TOWER HAMLETS

Appendix A

Budget Monitoring Report 2022-23 as at 30th September (Period 6)

Circulated to	Cabinet
Date	14 December 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

Forecast General Fund (GF) £3.1m overspend

Forecast Dedicated Schools Grant (DSG) £0.6m underspend before transfer to reserve

Forecast Public Health (GF) Nil variance

Forecast Housing Revenue Account (HRA) £3.9m overspend before transfer from reserve

Period 6 Forecast Outturn as Overspend/(Underspend) (£m)

	2022/23 Net expenditure budget	Actuals	Forecast outturn	Gross over / (under) spend	Transfer to / (from) reserves	Net variance over / (under) spend (impact on GF / DSG / HRA)	Increase / (decrease) in overspend / (underspend) from Period 3
	A		B	C = B - A	D	= C + D	
Children & Culture	74.8	52.9	79.2	4.4	(3.2)	1.2	0.6
Resources	39.7	102.8	40.9	1.2	(1.4)	**(0.2)**	0.1
Chief Executive's	14.5	9.1	16.2	1.7	(1.7)	**0.0**	0.0
HA&C	162.2	69.9	179.7	17.5	(15.1)	2.4	0.5
Place	75.6	48.0	89.3	13.7	(11.8)	1.9	0.9
Sub-total GF services	**366.8**	**282.7**	**405.3**	**38.5**	**(33.2)**	5.3	**2.1**
Corporate and Financing costs	22.7	13.3	18.8	(3.9)	(0.7)	**(4.6)**	**(1.6)**
Unbudgeted Energy Cost Pressures	0.0	0.0	2.4	2.4	0.0	2.4	**(0.2)**
Total General Fund	**389.5**	**296.0**	**426.5**	**37.0**	**(33.9)**	3.1	**0.3**
<u>Ringfenced Items</u>							
DSG Grant				(0.6)	0.6	**0.0**	**0.0**
HRA				3.9	(3.9)	**0.0**	**0.0**

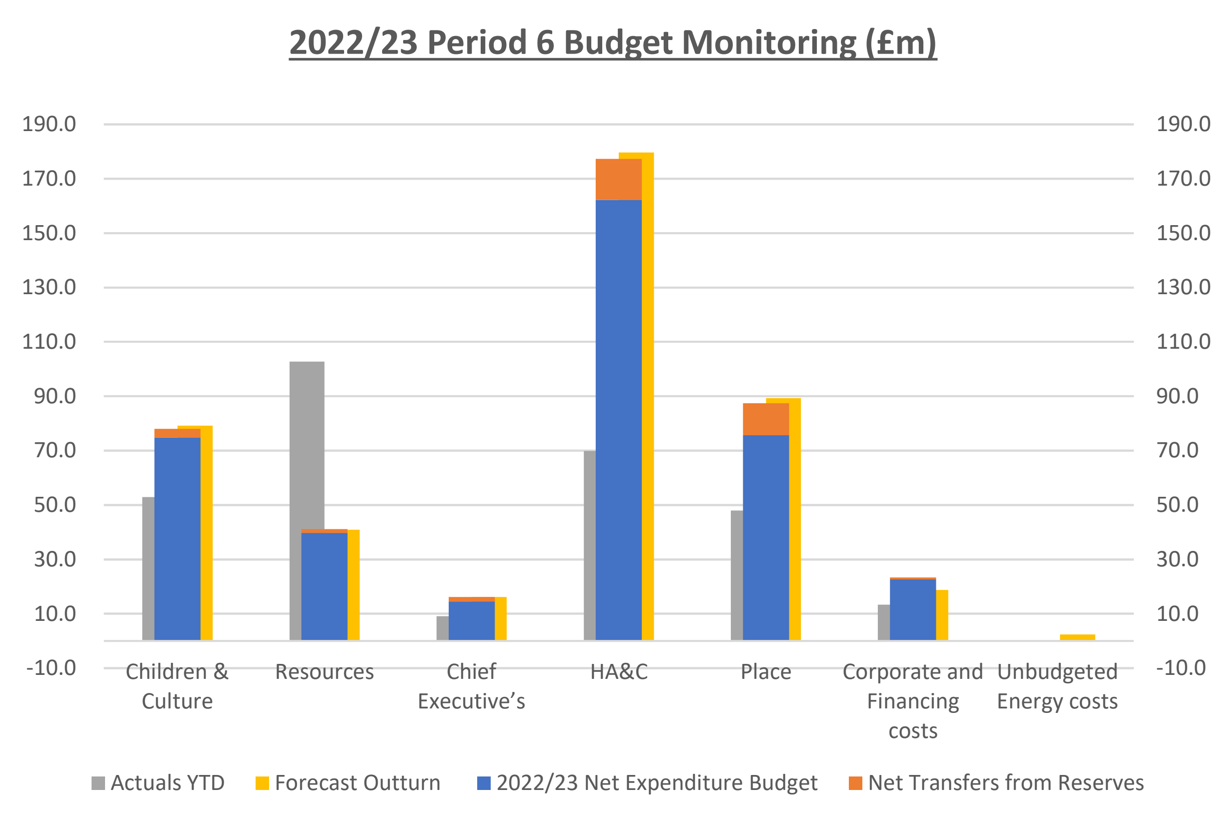
<u>General Fund</u>

The total council approved revenue net expenditure budget for 2022/23 is £389.5m. The year to date actuals to period 6 (30th September) amount to £296.0m. The period 6, 2022/23 financial forecast is an underlying gross overspend of £37.0m. The position after the proposed net drawdown of earmarked reserves (subject to the approval of the CFO at year-end), totalling £(33.9)m, is an overall forecast overspend of £3.1m (*see figure 1.1 below*). The detailed directorate monitoring, setting out the period 6 forecast outturn against revised budgets and the reasons for the variances are detailed within the body of this Appendix.

There is an exceptional item of note where the General Fund is forecasting unbudgeted electricity cost pressures totalling £2.4m across all Directorates. This figure excludes street lighting, which has been forecast within Public Realm (Place), schools and HRA communal sites. The in-year cost of gas is forecast to be contained within existing budgetary provision. Further unit price increases are forecast at 58% for electricity and 79% for gas in 2023/24 which will increase the pressure on the General Fund to £4.7m for electricity and £0.5m for gas, a combined total of £5.2m. Although currently reported as a separate item, for budget monitoring for the remainder of the year, unbudgeted energy costs will be allocated to appropriate directorates and reflected within directorate forecast outturn positions.

Significant savings are still to be delivered in 2022/23 within a continuing challenging environment for the council. Any under/over spend at the year-end will be transferred to/funded from reserves.

Figure 1.1



General Fund and Earmarked Reserves

There is a forecast reduction in the year-end reserves position, this is summarised in the table below:

All in figures in £m	Provisional outturn 31 March 2022	Forecast in-year increase / (decrease)	Forecast 31 March 2023
General Fund balance	23.8	(3.1)	20.7
Reserves without restrictions	86.0	(1.3)	84.7
Sub-total	**109.8**	**(4.4)**	**105.4**
General Fund Restricted Reserves	**119.0**	**(43.4)**	**75.6**
Total	**228.8**	**(47.8)**	**181.0**

Some reserve movements do not show on the Period 6 Forecast 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
Directorates movement in reserves	**(33.9)**
ICT capital infrastructure improvements reserve transfer contribution	(0.8)
Period 6 overall forecast overspend reserve transfer contribution	(3.1)
Smoothing reserve Collection Fund reserve transfer contribution	(10.0)
Total General Fund and Earmarked Reserves movement	**(47.8)**

General Fund balances and reserves without restrictions are forecast to decrease by £(4.4)m, from £109.8m to £105.4m in 2022/23. 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.

General Fund Restricted reserves are forecast to decrease by £(43.4)m, from £119.0m to £75.6m in 2022/23, this includes funds that are to be utilised for specific purposes, including grants received in advance pertaining to the Collection Fund, the council's self-insurance reserve, Public Health and other various revenue grants the council has received, which include conditions on the spend.

Covid-19

Directorate	**Forecast Gross over / (under) spend** ***PRE Covid-19 funding application*** **(£m)**	**Non-ringfenced COVID-19 Funding (£m)**	**Specific ringfenced COVID-19 Grant Funding (£m)**	**Forecast Gross over / (under) spend** ***POST Covid-19 funding application*** **(£m)**
	(A)	(B)	(C)	= A – B – C
Children & Culture	5.2	0.8	0.0	4.4
Resources	2.1	0.3	0.6	1.2
Chief Executive's Office	1.7	0.0	0.0	1.7
HA&C	22.4	0.0	4.9	17.5
Place	21.2	0.7	6.8	13.7
Corporate	(3.2)	0.7	0.0	(3.9)
Unbudgeted Energy Cost Pressures	2.4	0.0	0.0	2.4
Total	51.8	2.5	12.3	37.0
Total COVID-19 Funding Applied in 2022/23 = B + C				**14.8**

Over the last two financial years during the COVID-19 pandemic, the Government provided total non-ringfenced COVID-19 grant funding of £51.1m, of which £8.4m was carried forward into the current financial year. Latest forecasts indicate that the council will need to utilise £2.5m of this non-ringfenced COVID-19 funding to mitigate against in-year COVID-19 pressures which continue to persist, leaving £5.9m not yet allocated in forecasts for this year. The council will continue to monitor this position in light of any further potential pressures that may arise from now to year-end.

Also during the pandemic, the Government provided COVID-19 ringfenced grants to help mitigate against specific pressures faced by the council. The council carried forward £4.4m of this funding into the current financial year, of which £3.5m related to Contain Outbreak Management Fund (COMF), which is forecast to be fully utilised in-year to mitigate related pressures within Health Adults and Communities (HA&C). In 2022/23, the council is forecasting further COVID-19 pressures within HA&C relating to Vaccinations (£0.5m), Additional Burdens Funding (£0.6m) for administration of Covid-19 grants in Resources and pressures within Place relating to household support (£6.0m) and rough sleeping (£0.8m), which are forecast to be funded from specific related COVID-19 ringfenced grants the council will receive in-year.

Please refer to 'Appendix C – Covid-19 Forecast Outturn Summary 2022-23' for an analysis of the non-ringfenced and specific ringfenced Covid-19 grants and estimated overall Covid related spend and reduced income.

Collection Fund

For Business Rates, to the end of period 6, we have collected £251m of £444m billed (56.6% in-year collection rate) compared to 53.0% for 2021-22, which is an improvement on 2021. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. The Covid-19 Additional Relief Fund (CARF) reliefs have now been allocated to business rates accounts and this has contributed to the increase in collection.

For Council Tax, to the end of period 6, we collected £79m of the £167m Council Tax bills raised (47.2% in-year collection rate) compared to 45.7% for the same period in 2021-22, which is an improvement on 2021 but lower than pre-pandemic collection levels. 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 Grant (DSG) Budget

Current Forecast on the spend within the Dedicated Schools budget is a small underspend of £0.6m in 2022/23. This budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements. The prior years' deficit would be expected to be paid back over the longer term to ensure that provision for young people can be maintained.

HRA

The Housing Revenue Account is forecasting an adverse variance of £3.9m when compared with budget. It is assumed that this balance will be transferred from general HRA balances at year-end.

The HRA is forecasting an unbudgeted energy cost pressure totalling £2.6m for gas and electricity in 2022/23. These costs are partly recoverable from leaseholders where they relate to communal areas and this additional income has been reflected separately in this forecast. Other variances in the HRA relate to delegated budget, which is forecasting a year-end adverse variance of £0.9m, the THH management fee is forecasting a year-end adverse variance of £0.4m and the non-delegated budget is forecasting a year-end adverse variance of £2.6m. Further details are provided in section 4 of this appendix.

C&C forecast overspend of £1.2m

DSG forecast underspend of £0.6m before contribution to reserve

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Supporting Families	57.5	31.0	58.0	0.5	(0.4)	0.1
Commissioning and Culture	6.4	3.6	6.7	0.3	(0.2)	0.1
Education	9.1	6.6	10.7	1.6	(0.6)	1.0
Children's Resources	1.8	11.7	3.8	2.0	(2.0)	0.0
Education Impact of School Closures and Amalgamations	0.0	0.0	0.0	0.0	0.0	0.0
Total	**74.8**	**52.9**	**79.2**	**4.4**	**(3.2)**	**1.2**

The Children and Culture Directorate is reporting a net overspend of £1.2m. The Supporting Families service is showing a net overspend of £0.1m, Commissioning and Culture a net overspend of £0.1m, Children's Resources on target, and Education £1.0m overspend. The primary pressures are about demand and the increased levels of need for children and families as a consequence of both Covid and the Cost of Living crisis. The budget position reflects that Supporting Families is managing these pressures well to date and remaining broadly within budget, helped by the increased social care grant and the focus that there has been upon delivering a stronger Early Help offer together with strengthened partnership working. SEND pressures continue to increase with a clear link to the impact of the pandemic upon children's development, with October 2022 seeing the largest ever number of referrals for Education Health and Care Plans in a single month, and those pressures make up the bulk of the overspend reported for this quarter. Plans are being taken forward to ensure that the increased level of need in SEND is addressed through growth bids for 2023/24.

The General Fund provisional gross outturn is an overspend of £4.4m. This forecast is before taking account of the application of Covid reserve funding to support the non-achievable savings target of £250k (from a £500k saving split 50/50 between both the Place and Children and Culture directorates). This saving related to increased income from rental of Council assets. In the much-changed rental market these savings are no longer achievable. There has also been a contribution from Covid reserves to contribute towards the continuing pressure on SEN transport costs where we have seen a number of Children and young people not able to progress to independent travel as well as the need for more individualised transport arrangements then had been planned in the previous SEN travel review.

