Appendix A

Budget Monitoring Report 2023-24 as at 30th June (Period 3)

Circulated to	Cabinet
Date	20 September 2023
Classification	Unrestricted
Report of	Corporate Director of Resources
Lead Member	Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	John Harrison, Interim Director of Finance, Procurement and Audit Ahsan Khan, Head of Strategic Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

General Fund (GF) forecast £6.7m overspend variance

Dedicated Schools Grant (DSG) forecast £1.0m underspend before the transfer to reserve

Housing Revenue Account (HRA) forecast £1.3m overspend before transfer from reserve

Period 3 Forecast Outturn as Overspend/(Underspend) (£m)

	2023/24 Net expenditure budget	Actuals	Forecast outturn	Gross over / (under) spend	Transfer to / (from) reserves	Net variance over / (under) spend (impact on GF / DSG / HRA)
	A		B	C = B - A	D	= C + D
Children & Culture	87.7	27.9	93.5	5.8	(3.7)	2.1
Resources	45.2	58.9	46.1	0.9	(0.8)	0.1
Chief Executive's	17.6	5.2	15.9	(1.7)	(0.1)	(1.8)
HA&C	174.5	26.5	183.6	9.1	(6.7)	2.4
Place	73.2	18.7	87.4	14.2	(7.3)	6.9
Sub-total GF services	**398.2**	**137.2**	**426.5**	**28.3**	**(18.6)**	**9.7**
Corporate and Financing costs	47.3	16.3	44.3	(3.0)	0.0	(3.0)
Total General Fund	**445.5**	**153.5**	**470.8**	**25.3**	**(18.6)**	**6.7**
Ringfenced Items						
DSG Grant				(1.0)	1.0	**0.0**
HRA				1.3	(1.3)	**0.0**

General Fund

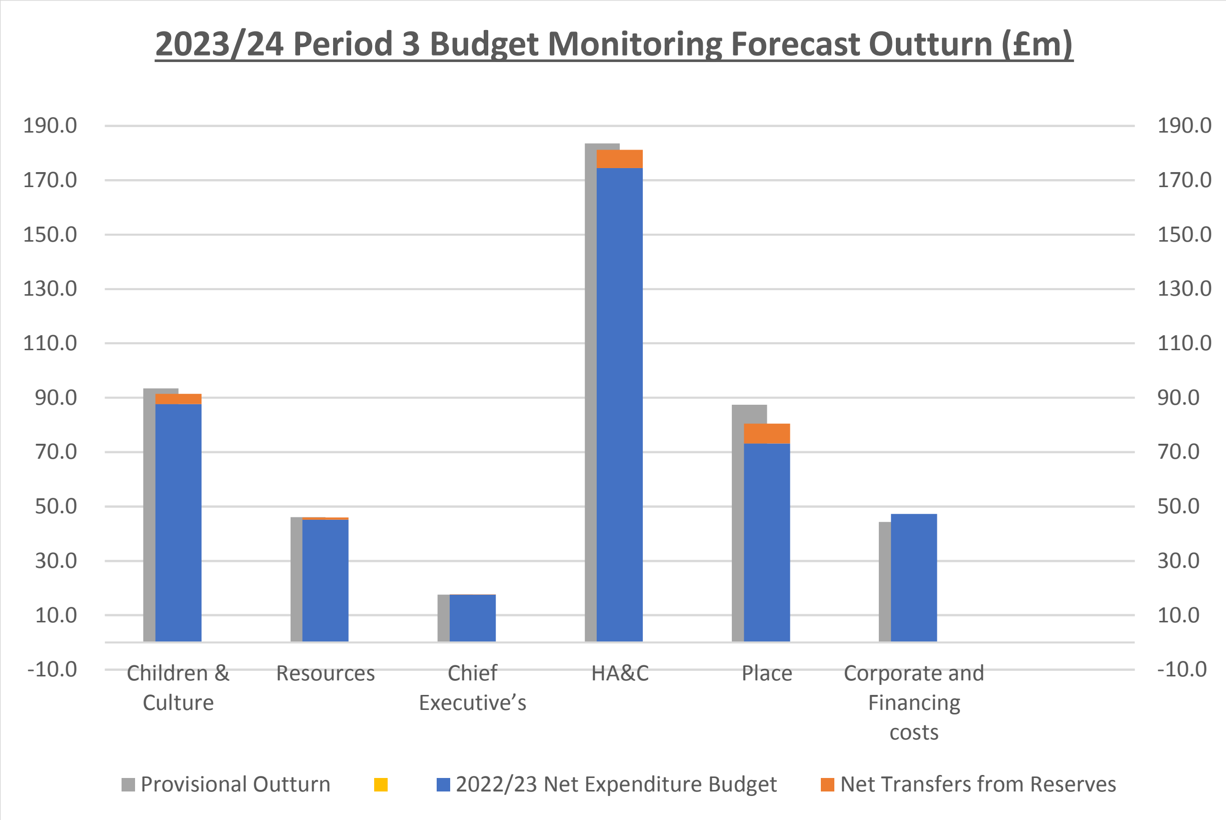
The total council approved revenue net expenditure budget for 2023/24 is £445.5m. The year-to-date actuals to period 3 (30th June) amount to £153.5m. The period 3, 2023/24 financial forecast is an underlying gross overspend of £25.3m. The position after the proposed net drawdown of earmarked reserves requested from directorates (subject to the approval of the CFO), totalling £(18.6)m, of which £2m was budgeted for in 2023/24, with the remainder of the reserve drawdowns being proposed from previously agreed reserves set aside in prior years, is an overall forecast £6.7m overspend variance (*see figure 1.1 below*).

The council's overall general and earmarked reserves are detailed in section 5. General and earmarked reserve allocations brought forward from previous years have been done so for three main purposes; the council maintains general balances in order to provide a contingency against unplanned or unexpected events and earmarked reserves are maintained to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing as well as setting aside funds to meet known or predicted future liabilities.

The detailed directorate monitoring, setting out the period 3 forecast outturn against revised budgets and the reasons for the variances are detailed within the body of this Appendix. The monitoring report will reflect the new departmental structures from Month 5.

