due to higher than budgeted premium.

## General Fund Balances and Earmarked Reserves

5

The table shows provisional outturn pressures on 2021/22 General Fund balances and how this might be managed by means of utilising earmarked reserves. Note the reserves position of the Council is uncertain pending the formal closure of statement of accounts for the period 2016 – 2021.

£m	Balances as per draft	Forecast contribution to	Forecast balance
	accounts 2020/21	/ (from) Reserve	31 March 2022
	£m	£m	£m
<b>GF balances (general reserve)</b>	<b>24.8</b>	0.2	<b>25.0</b>
Budgeted drawdown in MTFS	<b>0.0</b>	(1.2)	<b>(1.2)</b>
	<b>24.8</b>	<b>(1.0)</b>	<b>23.8</b>
<b>Earmarked reserves consist of:</b>			
<b>Earmarked reserves with restrictions</b>			
Insurance	10.0	0.0	10.0
New Civic Centre	0.0	0.0	0.0
Parking Control	3.3	2.8	6.1
Collection Fund Smoothing*	66.8	(15.8)	51.0
Free School Meals Reserve	6.0	(2.0)	4.0
Public Health Reserve	3.3	3.6	6.9
Revenue Grants Unused	8.7	1.6	10.3
COVID 19 grant	3.5	5.8	9.3
Local Elections	0.8	0.1	0.9
CIL**	7.8	(1.1)	6.7
BAME Inequalities Commission	0.0	1.0	1.0
Covid Recovery Fund	0.0	2.1	2.1
HA&C Joint Funding Agreements	0.0	12.4	12.4
<b>Earmarked reserves with restrictions – Subtotal</b>	<b>110.2</b>	<b>10.5</b>	<b>120.7</b>
<b>Earmarked reserves without restrictions</b>			
Risk Reserve	6.5	0.0	6.5

Transformation Reserve	3.6	0.0	3.6
ICT Reserve	9.6	(0.4)	9.2
Mayor's Tackling Poverty Reserve	3.4	0.0	3.4
Mayor's Priority Investment Reserve	5.0	0.0	5.0
New Homes Bonus	40.6	3.6	44.2
Services Reserve	8.5	6.1	14.6
<b>Earmarked reserves without restrictions - Subtotal</b>	<b>77.2</b>	<b>9.3</b>	<b>86.5</b>

<b>Total Earmarked Reserves</b>	<b>187.4</b>	<b>19.8</b>	<b>207.2</b>
---------------------------------	--------------	-------------	--------------

<b>Total GF and Earmarked reserves</b>	<b>212.2</b>	<b>18.8</b>	<b>231.0</b>
--	--------------	-------------	--------------

\*The Collection Fund Smoothing Reserve is restricted in its use as it is solely intended to deal with surpluses and deficits that arise on an annual basis in the collection fund.

\*\*The CIL (Community Infrastructure Levy) reserve balance only includes revenue related CIL monies held within earmarked reserve and not capital CIL monies

## HRA, DSG and Capital Usable Reserves

6

The table shows the 2021/22 Provisional Outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves. Utilisation of these reserves are restricted by statute.

HRA and DSG reserves	Balances as per draft accounts 2020/21 £m	Provisional Outturn contribution to / (from) reserves £m	Forecast balance 31 March 2022 £m
Housing Revenue Account (HRA)	52.3	0.2	52.5
Dedicated Schools Grant (DSG)	(11.6)	1.0	(10.6)
Capital Grants Unapplied	200.2	(7.5)	192.7
Capital Receipts Reserve	139.0	(10.7)	128.3
Major Repairs Reserve	0.1	(0.1)	0.0
<b>Total Other Reserves</b>	<b>380.0</b>	<b>(17.1)</b>	<b>362.9</b>

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 government and the GLA.

## NNDR Business Rates

We were expected to collect £395m in total for 2021-22 (excluding business rates supplement). Collection levels continue to be impacted by the Covid-19 pandemic.

There is an accumulated Business Rates Collection Fund deficit to the end of 2020-21, of which the Council share is £55m (primarily funded through government grants for business rates reliefs). The deficit has reduced due to the removal of the provision for Material Change in Circumstances (MCC) appeals, following government legislation which excluded the ability for businesses to request revaluations based on the short term effect of the Covid pandemic. The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24. The government has provided £14m compensation towards funding the 2020-21 deficit (being 75% of specific components of the deficit).

The accumulated deficit includes a significant increase in the 2020-21 loss allowance (bad debt provision) for potential non-payment of debts to the Council, again due to the pandemic (an increase in Council share from £1.9m in 2019-20 to £7.7m in 2020-21).

The Covid-19 pandemic continues to have a significant impact on the 2021-22 business rates income through revaluations, other changes to the rating list and a reduction in collection rates. The level of the deficit will continue to be affected by changes in the pandemic and its economic impacts and is therefore being monitored closely.

For the total Business Rates income (retained by the Council and passported to the GLA and central government), the original estimate for Business Rates net rates payable for 2021-22 was £458m. This has adjusted to £395m after changes to the Extended Retail Relief Scheme and Section 31 grant will be provided to offset this reduction and the effect of rateable value changes in the valuation list.

The net rates payable will reduce further with the allocation of the newly announced Covid Additional Relief Fund (CARF) of £26m to reduce the business rates requirement for businesses outside of the expanded retail relief scheme.

To the end of 2021-22, we have collected £386m of £409m billed (94.4% in-year collection rate) compared to 94.8% for 2020-21, which is a slight deterioration on 2020 however some businesses will have delayed payment against accounts awaiting the allocation of CARF reliefs. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Debt collection is temporarily on hold while the CARF fund is allocated to business rates accounts and re-billing takes place.

---

## Council Tax

We were expected to collect £151m in total for 2021-22. Collection levels continue to be impacted by the Covid-19 pandemic. Council Tax income is split between the Council (circa 75%) and the GLA (circa 25%).

There is an accumulated Council Tax Collection Fund deficit to the end of 2020-21, of which the Council share is £6.5m. The government has compensated £2.0m of this (being 75% of certain components of the 2020-21 gross deficit).

The deficit includes the impact of the loss allowance (bad debt provision) which was increased by £2.9m (Council share) from £11.9m (2019-20) to £14.8m (2020-21) due to the impact of the pandemic.

The Covid-19 pandemic has reduced the collection rate and it has increased significantly those claiming benefits including through the Local Council Tax Reduction Scheme (LCTRS). The cost of the LCTRS scheme rose from £26.7m in 2019-20 to £31.6m in 2020-21. The level of claimants has reduced slightly from the increased pandemic level (£32.7m cost in 2021-22 which includes the effect of the annual Council Tax increases). Indications are that the level of claimants will continue to reduce now that pandemic restrictions have been withdrawn by the government.

For total Council Tax income (both retained by the Council and passported to the GLA) the collectable budget for 2021-22 was £151m.

To the end of 2021-22 we collected £144m of the £157m Council Tax bills raised (92% in-year collection rate) compared to 90% for the same period in 2020-21, which is an improvement on 2020-21 but lower than pre-pandemic collection levels. As debt enforcement processes have recommenced, the collection of debt arrears for previous years has improved (£8.6m collected in 2021-22 relating to previous years). Future years' collection rates could be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on employment, energy and food costs).

The Council is actioning the government's energy rebate scheme and has paid out £150 to direct debit payers and will write to other eligible residents to arrange payment through the mandatory and discretionary schemes.

## Overall Position

The Council's investment balance at the end of March 2021 was £321.2m (an increase of £4.7m from previous quarter and increase of £23.9m from previous month).

The 2021-22 budget for investment income is £2.3m and the forecast all through the year was £1.6m based on expected cash levels throughout the year and expected dividends from pooled funds. Actual interest was £1.55m. This return is significantly lower than both 2019-20 and 2020-21, mainly due to the continued Covid-19 impact on the economy and recent Ukraine/Russia conflict impacting global markets. A slight increase is expected in 2022/23 on the basis that the expected Bank of England raises interest rates occur. We have £321.2m of investments and £69.9m borrowing.

## Income Position

Yield on the internal portfolio was 0.46%. Investments in local authorities contributed an average yield of 0.46% while average across London Boroughs in the Arlingclose pool of clients was 0.49%. The income only return on the entire portfolio, including the Council's external investments was 0.87% whilst the total return on the entire portfolio was 0.90%.

The income return is positively impacted by dividends received from investments in externally managed pooled funds. The capital values of these funds were temporarily negatively affected by the economic impact of Covid-19 and recent Ukraine/Russia on going conflict; however, most of the funds have since regained their total value and are now at £76.2m (£76m as of 31 March 2021) with the purchase price (£76m).

## Benchmarking

According to the 2021-22 Quarter 4 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 0.87% outperformed a group of seventeen London councils (0.78% average income return) but underperformed against 127 national local authorities (0.97% average income return).