There is a Contribution from an earmarked reserve of £2m, being £1m from General fund reserve and £1m of Public Health reserve for the cost of providing universal free school meals for all Children in Tower Hamlets Primary Schools. This treatment was originally an allocation of funding to cover 3 years, this being the second year, to support the cost which is jointly funded with Public Health who would normally make an annual £1m contribution.

Current Forecast on the spend within the Dedicated Schools budget is a small underspend of £0.6m. This budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements.

Supporting Families: £0.1m overspend

The considerable work in realigning budgets plus the additional resource that has been made available through the higher social care grant has meant that the supporting Families directorate is forecasting only a small overspend, however this does include some volatility on some areas.

Children With Disabilities: £0.2 overspend

There has been a historic underpayment related to zero hour contract staff dating back 2013. Calculation of the exact costs is underway with HR colleagues but an estimate of £50,000 has been forecasted. The remaining pressure is on 3 agency staff members who will be moving to permanent contracts shortly.

Leaving Care: (£0.1) underspend

There are some vacancies in the Leaving Care service these are currently covered by agency staff. Recruitment is underway.

Early Help (£0.2m) underspend

Underspend due to a number of vacant posts that are being recruited to and expected to be filled later in the financial year.

Frontline Social Work Teams: £0.2m overspend

The service has found it challenging for the front-door teams to secure a permanent workforce and there continues to be a reliance on agency staff. Further work is taking place to review the current use of Agency staff.

Commissioning and Culture £0.1m

With the lifting of Covid restrictions, areas within Culture and Leisure have started to show significant recovery with increased sport and leisure uptake and refreshed income generation.

Leisure services £0.1 overspend

The reorganisation of the Leisure service has meant that the St Georges site will be returned to the Council from GLL in the coming months pending future work on redevelopment. The protection of the site includes Security and Guarding and there is no existing budget to cover these costs.

PDC Gross £0.3m overspend net zero

One area that is still showing a shortfall is the Professional Development Centre (PDC) which has seen a significant reduction over the last two years in lettings as more meetings have taken place virtually rather than in person. Whilst restrictions have lifted this now appears to be a permanent change that has left much of the facility unlet. As this various can show a direct link with the effects of the pandemic the final outturn is shown after the application of Covid support funding to reflect a revised budget position. After Covid relief Commissioning and Culture are on target. There are only a small number of budget variations none of which at this stage are of significant note.

Education: £0.7m

Education Psychology: £0.4m

There has been a significant reduction in income from schools as the team become more stretched and are unable to deliver non-statutory services. The need to drive improvement in the timely completion of Education, Health and Care Plan (EHCP) assessments in line with our SEND Improvement Plan and following our inspection has led to increased locum costs to support the extended workload which is expected to be an ongoing pressure for the year as the we work to achieve target completion dates.

SEN Travel Costs £1.0m gross £0.5m net after Covid relief

Additional SEN transport costs continue to be a pressure on budgets. EHCP numbers are still rising and in cases where we are unable to meet local needs this has led to increased costs of transport. Some assistance last year from Covid support funding allowed for additional routes and escorts and whilst Covid restrictions are no longer in place there is still a significant backlog in efficiencies that were not able to be delivered. We are seeing increasing behavioural issues among some children post Covid which has meant there is a need to continue use of separate vehicles and additional escorts to ensure safe travel to school for both the children and the drivers, meaning the planned route optimisations have not all been met. The pause in delivering independent travel training over the period of Covid restrictions also means we have a number of older Children who would normally have been supported in progressing to independent travel who are still accessing SEN transport. Exceptional increases in fuel costs and levies related to the ULEZ in London as well as staff shortages have also contributed to additional costs and the saving attributed to the budget of £500k is no longer achievable.

Safeguarding £0.1m

Additional_Income targets were bult into the budget for this year which the services are currently forecasting as being unachievable, no charges have yet gone through so this will be subject to further review.

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Customer Services	6.0	4.3	6.3	0.3	(0.3)	**0.0**
Finance, Procurement & Audit	8.1	4.8*	8.9	0.8	(0.8)	**0.0**
ICT	12.5	9.7	12.5	0.0	0.0	**0.0**
Revenue and Benefits Service	1.6	78.5*	1.9	0.3	(0.3)	**0.0**
Workforce, OD and Business Support Service	11.5	5.5	11.3	(0.2)	0.0	**(0.2)**
Total	**39.7**	**102.8**	**40.9**	**1.2**	**(1.4)**	**(0.2)**

*High actuals to date in Finance, Procurement and Audit due to Insurance Trading Account recharges to be processed and in Revenue and Benefits Service due to Housing Benefit income to come from government for reimbursement of costs.

The Resources directorate forecast is an underspend of £0.2m. This position is following requested drawdowns from reserves totalling £1.4m and staffing costs allocated to the Covid Outbreak Management Fund (COMF) grant of £0.1m.

The reserve movements consist of requested drawdowns from the Insurance Reserve for insurance team staffing (£0.4m), Transformation Reserve for finance improvements (£0.4m), the Covid non-ringfenced grant reserve (£0.3m) and ICT Transformation Reserve for CRM development (£0.25m).

Please also note that there will be a drawdown of £0.8m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.8m.

<u>Customer Services – forecast breakeven after reserves movements</u>

A Period 6 forecast breakeven position for the Customer Services division, after drawdown from the ICT transformation reserve (£0.3m).

The Period 6 forecast for the **Customer Contact Centre and Central Customer Services** is a £0.4m overspend position, following a drawdown of £0.3m from the ICT transformation reserve for Customer Relationship Management (CRM) developments. The forecast overspend primarily relates to the Residents Hub currently being piloted at Mulberry Place (and will transfer into the new Town Hall).

The Period 6 forecast for **Idea Stores** is a £0.1m underspend due to charging of staffing to the Covid Outbreak Management Fund (COMF) grant.

The Period 6 forecast for **Idea Stores Learning** is an underspend of £0.1m due to increases in adult community learning grants and the allocation of staffing costs against the Innovation Fund.

The Period 6 forecast for **Registrars Services** is an underspend of £0.1m due to increased fees & charges income. The service moved into St George Town Hall in 2021 and this has increased income maximisation from events such as weddings.

The Period 6 forecast for **Information Governance** is a £0.1m underspend due to periods of vacancy.

Finance, Procurement and Audit – breakeven forecast after reserves movements

A forecast breakeven position, following the annual drawdown from the Insurance Reserve of £0.4m for Insurance Team staffing costs and a drawdown from the Transformation Reserve of £0.4m for the Finance Improvement Programme to continue with its improvement journey following issues highlighted in the audits of the council's accounts for 2018-19 and 2019-20.

There is a potential financial risk in staffing for the Procurement Team due to the high number of procurements occurring at the moment including social care homecare contracts and a high level of agency staff usage. Permanent recruitment is underway to try to fill posts covered by agency workers however it has been proving difficult to recruit in the current market.

Information Technology – breakeven forecast position

A Period 6 forecast breakeven position, however the IT service is experiencing inflationary pressures which could impact the 2022-23 position as contracts are renewed during the year.

Please also note that there will be a drawdown of £0.8m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.8m.

Revenues and Benefits Service – breakeven forecast after reserves movement

Period 6 forecast breakeven position, following the requested drawdown of £0.3m from the Covid non-ringfenced grant reserve. The forecast overspend pressure before reserves of £0.3m is demonstrated through administration staffing £0.7m, underachievement in income £0.5m and an overspend in transaction fees £0.2m; partially offset through a forecast underspend in Housing Benefits due to high levels of collection of overpayment debts (£1.1m).

Covid-19 has 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 is also extra staffing required to facilitate Covid-19 grant payments, rates reliefs for businesses, the Covid Additional Relief Fund for business rates and the Energy Rebate Scheme for council taxpayers.

In 2022-23 there is a forecast overspend of £1.3m on direct staffing costs, towards which the government is expected to provide Additional Burdens Funding of circa £0.6m for administration of Covid-19 business grants and the Council Tax Hardship Fund. It is requested to drawdown £0.3m from the Covid non-ringfenced grant reserve, which will leave a forecast staffing overspend pressure of £0.4m.

The long-term staffing requirement from the pandemic and increased properties for council tax will need to be considered in the future, 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. Income from court costs is forecast to be £0.2m below budget in 2022-23, although this demonstrates an improvement from 2020-21 and 2021-22.

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 forecast to continue in 2022-23, as will the reduction in administration grant funding for Council Tax Support and Housing Benefits.

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

There is a forecast 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 – £0.2m forecast underspend

The Period 6 forecast for the Workforce, OD and Business Support Service is a breakeven position. The position includes an underspend in the Occupational Health and HR business partner service (£0.2m) and an underspend in Learning, Organisational and Cultural Development (£0.3m), which offset a potential overspend in Business Support of £0.1m (pending a review of the structure) and short-term costs to support an HR improvement plan for systems and operational improvements of £0.2m.

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Communications and Marketing	2.1	1.1	2.1	0.0	0.0	**0.0**
Strategy, Improvement and Transformation	6.4	3.5	6.9	0.5	(0.5)	**0.0**
Legal, Monitoring Officer, Democratic and Electoral Services	5.0	3.9	5.7	0.7	(0.7)	**0.0**
Corporate Management	0.3	0.2	0.3	0.0	0.0	**0.0**
Mayor's Office	0.7	0.4	1.2	0.5	(0.5)	**0.0**
Total	**14.5**	**9.1**	**16.2**	**1.7**	**(1.7)**	**0.0**

The Chief Executive's Office Period 6 forecast is a breakeven position, following an estimated drawdown from reserves totalling £1.7m.

The reserve movements include drawdowns from the Local Election Reserve (c£700k), Mayor's Priority Investment reserve for Mayor's Office staffing (c£500k), VCS projects reserve (£116k), Covid Recovery Fund Reserve (£185k), ESOL for Integration Fund reserve (£149k) and the Local Community Fund reserve (£30k).

<u>Communications and Marketing – Breakeven forecast</u>

<u>Strategy, Improvement and Transformation – Breakeven forecast after reserves</u>
The Period 6 forecast is a breakeven position after reserve movements.

Expected reserve movements are:

- drawdown of the VCS projects reserve of £116k, created in 2021-22 for spend in 2022-23, relating to the Innovation Fund, Equalities Contracts Review Mitigation and Emergency Fund
- drawdown from the Covid Recovery Fund of £185k for community-led recovery, health and economic recovery, and supporting children and young people
- drawdown from the ESOL for Integration Fund reserve of £149k for expenditure incurred
- drawdown from the Local Community Fund (LCF) reserve of £30k for expenditure incurred

<u>Legal, Monitoring Officer, Democratic and Electoral Services – Breakeven forecast after reserves</u>
The Period 6 forecast is a breakeven position, following the drawdown from the Local Elections Reserve of circa £0.7m for the elections in May 2022.

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.

Corporate Management – Breakeven forecast

Mayor's Office – Breakeven forecast after reserves

The Period 6 forecast is a breakeven position, following the drawdown from the Mayor's Priority Investment reserve of circa £0.5m for additional staffing in the Mayor's Office. The extra staff are to support additional casework (including supporting the work from twice weekly surgeries run by the Mayor), cabinet and executive support, and the engagement of Mayor's Advisors to contribute to the delivery of strategic priorities and the Mayor's manifesto commitments.

Health, Adults & Community

HA&C forecast overspend of £2.4m

Public Health forecast nil variance

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Adult Social Care	104.1	51.2	115.2	11.1	(8.0)	**3.1**
Community Safety	6.2	2.5	6.1	(0.1)	0.0	**(0.1)**
Integrated Commissioning	14.7	8.8	21.2	6.5	(7.1)	**(0.6)**
Public Health	37.1	7.4	37.1	0.0	0.0	**0.0**
Total	**162.2**	**69.9**	**179.7**	**17.5**	**(15.1)**	**2.4**

The Health, Adults and Community Directorate's projected outturn at period 6 is a £2.35m overspend position against a budget of £162.2m, representing a £0.506m increase on the period 3 position. This reflects a continuation of the pressures in Adult Social Care on care packages for disabled and older people provided under the Care Act.

The Directorate is on track to deliver 100% of its savings in 2022/23.

The Adult Social Care Improvement Programme has been put in place to reduce costs in the medium to long-term and achieve a more sustainable financial position for the service – business cases for technology enabled care and increasing housing with support options will come through in the new year but will not impact on this year's position.

Public Health forecasts a breakeven position at period 6 whilst Integrated Commissioning and Community Safety are both forecasting small underspends at this stage.

<u>Transfers to and (from) Reserves (£15.1m)</u>

Use of reserves relates largely to partnership funding held in pooled budgets for use across health and social care.

- Costs of placements for clients discharged from hospital and community equipment issued to clients on discharge are accounted for separately and not included in the financial pressures outlined above for this financial year. For the period April to the end of August 2022, a total of £1.6m has been funded in total for 1,510 care packages. The total projected funding from the s75 funding for 2022/23 at period 6, based on current client discharge data, which alleviates the financial pressure on the HA&C budget, is £3.8m.
- The allocated inflationary uplift budget transferred to reserves has been committed and is forecast to be spent in 2022/23.
- In agreement with the CCG, underspends against the Joint Funded Better Care Fund (BCF) for the Local Incentive Scheme Projects and Community Equipment Service that were transferred to Reserves are fully committed in 2022/23.

<u>Adult Social Care – Forecast £3.08m overspend at Period 6</u>

At Period 6 Adult Social Care is forecasting an overspend position of £3.08m against a budget of £104.2m. This represents an increase in projected expenditure against budget from period 3 by £0.592m.