Significant savings are still to be delivered in 2023/24 within a continuing challenging environment for the council. Any under/overspend 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	Draft outturn 31 March 2023*	Forecast in-year increase / (decrease)	Forecast 31 March 2024
General Fund balance	24.2	(2.5)	21.7
Reserves without restrictions	96.0	(33.8)	62.2
Sub-total	**120.2**	**(36.3)**	**83.9**
General Fund Restricted Reserves	98.9	(16.8)	82.1
Total	**219.1**	**(53.1)**	**166.0**

* updated 31 March 2023 position from provisional outturn 2022/23

Some reserve movements do not show on the 'Period 3 Forecast Outturn as Overspend/(Underspend)' table either due to the way they are accounted for or their balance movements do not directly impact service Directorates. A reconciliation between the above table and the 'Period 3 Forecast Outturn as Overspend/(Underspend)' table is detailed as follows:

	£m
Directorates movement in reserves	**(18.6)**
Contribution to fund MTFS (from the Mayor's Priority Investment Reserve) as approved by council 1st March 2023	(22.1)
Contribution to fund Collection Fund deficit costs (from Collection Fund Smoothing Reserve)	(2.7)
Contribution to fund ICT non capitalisable infrastructure	(2.0)
Contribution to fund Transformation across services	(1.0)
Contribution to fund overall forecast overspend position	(6.7)
Total General Fund and Earmarked Reserves movement	**(53.1)**

General Fund balances and reserves without restrictions are forecast to decrease by £(36.3)m, from £120.2m to £83.9m in 2023/24. 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 £(16.8)m, from £98.9m to £82.1m in 2023/24, 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.

Collection Fund

For Business Rates, to the end of Period 3, we have collected £131m of £431m billed (30.29% in-year collection rate) compared to 28.74% for 2022-23, which is an improvement on last year. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

For Council Tax, to the end of Period 3, we collected £41.6m of the £176m Council Tax bills raised (25.8% in-year collection rate) compared to 24.9% for the same period in 2022-23, which is an improvement on last year but lower than pre-pandemic collection levels. Future years' collection rates could continue to be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on energy and food costs).

Dedicated Schools Grant (DSG) Budget

Current Forecast on the spend within the Dedicated Schools budget is an underspend of £1.0m in 2023/24, resulting in prior years' deficits of £13.8m reducing to £12.8m by year-end. 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 and the current DSG statutory override expires in 2025/26.

HRA

The Housing Revenue Account is forecasting an overspend of £1.3m when compared with budget. It is assumed that this balance will be transferred from general HRA balances at year-end. Variances in the HRA relate to delegated budget, which is forecasting a year-end adverse variance of £2.2m, the THH management fee is forecasting a break-even position, the non-delegated budget is forecasting a year-end adverse variance of £2.2m and technical adjustment budgets are forecasting a favourable variance of £3.1m. Further details are provided in section 4 of this appendix.

Children and Culture forecast overspend of £2.1m

Dedicated Schools Grant (DSG) forecast £1.0m underspend before the transfer to reserve

Service	2023/24 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	63.2	16.7	64.7	1.5	(1.7)	**(0.2)**
Commissioning and Culture	8.8	1.1	8.5	(0.3)	0.0	**(0.3)**
Education	11.3	3.8	13.6	2.4	0.0	**2.4**
Education Resources	4.4	6.3	6.6	2.2	(2.0)	**0.2**
Education Impact of School Closures and Amalgamations	0.0	0.0	0.0	0.0	0.0	**0.0**
Total	**87.7**	**27.9**	**93.4**	**5.8**	**(3.7)**	**2.1**

The Children and Culture Directorate is reporting a net overspend of £2.1m. The Supporting Families service is showing a net underspend of £0.2m, Commissioning and Culture an underspend of £0.3m, Children’s Resources a net overspend of £0.2m, and Education a net overspend of £2.4m.

The budget position reflects that Supporting Families is managing these pressures however the position is after a significant use of grant bought forward from 2023/24 that was received later than anticipated. The service is becoming more reliant on specific grants with funding for family hubs as well as the specific social care grant, although the full allocation of this was not received by services in 2023/24.

As in the case in the majority of local Authorities across the country SEND pressures are the greatest concern and continue to increase with a clear link to the impact of the pandemic upon children’s development, with unprecedented increases in the number of referrals for Education Health and Care Plans. Whilst the costs associated with the EHCPs are met from within the Dedicated Schools Grant (DSG) there are a number of services that relate to these increases that are met from within the General Fund. These costs have significantly increased with the need for additional staff in Education Psychology and SEN casework. Whilst growth for staffing was included for 2023/24 the need to use locums and interim staff continues to cause a pressure where there these staff are in high demand and short supply.

LBTH is currently park of the DfE sponsored DBV (delivering better value programme) looking at supporting the development of mitigations to reduce the ongoing cost pressures through identifying opportunities within current provision. This programme offers the opportunity of a £1m grant to support the work needed to understand where interventions are best targeted.

There continues to be significant increases in the Costs of SEN transport costs, both with increased volumes of Children accessing transport and the large increase in fuel costs and London ULEZ surcharges for private hire vehicles. Whilst a number of mitigations have been introduced to facilitate personnel budgets and accelerate the programme of travel training this is not keeping up with the volume growth, We are still working with the place directorate to find a solution to the uncertainty and volatility of the internal transport budgets that are split with adult services, with a greater proportion and pressure now being met from Childrens service budgets.

Plans are being taken forward to see if the increased level of staffing need in SEND can be addressed through growth bids for 2024/25 as well as increases in Education psychology staffing. Growth bids will also be submitted in relation to SEN transport demands.

Use of reserves included funding bought forward from the prior year supporting families funding of £1.7m and £2.0m of reserves will be drawn down to support the costs of Primary Free School Meals in line with the agreed MTFS.

Provisional outturn on the spend within the Dedicated Schools budget is an underspend of £1.0m. This budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements, also related to the increase in EHCPs.

Supporting Families £0.2m underspend

The Current overspends within the service are offset by an agreed carry forward of prior year grants of £1.7m.

No Recourse to Public Funds - £0.3m overspend

This continues to be a pressure with the requirement to support young people and their families who are unable to claim benefits or support.

Children Looked after - £0.6m overspend

There are currently additional Agency staff in this area supporting the work of the ASYE Social Workers. Staffing numbers are being reviewed and there may be the requirement for some level of budget realignment to support the additional staffing.

Residential Placements- £1m overspend

These are currently overspending by £1m broken down into several areas the main ones being £0.2m on external foster carers, £0.6m on residential placements and £0.2m on semi-independent placements.

Commissioning and Culture £0.3m underspend

Arts Parks and events - £0.2m underspend

There is additional income forecast to the current budget and an additional contribution from Thames Tideway

Sports and Physical activity - £0.1m overspend.

The primary area of concern is the additional costs of guarding in relation to the extended closure of St Georges Leisure centre.

Education £2.4m overspend

SEN Transport £1.5m overspend

Sen transport continues to be a pressure with both cost and volume pressures. Costs of internal transport have increased as the proportion of costs met by Childrens services have increases, while the demand for transport vehicles across London has pushed up the cost of individual transport arrangements. A growth bid is being considered for next financial year.

SEN Staffing £0.5m overspend

The increase in the number of EHCP plans and requests for assessments has meant that a number of temporary staff have been employed to reduce backlogs and maintain and revue the current plans in place. A growth bid is being considered for next financial year.