The Council's return on internally managed treasury investments of 0.46% performed slightly below a group of seventeen London councils by 0.03%.

We are continuing to look at alternatives that retain and protect the capital value of our investments while maximising income return. We compare favourably for the income return we get from our investments in Q4 of 2021-22 due to Bank of England recent increase in rates helping new investments.

## Liquidity

39% of funds are available within 7 days ensuring adequate cash is available to meet expenditure payments. 78% of funds are available within 100 days Inflation.

## Inflation



Consumer Prices Index (CPI) rose by 7.0% in the 12 months to March 2022, up from 6.2% in February.

On a monthly basis, CPI increased by 1.1% in March 2022, compared with a rise of 0.1% in March 2021 and 0.8% in February 2022.

According to Capital Economics recent quarterly forecast of April 22, even though a further surge in CPI inflation to a 40-year high currently forecast at 10% in October. It is expected that this will take the economy to a brink of recession, the Economist are of the opinion that the Bank of England will rise interest rates from 0.75% now to a peak of 3.00% in 2023 to contain domestic price pressures and stamp out the recent rises in price expectations that risk inflation getting get stuck above the 2% target. Their forecast envisage inflation being higher, GDP growth being lower and interest rates rising further than investors and other analysts expect.

Recent forecasts also concluded that not only did the surge in CPI inflation to 9.0% in April leave inflation in the UK above the rates in both the US and the euro-zone, but inflation in the UK according to their forecast will probably rise further and stay higher for longer which fed into their forecasts that the Bank of England will have to raise rates further than it expects, from 1.00% now to 3.00%.

The recent extra financial support for households announced by the Chancellor on 25<sup>th</sup> May is expected to help millions of households cope better with the cost-of-living crisis. But it is not expected according to Capital Economics forecast to relieve all the pain and may mean the Bank of England has to pull the interest rate lever harder to reduce inflation.

### Security

Weighted Average credit rating across the portfolio of investments managed internally at the end of March 2022 was AA-. The portfolio's bail-in risk has decreased by 9% to 59%. The portion that remains susceptible to bail-in risk includes the 35-day notice account and deposits with Money Market Funds. Number of Counterparties in the portfolio on 31 March 22 was 31 against a local authority average of 14 Counterparties which further supports diversification of investments.

### Borrowing

The Council has Public Works Loan Board (PWLB) loans totalling £52.4 and fixed rate bank loans totalling £17.5m.

There was a forecast underspend on the borrowing costs budget due to forecast slippage in the capital programme this meant that the forecast since September 2021 has been £2.2m. This forecast interest payable cost on external borrowing of £2.2m was in line with actual borrowing cost for the year of £2.186m.

Target for year £28.9m

£22.1m savings to be delivered

Services	£m					
	2021/22 Target	Prior Year Slippage	Saving Target	Provisional Outturn Savings	Slippage	Under Recovery
	A	B	C = A + B			
HA&C	5.4	0.3	5.7	5.5	0.2	0.0
Children and Culture	5.1	0.6	5.7	5.2	0.5	0.0
Place	3.2	0.7	3.9	2.8	1.0	0.1
Resources	3.3	1.9	5.2	4.1	0.5	0.6
Chief Executive's Office	0.4	0.0	0.4	0.3	0.1	0.0
All	6.3	1.7	8.0	4.2	3.1	0.7
<b>Total</b>	<b>23.7</b>	<b>5.2</b>	<b>28.9</b>	<b>22.1</b>	<b>5.4</b>	<b>1.4</b>

Total savings target for 2021/22 is £28.9m (£23.7m relates to approved savings as part of the 2021/22 budget setting process, and £5.2m as a result of previous years' savings not delivered, which have been re-evaluated since the last report).

- £22.1m is identified as being on track to deliver savings;
- A net position of £5.4m is anticipated to slip into future years due to timing issues;
- £1.4m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFs Savings Tracker 2021-24' for a detailed breakdown and latest updates on savings programme.

Provisional Outturn General Fund (GF) £53.2m underspend, Recommended net Slippage £50.0m

## General Fund Provisional Outturn

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme	Children's & Culture	31.5	19.0	(12.5)	11.9	46.2	76.8	48.0	172.0
	Health Adults and Community	13.6	9.0	(4.6)	4.6	14.3	4.2	0.0	18.5
	Place	80.8	58.5	(22.3)	20.7	53.0	25.9	22.8	101.7
	Resources	2.1	0.3	(1.8)	1.8	15.7	3.3	0.2	19.2
<b>Approved Programme Total</b>		<b>128.0</b>	<b>86.8</b>	<b>(41.2)</b>	<b>39.0</b>	<b>129.2</b>	<b>111.2</b>	<b>71.0</b>	<b>311.4</b>
Approved Rolling Programme	Children's & Culture	4.4	2.8	(1.6)	1.2	8.3	4.0	3.0	15.3
	Health Adults and Community	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.9
	Place	10.3	9.5	(0.8)	(0.2)	9.4	9.2	2.1	20.7
	Resources	1.9	0.8	(1.1)	1.1	3.5	3.5	0.0	7.0
<b>Approved Rolling Programme Total</b>		<b>16.7</b>	<b>13.1</b>	<b>(3.5)</b>	<b>2.5</b>	<b>21.5</b>	<b>17.0</b>	<b>5.4</b>	<b>42.9</b>
Invest to Save Programme	Place	11.7	3.1	(8.5)	8.5	12.5	7.0	3.2	22.7
<b>Invest to Save Programme Total</b>		<b>11.7</b>	<b>3.1</b>	<b>(8.5)</b>	<b>8.5</b>	<b>12.5</b>	<b>7.0</b>	<b>3.2</b>	<b>22.7</b>
LIF Programme	Place	0.2	0.2	0.0	0.0	8.5	6.3	0.0	14.8
<b>LIF Programme Total</b>		<b>0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>8.5</b>	<b>6.3</b>	<b>0.0</b>	<b>14.8</b>
<b>Grand Total</b>		<b>156.5</b>	<b>103.3</b>	<b>(53.2)</b>	<b>50.0</b>	<b>171.7</b>	<b>141.5</b>	<b>79.6</b>	<b>392.8</b>

These provisional outturn figures are subject to the closure of the council's ledger and conclusion of the closure of accounts process, which is currently in progress. The figures are also subject to internal review and audit.

The revised General Fund capital programme for 2021/22 and future years 2022/23 - 2024/25 was approved by Council on 2<sup>nd</sup> March 2022. At that time the revised budget for the 2021/22 General Fund capital programme was approved at £156.5m. The total General Fund provisional outturn expenditure for the year is £103.3m, which represents 66% of the 2021/22 revised budget. The net underspend at year-end is £53.2m, of which £50.0m is recommended for slippage / acceleration into future years. Adjusting for slippage and accelerations, the revised capital programme for the next 3 years 2022/23 - 2024/25, totals £392.8m.

The detailed capital programme for the General Fund provisional outturn is provided within 'Appendix D – 2021/22 Provisional Outturn General Fund (GF) Capital Programme Monitor'.

The Capital Strategy Board oversees the governance and administration of the capital programme and reviews spend, slippage, acceleration and trends in delivery. Despite the continued disruptions caused

by the pandemic, particularly earlier in the financial year with the challenges faced with exiting lockdown, this is a marked improvement for the capital programme and delivery compared to previous years. The major variances are described below:

### Approved Programme

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme	Children's & Culture	31.5	19.0	(12.5)	11.9	46.2	76.8	48.0	172.0
	Health Adults and Community	13.6	9.0	(4.6)	4.6	14.3	4.2	0.0	18.5
	Place	80.8	58.5	(22.3)	20.7	53.0	25.9	22.8	101.7
	Resources	2.1	0.3	(1.8)	1.8	15.7	3.3	0.2	19.2
<b>Approved Programme Total</b>		<b>128.0</b>	<b>86.8</b>	<b>(41.2)</b>	<b>39.0</b>	<b>129.2</b>	<b>111.2</b>	<b>71.0</b>	<b>311.4</b>

The 2021/22 revised budget for General Fund Approved Programme is £128.0m. The provisional year-end outturn is £86.8m, (representing 68% of the revised budget), resulting in a net variance underspend of £41.2m. The recommended net slippage / acceleration for General Fund Approved Programme is £39.0m.

### Children's and Culture

The 2021/22 revised budget for the Children's and Culture Approved programme is £31.5m. The provisional year-end outturn is £19.0m, (representing 60% of the revised budget), resulting in a net underspend of £12.5m. Of the net underspend variance, £11.9m net slippage / acceleration is recommended to future years.

The major programme under Children's and Culture services is the Schools Basic Need and Expansion Programme, within this programme there are several large schemes currently under way and in the early stages.