(i) **Employee Costs – Forecast (£1.0m) underspend**

The period 6 forecast for employee costs is an £1.0m underspend position against a budget of £21.7m, primarily due to vacancies during permanent recruitment to posts. There has been deliberate action to reduce agency costs where possible and there are some remaining vacancies with difficulties recruiting.

(ii) Care Package Costs – Forecast £5.6m overspend

Care package costs are projected to overspend by £5.6m at period 6 against a budget of £100.09m at period 6. Forecasts for both home care packages and care home placements have increased to reflect the ongoing pressures set out below.

Care and Support Plan Assurance Meetings (CSPAM) data clearly demonstrates the increasing needs and complexities of clients, with additional packages being required to meet growing demand. Data from the 1st of April 2022 to the end of September 2022 shows that the Panel process has approved 524 packages of care with increasing needs, representing a further £4.33m full-year cost, and a further 88 new packages of care, adding a further £1.27m full-year cost. Against this, 172 cases assessed to date, resulted in a reduction or cessation in care package, amounting to a £2.18m reduction in full-year costs. 149 packages assessed resulted in no change in the level of care provided. The impact of these changes to date is a net increase of £3.41m (933 total packages reviewed).

Between Period 3 and Period 6, CSPAM has approved a further 464 net increased package care costs due to increase complexity of care (58% of packages required increased support and 6% were new packages), resulting in an additional £0.755m net costs within a 3-month period.

(iii) Income – Forecast £0.6m over achievement of income over budget

Income budgets are projecting an additional £0.6m in income at Period 6. This reflects the work carried out by the Mental Health team on the Section 117 income from the NHS.

<u>Integrated Commissioning – Forecast (£0.61m) underspend at Period 6</u>

Integrated Commissioning is forecast to underspend by £0.61m at period 6, against a revised budget of £14.74m. This represents an increase in the underspend position by £0.09m on the period 3 position.

The underspend for Integrated Commissioning is due to Community Equipment costs for discharged clients being funded via agreed s75 funding (partnership funding across the Council and NHS) for 2022/23, and therefore creating an underspend in costs for this area.

An area of substantial risk in Integrated Commissioning is the Transport Services Unit (TSU) recharge, which has a budget of £1.982m for 2022/23. Currently costs that will be recharged to from the Place directorate to Health, Adults & Community are yet to be confirmed, and due to current pressures in the fuel market, these costs may be at risk of being higher than budgeted.

Community Safety – Forecast (£0.12m) Underspend

Community Safety is projected to underspend by £0.0.12m at period 6 against a budget of £6.17m, with only a minimal movement from period 3, due to vacancies and staff turnover.

The Division has been successful in attracting significant grant funding. This is either through the London Crime Prevention Fund (MOPAC), Addiction, Diversion, Disruption , Enforcement, Recovery (ADDER) or via the Home Office (Prevent). The grant funding is for specific projects, programmes and funds posts. All the grant funding streams aim to deliver additionality and compliment partner resources, address gaps in service provision to tackle crime and anti-social behaviour and improve safety in the Borough. The short term and specific nature of the funding presents a strategic risk when funding ceases, for example, the Home Office is currently reviewing the National Prevent Programme and associated funding and as a consequence there is uncertainty as to the allocations for London Boroughs.

Public Health – Forecast Breakeven

Public Health is forecast to break-even at period 6 against a Public Health Grant allocation of £37.13m for 2022/23.

Covid Grants 2022/23

The Contain Outbreak Management Fund (COMF) grant carry-forward from 2021/22 was a balance of £3.523m. It has been estimated that the full allocation will be committed in 2022/23 on the Community Vaccination programme, funding to support the Healthy Borough Programme, community engagement commissions, Covid hub staffing, vaccine hesitancy insight and Find and Treat (London wide service focussing on outbreak management and uptake of vaccination in high-risk groups e.g. homeless and hostels), Outbreak management software and communication campaigns.
Costs that cannot be funded via available resources from the COMF grant will be funded via the Public Health Grant reserve for 22/23, currently projected at £1.0m.

The Department for Levelling Up, Housing & Communities (DLUHC) Community Vaccines Champions Grant, in the amount of £0.485m, will be used to deliver increased vaccination rates in targeted and hard to reach communities using Community Vaccine Champions. The grant has been fully committed during 2022/23, with expected additional costs to be funded via the COMF grant.

Sexual Health Services

As a demand-led service, sexual health remains the main risk to the Public Health budget. However, the risk is managed through contract and financial monitoring, and the maintaining of a reserve to address any pressure in this area.

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Property & Major Programmes	18.7	7.3	22.0	3.3	(2.5)	0.8
Resources	1.6	2.4	2.4	0.8	(0.5)	0.3
Public Realm	33.0	14.3	35.5	2.5	(1.7)	0.8
Growth & Economic Development	4.2	4.8	9.9	5.7	(5.7)	0.0
Planning & Building Control	1.8	1.0	3.1	1.3	(1.0)	0.3
Housing & Regeneration	16.3	18.2	16.4	0.1	(0.4)	(0.3)
Total	**75.6**	**48.0**	**89.3**	**13.7**	**(11.8)**	**1.9**

Forecast Outturn Position

The Place Directorate is forecasting an adverse variance of £1.9m after 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 £11.8m drawdown from reserves. The reserve figure also includes £1.8m of additional reserve drawdowns from the Mayor's Priority Investment reserve to fund new mayoral pledges in year (cost of living crisis), £0.7m from the Covid general reserve in support of the Directorate's ongoing response to the pandemic and a one-off reserve drawdown of a further £2m to meet the cost of the New Town Hall.

Adverse variances are being forecast across most of the Directorate, with Property & Major Programmes and Public Realm experiencing cost pressures and Planning & Building Control reduced income. The majority of these variances relate to external factors outside of the control of the Place Directorate, for example challenges resulting from the pandemic and cost of living crisis, abortive costs relating to the capital programme, reduced capitalisation charges (including TFL programme) and assets being deemed surplus to requirement transferring to the Directorate without budget.

Savings Targets

The Directorate has £1.6m of savings targets in 2022/23. Of these savings, £0.4m is forecast to be delivered, £0.5m of savings are slipping into the next financial year and the remaining £0.7m is undeliverable.

Savings relating to the transformation of homelessness, efficiencies from insourcing THH and the transformational review of regulatory and enforcement functions are slipping.

The £0.7m undeliverable saving relates to the New Town Hall where savings to the running costs of Albert Jacob House would be identified following its disposal (£0.2m). Albert Jacob House is a HRA asset and therefore any efficiencies would benefit the HRA and not the general fund. A further saving of £0.5m relating to the better use of Council owned assets is also undeliverable. 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.

Covid-19 Response
The Place Directorate is continuing with its response to the Covid-19 pandemic and has received ring fenced grants for Household Support (£6m) and for continued support of the rough sleeping Everyone In campaign at Luke House (£0.8m). It is forecast that a further £0.7m will be charged against the Covid general reserve for additional support at Luke House and unachievable savings target relating to the better use of assets where the pandemic has adversely impacted on its delivery.

Property & Major Programmes – Forecast £0.8m Adverse
The Property & Major Programmes division is forecasting to outturn with a £0.8m adverse variance against a budget of £21.2m after reserve adjustments.

Corporate Property – Forecast £0.7m Adverse
A £0.1m forecast adverse variance resulting from the use of agency staff, acting up honoraria and retention supplements.

Five schools have been declared surplus to requirements (Cherry Trees, Guardian Angels, St Matthias, Shapla and Bromley Hall School). These schools were previously funded from Basic Needs grant. Vacant property costs including security, insurance, utilities and general maintenance are being incurred, creating a budget pressure of £0.6m without any financial provision being made as part of the decision-making process when declaring the buildings surplus to requirements. There are delays in procuring guardians at these sites to replace security due to a lack of legal resource. Bromley Hall School was due to be sold in June, but this was put on hold whilst the new administration review potential sales, resulting in further revenue cost at this site.

Corporate Landlord Model (CLM) – Forecast (£0.1m) Favourable
A £0.1m favourable variance on service charges relating to buildings the Council leases. The number of leased buildings is lower than budgeted, resulting in reduced costs.

A favourable variance of £0.2m for business rates relating to John Onslow House and Rushmead, both of which are budgeted for in the general fund but are HRA assets.

Repairs & maintenance budgets have an adverse variance of £0.2m with the cost of materials and labour rising following Brexit and the Covid pandemic and new contracts in place at additional cost.

Capital Delivery – Forecast Nil Variance
The Capital Delivery team are reliant on agency staff. Based on current estimates taken from the timesheets submitted the team are forecasting an adverse variance of £1.2m, with significant costs not being capitalised. However, it should be noted that some timesheets are missing or are partially incomplete and this position is therefore likely to improve.

Facilities Management – Forecast (£0.5m) Favourable
A £0.5m favourable variance on salaries resulting from vacancies that have not been filled. These posts will be filled during the year as the team moves to the new town hall.

Non-Operational Investment Estate – Forecast £0.3m Adverse
A £0.8m adverse variance resulting from vacant units and associated business rates costs related to these units and 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. It is proposed that £0.5m saving relating to better use of assets is charged against the Covid grant reserve, resulting in an adverse variance of £0.3m.

New Town Hall – Forecast £0.4m Adverse
There is an estimated revenue running cost for the New Town Hall from November 2022 and one-off costs associated with the office move totalling £2.4m. There is no budget provision for this cost whilst the Council continues to lease its existing office at Mulberry Place. To mitigate this budget pressure a New Town Hall reserve was created in 2021/22 and £2m set aside to meet these costs. It is assumed that this reserve will be drawn down in year, resulting in a £0.4m adverse variance.

Resources – Forecast Nil Variance – Forecast £0.3m Adverse
The Resources Division is made up of a number of areas including the Strategy, Policy and Improvement team (part of the Enabling Function) budgets, Regeneration projects and the Director's budget.

The revenue costs relating to the Regeneration team are funded from LIF (£0.5m), CIL (£0.1m) and levelling up funding (£0.1m). The CIL and levelling up grant are funding specific pieces of work. The majority of the team costs are met from LIF funding and there is no general fund base budget for the regeneration team. An adverse variance of £0.1m is being forecast against the LIF funding, with the new administration stopping some of the project work. As a result the amount of LIF funding that can be drawn down is insufficient to meet the cost of the team.

The Strategy, Policy and Improvement team are forecasting an adverse variance of £0.2m with the recharge budgets being higher than the forecast level of work that can be charged to the other divisions within the Place Directorate and the HRA.

Public Realm – Forecast £0.8m Adverse
Public Realm is forecasting an adverse variance of £0.8m against budget. This figure is inclusive of a proposed reserve drawdowns totalling £1.7m. An assumption has been made that the Parking surplus will remain in revenue and there will not be a top up of the Parking reserve.

Highways and Traffic Management – Forecast £0.9m Adverse
A £0.1m favourable variance relating from the de-illumination of road signs following the reduction in speed limits and use of LED bulbs for street lighting, resulting in savings following capital investment.

Backdated unbudgeted Electric charging point income for fast chargers is forecast to be received in year, resulting in a favourable variance of £0.1m.

A £0.4m adverse variance on employee related costs. Capitalisation shortfall of £1.1m is being offset by a corresponding underspend of £0.7m on salaries resulting from posts being held vacant and difficulties in recruitment following a service restructure.

Unbudgeted costs of £0.1m for repairs to the Foot tunnel lifts at Greenwich. This represents LBTH's contribution to the cost of these works which will be completed in the current financial year.

A £0.1m under recovery of advertising income resulting from the renegotiation of the main contract for the large panels resulting in a reduction in income. In the future it is forecast that this will be mitigated by the digitisation of other sites.

A projected budget shortfall of £0.5m relating to sunk revenue costs that cannot be capitalised resulting from the TFL capital programme not progressing. The budget reflects funding assumptions at the pre-covid level from TFL of £2.2m. TFL are withholding funding following uncertainty around the liveable streets programme. In the scenario that TfL released funding to the borough, officers estimate this would be a maximum of c£1m for this Financial Year but even in this scenario, there would be a high risk of not being able to mobilise to spend to that amount by year end.

Balances of £0.1m relating to historic temporary structures income that is over six years old that has past the statute limitations period and historic balances of £0.7m relating to s278 highways rechargeable works were moved to reserves at the end of the previous financial year. It is assumed these amounts will be drawn down and spent in full in 2022/23 on highways related activity.

Further amounts of £0.2m for temporary structures that were received in 2016/17 and have not been claimed back and £0.7m for s278 rechargeable works can also be spent on highways related activities in year.

There is a risk of abortive costs relating to any decisions to reverse the liveable streets capital works for any schemes part completed.

Operational Services - Forecast Nil Variance

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

A £0.2m adverse variance relating to demographic growth and customer behaviour post pandemic which is generating more household waste.

Operational services have received one off growth of £0.4m for enforcement activities. The recruitment to these posts is taking place during the year, resulting in part year costs. It is forecast that any underspend will be transferred to reserves, resulting in nil variance.

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) – Forecast £1.6m Adverse.

A favourable variance of £0.1m relating to third party expenditure resulting from reduced cleaning of Blackwall tunnel. TFL has not instructed for this work to take place post pandemic.

Forecast additional costs of £0.5m for agency and overtime cover during the year within the day to day running of the service. This results from high absence levels within the permanent establishment.

There is an under recovery of income totalling £0.4m for commercial waste. The service has lost customers during the pandemic.

A £0.1m adverse variance relating to the procurement of new commercial waste bins. At present these costs are being charged to revenue. A capital bid is being considered and if successful these costs will be capitalised.

A £0.7m adverse variance relating to unscheduled vehicle repairs, budget shortfall for scheduled maintenance and an increase in the cost of diesel.