Education psychologists £0.4m overspend

With the increase in EHCP requests to assess comes a greater call on the psychology service. Previously the service was supported by additional income generated from offering non statutory support to Schools. This has not been possible with the demand on the service which has also needed to cover some posts on a temporary basis.

Forecast overspend of £0.1m

Service	2023/24 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	8.2	2.3	7.8	(0.4)	0.0	**(0.4)**
Finance, Procurement & Audit	8.8	8.5	9.6	0.8	(0.6)	**0.2**
ICT	13.3	7.2	13.3	0.0	0.0	**0.0**
Revenue and Benefits Service	2.9	38.2	3.4	0.5	(0.2)	**0.3**
Workforce, OD and Business Support Service	12.0	2.7	12.0	0.0	0.0	**0.0**
Total	**45.2**	**58.9**	**46.1**	**0.9**	**(0.8)**	**0.1**

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

Summary

The Resources directorate forecast is a £0.1m overspend position after movements from reserves of £0.8m.

Customer Services – £0.4m underspend

An underspend of £0.4m underspend is anticipated for the service area. This is one-off to this financial year and is due to the late appointment against the newly created posts in both the Watney Market Idea Store and the Residents' Hub.

The breakdown by each of the five services within Customer Services is:

Customer Services Management £0.1m underspend. This is due to late appointments in the Residents' Hub partly counteracted by essential works at the various Resident Hub locations and the funding of the salary costs for the Customer Relations Manager programme.

Registrars – Break Even position.

Information Governance - £0.1m under primarily due to late appointment of new posts from the Growth Bid and other part-year vacancies.

Idea Stores - £0.2m underspend. This is due to the late appointment of staff in the Watney Market Idea Store

Idea Stores Learning – Break Even position.

Finance, Procurement and Audit – forecast £0.2m overspend

There is a forecast overspend in staffing for the Procurement Team of £0.5m due to the current high number of procurements occurring, including social care homecare contracts and a high level of agency staff usage. Permanent recruitment and a review of the structure is underway to fill posts covered by agency workers however it has been proving difficult to recruit in the current market.

Use of the £0.3m procurement reserve which was set aside in recognition of the pressures facing the service will be utilised to offset the majority of the overspend. There is also a movement in the Insurance Reserve for insurance team staffing of £0.3m.

Finance and Audit are currently forecasting a breakeven position after the contribution from reserves.

Information Technology – breakeven forecast position after reserves

A forecast breakeven position, following the drawdown from the ICT Transformation Reserve. IT equipment to support hybrid working; the carry forward of Cyber Security Grant required this year; and a drawdown of the ICT Transformation Reserve.

The IT service is experiencing inflationary pressures which could impact this year's position as contracts are renewed during the year. Additionally, there are budget pressures from a growing council where many costs and licences are charged to the Council on a per-user basis. While the IT service seeks to contain these costs, this may not be possible throughout the year.

Please also note that there will also be a drawdown from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements for revenue costs which cannot be capitalised - total to be determined and subject to agreement.

Revenues and Benefits Service – forecast £0.3m overspend

There is an underlying budget pressure of £0.8m in the service. This will be offset by underspends elsewhere in the service of £0.3m, due to part-year vacancies and an increased level of Dept of Work and Pensions Housing Benefits subsidy. The Actuals spend is high since we hold the DWP's grant received in the Balance Sheet.

A drawdown from reserves of £0.2m will help reduce the overspend. The reserve was created from New Burdens grant received in 22/23 in relation to administration of government support schemes.

Workforce, OD and Business Support Service – Breakeven

Learning and Development £0.1m underspend. This is due to combined savings from part-year vacant posts and an underspend in the Training budget.

HR £0.2m underspend. This has been caused by a combination of staffing vacancies and new appointments at the bottoms of the grades.

Business Support Service £0.3m overspend. This is on staffing salaries; the newly acting Head of Service is looking closely at the agency cover and to make savings later in the year.

Chief Executive's Office

Forecast underspend of £1.8m

Service	2023/24 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	0.4	2.2	0.1	(0.1)	**0.0**
Strategy, Improvement and Transformation	7.9	1.5	6.2	(1.7)	0.0	**(1.7)**
Legal, Monitoring Officer, Democratic and Electoral Services	5.2	2.6	5.1	(0.1)	0.0	**(0.1)**
Corporate Management	0.3	0.1	0.3	0.0	0.0	**0.0**
Mayor's Office	2.1	0.6	2.1	0.0	0.0	**0.0**
Total	**17.6**	**5.2**	**15.9**	**(1.7)**	**(0.1)**	**(1.8)**

The Chief Executive's Office outturn indicates a forecast underspend of £1.8m following drawdown from the Communications Reserve totalling £0.1m.

<u>Communications and Marketing – Breakeven after drawdown from reserves</u>
Forecast breakeven position following the drawdown of the £0.1m Communications Reserve to support costs relating to the insourcing of Tower Hamlets Homes and leisure services.

<u>Strategy, Improvement and Transformation – £1.7m underspend</u>
Following the report to Cabinet on 21st June, Neighbourhood Community Infrastructure Levy (NCIL) will be used to support the Community Grants programme.

<u>Legal, Monitoring Officer, Democratic and Electoral Services – £0.1m underspend</u>
Democratic Services projecting an underspend due to the current Members Allowance pay scale of £0.1m. Legal Services although displaying a pressure currently have plans in place; to convert agency into fixed term contracts, rationalise service provision and review of billable hours and recharges are expected to bring the service to breakeven. Electoral Services are projecting an underspend of £0.03m which will be offered up as a MTFS saving for 2024-25 onwards.

<u>Corporate Management – Forecast Breakeven</u>
Budget is on track to break even.

<u>Mayor's Office – Forecast Breakeven</u>
The outturn position is on track to break even. Vacant posts offsetting the cost of consultant and interims.

Health, Adults & Community forecast overspend of £2.4m

Public Health (GF) forecast £2.0m overspend before the transfer from reserve

Service	2023/24 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	112.0	18.1	116.1	4.1	(0.8)	**3.3**
Community Safety	10.2	1.4	9.4	(0.8)	0.0	**(0.8)**
Integrated Commissioning	14.6	3.6	18.4	3.8	(3.9)	**(0.1)**
Public Health	37.7	3.4	39.7	2.0	(2.0)	**0.0**
Total	**174.5**	**26.5**	**183.6**	**9.1**	**(6.7)**	**2.4**

The Health, Adults and Community Directorate's projected outturn at Period 3 is a £2.4m overspend position against a budget of £174.5m, after planned transfers from reserves of £6.7m. The primary reason for the forecast overspend is ongoing pressures in Adult Social Care with increased costs of care packages for disabled and older people provided under the Council's Care Act 2014 statutory duties. The full pressure is partly offset by additional, but short-term, grant funding – not all of this has currently been released to the service. Robust arrangements for scrutinising care and support plans with associated costs are in place within the Department including tiered sign off of packages and a Panel process.