The London Dock Expansion Programme (the creation of a new secondary school on the London Dock site) provisional outturn is an underspend of £5.1m compared to the 2021/22 revised budgets, this spend is anticipated to slip to future years. The slippage is due in part to ensuring due diligence was undertaken in meeting the requirements of the grant funding from the Department of Education (DfE). There are further potential risks in delay from the supply chain from the impacts of the Covid-19 pandemic and Brexit.

Wood Wharf school project budget is underspent by £1.6m as a result of delays in procuring the contractor, this spend is expected to slip to future years. The tender was supposed to be issued in February 2021, but incurred delays until June 2021.

There is an underspend of £2.6m in Beatrice Tate Special school expansion project as a result of needing to extend the brief to include some structural works to the existing building. This will result in a slippage of works, the project completion date estimated for spring' 2023 will have to be revised.

There is a net underspend of £1.1m in the Parks programme, relating to Victoria mini-golf (£0.4m) and Ford square and Cavell Street gardens (£0.7m) project and these capital works are expected to slip into

future years. The remaining net underspend of £2.0m are across several other smaller projects within the programme.

### Health, Adults and Communities

The 2021/22 revised budget for the Health, Adults and Communities Approved programme is £13.6m. The provisional year-end outturn is £9.0m, (representing 66% of the revised budget), resulting in a net underspend variance of £4.6m. The net slippage / acceleration recommended is the full £4.6m.

The majority of capital projects in the HA&C Directorate, which had hitherto paused due to the pandemic, have been largely reinstated. Projects in the approved programme are monitored via the HA&C Capital Oversight Group, which meets monthly.

Some key projects are delivered by the NHS and are therefore dependent upon the NHS's capacity to deliver, given the priority and focus on tackling the Covid-19 Pandemic. The net slippage / acceleration on NHS led projects is £1.5m. This is due to delays in receipt of invoices from the CCG for health-related projects. Some have now been received, and others are being chased in order to keep up with the project spend monitoring.

The CCTV upgrade project has a budget underspend of £2.4m which will be slipped into future years. Over recent months the CCTV Project team have been working to conclude a complex procurement process for multiple, critically inter-dependent work elements which will form the bulk of 2022/23 spend and is currently estimated at a total of circa £2.3m. All contracts will be implemented, and subsequent spend incurred, in 2022/23.

Progress continues with the protective security programme. For some schemes it was agreed with the Place Directorate that the best course of action is to carry out the works at the same time as infrastructure projects within the Liveable Streets programme.

### Place

The 2021/22 revised budget for the Place Approved programme is £80.8m. The provisional year end outturn is £58.5m (representing 72% of the revised budget), resulting in a net underspend variance of £22.3m. The net slippage / acceleration recommended is £20.7m.

The key projects that are driving the variance of £20.7m within Place are as follows:

The New Town Hall project has a provisional outturn underspend of £12.6m compared to revised budgets. Spend for the year was significantly lower than the anticipated estimates reported by the cost consultants, hence the reason for budget underspends. This was largely due to the claims that required clarification with the contractors. The disputed matters have now been resolved, the remaining spend has now been reprofiled in 2022/23.

Other underspent schemes include Liveable streets £2.0m, which was the result of political decisions to re-profile implementation of some schemes into 2022/23 and further detailed consultation and design development are due to be undertaken for two sizeable schemes (Arnold Circus and Roman Road Market). There were four projects (Preston's Road: vision zero £0.5m, Slow Charging points £0.3m, Improvements to road safety – Crisp Street and Morris Road corridor £0.7m and Poplar High Street public realm and bus service improvements £0.9m) that contributed to the overall underspend by £2.4m. These projects were approved by Cabinet in the 2021/22 financial year, works are still to commence on the schemes and the project budgets have now been re-profiling and slipped to future

years. The remaining net underspends across the department, totalling £3.7m, are from various smaller capital projects within the Place Directorate which have now been largely re-profiled into future years to mirror expected delivery.

### Resources

The 2021/22 revised budget for the Resources Approved programme is £2.1m. The provisional year end outturn is £0.3m, (representing 13% of revised budget), resulting in a net underspend of £1.8m. The net slippage / acceleration recommended is £1.8m.

This budget consists of IT transformation and Agresso re-hosting and upgrade, which are coming to an end. The next phase of programmes, including ICT Mosaic Project, Deployment of Firm Step CRM, Fraud Investigation systems and Cyber Security amongst other things are currently in the process of procurement, with work expected to continue into 2022/23 on these projects.

### Annual Rolling Programme

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Rolling Programme	Children's & Culture	4.4	2.8	(1.6)	1.2	8.3	4.0	3.0	15.3
	Health Adults and Community	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.9
	Place	10.3	9.5	(0.8)	0.2	9.4	9.2	2.1	20.7
	Resources	1.9	0.8	(1.1)	1.1	3.5	3.5	0.0	7.0
<b>Approved Rolling Programme Total</b>		<b>16.7</b>	<b>13.1</b>	<b>(3.5)</b>	<b>2.5</b>	<b>21.5</b>	<b>17.0</b>	<b>5.4</b>	<b>42.9</b>

The 2021/22 revised budget for Annual Rolling programme is £16.7m. The provisional year-end outturn is £13.1m, (representing 79% of the revised budget), resulting in a net variance underspend of £3.5m. The recommended slippage / acceleration is £2.5m.

### Children's and Culture

The 2021/22 revised budget for the Children's and Culture Annual Rolling Programme is £4.4m. The provisional year end outturn is £2.8m, (representing 64% of the revised budget), resulting in a net underspend of £1.6m. The main underspend was on the Conditions and Improvement for the Primary schools' programme. The only recommended slippage of £1.2m is to rectify the unrealised forecast accelerated spend reported as part of 2022/23 - 2024/25 budget setting process in future years.

### Place

The 2021/22 revised budget for the Place Annual Rolling Programme is £10.3m. The provisional year end outturn is £9.5m, (representing 92% of revised budget), resulting in a net underspend variance of £0.8m. The recommended net slippage / acceleration is £0.2m.

Notable schemes within the Place Annual Rolling Programme include Disabled Facilities Grants (DFG) schemes, Public Realm Carriageways and Footways and Investment Works to Tower Hamlets Assets. All projects within the programme have a provisional outturn in line with budget, with the exception of Investment Works to Tower Hamlets Assets projects, where works will slip by £0.2m.

## Resources

The 2021/22 revised budget for the Resources Annual Rolling Programme is £1.9m. The provisional year end outturn is £0.8m, resulting in a net underspend variance of £1.1m, recommended to be slipped to future years.

The IT Rolling programme was a newly agreed IT programme as part of the 2021/22 to 2023/24 capital budget setting programme, in which some projects commenced in May 2021. The programme has made some very good progress. However, there are some initial delays due to various technical and resource capacity issues. All projects have commenced and will be fully delivered, albeit some may take longer than first anticipated.

## Invest to Save

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)		Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Invest to Save Programme	Place	11.7	3.1	(8.5)	8.5		12.5	7.0	3.2	22.7
<b>Invest to Save Programme Total</b>		<b>11.7</b>	<b>3.1</b>	<b>(8.5)</b>	<b>8.5</b>		<b>12.5</b>	<b>7.0</b>	<b>3.2</b>	<b>22.7</b>

The 2021/22 revised budget for Invest to Save programme is £11.7m. The provisional year-end outturn is £3.1m, (representing 26% of revised budget), resulting in a net variance underspend of £8.5m, which is recommended to be fully slipped into future years.

## Place

The 2021/22 revised budget for the Place Invest to Save Programme is £11.7m. The provisional year end outturn is £3.1m, (representing 26% of the Revised budget) resulting in a net variance underspend of £8.5m, which is recommended to be fully slipped into future years.

The main underspend, which is recommended to be fully slipped into future years, relates to the Purchase of Temporary Accommodation (TA) programme. The buyback programme did not proceed at the pace expected due to on-going difficulties presented by Covid-19 restrictions, including the halt to possession cases, illness and isolating. There were also staff changes within both the Council (LBTH) and Tower Hamlets Homes (THH) which led to delays in identified purchases, which are now expected to take place in 2022/23.

Provisional Outturn Housing Revenue Account (HRA) underspend £20.9, Recommended net Slippage £13.8m

## Housing Revenue Account (HRA) Provisional Outturn

HRA Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme: The First 1000 Homes	Place	47.6	35.3	(12.3)	12.2	106.9	125.2	103.4	335.5
Housing Revenue Accounts (THH Projects)	THH/Place	0.1	0.3	0.2	(0.2)	2.2	0.0	0.0	2.2
<b>HRA Approved Programme Total</b>		<b>47.7</b>	<b>35.6</b>	<b>(12.1)</b>	<b>12.0</b>	<b>109.1</b>	<b>125.2</b>	<b>103.4</b>	<b>337.7</b>
Approved Rolling Programme: THH	THH	25.1	16.7	(8.4)	1.8	28.0	30.0	30.0	88.0
<b>Approved Rolling Programme Total</b>		<b>25.1</b>	<b>16.7</b>	<b>(8.4)</b>	<b>1.8</b>	<b>28.0</b>	<b>30.0</b>	<b>30.0</b>	<b>88.0</b>
HRA Completed & Retentions Projects	THH/Place	0.4	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0
<b>HRA Completed &amp; Retentions Projects Total</b>		<b>0.4</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>HRA Programme Total</b>		<b>73.2</b>	<b>52.3</b>	<b>(20.9)</b>	<b>13.8</b>	<b>137.1</b>	<b>155.2</b>	<b>133.4</b>	<b>425.7</b>

These provisional outturn figures are subject to the closure of the council's ledger and conclusion of the closure of accounts process, which is currently in progress. The figures are also subject to internal review and audit.