The service has received Mayoral Covid-19 recovery funding for use on enhanced street cleansing. It is forecast that £0.1m will be spent and drawn down from reserves in year to meet this additional cost.

Passenger transport – Forecast £0.1m Adverse

Unachievable income target relating to support service recharges. Discussions are ongoing to resolve this pressure with HAC and Children's services but currently remains a pressure.

Concessionary Fares – Forecast (£0.4m) 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 although budget was taken, the final settlement was lower than estimated.

Parking services – Forecast (£1.6m) Favourable

The Enforcement service (PCN related income) is expected to exceed budgeted levels as a result of moving traffic cameras, which includes school street cameras. These cameras reduce the overall environmental impact along these roads and increase road user safety and wellbeing. This has resulted in an increase in tickets issued across the borough, generating additional income of £2.3m.

However, this is being offset by pressures on the Parking debt budget where an under recovery against the income target of £1.5m 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.

Vacant posts within the Enforcement service resulting in an underspend of £0.3m. Staff retention is challenging and when vacant these posts are difficult to fill.

Bay suspension income is forecasting to over recover by £0.5m with demand for the service continuing to be high.

Environmental & Regulatory services – Forecast Nil Variance

The Environmental & Regulatory services have four vacant posts across the Health and Safety, Pest Control, Mortuary Manager and Housing Enforcement services resulting in a £0.1m favourable variance.

There are increasing unbudgeted contract costs relating to the coroner's undertaker and pathology services resulting in a £0.1m adverse variance.

Street Trading – Forecast £0.2m adverse

The Street Trading account is a ringfenced account and is forecasting a £0.2m adverse variance against budget. This variance will need to be met from the General Fund as the street trading reserve has previously been drawn down in full to cover losses in previous years.

During the pandemic the Markets service lost a significant number of permanent and casual traders. Since full reopening, Markets have started to see a slight bounce back in trader numbers, but this has not made up for those lost during the pandemic with lower income levels as a result.

New fees and charges are yet to be implemented and passed on to the traders in 2022/23 whilst lead member approval is sought. Income budgets have been increased to reflect these new charges, resulting in a forecast £0.2m income shortfall.

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. Current forecasts project the spend and therefore drawdown to be split over the current and next financial years (£53k spend in 2022/23).

Growth & Economic Development – Forecast Nil Variance
The Growth & Economic Development division is forecasting to outturn to budget. This outturn position assumes s106 drawdowns from reserves totalling £2.4m for core activities and approved projects across the division. There is also a budgeted reserve drawdown totalling £0.8m to fund the Tackling Poverty team and £0.7m from a number of earmarked reserves for specific activities e.g. Kickstart programme, Residents Support Scheme and ESF Connecting Communities programme.

The cost-of-living crisis is a mayoral priority, and the new administration has approved additional spending of £1.8m at Cabinet. This additional expenditure will also be met from reserves.

The Growth & Economic Development division has received £2.2m of grant funding for specific projects across the Growth and Tackling Poverty teams and a further £6m in Household Support grant for its ongoing Covid response programme.

Employment & Skills – Forecast £0.2m Adverse
Employment & Skills is forecasting to outturn with an adverse variance of £0.3m after s106 drawdowns totalling £1.6m.

The ITRES service has moved to be managed through Matrix, this movement means there is an income target where previously the E&S team would recharge their costs to the service receiving the ITRES agency staff. This income target remains but there is no recharge, resulting in a £0.2m adverse variance. This requires an accounting adjustment and finance staff are working to eliminate this as it is outside the budget manager’s control.

A further pressure of £0.1m relating to post regrading following a restructure within the Careers Young Work Path team is being mitigated (formal regrade – should be funded from GF – statutory service 54K). E&S are expecting a recharge arising from the 20/21 Equalities Commission Action Plan to fund a BAME Specific Careers Advisor for a two-year period.

The E&S service operates a number of externally funded programmes that complement mainstream provision and provide additional services that support residents without adding additional pressure on the General Fund, some of these schemes include ESF funded employment support; GLA funded LIFT Digital (tech) Hub; DWP Kickstart Programme; and DWP Local Supported Employment Programme. Funding of these schemes will be from approved s106 drawdowns.

Growth – Forecast (£0.2m) Favourable
The Growth service is forecasting a favourable variance of £0.2m after s106 drawdowns totalling £0.9m. There are a number of projects being undertaken within the service, primarily around thriving highstreets and creative enterprise zones and grant funding will be received in year to support this work.

The £0.2m favourable variance within the Business Growth and High Streets services relates to a number of vacancies (which it is envisaged will be filled during the final quarter of the year) and some posts being budgeted at top of scale but recruited at a lower grades.

Tackling Poverty – Forecast Nil Variance
Tackling Poverty will receive £6m in Covid household support grant in 2022/23. It is forecast that this grant will be spent in full on specific activities on top of the team’s core work. There is no general fund budget for the Tackling Poverty team and as a result it is forecast to draw down £0.8m from the Mayor’s Tackling Poverty reserve to meet this cost.

The Tackling Poverty team received growth in year of £0.2m for the resident support scheme towards supporting vulnerable residents with energy bills. A further £0.4m is funding the food distribution hub. This growth is being forecast to be spent in full.

The supporting residents through the cost-of-living crisis is a mayoral priority pledge and Cabinet has approved spend totalling £1.8m to support vulnerable residents by way of small direct grants. This will be funded from reserves and is forecast to be spent in full.

The service will also receive £1.7m for the Holiday Activity Fund. £1.4M has been received already and the balance of 0.3M will be received after Christmas. This funds two posts to run the HAF scheme as well funding other running costs, food and activities for children throughout the year.

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 hub and food deliveries to vulnerable and shielding residents. Food vouchers have also been distributed to residents. Eligible residents were identified through the test and trace system. This scheme has now finished.

In 2022/23 the Tackling Poverty team will receive £6m in Household Support grant, (this funds individual grants to residents and organisations supporting vulnerable residents), Residents Support Scheme and administration costs. The allocation of this grant is in two equal tranches of £3m, of which we have received approx. £1m with a further £2m receivable following submission of the October claim. Further claims will be made in January and April 2023. LBTH has allocated this money to vulnerable residents in line with the criteria outlined by the Government. Going forward these payments will be made via the Post Office, rather than via the supermarket voucher scheme contract is being procured with the post office to make the payments, rather than issuing supermarket vouchers as in previous years.

The second tranche of funding must be allocated by the end of March 2023. The Government rules have been relaxed with a focus on food and fuel poverty but the ringfence around specific groups who can receive it have been removed and replaced with a more generic guidelines that focus on families not being supported in other ways by the Government. As residents may receive other payments made by both LBTH and central government during the rest of 2022, it was decided to defer payment of the majority of this support to the first few months of next calendar year. This effectively staggers the support they need across the rest of the financial year.

A Council wide meeting was held to identify vulnerable groups of residents who could be supported by the second tranche of household support grant, for example homeless people and Adult Social Care households with high energy usage medical equipment. The government will also supply LBTH with the list of residents who should be prioritised, as they should not have received prior support.

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 the 50k remains unspent), other small grants (80k) to voluntary bodies and food pantries.

Planning & Building Control – Forecast £0.3m Adverse

The Planning & Building Control service is forecasting to outturn with an adverse variance of £0.3m from its general fund activities, with forecasted planning income being lower than budgeted. This projection includes a drawdown of s106 funding totalling £0.5m to fund posts and activities across the Digital &

Commercial Innovation team, Management team and Infrastructure Planning and £0.6m to fund specific LIF projects. 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 2022/23 the Council is planning to use £0.3m MCIL and £0.6m THCIL which will primarily fund the Infrastructure Planning service. Early forecasts indicate that LBTH will receive enough CIL income to use at these levels.

Building Control Revenue – Forecast Nil Variance
The service has a number of vacant posts which are currently being advertised. The underspend resulting from these vacancies is being offset by a projected under recovery in income against budget.

Development Management – Forecast £0.5m Adverse
There is no net General Fund budget within Development Management, with the service being entirely income funded. The service has a number of vacant posts which will result in a favourable variance of £0.5m. However, this is being offset by cost pressures of £0.1m relating to legal fees for two public inquiries (for which there is no pre-identified budget) and £0.9m shortfall in its planning income target for statutory fees where the volume of planning applications is less than budgeted and experienced in previous years.

Digital & Commercial Innovation - Forecast (£0.1m) Favourable
This favourable variance is the result of vacancies within the newly restructured Digital & Commercial Innovation Unit. It is anticipated that these posts will be filled in the new year, and this represents the part year saving. The service is forecasting to use £48k of s106 funding to meet its costs, this is in line with the budgets.

Planning & Building Control Support Team – Forecast (£0.2m) Favourable
This is a new team created following a service redesign in the previous financial year. These new posts were budgeted at top of scale as they were deemed hard to fill but following a successful recruitment campaign, most of the posts were filled at lower grades resulting in the favourable variance.

Spatial Data Team – Forecast £0.1m Adverse
Income from street naming and numbering is forecasting an adverse variance of £0.1m with the number of applications being lower than budgeted.

Strategic Planning – Forecast Nil Variance
The Plan Making team received growth of £0.4m in 2022/23 towards the cost of producing the new local plan. It is assumed that this growth will be spent in full during the year and the strategic planning service is forecasting to outturn in line with budget.

Wentworth Street High Street Heritage Action Zone – Forecast Nil Variance
The Council received £0.8m grant funding towards the HSHAZ, of which £0.6m remained within Planning & Building Control and the remaining £0.2m was used on projects led by Growth & Economic Development. The grant was received in the previous financial year and the Planning element was only partly spent at year end, with £356k available to spend in year. It is projected that this reserve will be drawn down in year and spent in full.

A further grant (Cultural Consortia grant) of £90k will be received and spent in year on the Wentworth Street High Street Heritage Action Zone.

Infrastructure Planning – Forecast Nil Variance

There is budgeted use of CIL revenue funding of £1.1m and s106 reserve drawdowns of £0.4m towards the running costs of the Infrastructure Planning team. Actual funding is projected to be in line with these budgeted levels. The service is also undertaking specific LIF funded project work, with the projected drawdown of £0.7m from the LIF reserve to meet these costs.

Building Control Trading Account – Forecast Nil Variance

This building control traded account has a favourable variance of £0.1m before reserve drawdowns. This results from vacant posts within the service. A recruitment campaign has taken place but the vacancies are proving difficult to fill. Current projections for income suggest that it is in line with budget. As the Building Control Trading Account is ring fenced it is proposed that this surplus will be transferred to the trading account reserve at year end, resulting in nil variance.

All P&BC income sources fluctuate throughout the year given they are impacted by the fluctuations in the development industry. Pre-application income remains buoyant and is expected to exceed target. Several large-scale planning applications are expected to be submitted during Q3 and Q4, which may reduce the shortfall in statutory planning fees. Income from all sources will be monitored and the position updated in future reports.

Housing & Regeneration – Forecast (£0.3m) Favourable

The Housing & Regeneration division is forecasting a favourable variance of £0.3m. This position includes a number of reserve drawdowns and top ups, resulting in an overall drawdown from reserves of £0.4m (inclusive of £02m relating to Luke House and charged against the Covid general reserve).

Housing Options – Forecast Nil Variance

The Housing Options (Homelessness and Rough Sleeping) service is forecasting a breakeven position. This position includes the use of £6.8m of grants (homeless prevention grant £5.9m; Rough Sleeping Initiative £0.9m) and drawing down £0.4m from reserve balances to fund specific activities such as rent incentives, 2017/18 Private Licensed Accommodation rent increase that was not passed on to clients due to its impact on the Housing Benefit subsidy position. Without the use of grant and reserves the Housing Options service would be forecasting a significant overspend.

Homelessness numbers remain high and are continuing to rise since coming out of the pandemic. Current numbers in Temporary Accommodation are 2,794, this compares with 2,568 households at the end of Q1, with an average of 70 additional households going into temporary accommodation each month. Numbers are rising due to the lifting of the evictions ban that has been in place since the onset of the pandemic resulting in the service experiencing an increase in the numbers of private evictions, the cost-of-living crisis resulting in more family exclusions, a loss of private tenancies and a greater number of individuals contacting the service since it has been digitalised.

These high numbers place pressure on the use of expensive nightly booked and bed & breakfast accommodation at additional cost. The cost of B&B accommodation is rising, rooms costing £70-£80 per night with providers who were charging rooms at £35 per night during the pandemic. 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. From April to October Capital Letters offered 46 private rented properties against an SLA target of 204 properties. 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.

Early indicators showed that this process was starting to have an effect, with numbers in T.A. reducing, increases in discharges of duty into Private Licensed Accommodation and a reduction in the business-as-usual use of bed & breakfast accommodation. However, the cost-of-living crisis is increasing demand for the service and the lack of move on options available are negating these benefits. The high demand for the service is resulting in the homelessness service failing to meet its suitability obligations for the first time since 2016, resulting in increasing number of households on the transfer list, increased number of legal challenges, increased usage of commercial hotels and the need to make costly adaptations to self-contained accommodation.

Despite the increase in numbers the transformation work is preventing significant overspend against budget. Before reserve drawdown there is a forecast adverse variance of £0.2m against budget. It is proposed that a drawdown will be made from the Flexible Homelessness Support Grant reserve to mitigate this pressure.

Contained within this position is a favourable variance against the Housing Benefit Subsidy loss budget of £0.3m 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. The service is forecasting £33.1m of housing benefit will be paid out and £26.3m claimed back, resulting in a deficit of £6.7m against a £7m budget. However, 400 cases are currently suspended whilst the DWP are reviewing HB claims and once processed the HB subsidy loss will increase. Any deficit will be managed from grant income and further drawdown from reserves.