Overall demographic trends impacts on 'demand' for Adult Social Care Services – we have seen around 27% more enquiries come in to the service over the last two years. Tower Hamlets has the 5th highest score for deprivation within London and the highest level of pensioner poverty in the country. In the 2021 Census, nearly half of females and two fifths of males aged over 65 reported they were disabled. The prevalence of mental health in Tower Hamlets is greater than is seen in London or England and above the London median. Short-term government grant funding is an ongoing concern nationally as well as the impact of changes to the hospital discharge process and NHS pressures which have added to funding pressures for Adult Social Care.

The Directorate is on track to deliver its savings in 2023-24.

The Adult Social Care Transformation and 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 significantly on this year's position.

Integrated Commissioning and Community Safety are both forecasting small underspends at Period 3, while Public Health is expected to draw-down on the Public Health ringfenced reserve to fund priorities to meet additional committed expenditure and to meet expenditure in other service areas.

<u>Transfers to and (from) Reserves (£6.7m)</u>

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

- Costs of care provision for clients discharged from hospital for the first 4 weeks following discharge, 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. Funding remaining in the agreed s75 pooled funding held in reserves amount to £1.28m. In addition to the use of the Local Authority allocation of the Adult Social Care Discharge Fund in 2023-24 in the amount of £2.4m and the ICB allocation of £927k (being fully utilised on meeting costs for the Royal London Hospital Integrated Discharge Hub), projected costs of discharges amount to £4.4m. Therefore, it is anticipated that £836k of the funding held in the reserves will need to called upon in 2023-24.
- The ring-fenced Tower Hamlets Place Investment Fund has a joint pool of £6.0m funding and at period 3 it is anticipated that £3.9m will be drawn down for joint project funding during 2023-24.
- 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 2023-24 in the amount of £1.17m.
- The Public Health Grant Reserve at the start of the financial year 2022/23 was £7.2m. Commitments against the reserve for 2023-24 currently stand at £1.98m, leaving a projected £5.2m at the end of this financial year. The final transfer to the Public Health Grant Reserve will be finalised at financial year-end based on final public health grant expenditure outturn.

<u>Adult Social Care – Forecast £3.3m overspend at Period 3</u>

At Period 3 Adult Social Care is forecasting an overspend position of £3.3m against a budget of £112.0m. The outturn position for 2022-23 for Adult Social Care was an overspend position of £2.2m against a budget of £108.9m. This overspend was after £4.4m was transferred from the s75 reserves funding held for costs associated with discharged clients and £2.2m from the ASC Discharge Grant.

(i) **Employee Costs – Forecast (£0.8m) underspend**

The Period 3 forecast for employee costs is a £0.8m underspend position against a budget of £22.6m, 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.

The projected underspend for Employee Costs is £0.6m less in 2023-24 than the outturn position in 2022-23 due to additional funding received last financial year that was used to offset additional agency costs, that is not available in this financial year.

(ii) Care Package Costs and other Service Costs – Forecast £3.7m overspend

Direct costs associated with care packages are projected to overspend by £3.7m at Period 3 against a budget of £106.0m.

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 2023 to the end of June 2023 shows that the Panel process has approved 246 packages of care with increasing needs, representing a further £2.8m full-year cost. Against this, 78 cases assessed to date, resulted in a reduction or cessation in care package, amounting to a £0.6m reduction in full-year costs. 78

packages assessed resulted in no change in the level of care provided. The impact of these changes to date is a net increase of £2.2m (387 total packages reviewed).

The demographic growth budget is being held centrally and then allocated to the appropriate budgets on a quarterly basis, based on a calculation of the costs of new clients into a service area. The total allocated demographic growth budget for 2023-24 is £4.0m. A budget for inflationary uplifts, that is currently being projected to cost £6.3m in 2023-24, is yet to be allocated to directorates by the Corporate Finance Team.

Other Service Costs are in relation to a provision for bad debts and other supplies and services costs relating to Adult Social Service clients. These are projected to overspend by £2.0m at period 3 against a budget of £1.0m. The provision for bad debts (i.e., irrecoverable income against historic invoices raised for residential and non-residential income, has been estimated as £1.4m and will be finalised as part of the closing of accounts processes.

(iii) Income – Forecast £1.5m over achievement of income over budget

Income budgets are projecting an additional £1.5m in income at Period 3. This is due to projected additional client contribution income that will be recovered in this financial year from the work being carried out by the ASC Debt Panel.

Integrated Commissioning – Forecast (£0.1m) underspend at Period 3

Integrated Commissioning is forecast to underspend by £0.1m at Period 3, against a revised budget of £14.6m. The outturn position for 2022-23 was an underspend of £2.1m against a budget of £16.6m. primarily due to additional draw-down of TH Place Investment Funding from reserves.

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 2023-24, and therefore creating an underspend in costs for this area. Funding will be drawn down from the TH Place Investment Fund in 2023-24 held in reserves to meet partnership priorities and agreed funding.

An area of substantial risk in Integrated Commissioning is the Transport Services Unit (TSU) recharge, which has a budget of £2.0m for 2023-24. Currently estimates of the costs that will be recharged from the Place directorate to Health, Adults & Community are £2.7m due to current pressures in the fuel market.

Community Safety – Forecast (£0.8m) Underspend at Period 3

Community Safety is projected to underspend by £0.8m at Period 3 against a budget of £10.2m. The outturn position for 2022-23 was an underspend of £0.29m against a budget of £6.5m.

The Division has significant growth investment in 2023-24 for recruitment of additional Tower Hamlets Enforcement Officers (THEOs), and for investment in additional Metropolitan Police Officers for the Borough. A robust campaign and a dedicated recruitment and selection process has been undertaken to ensure the additional officers are recruited to the THEO service. Due to the number of THEOs required and to ensure the best outcomes the recruitment and selection process has been undertaken using a phased approach. Tranche 1 of this recruitment process concluded in June and the tranche of new staff selected will be on boarded in line with the Council's recruitment and selection policy. The recruitment and selection process is still ongoing. The Police have advised that they are unable to provide additional funded police officers this year due to London wide recruitment issues facing the Metropolitan Police Service. Discussions are ongoing with the local Met Police Basic Command Unit to seek to mitigate this situation. Therefore, this has resulted in projected underspends/reductions against the growth funding in 2023-24.