The revised Housing Revenue Account (HRA) capital programme for 2021/22 and future years 2022/23 - 2024/25 was approved by Council on 2<sup>nd</sup> March 2022. At that time the revised budget for the 2021/22 HRA capital programme was approved at £73.2m. The total HRA provisional outturn expenditure for the year is £52.3, which represents 71% of the 2021/22 revised budget. The net underspend at year-end is £20.9m, of which £13.8m is recommended for slippage / acceleration into future years. Adjusting for slippage and accelerations, the revised capital programme for the next 3 years 2022/23 - 2024/25, totals £425.7m

The detailed capital programme for the HRA provisional outturn is provided within 'Appendix E – 2021/22 Provisional Outturn Housing Revenue Account (HRA) Capital Programme Monitor'.

The Capital Strategy Board oversees the governance and administration of the capital programme and reviews spend, slippage, acceleration and trends in delivery. Despite the continued disruptions caused by the pandemic, particularly earlier in the financial year with the challenges faced with exiting lockdown, this is a marked improvement for the capital programme and delivery compared to previous years. The major variances are described below:



## Approved Programme

HRA Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme: The First 1000 Homes	Place	47.6	35.3	(12.3)	12.2	106.9	125.2	103.4	335.5
Housing Revenue Accounts (THH/Place Projects)	THH/Place	0.1	0.3	0.2	(0.2)	2.2	0.0	0.0	2.2
<b>HRA Approved Programme Total</b>		<b>47.7</b>	<b>35.6</b>	<b>(12.1)</b>	<b>12.0</b>	<b>109.1</b>	<b>125.2</b>	<b>103.4</b>	<b>337.7</b>

The 2021/22 revised budget for the HRA Approved programme is £47.7m. The provisional year-end outturn is £35.6m, (representing 75% of revised budget), resulting in a net variance underspend of £12.1m, where £12.0 is recommended to be slipped into future years.

### First 1,000 Homes (Place)

The 2021/22 revised budget for the First 1,000 Homes Approved Programme is £47.6m. The provisional year end outturn is £35.3m, (representing 74% of revised budget), resulting in a net underspend variance of £12.3m, of which £12.2m has been recommended to slip in full into future years to fund approved schemes to completion.

The Housing New Supply scheme programme, funded by Right-to-Buy receipts and HRA borrowing, primarily in the First 1,000 Homes programme, is reporting a net underspend variance of £5.8m. This is due to delays in procurement of contractors for some schemes, despite planning consent being achieved. The New Build programme funded with GLA grant has also experienced delays and has an underspend variance of £2.6m. The net underspend position for the Housing Capital Pipeline programme is £2.0m because revenue funding from the HRA feasibility pot has been used for pipeline projects as an alternative. It is hoped that the creation of the Dynamic Procurement System (DPS) will aid the delivery process moving forward.

In 2021/22, 12 new council homes for social rent were completed and a further 120 new homes will be completed next year. Planning consent has been achieved for the majority of the remaining projects in the First 1,000 homes programme and procurement is underway.

Budgets have now been reprofiled and re-aligned across schemes within the 1st 1000 homes. Any re-profiled/re-aligned schemes will need to go through internal governance process before proceeding.

### Tower Hamlets Homes (THH/Place)

The 2021/22 revised budget for the Approved Programme - Tower Hamlets Homes (THH) is £0.1m. The provisional year end is £0.3m, resulting in an accelerated spend of £0.2m.

This programme relates to the Housing Revenue Account (THH projects) Public Realm Improvements scheme relating to introducing new off-street parking arrangements in housing estates due to changes in national legislation.

## Annual Rolling Programme

HRA Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)		Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Rolling Programme: THH	THH	25.1	16.7	(8.4)	1.8		28.0	30.0	30.0	88.0
<b>Approved Rolling Programme Total</b>		<b>25.1</b>	<b>16.7</b>	<b>(8.4)</b>	<b>1.8</b>		<b>28.0</b>	<b>30.0</b>	<b>30.0</b>	<b>88.0</b>

### Tower Hamlets Homes (THH)

The 2021/22 revised budget for the Annual Rolling Programme - Tower Hamlets Homes (THH) is £25.1m. The provisional year end outturn is £16.7m, (representing 67% of the revised budget) resulting in a net underspend variance of £8.4m, of which £1.8m has been recommended to slip in full into future years

Of this £8.4m underspend variance, the Decent Homes Backlog Funding Better Neighbourhood scheme contributed £2.6m to the underspend. The main schemes responsible for the remaining net underspend of £5.8m within HRA Capital Schemes Housing was underspends on Capitalised void and repairs (£1.3m), Fire safety works (£1m) and Project management fees (£2.2m). The underspends were due to significant delays in the procurement of consultants for design, survey and pricing to allow mini tenders to commence which was as a result of lack of response from the Framework contractor and their risk position on certain elements of design work requested. In addition, the change in Building Safety, and in particular Fire Doors regulations led to a partial reprogramming and realignment of both Fire Safety and Major Works expenditure. The rest of the net budget underspend of £1.3m is across several schemes within this theme.

Capital expenditure is financed through a variety of sources, from the sale of capital assets, capital grants, and external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing.

The strategy for financing the capital programme is to utilise grants, before using council receipts and reserves, thereby minimising any requirements for borrowing which will impact on the council's revenue budget.

The council can temporarily utilise other resources in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it merely defers the timing of external borrowing rather than obviating the need.

The capital financing for 2021-22 provisional outturn expenditure for the GF and the HRA is set out below:

	General Fund (GF)	Ratio Finance to Source Total	HRA	Ratio Finance to Source Total
Sources of Funds	£ 'm	%	£ 'm	%
Government and Capital Grants	17.7	17%	0.0	0%
External Contributions S106	16.1	22%	0.0	0%
External Contributions CIL	12.2	6%	0.0	0%
Capital Receipts	4.9	4%	0.0	0%
RTB Capital Receipts	1.1	1%	16.9	32%
Borrowing	51.1	49%	25.4	49%
Direct Revenue Financing / Reserves	0.2	0%	10.0	19%
<b>Total</b>	<b>103.3</b>	<b>100%</b>	<b>52.3</b>	<b>100%</b>

This page is intentionally left blank

**Appendix B - Summary MTFs Savings Tracker 2021-24**

	2021-22						2022-23						2023-24					
	Savings target	Slippage from previous year	Revised Savings target	Forecast savings achievable	Savings slippage	Unachievable or (over delivery)	Savings target	Slippage from previous year	Revised Savings target	Forecast savings achievable	Savings slippage	Unachievable or (over delivery)	Savings target	Slippage from previous year	Revised Savings target	Forecast savings achievable	Savings slippage	Unachievable or (over delivery)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Directorate</b>																		
Health, Adults & Community	5,366	353	5,719	5,545	174	-	1,295	174	1,469	1,469	-	-	171	-	171	171	-	-
Children & Culture	5,126	585	5,711	5,174	537	-	1,552	537	2,089	2,089	-	-	380	-	380	380	-	-
Place	3,190	700	3,890	2,790	1,000	100	1,025	1,000	2,025	2,025	-	-	5,216	-	5,216	5,216	-	-
Governance	348	-	348	291	57	-	200	57	257	257	-	-	-	-	-	-	-	-
Resources	3,330	1,858	5,188	4,138	450	600	200	450	650	650	-	-	700	-	700	700	-	-
Cross-Directorate / Corporate	6,275	1,664	7,939	4,142	3,108	689	4,880	3,108	7,988	5,988	2,000	-	785	2,000	2,785	2,435	-	350
<b>Total</b>	<b>23,635</b>	<b>5,160</b>	<b>28,795</b>	<b>22,080</b>	<b>5,326</b>	<b>1,389</b>	<b>9,152</b>	<b>5,326</b>	<b>14,478</b>	<b>12,478</b>	<b>2,000</b>	<b>-</b>	<b>7,252</b>	<b>2,000</b>	<b>9,252</b>	<b>8,902</b>	<b>-</b>	<b>350</b>
<b>Savings Achievement Status</b>																		
Delivered / On Target	17,378	2,746	20,124	19,996	128	-	6,402	128	6,530	6,530	-	-	5,902	-	5,902	5,902	-	-
Slipping but Achievable	5,657	1,164	6,821	2,084	4,737	-	2,400	4,737	7,137	5,137	2,000	-	900	2,000	2,900	2,900	-	-
Undeliverable / Unachievable	600	1,250	1,850	-	461	1,389	-	461	461	461	-	-	350	-	350	-	-	350
<b>Total</b>	<b>23,635</b>	<b>5,160</b>	<b>28,795</b>	<b>22,080</b>	<b>5,326</b>	<b>1,389</b>	<b>8,802</b>	<b>5,326</b>	<b>14,128</b>	<b>12,128</b>	<b>2,000</b>	<b>-</b>	<b>7,152</b>	<b>2,000</b>	<b>9,152</b>	<b>8,802</b>	<b>-</b>	<b>350</b>