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 is forecast to be met from base budget and grant in year rather than reserves. This saving is spread over two years with £250k assigned to 2022/23. Early indications suggest that although the transformation work is progressing the saving will slip as a result of additional pressures on the service from the cost-of-living crisis. This pressure will be mitigated in year through the use of grant income and reserves.

<u>Lettings – Forecast (£0.2m) Favourable</u>
Forecast favourable variance of £0.2m resulting from vacant posts. However, the HRA recharge for use of the choice-based lettings service by THH has been recalculated and will result in a reduction of £0.4m recharge income in the general fund. A growth bid has been submitted and additional information requested by MAB SRP. This favourable variance assumes that in year growth is approved.

<u>Energy & Sustainability – Forecast (£0.1m) Favourable</u>
The Energy & Sustainability service is forecasting a nil variance before any reserve adjustments. A drawdown of £0.1m is proposed from the Barkentine PFI smoothing reserve to mitigate a cost pressure, resulting in a £0.1m favourable variance within the Energy & Sustainability service.

The £0.1m favourable variance relates to additional commissioning income from the energy suppliers contracted to the Council. The commission is based on the unit price of energy and recent increases in price has given rise to additional commissioning income.

The Energy & Sustainability team will be recruiting an additional post in year to undertake work on new manifesto pledges around energy efficiency and sustainability. The part year cost of this post is estimated at £40k and will be met from reserves.

Housing Supply – Forecast Nil Variance

Housing Supply is forecasting a nil variance after proposed reserve drawdowns.

S&I Management

The S&I Management Team received growth in year to fund its fire safety team who are undertaking and documenting the results of fire risk surveys on the external walls of privately owned high-rise properties. Delays to recruitment mean that £0.4m of this additional funding is forecast not to be spent in year. It is assumed that this amount will be transferred to reserves at year end for use in 2023/24 and as a result the service is forecasting in line with budget.

There are a number of other small favourable and adverse variances being forecast across the services within Housing Supply which mitigate each other, resulting in a nil variance. For example, there are vacant posts within the affordable housing team which is being offset by an unachievable income target and a small adverse variance in the ALMO client team where the recharge to the HRA is lower than budgeted due to a smaller team.

Ongoing Covid-19 Response

Homelessness and Rough Sleeping are continuing their ongoing Covid-19 response at Luke House. Luke House is B&B accommodation that is being used to house rough sleepers brough from the streets as part of the Government's Everyone In campaign. DLUCH have provided funding for this scheme in 2022/23 with LBTH receiving a total of £839k towards its costs as part of the Rough Sleeping Initiative grant settlement. There will be no funding beyond 2022/23. Forecast spend against this grant totals £1.059m for the year, £0.597m on accommodation costs and £0.462m for support services and staffing. It is proposed that the remaining £0.220m is met from the general covid reserve balance.

Protect & Vaccinate funding totalling £336k was received in 2021/22 of which £237k was carried forward to 2022/23 as it was unspent in the previous financial year. There is a risk that the Council will have to pay this amount back to DLUCH during the current financial year and as a result there are no plans in place for further spend.

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 to date.

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Corporate Costs	22.7	13.3	18.8	(3.9)	(0.7)	**(4.6)**
Total	**22.7**	**13.3**	**18.8**	**(3.9)**	**(0.7)**	**(4.6)**

A forecast underspend of £4.6m for Corporate costs is reported for this period, following a requested drawdown from the Covid non-ringfenced grant reserve of £0.7m for cross-directorate savings achievement impacted by the pandemic.

Please note that the Collection Fund (Business Rates and Council Tax income) for 2021-22 is still to be finalised and audited. It is estimated that c£10m will be requested for drawdown from the Collection Fund Smoothing Reserve in 2022-23 to fund deficits including through the government's Tax Income Guarantee (TIG) compensation scheme and business rates relief grants. A reserves movement, approved by the CFO, will be processed in 2022-23 to transfer £13m from the Collection Fund Smoothing Reserve to the Risk Reserve, following changes in 2020-21 and 2021-22 including the removal of the Material Changes in Circumstances (MCC) appeals provision for business rates in 2020-21 (following the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill which prevents MCC appeals based on the impact of the Coronavirus pandemic).

<u>Pay inflation budget held centrally – forecast £6.4m adverse</u>

A pay inflation budget of £4m is held centrally for the 2022-23 pay award increase (originally based on a 2% increase). The 2022-23 pay award has now been agreed by the National Joint Council (NJC) as a fixed amount increase of £2,355 for each full-time post (gross salary before employer on-costs). This results in an increased cost of £10.4m across the Council's General Fund budgets (including employer on-costs), demonstrating an overspend pressure of £6.4m. The 2023-26 refresh of the MTFS will allow for the increased pay inflation budget requirement.

<u>Cross-Directorate Savings – forecast £2.9m Adverse</u>

Cross-directorate savings of £3.553m are held corporately.

Covid non-ringfenced grant reserve is requested to fund Covid related savings slippage and underachievement of £0.652m, being Greater Commercialisation (£0.281m) and Review of Printing/ Scanning/ Use of Multi-Functional Devices (£0.371m).

The third year of the previously re-profiled contract efficiency savings are considered to now be unachievable due to inflationary pressures on contract negotiations and procurements and therefore £1.950m is requested to be written off in the 2023-26 MTFS.

There are “Change of working hours and use of Flexible Retirement schemes” savings of £0.490m in 2022-23 which are at risk of non-delivery following the achievement of £0.110m savings through the application by staff to take up the offer of flexible partial retirement.

There are “Local Presence/Contact Centre Review” savings of £0.461m remaining from the work to shift customer access to ‘digital by default’ to reduce demand and consolidation of high volume telephone contact into the contact centre. Pest control services will achieve £0.007m savings through the Customer Relationship Management (CRM) system which will give customers the ability to book pest control appointments online and this will free up time for the officers to maximise income generation. Further savings were aimed to be achieved in Housing Options Service through a new homelessness self-referral form that went live in May, however the volume of applications and related eligibility checks has increased. The cost of living crisis has increased demand and therefore £0.454m of savings are not achievable and are requested to be written off in the 2023-26 MTFS.

There are “Review of Printing/ Scanning/ Use of Multi-Functional Devices (MFD’s)” savings of £0.371m which are aimed to be achieved through a hybrid mail solution for outward mail. Work is underway to confirm the level of cashable savings that will be achieved from the Royal Mail contract, One Source, franking machines and some of the mail room staffing costs. Slippage in 2022-23 of the £0.371m saving while contract and staffing changes are effected, is requested to be offset through the Covid non-ringfenced grant reserve.

There are “Greater Commercialisation” savings of £0.281m to be achieved through increased venue hire, including in facilities management, Idea Stores, Community Hubs and at arts and parks centres and sports pitches. Improvements have been made to the venues and events website (Tower venues) and a new payment and booking system is being implemented to improve customer experience and increase bookings in future years. This saving has been impacted by the pandemic and therefore £0.141m of the remaining saving is viewed as unachievable and is requested to be written off in the 2023-26 MTFS (together with the £1m planned further saving in 2024-25). The 2022-23 savings slippage and unachievable savings of £0.281m are requested to be offset through the Covid non-ringfenced grant reserve.

<u>Recharges to ringfenced funding areas review carried out in 2021-22 – forecast £1.7m Adverse</u>

An overspend 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. This pressure will be considered for budget correction as part of the MTFS refresh for 2023-26.

<u>Redundancy, Severance and Early Retirement – forecast (£1.0m) Underspend</u>

It is currently forecast that costs in 2022-23 will demonstrate a £1m underspend against the £2.45m budget 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).

<u>Pension Fund deficit repayment – forecast (£1.0m) Underspend</u>

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

<u>Corporate income – forecast (£2.5m) Underspend</u>

Forecast overachievement of income of £2.5m against Corporate income budgets including allocated miscellaneous income from cash suspense.

Corporate contingency budget to cover unforeseen circumstances – forecast (£3.1m) Underspend

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

Treasury Management – forecast (£8.0m) Underspend

A forecast underspend on the borrowing costs budget due to significant slippage in the capital programme and a short-term benefit in 2022-23 from the internal borrowing cost for the new Town Hall not taking effect in the accounts until 2023-24. The Minimum Revenue Provision (MRP) internal borrowing cost for 2022-23 is estimated at £7.4m (excluding PFI and finance lease adjustments) and circa £4.9m will be funded by the rental income earned through the property buyback programme in Place directorate.

The forecast interest and dividend income in 2022-23 is £2.5m, which is above the budget of £2.3m, mainly due to the continued rise in interest rates by the Bank of England, but continues to be lower than pre-pandemic levels.

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(3.5)	(45.9)	0.4	3.9
Total	**(3.5)**	**(45.9)**	**0.4**	**3.9**

The Housing Revenue Account is forecasting an adverse variance of £3.9m when compared with budget. It is assumed that a reserve drawdown will be made from HRA general reserve balances to mitigate this pressure, resulting in nil variance.

<u>Delegated Budgets – Forecast £0.9m Adverse</u>

The Delegated budgets cover income and expenditure where LBTH retain ownership of the budgets but delegate management responsibility to THH. The net Delegated budgets for 2022/23 is an income of £64.8m. The delegated budget for period 6 is forecasting a year end adverse variance of £0.9m against this budget.

<u>Income - £1.4m favourable</u>

Leaseholder Service Charges are forecasting a £1.5m favourable variance. Currently income is projected to exceed the budget due to an increase in the cost of energy, with this additional charge being passed on to Leaseholders. Although the budget was inflated, recent price increases have exceeded the level of inflation applied. An assumption has been made that these costs will not be recovered from tenants. The forecast will be revised in future months if the decision is taken to pass on the costs.

A forecast adverse variance of £0.1m relating to Leaseholder Admin charges. The HRA receives an admin fee for each Right to Buy sale completed. The number of Right to Buy sales is forecast to be lower than budgeted and therefore there is a shortfall in income.

<u>Expenditure – Forecast £2.3m Adverse</u>

The NNDR budget is projecting a favourable variance of £0.1m against budget. This is based on the outturn position over the past three years and will be monitored in future months as actual costs become known. There have been no costs posted in the current year to date on which to base the forecast.

The repairs & maintenance budget is forecasting a favourable variance of £1.5m despite increases in the cost of labour and materials due to the slow delivery of the great places programme following the re-letting of a number of contracts and the contractor fulfilling legacy contract works that remain outstanding from the previous year. Favourable variances are forecast against lift adaptations, gas services and door, CCTV and aerial maintenance where works are lower than budgeted levels.

The HRA is forecasting an unbudgeted energy cost pressure totalling £2.6m for gas and electricity in 2022/23. These costs are partly recoverable from leaseholders where they relate to communal areas and the additional income has been reflected separately in this forecast above.

A £0.5m adverse variance relating to insurance costs with an 8% index linked cost increase for 2022/23. This increase is higher than was built into the budget. Early indications are that the increase could be as high as 20% in 2023/24 and will need to be factored into both the HRA business plan as part of the budget setting process.

The Concierge service is forecasting an adverse variance of £0.2m with additional security costs (waking watch) at Latham and Anglia Houses and Maltings & Brewster due to fire safety concerns.

Dame Collet & Poplar Baths PFI costs are forecasting an adverse variance of £0.1m as a result of the BCI inflation rate applied to the maintenance costs of the buildings being greater than the inflation built into the budget.

A £0.5m adverse variance relating to the abortive costs incurred at Gill Street after a decision was taken not to progress this capital project.

There are no other material variances on the other budget headings delegated to THH to manage.

<u>Management Fee – Forecast £0.4m Adverse</u>
This adverse variance relates to the pay award which is not built into the base budget for the management fee.

<u>Non delegated budgets – Forecast £2.6m Adverse</u>
Non-Dwelling rental income (shops, community buildings and other operational buildings) is forecasting to exceed budgeted levels by £0.1m. A conservative budget was set to reflect the cost of living crisis with fewer void properties and higher income collection rates being forecast.

Three years of business rate charges for void commercial properties have been recharged to the HRA in year resulting in an adverse variance of £1.3m.

Support service recharges are forecasting an adverse variance of £0.4m as a result of a revised calculation for the lettings recharge and an above budget forecast for the asset management recharge where the service employs significant numbers of agency staff at high cost that provide services to the HRA.

Insurance and business rates recharges have been forecast in line with budget. However, no costs have been posted to date and there is therefore a risk that costs will exceed budget once known.

A forecast adverse variance of £0.7m for insurance recharges following a major fire at Hadleigh House. Costs relating to the explosion at Bentworth House will be recharged from 2023/24 onwards.

A £0.3m forecast adverse variance relating to unbudgeted costs for the penalty payments for the early repayment of the LOBO loans.

There are a number of other budgets against which forecasts cannot be made at this stage. These include salary capitalisation, depreciation charges, item 8 calculation and Minimum Revenue Provision. No costs have been posted to date against these budgets that total £27.8m and assumptions have been made that the actuals will outturn in line with budget. There is therefore a risk that significant variances could be incurred by the HRA late in the year once these costs are known.

The table shows forecast pressures on 2022/23 General Fund and Earmarked Reserves balances and how this might be managed by means of utilising earmarked reserves.