Public Health – Forecast Breakeven

The Public Health Grant allocation for 2023-24 is £38.6m and is fully committed on existing expenditure. At the end of 2022-23, the amount held in the Public Health Grant ring-fenced reserve was £7.16m. Committed expenditure during 2023-24 from the reserve stands at £1.98m, including expenditure on the Healthy Borough and Community First Programmes, funding on partnership posts and additional funding allocated to Children and Culture Directorate. Currently the reserve balance at the end of this financial year is projected at £5.2m.

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. Expenditure in the amount of £1.0m has been retained within the Public Health Grant budget to meet demand increases.

Service	2023/24 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	17.2	1	17.6	0.4	(0.2)	**0.2**
Resources	1.8	1.1	2.3	0.5	(0.7)	**(0.2)**
Public Realm	34.4	4	38.1	3.7	(0.8)	**2.9**
Growth & Economic Development	2.5	5	5.3	2.8	(2.5)	**0.3**
Planning & Building Control	2.3	0.9	3.3	1	(0.9)	**0.1**
Housing & Regeneration	15	6.7	20.8	5.8	(2.2)	**3.6**
Total	**73.2**	**18.7**	**87.4**	**14.2**	**(7.3)**	**6.9**

Draft Outturn Position

The Place Directorate is forecasting outturn position with an adverse variance of £6.9m after reserve adjustments. The main adverse variances are within Public Realm (Waste services) and Housing & Regeneration (Housing Options). The councils new departmental structure took effect in August 2023, a key driver being to address issues within the Place directorate in its inability to efficiently manage its resources, projects, people and direction given its size and subsequent budget monitors will be reported based on the new departmental structures.

The Directorate is proposing a number of drawdowns and top ups which are planned as part of its business-as-usual activities. These adjustments net to a £7.3m drawdown from specific earmarked reserves. This reserve figure includes Infrastructure Planning activities and £1.3m LIF funding for the Regeneration and Infrastructure Planning teams; £0.7m from the Mayoral Tackling Poverty reserve to fund the team; £1.3m contribution from the Flexible Homelessness Support grant reserve to mitigate cost pressures within the Homelessness service; £1.5m budgeted drawdown from the Parking reserve to fund Highways activities and £0.8m from the Barkentine PFI smoothing reserve primarily to fund ongoing work around the future of the scheme. The remaining drawdowns are from specific ringfenced reserves to fund one off projects across the Directorate.

The majority of the adverse 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 increasing demand for Housing Options and Growth & Economic Development, reduced developer income within Planning & Building Control, reduced capitalisation of salaries relating to the capital programme (including the TFL programme) and assets deemed surplus to requirement transferring to the Directorate without budgetary provision. These unavoidable costs have placed pressure on service delivery or reduced the amount of income collected.

Savings Targets

The Directorate has a £7.2m savings targets in 2023/24, inclusive of slipped savings from the previous financial year. Of these savings it is projected that £4.9m will be delivered, with remaining £2.1m of savings slipping into the next financial year but remain deliverable and the remaining £0.2m is undeliverable. The slippage is primarily within the Housing Options service where service transformation is taking place, but the saving will not be realised until future years.

Property & Major Programmes – Forecast £0.2m Adverse

The Property & Major Programmes division is forecasting to outturn with a £0.2m adverse variance after reserve adjustments.

Corporate Property – £0.6m Adverse Variance

Four schools (Cherry Trees, Guardian Angels, Shapla and Bromley Hall) and Mile End playgroup are empty and declared surplus to requirements. Vacant property costs including security, insurance, utilities, rates 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 as surplus.

Facilities Management – (£0.6m) Favourable Variance

A £0.5m favourable variance against employee related budgets resulting from vacancies that have not been filled.

Favourable variance of £0.1m relating to an underspend on supplies and services budgets within the New Town Hall team.

Corporate Landlord Model (CLM) – (£0.2m) Favourable Variance

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.

Non-Operational Investment Estate – £0.4m Adverse Variance

Void units resulting from capital works at the Montefiore building is resulting in an adverse variance of £0.1m.

A £0.3m adverse variance resulting from vacant units and units currently under offer at Jack Dash House and Brady Centre.

New Town Hall – Nil Variance

Projected transitional costs totalling £0.2m relating to the move to the New Town Hall will be met from the New Town Hall reserve.

Resources – £0.2m Favourable Variance

The revenue costs relating to the Regeneration team are projected at £0.9m for the year, with £0.6m funded from LIF and £0.3m costs to be capitalised. There is no general budget and the service is projecting use this funding to meet its costs, resulting in a nil variance.

A £0.4m favourable variance within the Service Design & Improvement team resulting from vacant posts and part-year recruitment to fill vacancies.

Unbudgeted employee costs have resulted in a £0.2m adverse variance within the Place Director cost centre.

Public Realm – £2.9m Adverse Variance

Public Realm is forecasting an adverse variance of £2.9m against budget. This figure is inclusive of a proposed reserve movements netting to a £0.8m drawdown.

Public Realm Management – (£0.3m) Favourable Variance

Favourable variance resulting from underspend on employee related expenditure.

Highways and Traffic Management – £0.2m Adverse Variance

A £0.3m favourable variance relating to additional network management income. Increased development within the Borough has resulted in greater levels of road closures relating to the Council's footway and carriageway capital programme and issuing of scaffolding and hoarding permits.

Capitalisation shortfall projected at £0.8m is being offset by a corresponding underspend of £0.8m on salaries resulting from posts being held vacant.

Despite consumption levels reducing following the capital investment to implement low energy light bulbs, energy prices have risen resulting in an £0.6m adverse variance for on street lighting electricity charges. The unit rate has increased by 50% for street lighting when compared with the previous financial year.

A budget shortfall of £0.5m relating to sunk costs that cannot be capitalised resulting from the TFL capital programme not progressing. The budgets reflect funding assumptions at the pre-Covid level from TFL of £2.2m. TFL are withholding funding in the current year following uncertainty around the capital programme.

Balances relating to historic temporary structure income and s278 rechargeable works totalling £0.6m are forecast to be drawn down to revenue. This relates to unclaimed amounts of over six years old that cannot be reclaimed. This balance is planned to be used to mitigate the pressures detailed above in Highways & Traffic Management.

A £1.4m contribution towards the cost of Highways and Traffic Management from the Parking surplus (drawdown from the Parking Control reserve). This drawdown is budgeted, resulting in a nil variance.

Operational Services – Nil Variance

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

Vacant posts within this Arboriculture service resulting in a £0.1m favourable variance.

A £0.2m adverse variance relating to demographic growth and customer behaviour post pandemic which is generating more household waste. An assumption has been made that the indexation uplift on the waste disposal contract will be met corporately.

A £0.1m adverse variance relating to increased costs of running plant and machinery, including fuel costs within the green team service.

There is likely to be a favourable variance for the excess revenue electricity share resulting from the creation of electricity from the residual waste. The higher selling price to the National Grid should result in a larger income share for the Council but there is no visibility of the amount at present. The Council's share was £0.6m in 2022/23.