This page is intentionally left blank

**Appendix C: Covid-19 Provisional Outturn Summary 2021-22**

£m

<b>Expenditure and Reduced Income</b>	
Expenditure (General Fund) 2021-22	
Health, Adults and Community	14.5
Children and Culture	1.4
Place (excluding HRA)	12.9
Resources	0.9
Chief Executive's Office	0.2
Corporate	1.0
<b>Expenditure (General Fund) 2021-22</b>	<b>30.9</b>
Total reduced income (General Fund) 2021-22	
Reduced income not relating to sales, fees & charges and claimed against non-ringfenced grant (General Fund)	0.5
Sales, fees & charges reduced income (General Fund)	2.6
<b>Total reduced income (General Fund)</b>	<b>3.1</b>
<b>Grand Total - Expenditure and Reduced Income</b>	<b>34.0</b>
Covid-19 Funding - government and NHS funding (excluding passported support for businesses)	
Sales, Fees & Charges reduced income reimbursement claims	(1.9)
Non-ringfenced COVID-19 funding	(13.0)
Government grants for COVID-19	(20.0)
<b>Grand Total - Covid-19 Funding</b>	<b>(34.9)</b>
Non-ringfenced COVID-19 grants carried forward	(3.5)
Specific ring-fenced COVID-19 grants carried forward	(9.3)
<b>2020/21 Covid grants carried forward in balance sheet</b>	<b>(12.8)</b>
Provisional Outturn Non-ringfenced COVID-19 grants carried forward	(9.3)
Provisional Outturn ring-fenced COVID-19 grants carried forward	(4.4)
<b>2021/22 Forecast covid grants carried forward in balance sheet (excluding Collection Fund)</b>	<b>(13.7)</b>

This page is intentionally left blank



Appendix D - 2021-22 Provisional Outturn General Fund (GF) Capital Programme Monitor


Directorate	Theme	Programme Detail	Revised Budget (£'m)	Actuals Spent (£'m)	Variance Overspend / (Underspend) (£'m)	Actuals vs Revised Budgets (%)	Recommended Slippage / Acceleration (£'m)	Revised 2022/23 (£'m)	Revised 2023/24 (£'m)	Revised 2024/25 (£'m)	Revised 2022/23 - 2024/25 Total (£'m)	
CHI	Approved Programme	Basic Needs/Expansions - CAP	25.3	13.8	(11.6)	54%	11.0	37.1	69.4	25.2	131.7	
		Culture - CAP	1.2	2.1	0.9	181%	(0.9)	1.8	3.9	19.1	24.8	
		Parks - CAP	5.0	3.2	(1.9)	63%	1.8	7.2	4.4	3.7	15.2	
		<b>Approved Programme Total</b>	<b>31.5</b>	<b>19.0</b>	<b>(12.5)</b>	<b>60%</b>	<b>11.9</b>	<b>46.2</b>	<b>77.8</b>	<b>48.0</b>	<b>172.0</b>	
	Approved Rolling Programme	Basic Needs/Expansions - CAP	0.1	(0.0)	(0.1)	0%	0.0	3.7	0.0	0.0	3.7	
		Conditions and Improvements - Cap	4.4	2.8	(1.6)	64%	1.2	3.6	3.0	3.0	9.6	
		<b>Approved Rolling Programme Total</b>	<b>4.4</b>	<b>2.8</b>	<b>(1.6)</b>	<b>64%</b>	<b>1.2</b>	<b>8.3</b>	<b>4.0</b>	<b>3.0</b>	<b>15.3</b>	
<b>CHI Total</b>			<b>35.9</b>	<b>21.8</b>	<b>(14.1)</b>	<b>61%</b>	<b>13.1</b>	<b>54.6</b>	<b>81.8</b>	<b>51.0</b>	<b>187.4</b>	
HAC	Approved Programme	Adult Social Care - CAP	1.0	0.4	(0.6)	42%	0.6	3.1	1.1	0.0	4.2	
		Community Safety - CAP	2.9	0.5	(2.4)	16%	2.4	3.7	0.0	0.0	3.7	
		Public Health - CAP	9.7	8.1	(1.6)	84%	1.6	7.5	3.1	0.0	10.6	
		<b>Approved Programme Total</b>	<b>13.6</b>	<b>9.0</b>	<b>(4.6)</b>	<b>66%</b>	<b>4.6</b>	<b>14.3</b>	<b>4.2</b>	<b>0.0</b>	<b>18.4</b>	
<b>HAC Total</b>			<b>13.6</b>	<b>9.0</b>	<b>(4.6)</b>	<b>66%</b>	<b>4.6</b>	<b>14.6</b>	<b>4.5</b>	<b>0.3</b>	<b>19.3</b>	
PLA	Approved Programme	Asset Maximisation	2.2	1.7	(0.4)	80%	0.4	3.5	0.4	0.2	4.1	
		Carbon Offsetting - CAP	1.1	0.7	(0.4)	61%	0.4	0.8	0.6	0.3	1.7	
		Community Hubs/Buildings - HRA	0.5	0.1	(0.4)	21%	0.4	0.4	0.0	0.0	0.4	
		Dev and Renewal Capital	0.3	0.3	(0.0)	88%	0.0	0.0	0.0	0.0	0.0	
		Environmental Health and Trading Standards	0.3	0.0	(0.3)	0%	0.3	0.3	0.0	0.0	0.3	
		High Street & TownCentre - Cap	2.3	1.3	(0.9)	59%	0.9	1.9	1.4	0.0	3.3	
		London Square	0.1	0.0	(0.0)	0%	0.0	1.4	0.0	0.0	1.4	
		Markets	0.4	0.0	(0.4)	0%	0.4	1.2	0.7	0.6	2.5	
		New Infrastructure	1.7	0.9	(0.8)	52%	0.8	1.0	2.8	3.0	6.8	
		Public Realm Improvements - CAP	15.6	12.1	(3.5)	77%	3.5	9.6	4.3	0.0	13.9	
		RP Grant Scheme 1-4-1 receipts	0.2	0.2	0.0	100%	(0.0)	1.5	6.5	6.5	14.4	
		TFL Funded Schemes - CAP	2.0	0.9	(1.1)	45%	0.0	2.1	0.0	0.0	2.1	
		THCIL Capital Projects	1.2	0.6	(0.6)	47%	0.6	3.0	6.5	9.2	18.7	
		Tower Hamlets Town Hall - CAP	50.7	38.2	(12.6)	75%	12.6	14.9	0.0	0.0	14.9	
		Transport S106 Funded Schemes - CAP	0.7	0.2	(0.5)	25%	(0.0)	3.2	2.0	3.1	8.4	
		Waste, Recycling and Fleet	1.7	1.3	(0.3)	80%	0.3	2.2	0.0	0.0	2.2	
			<b>Approved Programme Total</b>	<b>80.8</b>	<b>58.5</b>	<b>(22.3)</b>	<b>72%</b>	<b>20.7</b>	<b>53.0</b>	<b>25.9</b>	<b>22.8</b>	<b>101.7</b>
		Approved Rolling Programme	DFG (Post Jul 03)-Mandatory	1.7	1.2	(0.5)	70%	0.0	1.7	1.7	1.7	5.1
			Home Repair Grant-Adaptations	0.1	0.1	(0.0)	52%	0.0	0.1	0.1	0.0	0.2
	Investment Works - LBTH assets		3.1	2.9	(0.2)	94%	0.2	2.2	2.0	0.0	4.2	
	Public Realm Improvements - CAP		5.4	5.4	(0.0)	100%	(0.0)	5.4	5.4	0.4	11.2	
		<b>Approved Rolling Programme Total</b>	<b>10.3</b>	<b>9.5</b>	<b>(0.7)</b>	<b>93%</b>	<b>0.2</b>	<b>9.4</b>	<b>9.2</b>	<b>2.1</b>	<b>20.7</b>	
	Invest to Save Programme	Conversion to TA 1-4-1	1.4	1.5	0.1	106%	(0.1)	1.6	0.0	0.0	1.6	
Public Realm Improvements - CAP		0.3	0.4	0.2	162%	(0.2)	0.4	0.0	0.0	0.4		
Purchase of Accom for TA 1-4-1 receipts		10.0	1.2	(8.8)	12%	8.8	10.5	7.0	3.2	20.7		
	<b>Invest to Save Programme Total</b>	<b>11.7</b>	<b>3.1</b>	<b>(8.5)</b>	<b>27%</b>	<b>8.5</b>	<b>12.5</b>	<b>7.0</b>	<b>3.2</b>	<b>22.7</b>		
LIF Programme	Environmental Health & Trading Standards - CAP	0.0	0.1	0.1	100%	0.0	0.3	0.0	0.0	0.3		
	Local Environmental Projects	0.2	0.0	(0.1)	15%	0.1	0.3	0.1	0.0	0.4		
	Public Realm Improvements - CAP	0.1	0.0	(0.0)	96%	0.0	0.1	0.0	0.0	0.1		
	<b>LIF Programme Total</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.0)</b>	<b>79%</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>		
<b>PLA Total</b>			<b>102.9</b>	<b>71.4</b>	<b>(31.6)</b>	<b>69%</b>	<b>29.5</b>	<b>83.4</b>	<b>48.4</b>	<b>28.2</b>	<b>159.9</b>	
RES	Approved Programme	IT - Smarter Working	2.1	0.2	(1.8)	11%	1.8	1.9	0.0	0.0	1.9	
			<b>Approved Programme Total</b>	<b>2.1</b>	<b>0.3</b>	<b>(1.8)</b>	<b>13%</b>	<b>1.8</b>	<b>15.7</b>	<b>3.3</b>	<b>0.2</b>	<b>19.2</b>
	Approved Rolling Programme	IT - Rolling programme	1.9	0.8	(1.1)	43%	1.1	3.5	3.5	0.0	7.0	
			<b>Approved Rolling Programme Total</b>	<b>1.9</b>	<b>0.8</b>	<b>(1.1)</b>	<b>43%</b>	<b>1.1</b>	<b>3.5</b>	<b>3.5</b>	<b>0.0</b>	<b>7.0</b>
<b>RES Total</b>			<b>4.0</b>	<b>1.1</b>	<b>(2.9)</b>	<b>28%</b>	<b>2.9</b>	<b>19.2</b>	<b>6.8</b>	<b>0.2</b>	<b>26.2</b>	
<b>Grand Total</b>			<b>156.5</b>	<b>103.3</b>	<b>(53.2)</b>	<b>66%</b>	<b>50.0</b>	<b>171.7</b>	<b>141.5</b>	<b>79.6</b>	<b>392.8</b>	