	Balances as per updated outturn 31 March 2022*	Forecast contribution to / (from) Reserve	Forecast balance 31 March 2023
£m	**£m**	**£m**	**£m**
GF balances (general reserve)	**23.8**	(3.1)	**20.7**
	23.8	**(3.1)**	**20.7**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
Insurance	**10.2**	(0.4)	**9.8**
Parking Control	**6.1**	0.0	**6.1**
Collection Fund Smoothing**	**51.0**	(23.0)	**28.0**
Free School Meals Reserve	**4.0**	(1.0)	**3.0**
Public Health Reserve	**7.0**	(1.0)	**6.0**
Revenue Grants Unused	**10.1**	(1.1)	**9.0**
COVID 19 grant	**8.4**	(2.5)	**5.9**
Local Elections	**0.9**	(0.7)	**0.2**
CIL***	**5.8**	(1.1)	**4.7**
BAME Inequalities Commission	**1.0**	0.0	**1.0**
Covid Recovery Fund	**2.1**	(0.2)	**1.9**
HA&C Joint Funding Agreements	**12.4**	(12.4)	**0.0**
Earmarked reserves with restrictions – Subtotal	**119.0**	**(43.4)**	**75.6**
Earmarked reserves without restrictions			
Risk Reserve	**2.2**	13.0	**15.2**
Transformation Reserve	**3.6**	(0.4)	**3.2**
ICT Reserve	**9.1**	(1.1)	**8.0**
Mayor's Tackling Poverty Reserve	**3.4**	(0.8)	**2.6**
Mayor's Priority Investment Reserve****	**5.0**	32.7	**37.7**
New Homes Bonus	**44.2**	(35.0)	**9.2**
Services Reserve	**18.5**	(9.7)	**8.8**
Earmarked reserves without restrictions - Subtotal	**86.0**	**(1.3)**	**84.7**
Total Earmarked Reserves	**205.0**	**(44.7)**	**160.3**
Total GF and Earmarked reserves	**228.8**	**(47.8)**	**181.0**

* updated 31 March 2022 position from provisional outturn 2021/22

**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

****The Mayor's Priority Investment reserve has been increased by £35.0m from the New Homes Bonus reserve to fund manifesto pledges

The table shows the 2022/23 forecast outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves.

HRA and DSG reserves	Balances as per updated outturn 31 March 2022*	Forecast contribution to / (from) reserves	Forecast balance 31 March 2023
	£m	£m	£m
Housing Revenue Account (HRA)	**52.5**	(3.9)	**48.6**
Dedicated Schools Grant (DSG)	**(14.7)**	0.6	**(14.1)**
Capital Grants Unapplied	**195.0**	(27.6)	**167.4**
Capital Receipts Reserve	**136.1**	(10.3)	**125.8**
Major Repairs Reserve (MRR)	**5.1**	(5.1)	**0.0**
Total Other Reserves	**374.0**	**(46.3)**	**327.7**

* updated 31 March 2022 position from provisional outturn 2021/22

Outside of reserves, the Council holds significant Developer Contributions (S106) to fund Capital Expenditure. These are held as creditors/receipts in advance on the balance sheet as they have to potentially be repaid if not used for a specific purpose. The total balance as at 31 March 2022 was £109.3m and the total is forecast to be £90.7m at 31 March 2023.

The **Housing Revenue Account (HRA)** is not a separate fund but a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund.

The **Dedicated Schools Grant (DSG)** is a ring-fenced specific grant that supports local authorities' Schools budget. Funding is allocated through four funding blocks, the Schools Block, the High Needs Block, the Early Years Block and the Central Schools Services Block.

The **Capital Grants Unapplied** reserve includes grants, S106 monies and Community Infrastructure Levy (CIL) payments received by the council with varying degrees of conditions on spend, which are utilised to fund capital projects and where expenditure is capital by nature and these reserves have been allocated where possible as part of the current 2022-25 General Fund and HRA approved capital programmes.

The **Capital Receipts** reserve includes capital receipts generated by the council (including HRA Right-to-Buy receipts) which are also utilised to fund capital projects and where expenditure is capital by nature and these reserves have also been allocated as part of the current 2022-25 General Fund and HRA approved capital programmes.

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 are expected to collect £430m in 2022-23 for total Business Rates income (30% retained by the Council and 37% passported to the GLA and 33% central government), excluding business rates supplement. Collection levels continue to be impacted by the Covid-19 pandemic and could be further impacted by cost of living pressures.

There is a provisional (subject to audit) accumulated Business Rates Collection Fund deficit to the end of 2021-22, of which the estimated Council share is £31.6m (partially funded through government grants for 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 accumulated deficit continues to include a significant loss allowance (bad debt provision) for potential non-payment of debts to the Council at £4.6m, to allow for the potential impacts of cost of living pressures and the pandemic.

To the end of Period 6, we have collected £251m of £444m billed (56.6% in-year collection rate) compared to 53.0% for 2021-22, which is an improvement on 2021. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. The Covid-19 Additional Relief Fund (CARF) reliefs have now been allocated to business rates accounts and this has contributed to the increase in collection.

Council Tax

We are expected to collect £167m in 2022-23 (both GLA 26% and Council 74% shares). Collection levels continue to be impacted by the Covid-19 pandemic.

There is a provisional (subject to audit) accumulated Council Tax Collection Fund deficit to the end of 2021-22, of which the estimated Council share is £4.3m. There is a loss allowance (bad debt provision) of £13.3m to allow for the potential impacts of cost of living pressures and the pandemic.

The Covid-19 pandemic reduced the collection rate and 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). The 2022-23 forecast at Period 6 is £31.4m. The level of claimants has reduced from 29,989 (end of 2021-22) to 28,851 (end of Period 6).

For total Council Tax income (both retained by the Council and passported to the GLA) the collectable budget for 2022-23 is £167m.

To the end of Period 6 we collected £79m of the £167m Council Tax bills raised (47.2% in-year collection rate) compared to 45.7% for the same period in 2021-22, which is an improvement on 2021 but lower than pre-pandemic collection levels. 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, administering the payment of £150 to Council Tax payers. As at the end of September, 60,278 (68.5%) of 88,025 eligible residents have been paid.

Overall Position

The Council’s investment at the end of September 2022 was £241.8m (a decrease of £34.6m from June 2022) and a decrease of 35.1m from previous month). Capital loss from strategic and cash pooled funds was £5.5m. External borrowing was £68.709m and no new borrowing is forecast in 2022/23.

The 2022-23 budget for investment income is £2.27m and the forecast income of £2.5m is based on expected cash levels throughout the year and expected dividends from pooled funds. This income is higher than 2021-22, mainly due to the continued rise in interest rates by Bank of England. However, a further fall in capital value of strategic and cash pooled fund is still expected due to the impact of inflation, impact of continued Ukraine/Russia conflict impacting global markets and UK October mini budget which has since been overturned.

<u>Income Position</u>
The yield of the internal portfolio increased by 0.89% to 1.75%. The yield was helped by recent Bank rate rises and therefore increased rates on new fixed bank and DMADF deposits contributing an average of 1.9%. The income returns of the entire portfolio, including the Council's external investments, was 2.85% and the total return of the entire portfolio was -0.42%. Capital losses on externally managed cash plus and strategic funds were -3.83% and -10.00% respectively.

<u>Benchmarking</u>
According to the 2022-23 Quarter 2 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 2.85% outperformed a group of sixteen London councils (2.00%) average income return) and outperformed against 121 national local authorities (2.06% average income return).

The Council’s return on internally managed treasury investments of 1.75% performed slightly below a group of sixteen London councils by 0.06% and performed better by a group of 121 national by 0.03%. We are continuing to look at alternatives that retain and protect the capital value of our investments while maximising income return.

<u>Liquidity</u>
13% of funds are available within 7 days ensuring adequate cash is available to meet daily expenditure payments. 62% of funds are available within 100 days of maturity.

<u>Inflation</u>
Consumer Prices Index (CPI) rose by 10.1% in the 12 months to September 2022, up from 9.9% in August and returning to July’s recent high. On a monthly basis, CPI rose by 0.5% in September 2022, compared with a rise of 0.3% in September 2021. Rising food prices made the largest upward contribution to the change in CPI annual inflation rates between August and September 2022. The continued fall in the price of motor fuels made the largest, partially offsetting, downward contribution to the change in the rates.

The Bank of England’s Monetary Policy Committee (MPC)’s central case for CPI inflation suggests that The UK expects to peak inflation towards the end of 2022. After peaking at roughly 11%, the Committee expects pressure on CPI inflation to dissipate as prices fall back and energy price inflation declines more rapidly. Especially as the weakening economy leads to falling demand and earnings growth in the second half of next year. The forecast suggests that CPI inflation will fall to around 5% by the end of 2023 before falling to the 2% target by 2024.

The MPC's forecast GDP to continue to fall through 2023 and into the first half of 2024 as higher energy costs and weakening financial conditions weigh on spending. The forecasts differ from previous UK recessions as the expectation is that GDP remains weak relatively to pre-recession levels for a prolonged period but that the recession will be quite shallow.

The Bank of England raised the official Bank Rate by 0.75 percentage points on the 3rd of November 2022 to 3%. The majority of the Committee agreed that while further increases in Bank Rate may be necessary (should the economy follow the latest forecasts), they are likely to be at a lower peak that the levels priced in by the financial markets. Considerable uncertainty remains surrounding the outlook and the Committee noted its commitment to acting decisively to bring down inflation should it prove to be more persistent than forecast. The Committee remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.

Market expectations is that the MPC will slow the rate of increase of Bank Rate at the next few meetings. The Council's Treasury Adviser Arlingclose now expects Bank rate to peak at 4.25%, with a further 50 percentage points rise in December and smaller rises in 2023. It is expected that once inflation has fallen from the peak, the MPC will cut Bank Rate while gilt yields are expected to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.

Global inflation continues to remain elevated, largely driven by increasing energy prices as a result of the war in Ukraine and subsequent reaction of Russia to sanctions. GDP forecast have contracted by 0.5% in Q3 2022 which is weaker than originally expected in the August report. Part of this weakness is reflective of the additional bank holiday implemented for the Queen's state funeral but is primarily driven by weakness in underlying output as a result of falling real incomes (and subsequent falls in spending) on the back of higher prices for energy and tradeable goods.

Global GDP growth has slowed and is projected to remain weak in the near term. Consumer price inflation in the euro area and US remains elevated but an easing of global bottlenecks and the fall in commodity prices should help to reduce global inflationary pressures. Many central banks have continued to tighten policy and market pricing suggests that policy rates will rise further. Global equity prices have fallen and spreads on corporate debt have widened. Overall financial conditions have tightened further.

Security

The time-weighted average credit rating remains at AA with the portfolio's average credit rating of AA- remains at par with other London Boroughs and local authorities.
The Council invested in a total of 22 counterparties while the average across other London Boroughs and local authority universe was 13 reflecting diversification across council's investments higher than average.

Borrowing

The Council has Public Works Loan Board (PWLB) loans totalling £51.2m and fixed rate bank loans totalling £17.5m.

There is a forecast underspend on the borrowing costs budget due to funding of capital program with existing cash resources in the short term.

Target for year £11.8m

£5.8m savings to be delivered

Services	2022/23 Target	Prior Year Slippage	Saving Target	Forecast Savings	Slippage	Under Recovery
			£m			
	A	B	C = A + B			
HA&C	1.3	0.2	1.5	1.5	0.0	0.0
Children and Culture	1.6	0.4	2.0	1.4	0.1	0.5
Place	1.0	0.6	1.6	0.4	0.5	0.7
Resources	0.2	0.4	0.6	0.5	0.1	0.0
Chief Executive's Office	0.0	0.1	0.1	0.0	0.0	0.0
All	2.9	3.1	6.0	2.0	0.5	3.5
Total	**7.0**	**4.8**	**11.8**	**5.8**	**1.2**	**4.7**

Total savings target for 2022/23 is £11.8m (£7.0m relates to approved savings as part of the 2022/23 budget setting process, and £4.8m as a result of previous years' savings not delivered, which have been re-evaluated since the last report).

- £5.8m is identified as being on track to deliver savings;
- A net position of £1.2m is forecast to slip into future years due to timing issues;
- £4.7m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2022-25' for a detailed breakdown and latest updates on savings programme.

General Fund (GF) Capital Forecast Report

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount spent to date '£m	Current Forecast £'m	Forecast vs Revised Budget Variance £'m
Approved Programme	Children & Culture	48.2	10.9	31.5	(16.7)
	Health, Adults & Community	14.2	1.4	9.4	(4.8)
	Place	60.1	18.1	48.2	(11.9)
	Resources	7.3	0.0	1.2	(6.1)
Approved Programme Total		**129.9**	**30.3**	**90.4**	**(39.5)**
Approved Rolling Programme	Children & Culture	6.3	0.9	3.9	(2.4)
	Health, Adults & Community	0.3	0.0	0.0	(0.3)
	Place	9.4	1.9	8.6	(0.8)
	Resources	3.5	0.0	2.2	(1.3)
Approved Rolling Programme Total		**19.5**	**2.8**	**14.7**	**(4.8)**
Invest to Save Programme	Place	15.0	3.6	8.5	(6.5)
Invest to Save Programme Total		**15.0**	**3.6**	**8.5**	**(6.5)**
LIF Programme	Place	8.5	0.1	0.3	(8.2)
LIF Programme Total		**8.5**	**0.1**	**0.3**	**(8.2)**
Grand Total		**172.8**	**37.0**	**114.0**	**(58.8)**

Introduction

On 11th July 2022, The revised General Fund capital budget for 2022/23 was set at £172.8m. The current forecast year-end General Fund capital expenditure for the year is £114.0m, which represents 66% of the revised 2022/23 capital budget. Services have forecast a total net underspend of £0.2m and net budget slippages of £58.6m, resulting in a forecast year-end variance of £58.8m. The spend to date is £37.0m, representing 21% of the revised budget.

Following the election of a new administration in May 2022, a comprehensive refresh of the General Fund capital programme is underway. The key purpose of the review is to ensure the programme aligns with the council's strategic priorities which are translated from the Mayor's vision and the new administration's manifesto. The refresh will include a review of the existing priorities for the capital programme across the various directorates to ensure clear integration with the current needs of the borough and its residents. Whilst the review is ongoing, the timeframes for delivery may be extended, having an impact on delivery and spend forecasts across all directorates. The outcomes of the capital programme refresh will be factored into the budget setting process for the 2023-26 General Fund capital programme, which will be presented to Full Council for approval in March 2023.