Environmental Services Improvement – (£0.1m) Favourable Variance
A favourable variance of £0.1m resulting from vacant posts and secondments away from the team.

Waste Operations (Environmental Services) – £2.9m Adverse Variance
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.

Cleaning related to external events and the late-night economy is forecast to generate additional income of £0.1m.

A favourable variance of £1m against salaries relating to vacant posts. This is being offset by additional costs of £2.2m for agency and overtime covering these vacancies, long-term sickness and additional public holidays. This resulted in an adverse variance for employee related costs of £1.2m. A recruitment campaign is planned to fill the vacancies and reduce reliance on overtime and agency staff.

Unachievable income target of £0.1m relating to charging for bulky waste collections. This income target formed part of a historic greater commercialisation saving allocated to Place in 2021/22. The charge either needs to be introduced in the current year or the saving written off as bulky waste collections remain a non-chargeable service.

A £0.4m adverse variance relating to an unachievable income target relating to a revised and reduced recharge to the markets service.

Unscheduled vehicle repairs, increased costs for scheduled maintenance and an increase in the cost of diesel has resulted in an adverse variance of £1.4m.

There are a number of mitigating actions that are being undertaken to manage this ongoing cost pressure. These include targeting illegal waste through increased enforcement activity; improve the commercial waste offer and increasing market share (whilst also targeting over production of waste by existing commercial waste customers through targeted enforcement activity to drive compliance and increase sales); reducing contamination through identification of hotspots followed by targeted communication (education/advice/enforcement); targeting rogue landlords through policy change/interventions; workforce recruitment of permanent staff to replace temporary staff and reduce overtime; and route optimisation and increased staff training to reduce vehicle damage / insurance claims.

Commercial Waste - £0.6m Adverse Variance
There is an under recovery of income totalling £0.6m for commercial waste. The service has lost customers during the pandemic. This forecast is based on the previous year's outturn position. There have been issues around the billing of income for commercial waste which are currently being resolved.

Fleet & Passenger Transport Service – Nil Variance
The majority of fleet costs are recharged to other services. There has been a significant increase in these costs, in particular fuel and repairs & maintenance which have been passed on to other Directorates where the pressure is being reported.

Concessionary Fares – (£1m) Favourable Variance
Although the cost of journeys has increased, 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.

Although there is a favourable variance in year, projections for future years are forecasting significant adverse variances (£2.3m in 2024/25 and a further £1.8m in 2025/26).

Parking services – Nil Variance
Parking services has a favourable variance of £1m against budget. This amount will be transferred to the Parking Control reserve and reallocated to fund other highways and transport related services and school crossing patrols.

The Enforcement service (PCN related income) has exceeded budgeted levels because 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, with forecasted additional income of £1.5m.

However, this is being offset by pressures on the Parking debt budget where there is an under recovery against the income target of £1.4m. This target relates to aged debt cases where the central debt collection team are falling short of the targeted debt recovery levels as some have been deemed irrecoverable.

Vacant posts within the Enforcement service resulting in a favourable variance of £0.2m. Staff retention is challenging and when vacant these posts are difficult to fill.

Bay suspension income is over-recovering by £0.4m with demand for the service continuing to be high.

Casual parking income is projected to exceed budget by £0.3m with demand being higher than that budgeted.

Environmental & Regulatory services – £0.6m Adverse Variance
Unbudgeted contract costs relating to the Coroner's, Undertaker and Pathology services are forecasting to result in a £0.3m adverse variance.

Landlord licensing is forecasting an adverse variance of £0.3m where there is no reserve to offset the costs incurred providing the service. The license fees are paid in advance and cover a three year period, the license fee covering the costs incurred administering the scheme over the life of the license period. HMO licenses are discretionary fees and are increased in line with inflation. This represents an accounting error where the reserve was taken several years ago and not the result of service provision.

Expenditure totalling £0.2m has been incurred to fund the additional HMO licensing scheme. These costs will be met from the Additional HMO licensing reserve, resulting in a nil variance.

There is an ongoing court case with legal costs of £0.1m forecast in year. These costs will be met from the Proceeds of Crime reserve.

Street Trading – Nil Variance
The Street Trading account is a ringfenced account and is forecasting a nil variance. This forecast includes a reduction in the cleansing and refuse collection recharge from waste services where it has been deemed that some costs cannot be passed on to the market traders.

Growth & Economic Development – Forecast £0.3m Adverse
Growth & Economic Development is forecasting an adverse variance of £0.3m against budget. This projection assumes approved s106 drawdown from reserves totalling £2.5m for core activities and approved projects across the division. There are further reserve drawdowns totalling £0.7m to fund the

Tackling Poverty team, £0.6m for the Residents Support Scheme and a further £1m from earmarked reserves for specific activities and projects, for example the Kickstart programme, 50+ programme, ESF programme and BAME Action Fund.

The cost-of-living crisis is a mayoral priority, and the new administration has approved additional spending of £0.4m for food hubs in year. This additional expenditure will be met from the Mayoral Priority reserve.

The Growth & Economic Development division are forecasting to receive grant funding totalling £11.5m in year. This includes £6m Household Support grant, Holiday Activity Funding of £1.7m, Energy Bill Support scheme funding of £2m, £0.7m SIP funding (LIFT and Inclusive Growth money), £0.3m UKSPF funding and a number of smaller grants across GED totalling £0.8m.

Employment & Skills – £0.2m Adverse Variance

The ITRES service has moved to be managed through Matrix, this movement means there is an unachievable 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. Work is ongoing to mitigate this pressure in the new year.

The E&S service operates a number of externally funded programmes that complement the mainstream service 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; DWP Local Supported Employment programme.

Growth – (£0.1m) Favourable

The Growth service has a favourable variance of £0.1m after reserve drawdowns. There are a number of projects being undertaken within the service, primarily around thriving high streets and creative enterprise zones and grant funding has been received to support this work.

The £0.1m favourable variance is within the Business Growth team and relates to a number of vacancies and some posts being budgeted at top of scale but recruited at lower grades.

Tackling Poverty – Nil Variance

Tackling Poverty has been awarded £6m in household support grant in 2023/24. This grant will be spent 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 a drawdown of £0.7m from the Mayor's Tackling Poverty reserve is projected be required to meet this cost.

The service has also received £1.7m for the Holiday Activity Fund. This funds two posts to run the HAF scheme as well as funding other running costs, food and activities for children throughout the year.

A total of £2.3m has been received for the Energy Bills Support scheme. Vulnerable residents could apply for £400 grants towards the cost of their energy bills. The scheme supported residents who were ineligible for the £66 per month energy payments awarded last Winter, targeting residents who do not have mains gas, live on boats or live in accommodation where energy bills are included in the rent payments. This scheme has now come to an end. There were a low number of residents in Borough eligible for the Energy Bill Support Scheme when compared with the size of grant awarded. In total 1,200 claims were made for energy support, totalling £305k in grant support. As a result, £2m remained unspent. This amount will need to be repaid to the Department of Business Energy and Industrial Strategy.