This page is intentionally left blank

Appendix E - 2021-22 Provisional Outturn Housing Revenue Account (HRA) Capital Programme Monitor

Theme	Programme Detail	Revised Budget (£'m)	Actuals Spent (£'m)	Variance Overspend / (Underspend) (£'m)	Actuals vs Revised Budgets (%)	Recommended Slippage / Acceleration (£'m)	Revised	Revised	Revised	Revised
							2022/23 (£'m)	2023/24 (£'m)	2024/25 (£'m)	2022/23 - 2024/25 Total (£'m)
Housing Revenue Account Approved Programme	Blackwall Reach	0.2	0.2	0.0	100%	0.0	1.1	0.0	0.0	1.1
	Housing Capital Pipeline (HRA)	2.8	0.8	(2.0)	29%	2.0	32.6	30.6	25.3	88.5
	Housing New Supply - CAP	13.4	7.5	(5.8)	56%	5.8	35.9	78.7	69.3	183.9
	New Build (non housing element)	2.6	0.0	(2.6)	1%	2.6	4.6	2.7	1.0	8.3
	CBS Mulberry Housing	0.0	0.0	0.0	0%	0.0	0.0	4.5	4.5	9.0
	New Supply - GLA Pipeline	27.9	26.4	(1.5)	95%	1.5	24.2	4.2	1.3	29.7
	Ocean Block H Redevelopment	0.1	0.1	0.0	104%	(0.0)	0.7	0.0	0.0	0.7
Housing Revenue Account (THH Projects)	Rooftops	0.5	0.2	(0.4)	31%	0.4	7.8	4.5	2.0	14.3
	Public Realm Improvements - CAP	0.1	0.3	0.2	308%	(0.2)	2.2	0.0	0.0	2.2
<b>Housing Revenue Account Approved Programme Total</b>		<b>47.7</b>	<b>35.6</b>	<b>(12.1)</b>	<b>75%</b>	<b>12.0</b>	<b>109.1</b>	<b>125.2</b>	<b>103.4</b>	<b>337.7</b>
Housing Revenue Account (THH Rolling)	Capital Schemes-Housing	15.5	9.7	(5.8)	63%	1.80	28.0	30.0	30.0	88.0
	Decent Homes Backlog Funding	9.6	7.0	(2.6)	73%	0.0	0.0	0.0	0.0	0.0
<b>Housing Revenue Account (THH Rolling) Total</b>		<b>25.1</b>	<b>16.7</b>	<b>(8.4)</b>	<b>67%</b>	<b>1.8</b>	<b>28.0</b>	<b>30.0</b>	<b>30.0</b>	<b>88.0</b>
HRA Completed and Retentions Projects	Fuel Poverty Works ECO Funded	0.4	0.0	(0.4)	0%	0.0	0.0	0.0	0.0	0.0
<b>HRA Completed and Retentions Projects Total</b>		<b>0.4</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Grand Total</b>		<b>73.2</b>	<b>52.3</b>	<b>(20.9)</b>	<b>71%</b>	<b>13.8</b>	<b>137.1</b>	<b>155.2</b>	<b>133.4</b>	<b>425.7</b>

This page is intentionally left blank

<p><b>Cabinet</b></p> <p>11 July 2022</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Will Tuckley, Chief Executive</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Decisions taken by the Chief Executive under urgency procedures</b></p>	

<b>Lead Member</b>	<b>Mayor</b>
<b>Originating Officer(s)</b>	Matthew Mannion, Head of Democratic Services
<b>Wards affected</b>	All
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the Key Decision criteria.
<b>Strategic Plan Priority / Outcome</b>	All

### Executive Summary

The Council's Constitution authorises the Chief executive to exercise any executive function in cases of emergency or extreme urgency. The provision requires that following the exercise of such power, the Chief Executive will provide a written report to the Mayor setting out the decision taken and the reason for it including the reasons for emergency or extreme urgency.

### Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the decision made by the Chief Executive under the Constitutional provision on emergency or extreme urgency as set out in the attached appendix.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The Council's Constitution authorises the Chief executive to exercise any executive function in cases of emergency or extreme urgency. The provision requires that following the exercise of such power, the Chief Executive will provide a written report to the Mayor setting out the decision taken and the reason for it including the reasons for emergency or extreme urgency.

## **2 ALTERNATIVE OPTIONS**

2.1 None. This is a noting report.

## **3 DETAILS OF THE REPORT**

3.1 The Council's Constitution (Section 18 Responsibility for Executive Functions) states that all executive functions of the Council are vested in the Mayor. The Mayor may exercise those functions themselves or may delegate specified executive functions to be exercised by the Cabinet meeting, a Cabinet committee, an individual Cabinet Member or an officer.

3.2 The Mayor has delegated functions to the Cabinet, Cabinet sub committees and officers. The delegation of functions by the Mayor is specified in the Executive Scheme of Delegation (Constitution Section 29 part 3).

3.3 The Constitution also states (Section 24 Functions of the Chief Executive and Corporate Directors) that in cases of emergency or extreme urgency, the Chief Executive can exercise any executive function. This provision requires that following the exercise of such power, the Chief Executive will provide a written report to the Mayor setting out the decision taken and the reason for it including the reasons for emergency or extreme urgency. This Cabinet report has been prepared to satisfy this requirement.

3.4 Appendix 1 is **a report** and accompanying decision record for a decision on Tower Hamlets Town Hall – Deed of Variation and contract budget adjustments taken by the Chief Executive under the Section 24 emergency or extreme urgency provision. The report lists the reason for the decision including the reasons for emergency or extreme urgency.

## **4 EQUALITIES IMPLICATIONS**

4.1 No implications. This report is presented for noting only.

## **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.
- Data Protection / Privacy Impact Assessment.

5.2 No other statutory implications have been identified.

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

- 6.1 This noting report relates to approval as per the appendix for a supplementary capital budget provision of £1.1m and the formal allocation of the existing approved contingency of £8.4m revising the new Town Hall budget (which includes construction, design, CIL, surveys and professional fees) to £132.85m to cover all of the risks associated with the existing building, BREXIT, inflation, COVID and other matters at a value that is within 10% of the combined original contract sum and the contingency that was approved when the original contract was entered into.
- 6.2 The further £1.1m growth to the New Town Hall project budget will need to be financed from additional borrowing, which will result in future increased borrowing cost pressures on revenue budgets, estimated at £44k per annum.