The details of the report are set out below –

Approved Programme

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount spent to date '£m	Current Forecast £'m	Forecast vs Revised Budget Variance £'m
Approved Programme	Children & Culture	48.2	10.9	31.5	(16.7)
	Health, Adults & Community	14.2	1.4	9.4	(4.8)
	Place	60.1	18.1	48.2	(11.9)
	Resources	7.3	0.0	1.2	(6.1)
Approved Programme Total		**129.9**	**30.3**	**90.4**	**(39.5)**

The 2022/23 revised budget for approved programme is £129.9m. The projected expenditure for the approved programme is £90.4m, (70% of the revised budget) resulting in a net slippage of £40.0m and overspend of £0.5m; resulting in a total year-end forecast variance of £39.5m. The actual spent to date is £30.3m, representing 23% of the revised budget.

Children's and Culture

The 2022/23 revised budget for the Children's and Culture approved programme is £48.2m. The programme is forecast to spend £31.5m, (65% of the revised budget) resulting in a net slippage of £16.0m and underspend of £0.7m; resulting in a total year-end forecast variance of £16.8m. The actual spent to date is £10.9m, representing 23% of the revised budget.

The major programme under Children's Directorate is the Schools Basic Need and Expansion programme with a total revised budget of £40.1m for the year, current year-end forecast is spend of £27.7m as a consequence of £11.7m of net slippage and £0.7m of net underspend. This results in a total forecast year-end variance of £12.4m. Within this programme there are several large schemes currently under way and in the early stages.

It is forecast that the full 2022/23 £17.0m (Spend to date is £4.7m) budget allocation for the London Dock Expansion programme will be spent in year. However, this full spend is dependent on energy supply and main contract agreement being signed between the Council and the developer with the agreement from Department for Education (DfE). The plan is to procure materials (fabric, mechanical and electrical) to mitigate against price increases after signing these agreements. Due to a number of issues including, inflationary costs pressures, a delayed project start, issues around the lease and source of funding; material, energy, and supply chain price increases coupled with labour shortages, the cost to deliver this project has increased by £2.1m, which is expected to be an overspend in 2023/24, in alignment with the anticipated completion date of February '24.

Wood Wharf school project has an approved budget allocation of £5.5m for 2022/23, the project is forecasting full spend at year end (spend to date is £1.8m). The project is in delivery phase (construction) and nearing completion, hence it is anticipated increased costs will be incurred from now until year-end. It is anticipated the contractor will hand over the completed school site back to the council by latest March 2023 and the council expects the budget for this year to be fully spent. The risk to achieving the full spend is unanticipated onsite delays.

The Raines Foundation school scheme project is complete, the existing remaining budget is anticipated to be assigned to the new Oaklands school project (£4.3m), which is currently at feasibility stage and expected to conclude by latest November 2022. Thereafter, there will be a feasibility options review required (which will need to include a full project cost appraisal) to determine the best course of action moving forward.

The ‘Arnhem Wharf - Damp Permanent Resolution’ project, with a budget allocation of £3m, is forecast to slip £2.8m into future years. The project managers have instructed additional water level and soil contamination tests to be carried out which is aimed at further outlining the requirements of remedial works needed. If additional works are required to safeguard the site, costs and budgets may need to be reviewed. The project is also currently being assessed by the Department for Education (DfE) for possible adoption as part of the school rebuilding programme. If selected, the project will be picked up and funded by central government thus releasing the fund into the pool to be recycled.

Beatrice Tate Special school expansion project budget of £1.7m is forecasting a slippage of £1.5m into future years. This project is delayed due to design reconstitution and preparation of stage 4 tender pack. The current forecast £0.2m represents design and other fees. Budget is expected to slip into 2023/24 when majority of project spend will be incurred. The main project works is expected to be on site from May 2023.

George Green/West Ferry school re-build project with an approved 2022/23 budget allocation of £3m is forecast to spend £1.3m in year and slip £1.7m into future years (spend to date £0.5m). The slippage is due to procurement delays and changes to the project design due to the adoption of DfE design framework. The project is currently in detailed discussion with Council’s planners and Transport for London (TFL), subsequently, a further rationalisation of the programme may be required.

George Green’s 6th form expansion project is forecast to underspend by £0.7m against a budget allocation of £0.7m. The main 6th form expansion works is now completed. There are final costs expected in 2022/23, which are yet be finalised, for remedial works required for drainage works. Works consist of digging up and reinstalling the drainage pipe into the inspection chamber at a lower level as directed by Thames Water. As the funding is basic need grant, it is anticipated that the underspend will be re-allocated to new/alternative education Basic Need project(s) within the Education capital programme.

The other significant programme under Children's Directorate is the Parks programme with a total revised budget of £6.2m for the year, current forecast against revised budget is spend of £3.6m, this would result in a £2.6m slippage at year-end. Within this programme there are several smaller schemes.

Quality Parks projects with a budget allocation of £1.5m is forecasting a spend of £0.6m this year and forecast to slip by £0.8m into future years. Quality Parks projects which were initially planned to end in 2023 have now been extended to 2025, which is now reflected in the forecast spend being reported for the projects. As the capital programme is being reviewed, the projects’ budgets and forecasts will be kept under review and there is a risk that the forecast may change depending on the outcome of the refresh.

Ford square and Cavell Street gardens project with a budget allocation of £0.7m is forecasting full spend at year-end, spend to date is £nil. The project is expected to be completed in February 2023 and therefore spend is anticipated in the last half of the financial year.

Christ Church gardens is another Park’s programme project with a budget of £0.5m, it is forecasted to slip by £0.4m into future years. The original plan was to procure a design team last autumn, with an anticipated completion of works over the year. However, the Community Advisory Group in charge of the project have decided to make more modest changes and to resume the procurement process at a later date. As the capital programme is being reviewed, the projects’ budgets and forecasts will be kept under review and there is a risk that the forecast may change depending on the outcome of the refresh.

Victoria mini golf project is forecasting slippage on the majority of its budget allocation of £0.4m as the project has been paused due to ongoing capital programme review.

The remaining net total slippage of £0.8m in the Parks programme is from a number of various other smaller projects within the theme, where spend profiles have been revised based on latest project plans. Within the Children's Directorate, Leisure centre improvement projects within the Culture programme have a budget allocation of £1.8m for the year, this budget is anticipated to be fully slipped into future years as the project team is yet to be constituted.

Health, Adults and Communities (HA&C)

The 2022/23 revised budget for the Health, Adults and Communities Approved programme is £14.2m. The projected spend for the programme is £9.4m, (67% of the revised budget) resulting in a net slippage of £4.8m. The actual spent to date is £1.4m representing 10% of the revised budget.

The majority capital projects in the HA&C Directorate, which had earlier 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.

Public Health projects with a revised budget allocation of £7.4m, with a year to date spend of £0.1m, are forecast to spend £7.0m by the end of the year, resulting in a slippage £0.4m. Most of the projects within Public Health were executed by NHS and completed. The low year to date spends is because the NHS are yet invoice for works completed to date.

The key projects that have contributed towards the forecast net slippage are Sewardstone Road and Norman Grove which have revised budgets of £1.2m and £1.4m respectively for 2022/23. Construction on Sewardstone Road, a project to refurbish the first floor of 130 Sewardstone Road into self-contained accommodation for residential care units for clients with learning disabilities, was due to commence in July 2022 but has been delayed due to difficulties in appointing and agreeing a price with the contractor. Works are now expected to be completed by February 2023. Norman Grove, a project to demolish and existing building and provide 17 new affordable homes for young adults, is part of the Housing Norman Grove project, which was anticipated to complete in October 2023, and is now scheduled for completion in mid-2024, as part of the wider site development. Forecast spend profiles have been revised based on latest project plans.

Protective security project is forecasting to fully slip it's budget in-year budget allocation of £0.3m into future years. This is due to delay in signing the legal agreement with Transport For London (TFL).

Transformation of CCTV system project with a budget of £3.4m is on-going and is forecast to slip £0.9m into next year. This includes the relocation of the CCTV control room which is scheduled to complete by March 2023 at the latest.

Funding has been approved for Changing Places Projects. Round 1 funding consists of two projects, one at Bow Street Idea Store, due to complete winter 2022/23 (£65k), and a second location yet to be determined. The total funding was £104k from Levelling Up and £20k s106. A further bid submission has been made for £125k to provide a further two changing places toilets, with confirmation expected early in the New Year on success on the bid process.

There were additional capital growth projects which were approved by Full Council on 2nd March, subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources. The 'Day Provision – Antill Road' project (budget of £0.5m in 2022/23) is yet to progress through the council's capital governance process, hence for period 6 monitoring purposes, a nil forecast has been made against this project for 2022/23 as it is not yet live, this will be kept under review throughout the year, and forecasts updated accordingly.

Place

The 2022/23 revised budget for the Place approved programme is £60.1m. The forecast spend for the year is £48.2m, (80% of the revised budget) resulting in a net slippage of £13.4m and net overspend of £1.5m; total year end variance is £11.9m. The actual spent to date is £18.1m representing 30% of the revised budget.

There are various key projects that are driving the net slippage of £13.4m and a net overspend of £1.5m within Place. These are as follows:

The New Town Hall project is forecasting an overall overspend of £4.4m against existing total council approved budgets for the scheme (£132.9m). This forecast has factored in additional required capital budget provision of £9.5m with notification to the council on 11th July 2022 which formally allocates the existing approved contingency of £8.4m contained within the capital programme to the New Town Hall project and a supplementary budget provision of £1.1m. The current forecast spend on the scheme is £137.3m which includes costs for construction, design, CIL, surveys, and professional fees) to cover all 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. The key drivers for the forecast overspend relate to additional costs for Furniture and Fittings (£1.4m), Way-finder (£0.3m), capitalisation of salaries of staff involved in the project (£2.6m) and design changes (£0.5m), offset by £0.4m of underspends within existing approved budgets.

It is anticipated that the Improving Air Quality project within TFL Funded schemes programme with a budget allocation of £2.1m will be discontinued, resulting in an underspend because of the withdrawal of TFL grants required for the project. Other projects with budgets totalling £1.0m will no longer be progressed, resulting in a total underspend of £3.1m.

High Street and Town Centre programmes which include Middlesex Street, Brick Lane and Roman Road West regeneration projects and Middlesex Street Art Trail are projecting acceleration of £2.1m (spend to date £0.7m) against a budget of £1.1m in 2022/23, which will be funded by bringing forward future year budgets for these projects into the current year, as the budgets need to be re-profiled. The forecast spend will be for the Middlesex Regeneration programme’s Laden Street toilets and Roman Road Regeneration programme’s market square which are expected to be completed by end of the year 2022.

South Dock Bridge project is forecasted to accelerate by £1.3m against a revised budget of £3.0m in 2022/23, spend to date is £0.5m. The £4.3m forecast is largely due to the land acquisition work programmed to take place later this financial year, which will involve acquiring land, air and water rights from landowners to build the bridge and providing compensation to landowners where needed. The Council are having an ongoing discussion with the Canal and River Trust (CRT), to mitigate the loss of CRT dockside space due to the development of the bridge, with mitigation costs expected to occur this financial year. The forecast spend will depend on whether we can reach an agreement on mitigation with CRT or if discussions keep going, regardless the planning application will go to Committee for a decision by December.

New Infrastructure programme is projecting a net accelerated spend of £2.1m against a budget allocation of £1m (Spend to date £0.3m). The accelerated spend is mostly due Whitechapel Road Improvements with a budget of £0.4m and a forecast spend of £2.5m. The reason for the anticipated increase in spend in the second half of the financial year is that contractor is now on-site on the southern footway at Whitechapel Road delivering the first part of the scheme having secured permission from TfL to carry out the works.

Waste, Recycling and Fleet programme is forecasting spend of £2.0m in-year against a budget allocation of £7.5m, resulting in £5.5m slippage, year to date spend is £0.4m. This is mainly due to the 'Electric Waste Vehicles' project which is forecast to slip by £4.5m as it was undergoing due diligence and progressing through procurement processes. The procurement stage is now completed and project spend is expected to accelerate and now needs to be re-profiled in line with latest plans. The replacement of the vehicles is in phases and procurement for the majority of the fleet will not be completed until 2024/25. There is another risk that vehicle supply could be further delayed due to access to raw materials in the current economic crisis and this will be kept under review.

The Asset maximisation programme within the Place Directorate, is forecasting a net slippage of £2.7m against a budget of £4.5m. The 'Montefiore Centre Refurbishment' project, with a budget of £1.3m in 2022/23, will slip into future years by £1.0m as a result of procurement delays and will run into the next financial year. The other significant slippage within the programme relates to Indicative Feasibility Schemes - Asset Maximisation which is forecast to slip by £1.0m into future years against a budget of £1.2m. This is a pool of funds for project feasibility studies across the council and there is a deliberate plan to pursue targeted feasibility studies and in turn reduces the volume of feasibility studies undertaken. This programme is to undergo a budget realignment.

Public Realm improvements programme is forecast to slip by £5.7m, against a budget of £7.2m. The Liveable Streets projects are the major scheme contributing towards the overall slippage within the programme. The forecast reflects that existing planned project are still in development phase and are on hold pending review and development of priorities within the programme.

London square programme is forecast to spend to budget of £1.4m, spend to date is £nil. Works are expected to commence at the end of November 2022, and it will take three months to complete.