Economic Development Management - £0.2m Adverse variance
Unbudgeted recharge for works undertaken by the Strategy, Policy & Improvement team.

Continuing Covid-19 and Cost-of-Living response.
The Tackling Poverty and Crisis Support team continue to undertake significant work in helping residents to recover from the pandemic and help them through the cost-of-living crisis, with rules around the resident support scheme being relaxed and some payments increased, and through the ongoing management of a food hub. Food vouchers have also been distributed to residents and eligible residents were also supported through the test and trace system. This scheme has now finished.

Planning & Building Control – £0.1m Adverse Variance
The Planning & Building Control service is forecasting an adverse variance of £0.6m from its general fund activities before applying additional CIL admin income. This is largely the result of an underachievement of statutory planning fees and local land charge income as a result of a downturn in both developments and the housing market.

This downturn in income was experienced in the previous financial year and is projected to continue in 2023/24. Development has slowed down for a number of reasons, including the state of the economy - the level of inflation and interest rates in particular impacting the housing market. This turbulence in the economy impacts all of Planning & Building Control income streams as the service covers the whole development pipeline. In addition, the proposed amendments to building regulations to require two staircases for residential buildings above 30m (recently announced to be applied to buildings above 18m) has caused a number of schemes to stall and reassess proposals, again reducing the number of applications and start on sites, impacting both Development Management and CIL income.

This position includes budgeted drawdowns of s106 funding totalling £0.5m to fund posts and activities within the Infrastructure Planning team and £0.3m to fund specific LIF projects again within Infrastructure Planning.

The Planning & Building Control service also utilises both Mayoral (MCIL) and Tower Hamlets (THCIL) CIL revenue funding. In 2023/24 projections for MCIL (£0.4m) and THCIL (£1.3m) funding total £1.7m. This represents an additional £0.5m against budgeted levels which it is assumed will be applied to revenue activities in line with legislation. The impact will reduce the adverse variance to £0.1m.

Building Control General Fund – (£0.2m) Favourable Variance
A growth bid of £0.4m was approved to restructure the existing team and recruit to five additional registered building inspector posts as part of the Council's response to the Building Safety Act. This approved growth represents only a part of the cost of the growth required. The restructure and recruitment is taking time and thus is not a full years cost. Spend against this growth will be monitored throughout the year and the forecast amended based on the ability to recruit.

Development Management - £0.6m Adverse Variance
There is no net General Fund budget within Development Management, with the service being entirely income funded. The service has vacant posts resulting in a favourable variance of £0.1m. This is being offset by a budget pressure of currently £0.3m for Consultant's and Counsel fees for the public enquiries that are taking place. A £0.4m shortfall against the planning income target for statutory fees where the volume of planning applications is projected to be less than budgeted levels.

Digital & Commercial Innovation Team – (£0.1m) Favourable Variance
This favourable variance is the result of vacancies within the team.

Planning & Building Control Divisional Support Team – (£0.1m) Favourable Variance
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 – £0.4m Adverse Variance
A downturn in the property market due to the cost-of-living crisis and high interest rates has resulted in an adverse variance of £0.3m against the Local Land Charge income budget and a further £0.1m adverse variance in income for Street Naming & Numbering.

Strategic Planning – Nil Variance
The Plan Making team received growth of £0.4m in 2022/23 towards the cost of producing the new local plan. Spend in year is projected at £0.3m, with the balance being transferred to reserves to fund further work on the local plan in the next financial year.

Infrastructure Planning – (£0.5m) Favourable Variance
There is budgeted use of CIL revenue funding of £1.2m; £0.3m from LIF and s106 reserve drawdowns of £0.5m towards the running costs of the Infrastructure Planning team. Actual funding for CIL is forecast at £1.7m, representing a favourable variance against budget of £0.5m. This funding will be applied in line with legislation.

Building Control Trading Account – Nil Variance
The building control trading account has a £0.1m adverse variance before reserve drawdowns. This results from an income shortfall when compared with budget. The service is carrying a number of vacant posts that are being filled by agency staff whilst a recruitment campaign has been undertaken. As the building control trading account is ringfenced, this adverse variance will be mitigated through the trading account reserve, resulting in a nil variance. There are sufficient funds within the reserve to meet this cost.

Housing & Regeneration – £3.8m Adverse Variance
The Housing & Regeneration division is forecasting an adverse variance of £3.8m after reserve movements.

Housing Options – £3.6m Adverse Variance
The Housing Options (Homelessness and Rough Sleeping) service is forecasting to outturn with a £3.6m adverse variance against budget after applying grant and reserve drawdowns.

Subjective Analysis	**Variance – Adverse / (Favourable) £m**
Staffing Costs	(0.2)
Accommodation Costs	3.2
Bad Debt Provision	0.6
HB Income	(3.4)
Variance from Core Activity	**0.2**
Housing Benefit Subsidy Loss	6.5
Variance before Reserve Drawdowns & Grant	**6.7**
Homeless Prevention Top Up Grant	(1.5)
Drawdown from Reserves	(1.6)
Variance after Reserve Drawdowns	**3.6**

This position includes the use of £9.4m of grants (Homeless Prevention Grant £6m; Homeless Prevention Grant Top Up £1.5m (£0.5m of which is related specifically to Ukrainian refugees); Rough Sleeping Initiative £1.8m; £0.1m RSI additional pressures). The level of grant funding has exceeded that budgeted with the top up grants representing additional funding. Despite this, the service is projecting an adverse variance.

Homelessness numbers remain high and have risen since the start of the year. Current numbers in Temporary Accommodation are 2,800 (This compares with 2,568 households a year ago, an increase of 232. 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. There has been a 91% increase in the numbers presenting as homeless due to eviction from private sector rentals. The cost-of-living crisis has increased family exclusions and reduced accessibility of private tenancies. A greater number of individuals have contacted the service since it has been digitalised, the number of homelessness presentations increased from 172 (of which 168 were owed a prevention) in June 2022 to 244 (of which 204 were owed a prevention) in June 2023.

These high numbers place pressure on the use of expensive nightly booked and bed & breakfast accommodation and the use of commercial hotels at additional cost. There are currently 494 is that households not people? in B&B accommodation compared with 323 a year ago, an increase of 171. The number of room bookings and the cost of B&B accommodation are rising, putting further pressure on the budget. Rooms are now costing £70-£80 per night with current providers who were charging £35 per night during the pandemic and new providers are charging in excess of £100 per night and the cost of using commercial hotels is higher still. Competition for accommodation with the asylum seeker market and other Local Authorities is further driving up costs. The Council lost 211 family sized properties in Tower Hamlets to other London Boroughs from January to March..