## **7 COMMENTS OF LEGAL SERVICES**

- 7.1 The decision was taken in line with the constitution which also stipulates that where the Chief Executive takes such a decision a noting report detailing the decision will be taken to cabinet.
- 7.2 This original decision was correctly identified as urgent within the meaning of Section 24 to part B of the constitution as a failure to make the decision at that point would have jeopardised the agreement relating to the close out of the risk elements with the contractor exposing the Council and the public to significant further costs.
- 7.3 Therefore, both the provision of this noting report and the original exercise of this discretion by the Chief Executive comply with the Council's constitution

---

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

#### **Linked Report**

- NONE.

#### **Appendices**

- Appendix 1 – Decision notice and report for Tower Hamlets Town Hall – Deed of Variation and contract budget adjustments

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


- None

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

Joel West, Democratic Services Team Leader (Committee)

This page is intentionally left blank



<p><b>Chief Executive Decision Notice</b></p> <p>3 May 2022</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Will Tuckley, Chief Executive</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Tower Hamlets Town Hall – Deed of Variation and contract budget adjustments</b></p>	

<b>Restrictions</b>	None
<b>Reason for Seeking a Chief Executive Decision</b>	<p>This decision is being taken as a Chief Executive decision rather than an Individual Mayoral Decision due to the need to urgently enter into a Deed of variation this week (election week) and the difficulties in arranging a Mayoral/Cabinet decision at this time.</p> <p>The Chief Executive is requested to exercise powers delegated to him under Paragraph 24, Rule 1(b) of the Constitution (Power to exercise Executive functions in an emergency or extreme urgency).</p> <p>Authorisation is required for the Corporate Director Place to enter into a Deed of Variation with the contractor to re-set the contract for the new Town Hall which will provide substantially greater certainty from both a commercial and programme basis for the completion of the new Town Hall.</p> <p>The decision is urgent and cannot wait till after the elections because there is a risk that the council may be exposed to additional costs with attendant risk of a delayed completion and occupation of the Town Hall.</p>

## 1. EXECUTIVE SUMMARY

- 1.1 The Chief Executive is requested to exercise an executive function under powers delegated to him by Paragraph 24, Rule 1(b) of Part B of the Constitution, due to emergency or extreme urgency, to authorise the Corporate Director of Place to enter into a Deed of Variation with the contractor to re-set the contract between the Council and BYUK to deal with an ongoing dispute in relation to existing building claims and other

commercial cost risks arising from COVID, Brexit, supply chain deliveries and inflation.

- 1.2 If the Deed of Variation is not signed urgently, the council may be exposed to additional costs with attendant risk of a delayed completion and occupation of the Town Hall. Negotiations on the contents of the Deed of Variation have been continuing since January 2022 and are now concluded. Timescales are now such that there is a risk that if the Deed is not signed imminently the Council will not be able to mobilise its fit out teams in time to benefit from the shared access agreements set out in the Deed and the contractor could choose to proceed under the existing contract and escalate their claims via the dispute mechanism with attendant financial risk of additional costs to the Council.
- 1.3 The Chief Executive will report this decision to the Mayor and formally present a report at the next meeting of Cabinet in June.

## **2. DECISION:**


### **2.1 That the Chief Executive;**

- a. Authorises the Corporate Director Place in consultation with the Director of Legal Services to enter into a Deed of Variation with BYUK and any other related agreements to secure a commercial settlement with the BYUK to avoid risk of further cost escalation:
- b. Approves both a supplementary capital budget provision of £1.1m and the formal allocation of the existing approved contingency of £8.4m revising the new Town Hall budget (which includes construction, design, CIL, surveys and professional fees) to £132.85m to cover all of the risks associated with the existing building, BREXIT, inflation, COVID and other matters at a value that is within 10% of the combined original contract sum and the contingency that was approved when the original contract was entered into.

**APPROVALS - CE002 Deed of variation**

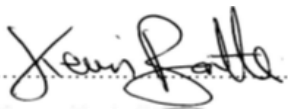
**1. Corporate Director**

I approve the attached report and proposed decision above for the submission to the Chief Executive.

Signed...  ..... Date...03 May 2022.....


**2. Chief Finance Officer or his/her deputy**

I have been consulted on the content of the attached report which includes my comments.

Signed...  ..... Date...03 May 2022.....

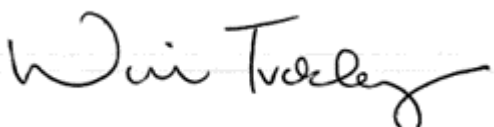
**3. Director of Legal**


I have been consulted on the content of the attached report which includes my comments.

Signed.....  ... Date...04 May 2022.....

**4. Chief Executive.**

I agree the decision proposed in the recommendations above for the reasons set out in paragraphs 1.1 to 1.3 in the attached report.

  
Signed..... Date...04 May 2022

<p style="text-align: center;"><b>Chief Executive Decision Report</b></p> <p style="text-align: center;">3 May 2022</p>	 <p style="text-align: center;"><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Will Tuckley Chief Executive.</p>	<p><b>Classification:</b> Unrestricted</p>
<p style="text-align: center;"><b>Tower Hamlets Town Hall – Deed of Variation and contract budget adjustments</b></p>	

## Executive Summary

The Chief Executive is requested to exercise an executive function under powers delegated to him by Paragraph 24, Rule 1(b) of Part B of the Constitution, due to emergency or extreme urgency, to authorise the Corporate Director of Place to enter into a Deed of Variation with the contractor to re-set the contract between the Council and BYUK to deal with an ongoing dispute in relation to existing building claims and other commercial cost risks arising from COVID, Brexit, supply chain deliveries and inflation.

If the Deed of Variation is not signed urgently, the council may be exposed to additional costs with attendant risk of a delayed completion and occupation of the Town Hall. Negotiations on the contents of the Deed of Variation have been continuing since January 2022 and are now concluded. Timescales are now such that there is a risk that if the Deed is not signed imminently the Council will not be able to mobilise its fit out teams in time to benefit from the shared access agreements set out in the Deed and the contractor could choose to proceed under the existing contract and escalate their claims via the dispute mechanism with attendant financial risk of additional costs to the Council.

The Chief Executive will report this decision to the Mayor and formally present a report at the next meeting of Cabinet in June.

## Recommendations

### That the Chief Executive;

- a. Authorises the Corporate Director Place in consultation with the Director of Legal Services to enter into a deed of variation with BYUK and any other related agreements to secure a commercial settlement with the BYUK to avoid risk of further cost escalation:

- b. Approves both a supplementary capital budget provision of £1.1m and the formal allocation of the existing approved contingency of £8.4m revising the new Town Hall budget (which includes construction, design, CIL, surveys and professional fees) to £132.85m to cover all of the risks associated with the existing building, BREXIT, inflation, COVID and other matters at a value that is within 10% of the combined original contract sum and the contingency that was approved when the original contract was entered into.

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

- 1.1 A Chief Executive Decision is required in this instance to ensure appropriate approvals are in place to agree a Deed of Variation to agree a revised contract sum that covers all items of dispute with the contractor including claims in relation to the scope of work on the existing building; costs and programme delays associated with COVID; supply chain and inflation issues arising from BREXIT and/or the war in Ukraine; and, all other matters under the terms agreed as follows:

*“On signing the Deed of Variation Bouygues UK Ltd will be releasing and forever discharging any and all actions, claims, liabilities, rights, demands and set-offs that it, its parent, group companies, subsidiaries, assignees or any of them ever had, may have or hereafter can, shall or may have against the Employer under or in relation to the Construction Contract or in respect of the subject matter thereof whether or not such claims are known or could have been known as at the date of this Deed save in respect of any Changes instructed after the date of this Deed.”*

- 1.2 The Executive is currently engaged with election preparations and the Chief Executive has delegated powers under Paragraph 24 Rule 1(b) of the Constitution to exercise Executive functions in an Emergency or Extreme Urgency, including the power to authorise the Corporate Director Place to enter into a Deed of Variation that will deal with disputed matters and risks associated with the remaining works with the contractor. There is increasing uncertainty in current market conditions with impact of Covid, Brexit and the war in Ukraine which pose further economic risk on availability and cost of goods and services including inflation.
- 1.3 A revised completion date of 31 August is being agreed as part of the Deed of Variation – with an early access plan also agreed to allow for the Council’s fit out programme to progress in the event that the practical completion is delayed beyond 31 August.

## **2. ALTERNATIVE OPTIONS**

- 2.1 In reaching an agreement the Council would avoid the risk of incurring

substantial costs in preparing for and conducting a formal dispute. Under this scenario the Council could not plan to commence its fit out and mobilisation programme until late 2022 and as a result staff moves would be delayed into 2023.