The Registered Provider (RP) Grant Scheme 1-4-1 receipts programme is forecast to slip by £1.3m against a budget allocation of £1.5m. This scheme enables the council to contribute towards the delivery of much-needed homes being delivered by RP partners, where they are unable to secure grant funding from alternative sources. During 2021/22, RPs were able to access external funding to deliver the schemes in their programme and did not need to seek funding from the local authority. However, in 2022/23 there is only one scheme that is currently under negotiation which may require funding and this situation will be kept under review.

Transport S106 funded programme is forecast to spend £1.0m by the year end, the spend to date incurred has been £0.9m to date, the remaining planned projects for the year, totalling £2.1m, are now anticipated to slip into future years, these works are carried out by Transport for London on behalf of the Council.

There were additional capital growth projects which were approved by Full Council on 2nd March, subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources. Temporary Coroner's court (£0.3m), Open Spaces Montague Landscape (£0.4m), and Streets are Spaces (£0.4m) are capital projects which are yet to progress through the council's capital governance process, hence for period 6 monitoring purposes, a nil forecast has been made against these projects for 2022/23 as they are not yet live, this will be kept under review throughout the year, and forecasts updated accordingly.

Resources

The 2022/23 revised budget for the Resources approved programme is £7.3m. The projected spend for the programme is £1.2m, (17% of the revised budget) resulting in a net slippage of £5.7m and £0.4m underspend.

IT Smarter Working, with a budget of £1.9m in 2022/23, is one of the major programmes in the Resources Directorate. The programme is forecast to spend £0.8m, (£nil spend to date) resulting in £0.7m of slippage and a net underspend of £0.4m. The IT Smarter Working programme is composed of various specific ICT projects. The IT spend will be finalised against capital projects once a review of the costs is completed.

The key project driving the slippage relates to the ICT Mosaic project with a forecast slippage of £0.7m against a budget allocation of £0.9m, this is due to a delay in legal and procurement due diligence processes. The Agresso Re-hosting and upgrade project is completed and the remaining unspent budget of £0.4m will be recycled.

Customer services capital programme is forecasted to spend £0.5m (spend to date £nil) against a budget of £1.5m, resulting in a slippage of £1.0m. This is largely due anticipated slippages in the Ideas Store Whitechapel capital project as it is reviewed. The customer services spend will be finalised against capital projects once a review of the costs is completed. There is a budget realignment required for the projects within the programme. There were additional capital growth projects which were approved by Full Council on 2nd March, subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources. Bancroft library (£3.3m), Brady Centre (£0.2m) and Contingency 15% for uplift in costs (£0.5m) are capital projects which are yet to progress through the council's capital governance process, hence for period 6 monitoring purposes, a nil forecast has been made against these projects for 2022/23 as they are not yet live, this will be kept under review throughout the year, and forecasts updated accordingly.

Annual Rolling Programme

General Fund Programme	**Directorate**	**Revised Budget £'m**	**Actual Amount spent to date '£m**	**Current Forecast £'m**	**Forecast vs Revised Budget Variance £'m**
Approved Rolling Programme	Children & Culture	6.3	0.9	3.9	(2.4)
	Health, Adults & Community	0.3	0.0	0.0	(0.3)
	Place	9.4	1.9	8.6	(0.8)
	Resources	3.5	0.0	2.2	(1.3)
Approved Rolling Programme Total		**19.5**	**2.8**	**14.7**	**(4.8)**

The 2022/23 revised budget for Annual Rolling programme is £19.5m. The projected spend for Approved Rolling programme is £14.7m, (76% of the revised budget) resulting in a net slippage of £4.1m and underspend of £0.7m. The actual spent to date is £2.8m representing 15% of the revised budget.

Children's and Culture

The 2022/23 revised budget for the Children's and Culture Annual Rolling Programme is £6.3m. The forecast spend is £3.9m, (62% of the revised budget) resulting in a net slippage of £1.7m and underspend of £0.7m.

Conditions and Improvement for Primary schools' projects are forecasted to slip by £0.7m against a budget of £3.6m, spend to date is £0.9m. The service is expecting invoices from contractors for the completed works carried out during the summer and this is reflected in the anticipated spend forecast. The programme reacts across the maintained school estate on a condition need requirement. As this is a ring-fenced budget, all underspends will be re-allocated within the Conditions and Improvement programme in following financial year.

The significant forecast underspend within the programme is £0.7m on St Paul's Way Trust School Expansion, with a remaining budget of £0.7m funded from Basic Needs Grant. The project is now complete, and the budget can be released. As the funding for the project is basic need grant, it is anticipated that the underspend will be re-allocated to new/alternative education Basic Need project(s) within the Education capital programme.

There were additional capital growth projects which were approved by Full Council on 2nd March subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources. Improvements to Youth Provision inc. Spotlight, St Andrew's Wharf (£1.0m) is a capital project which is currently progressing through the Council's capital governance process, hence for period 6 monitoring purposes and a nil forecast has been made against this project for 2022/23 as it is not yet live, this will be kept under review throughout the year, and forecast updated accordingly.

Place
The 2022/23 revised budget for the Place Annual Rolling Programme is £9.4m and the forecast spend for the year is £8.7m, (92% of the revised budget); resulting £0.7m slippage.

This is largely due Disabled Facilities Grants (DFG) schemes which is forecasting spend of £1.0m against a budget allocation of £1.7m for the year, resulting in slippage of £0.7m. DFG projects are dependent on cases coming through the service and being assessed to need adaptations, which impacts forecasts for the year.

Public Realm Improvements is forecast spend to budget of £5.4m, spend to date is £1.1m. The increased spend anticipated in the second half of the year is related to the Capital Footway and Carriage Programme. Historically, most spend for this project takes place in in the last two quarters of the financial year. The first two quarters are taken up with seeking permission for works. There is currently over £4m in open PO's related to this project for this year.

Investment works in LBTH assets is projecting a spend of £2.1m, (current spend to date is £0.1m) against a budget allocation of £2.1m. The procurement process is underway, and some works have now been ordered. The Corporate Landlord Model (CLM) works would be the focus in the last two quarters of the year, and this is the predominant expenditure relating to the full year forecast yet to be incurred.

Resources
The 2022/23 revised budget for the Resources Annual Rolling Programme is £3.5m. The forecast spend for the programme is £2.2m, (64% of the revised budget) resulting in a slippage of £1.3m.

Most of the projects have now commenced and the slippage is due to late start of the projects. The IT spend will be finalised against capital projects once a review of the costs is completed.

Invest to Save

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount spent to date '£m	Current Forecast £'m	Forecast vs Revised Budget Variance £'m
Invest to Save Programme Total	Place	15.0	3.6	8.5	(6.5)
Invest to Save Programme Total		**15.0**	**3.6**	**8.5**	**(6.5)**

The Council's Place Directorate has the only invest to save programmes/projects. The 2022/23 revised budget for the Invest to Save programme is £15.0m. The forecast spend for the programme is £8.5m, (57% of the revised budget) resulting in a forecast year-end slippage of £6.5m. The actual spent to date is £3.6m representing 24% of the revised budget.

Conversion to TA 1-4-1 receipts programme is predicted to slip by £1.5m (Budget £1.6m) in this financial year, because new homes originally envisaged to be delivered through this programme, are now being delivered as permanent homes and have been moved into the HRA programme. However, there are opportunities to convert buildings held in the General Fund to housing in the next 12 months, for which the full approved budget will be required.

Purchase of accommodation for TA 1-4-1 receipts programme has a budget allocation of £10.5m in 2022/23, spend to date is £1.5m and the budget is expected to slip by £5.5m. The council has continued to buy back former council homes to provide temporary accommodation for households facing homelessness a register of interest with sufficient leaseholders who are ready to sell to enable the budget to be spent in full in 2022/23 and 2023/24. The forecast spend of £5.0m is due to proposals that are awaiting completion. However, there is a risk that there could be fallouts by vendors and the forecasts will be kept under review. The new administration is reviewing the future of the buy-back programme.

The Street Lighting replacement programme is forecast to have an accelerated spend of £0.5m against a budget of £2.5m, which means budget will need to be brought forward from future years for this project as the Council's plan for the Westferry Circus Lower lighting replacement scheme has been brought forward to commence this year, from future years.

LIF Programme

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount spent to date '£m	Current Forecast £'m	Forecast vs Revised Budget Variance £'m
LIF Programme	Place	8.5	0.1	0.3	(8.2)
LIF Programme Total		**8.5**	**0.1**	**0.3**	**(8.2)**

The LIF programme is resident in the Place Directorate. The 2022/23 revised budget for LIF programme is £8.5m. The forecast spend for the programme is £0.3m for the year, (4% of the revised budget) resulting in slippage of £8.2m. The actual spent to date is £0.1m.

The forecast is based on the current allocation of funding for agreed LIF projects. There are various projects in the pipeline where funding may be allocated subject to review by both officers and the administration and forecast position on LIF funded projects will continue to be assessed and monitored throughout the year in light of on-going decisions.

Latest HRA Capital Provisional Outturn Position

HRA Programme	Directorate	Revised Budget £'m	Actual Amount spent to date '£m	Current Forecast £'m	Forecast vs Revised Budget Variance £'m
Approved Programme New Council Homes	Place	106.9	16.3	43.6	(63.3)
Approved Programme HRA THH Projects	Place	2.3	0.1	0.5	(1.8)
HRA Approved Programme Total		**109.1**	**16.4**	**44.1**	**(65.0)**
Housing Revenue Account (THH Rolling)	THH	28.0	0.9	22.4	(5.6)
Housing Revenue Account (THH Rolling) Total		**28.0**	**0.9**	**22.4**	**(5.6)**
Grand Total		**137.1**	**17.3**	**66.5**	**(70.6)**

The revised capital budget for HRA for the year 2022/23 is £137.1m, current forecast HRA capital expenditure for the year is £66.5m, which represents 49% of the revised 2022/23 capital budget. The HRA programme is forecast to slip by £70.6m into future years. The spend to date is £17.3m, representing 13% of the revised budget.

A review of the Approved HRA Capital Programme is taking place under the new administration to ensure that the manifesto pledges and priorities set out in the 2022-26 Strategic Plan are reflected. In parallel with the programme review, an update of the 30-year HRA Business Plan is being carried out. The outcomes of the capital programme refresh and business plan update will be factored into the budget setting process for the 2023-26 HRA capital programme, which will be presented to Full Council for approval in March 2023.

The details of the report are set out below –

Approved Programme

HRA Programme	Directorate	Revised Budget £'m	Actual Amount spent to date '£m	Current Forecast £'m	Forecast vs Revised Budget Variance £'m
Approved Programme New Council Homes	Place	106.9	16.3	43.6	(63.3)
Approved Programme HRA THH Projects	Place	2.3	0.1	0.5	(1.8)
HRA Approved Programme Total		**109.1**	**16.4**	**44.1**	**(65.0)**

The total HRA Approved capital budget for the current year is £109.1m. The forecast is £44.1m representing 40% of the revised budget and £65.0m budget slippage is predicted. The actual spend to date is £16.4m, representing 15% of the revised budget.

Approved Programme - New Council Homes

The 2022/23 revised budget for the New Council Homes Approved Programme is £106.9m. The forecast spend for the programme is £43.6m, (41% of the revised budget) resulting in a net underspend variance of £63.3m. The spend to date is £16.3m representing 15% of the revised budget.

The delivery timetables for a number of schemes in the new homes programme have been extended as a result of supply chain issues, shortages in materials and cost increases due to inflation. There have been other schemes that have been delayed in the procurement process, where contractors have found it difficult to give cost certainty. As a result, spend to date has been lower than expected, but this is programmed to increase in the coming months. A recent report to Cabinet proposed substitute schemes which are ready to proceed.

The programme will be updated for 2023-26 and re-profiled, before being presented to the Full Council in March 2023, once the update of the HRA Business Plan has been completed.

Approved Programme - HRA THH Projects

Approved Programme HRA THH project is a HRA project which is being delivered by councils Place directorate. The 2022/23 revised budget for this programme is £2.3m. The forecast spend for the programme is £0.5m, (22% of the revised budget) resulting in slippage of £1.8m. The actual spent to date is £0.1m.

The delivery of the scheme (introducing new off-street parking arrangements in housing estates due to changes in national legislation) is reliant on the completion of a Statutory Consultation process with residents and is being delivered on a ward-by-ward basis from the west of the borough to the east. Substantial delays in progress occurred during the pandemic when it was not possible to carry out estate-based consultations. In addition, in some areas there was a necessity to invest more time in consulting some residents who had initial reservations about the scheme. With the scheme now running successfully in Wapping, parts of Shadwell, Whitechapel, Spitalfield and Banglatown, it is planned to escalate the rollout in order to ensure completion in 2023/24.

Annual Rolling Programme

HRA Programme	Directorate	Revised Budget £'m	Actual Amount spent to date £'m	Current Forecast £'m	Forecast vs Revised Budget Variance £'m
Housing Revenue Account (THH Rolling)	THH	28.0	0.9	22.4	(5.6)
Housing Revenue Account (THH Rolling) Total		**28.0**	**0.9**	**22.4**	**(5.6)**

Tower Hamlets Homes (THH)

The 2022/23 revised budget for the Annual Rolling Programme - Tower Hamlets Homes (THH) is £28.0m. The forecast spend for the programme is £22.4m, (80% of the revised budget) resulting in a net slippage of £5.6m. The spend to date is £0.9m.

The actual to date is skewed by the retention accruals of about £2.6m which will not be cleared until the final accounts are cleared. Included in this accrual are historical accruals totalling £1.3m in the accounts which were due to disputes with Keepmoat and NG contractors. There are ongoing discussions to resolve the disputes. The nature of THH rolling programme indicates that the bulk of the works occur in the last quarter of the year and therefore spend will rise accordingly and this year will not be an exception.