- 2.2 If the Deed is not signed then the existing contract will stand. There are three key risks associated with this option:
1. There is a risk of BYUK and the Council entering into a dispute on the existing building claims that could be costly.
  2. There is increasing uncertainty in current market conditions with the impact of Covid, Brexit and the war in Ukraine which pose further economic risk on availability and cost of goods via inflation. Such pressures could delay the completion date of the building and add to the commercial pressure on the contractor to seek recovery of costs; and,
  3. If the Deed is not signed, then the Council's fit out and mobilisation programme will not be able to be commenced until there is certainty on the date of practical completion. This could push occupation back into late Spring 2023 which would threaten continuity of services as the current lease at Mulberry Place expires in April 2023.
- 2.3 The Deed of Variation allows the Council to mitigate the risk of incurring additional costs/delays as above.

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

- 3.1 On 27th June 2017, the Mayor in Cabinet gave budget approval for the new Town Hall Project (formerly named Civic Centre Project) adopting a capital estimate of £105m for its design and construction. At this meeting Cabinet also agreed an additional sum of £10m towards a council held risk contingency for the project to cover 'unforeseen' and 'uncontrollable' risks such as inflation beyond that forecast, post-Brexit changes to the market or major changes to the project brief.
- 3.2 An IMD in Nov 2018 provided a budget approval of £123.35m for the new Town Hall Delivery Project. Within the approved £123.35m budget £109.5m related to the value of the JCT Contract for the works and £5m related to the estimated value of risk items that formed part of the works but for which firm prices were not available at the time the contract was entered into. The balance of £8.85m covers design costs to RIBA Stage 3, CIL and the cost of the Employers Agent and Cost Consultancy team.
- 3.3 In December 2018 London Borough of Tower Hamlets entered into a JCT Design & Build contract at the value of £109.5m with principal contractor Bouygues UK (BYUK) for the construction of a new Town Hall on the site of the Old Royal London Hospital on Whitechapel Road in London. The part of the former Royal London Hospital that is to be retained as part of the development is an 18<sup>th</sup> century Grade II listed building.

- 3.4 From August 2020 onwards, the Council has been in discussion with BYUK in relation to the allocation of responsibility for risk, primarily in relation to the retained building and the changes required to the design as a result of discoveries following the asbestos strip out works. From March 2020 the project has operated during, and has been impacted by, the Covid pandemic – including a four-week shut down, shortages of labour and a need to re-sequence works on site, taking due regard of Government guidance to act reasonably both from a programme and cost perspective with contractors.
- 3.5 In January 2022, as part of the setting of the 2022 capital programme an £8.4m contingency was approved to cover COVID, inflation and project risks known at that time.
- 3.6 An agreement was made in principle to deal with disputed matters and to agree a revised programme date as a result of both the additional complexities of the project in relation to the retained building and Covid in January 2022. A Deed of Variation is to be agreed to re-set the contract which will remove items of dispute between the Council and BYUK including all matters related to the existing building claims. The negotiation of the detail of the Deed of Variation has taken many weeks whilst both BYUK and the Council confirm fit out requirements, agree detailed commercial issues and agree their legal drafting. The substance of those negotiations was completed on 3 May 2022.
- 3.7 A new target practical completion date of 31 August is being agreed as part of the Deed of Variation together with an agreement to provide access from this date for the Council's fit out programme to progress in the event that completion is delayed beyond 31 August. A mixture of supply chain delivery issues and the ongoing shortages of labour as a result of the pandemic threaten the delivery of this date. The drafting of the Deed of Variation allows this risk to be managed in a way that should minimise potential disruption to the Council's mobilisation programme and allow moves to be planned and completed before the end of the calendar year. If the Deed is not signed, then the Council's fit out and mobilisation programme will not be able to be commenced until there is certainty on the date of practical completion. This could push occupation back into late Spring 2023 which would threaten continuity of services and potential future additional costs as the current lease at Mulberry Place expires in April 2023.
- 3.8 A capital budget towards the capital cost of the new Town Hall project together with associated supplementary budget provision for other costs received Cabinet approval in June 2017 and a subsequent IMD in November 2018 provided a capital budget approval of £123.35m for the new Town Hall Delivery Project. Within the approved £123.35m budget, £109.5m related to the value of the JCT Contract for the works and £5m related to the estimated value of risk items that formed part of the works but for which firm prices were not available at the time the contract was entered into. This provided a total construction contract budget of £114.5m. The balance of £8.85m covers design costs to RIBA Stage 3, CIL, surveys and the cost of the Employers Agent and Cost Consultancy team.

- 3.9 The overall capital budgetary allocation for the Town Hall was effectively £131.75m given the £8.4m contingency held specifically for this scheme. The allocation had been made to cover COVID, inflation and project risks.
- 3.10 The Chief Executive is requested to approve both a supplementary capital budget provision of £1.1m and the formal allocation of the existing approved contingency of £8.4m revising the new Town Hall budget (which includes construction, design, CIL, surveys and professional fees) to £132.85m to support a settlement agreement with the contractor.

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

- 4.1 See 3rd November 2015 Cabinet report - <http://democracy.towerhamlets.gov.uk/documents/g6202/Public%20reports%20pack%2003rd-Nov-2015%2017.30%20Cabinet.pdf?T=10>

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

- 5.1 In January 2022, the business case for the New Town Hall was updated from that in 2017 - in close liaison with the Finance Team. This work re-presented the business case to reflect the Council's financing strategy and the latest know position in relation to:
- forecast outturn costs – these are higher than those estimated at the time of the business case being written as a result of the extent of works required to the existing building (including roof replacement works) and the impact of the pandemic on the programme.
  - savings in rent on existing sites – including both the rental costs of Mulberry Place which are lower than estimated when the business case was written and savings in rental costs from THH;
  - operational cost savings – which are higher than originally estimated as a result of the planned estate consolidation; and,
  - financing costs – the costs the Council will incur in relation to both capital repayment and interest costs through the Public Works Loan Board.

#### **5.2 Outcomes:**

The updated business case has been reported and scrutinised by the Project Board. It continues to show that the project delivers a positive Net Present Value (NPV) in line with that approved by the Cabinet in 2017. The updated business case shows an NPV of £38m compared to an NPV of £17m reported in 2017. The basis upon which the business case has been presented is different to that in 2017 and, in particular, the low cost of finance currently available helps to boost the NPV substantially. It is therefore important to note that the two numbers cannot be compared on a like for like basis; the key



message is that the NPV remains positive, and the original business decision continues to represent value for money.

### 5.3 **In Summary:**

The Project Board has considered how the annual costs of financing the new town hall will compare to the current revenue costs of the rented estate. The rental savings from Mulberry Place, and from THH, together with the reduction in running costs and the rental that is planned to be generated from the new town hall total £5.3m. This exceeds the annual capital and interest costs of financing the cost of project of £4.3m.

5.4 This demonstrates that it is better value for the Council to build and finance the new Town Hall than it will be to rent from year one. Over the long-term life of the Town Hall rents will, of course, go up whilst the capital financing costs can be fixed – this means that the value for money benefits will increase over time.

5.5 Finally, in restoring and extending the historic Royal London Hospital site the Council is moving from renting space from a private landlord to creating a valuable asset which it will own for the long-term benefit of residents of the Borough.

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

6.1 The approved capital programme includes a provision of £123.350m for the New Town Hall Project in total. The approved capital programme also includes a contingency sum of £8.400m. Permission is sought to now utilise this contingency sum for the New Town Hall project. This will have no impact on the current financing position of the council's approved capital programme.

6.2 Permission is also sought for a further £1.1m growth to the New Town Hall project budget. This will need to be financed from additional borrowing, which will result in future increased borrowing cost pressures on revenue budgets, estimated at £44k per annum.

6.3 Subject to the recommendations being approved, the new total budget for the New Town Hall project will be £132.850m.

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

7.1 This decision is urgent on the grounds that delay to the programme might jeopardise the agreement relating to the close out of the risk elements with the contractor. Also, as identified in the report early completion of the Deed of Variation is required to secure the projected completion date

7.2 The Chief Executive has power to take the decision under Paragraph 24 Rule 1(b): Emergency or Extreme Urgency for the reasons set out in the report. In

accordance with the Constitution, a written report is to be submitted to the Mayor in June, setting out the decision taken and the reason for it including the reasons for emergency or extreme urgency.

7.3 Entering into the deed of variation is the most economic, efficient, and effective way to deal with the unallocated risk elements therefore complies with the Council's statutory Best Value Duty

7.4 There are no specific legal equalities issues arising from this report

---

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

### **Linked Report**

NONE

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

27th June 2017 Cabinet report -

<https://democracy.towerhamlets.gov.uk/documents/g7730/Public%20reports%20pack%2027th-Jun-2017%2017.30%20Cabinet.pdf?T=10>

IMD 2018

[Tower Hamlets Council - Agenda for Mayor's Executive Decision Making on Thursday, 29th November, 2018](#)

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

Or state N/A