Over the past six months the Council saw a 33% increase in T.A. placements, an increase of 39% on the use of B&B accommodation when compared with the same period in the previous year, a 34% increase in the number of families placed and an overall increase in demand for the service of 30%.

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. The lack of move on options is resulting in the service failing to meet its suitability obligations for the first time since 2016 and not moving claimants from B&B accommodation within the six-week statutory target. The Council has withdrawn from Capital Letters and will be procuring its own accommodation from now on. Despite this, the budget variance is forecast at £0.2m before Housing Benefit Loss, with the higher accommodation costs being offset by increased income, primarily through Housing Benefit.

The Council incurs a Housing Benefit Subsidy loss on every placement. The Council can claim back Housing Benefit costs incurred up to 90% January 2011 LHA rates. Rents within Tower Hamlets and neighbouring Boroughs are higher than this rate, resulting in the Housing Benefit payment made being higher than the amount that can be claimed back. £4m of growth was added to the Housing Benefit Subsidy Loss budget in 2021/22 and despite this, there remains an adverse variance of £6.5m against this budget. This position is being made worse as a result of the increased use of nightly booked, B&B and commercial hotels, delays in setting up rent accounts and the need to house in borough or within close proximity of the borough.

The impact of the shortfall in temporary accommodation subsidy is a net charge to the Council's HB budget. This was previously accounted for in Housing Benefits but has recently transferred to Housing Options to allow the full cost of the service to be identified. In previous years the budget pressure was managed by one-off grant, for example Covid grant. This is now unavailable, resulting in a budget pressure against the General Fund.

The estimated shortfall in the budget is forecast to be £6.5m (including the £2m transformation saving), which cannot be met from within existing budgets. The extent of the unadjusted increase in Subsidy loss since 2016/17 can be seen in the table below with increase of over 184% over the 7 years

2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
£3,903,546	£4,345,368	£5,131,048	£6,012,341	£7,431,645	£6,890,120	7,206,159

After taking account of the Housing Benefit Subsidy loss there is an adverse variance of £6.7m (£0.2m from core activities + £6.5m Housing Benefit Subsidy Loss). This budget pressure is being partly mitigated through the use of Homelessness Prevention Top Up grant (£1.5m) which was unbudgeted and planned reserve drawdowns totalling £1.6m from the Flexible Homelessness Support Grant reserve (£1.3m) to fund the increase in bad debt provision and PLA rent increases for in-borough properties and the Homelessness Prevention Grant reserve (£0.3m) to fund posts for the service transformation project, as approved by the Mayor . After these adjustments, the Housing Options service is projecting an adverse variance of £3.6m.

These budget pressures are not unique to Tower Hamlets and are being felt across London and the Country as a whole. There are a number of actions being undertaken across London and within Tower Hamlets to mitigate these pressures. Engaging with RPs on available properties/obsolete buildings, landlord forum, landlords offer find your own PRS, new procurement staff, review of incentives to landlords. Renegotiating with existing providers.

Locally, the Homelessness service are mitigating the budget pressures by 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. There wasa £2m savings target attached to the programme as part of the previous MTFS and that has already been taken from the base budget and is contributing to the adverse variance.

The speed of Transformation is being hampered by the cost-of-living crisis which is increasing demand for the service and the lack of move on options available.

A Housing Away Day with Mayor will conduct a deep dive into homelessness; to understand the budget drivers, future trends, opportunities. This will help to feed into a new Homelessness Strategy which is a statutory strategy that we are required to have to replace the existing one.

<u>Ongoing Covid-19 Response</u>
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 brought from the streets as part of the Government's 'Everyone In' campaign. DLUCH have provided funding for this scheme in 2023/24 with LBTH receiving a total of £890k towards its costs as part of the Rough Sleeping Initiative grant settlement. This grant funding is projected to be spent in full during the year providing accommodation and support services at Luke House.

<u>Lettings - £0.4m Adverse Variance</u>
Adverse variance of £0.4m resulting from a reduction of the choice-based letting service recharge to the HRA. The evidence based revised recharge is based on the number of lets to Council owned property,

rather than a historic charge against which the budget was set. A growth bid to recover the income shortfall has been submitted.

Energy & Sustainability – *(£0.2m) Favourable Variance*
The £0.2m 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 the unit price of gas and electricity has increased the commissioning income received.

A £0.1m adverse variance relating to the Barkentine PFI scheme will be mitigated through a drawdown from the smoothing reserve, resulting in nil variance. There is currently a balance of £1m in this reserve and is therefore sufficient to cover this cost. A further £0.7m is projected to be spent in securing the future of the provision once it expires. It is assumed that this will also be met from this balance on the smoothing reserve and work is ongoing with DLUHC to ascertain if there will be additional future costs.

Housing Supply – Nil Variance
Housing Supply is projecting to outturn in line with budget after reserve adjustments. The fire safety team received approved growth of £0.7m, delays to recruitment mean that projected spend will total £0.5m, with the balance transferring to reserve to fund the ongoing statutory work in the next financial year.

Forecast £3.0m underspend

Service	2023/24 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	47.3	16.3	44.3	(3.0)	(0.0)	**(3.0)**
Total	**47.3**	**16.3**	**44.3**	**(3.0)**	**(0.0)**	**(3.0)**

Summary

A forecast underspend of £3.0m for Corporate Costs is reported for this period.

Pay inflation budget held centrally – £3.8m overspend

A pay provision of 4% was provided for pay inflation. The latest negotiations suggests that a 6% pay award is likely and therefore will exceed the provision by £3.8m.

Non-pay inflation budget held centrally – £2.5m underspend

A corporate provision of £16.6m for non-pay inflation was budgeted. We have now assessed the impact of contract inflation across the Council which has identified a saving of £1.2m. In addition, £1.3m is provided for to offset reported overspends in Children's and Culture related to contractual inflation. There remains a risk that the provision for energy price increases will not be sufficient, and this is being quantified.

Cross-Directorate Savings – breakeven

There are cross directorate savings of £1.1m and plans are being developed to deliver these. At this stage, the savings are being shown as being achievable.

Redundancy, Severance and Early Retirement – breakeven

An allowance of £2.5m is included in the budget for redundancy costs. This is to allow additional capacity for the Council to fund transformation. Due to the voluntary redundancies, it is anticipated it will be fully utilised this year. Any underspend will be transferred to reserves to provide funding for future years.

Pension Fund deficit repayment – £1.0m underspend

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

Corporate contingency budget to cover unforeseen circumstances – breakeven

There is £3.1m included in the budget to cover unforeseen circumstances. This is shown as a breakeven position currently, although maybe available for release later in the year.

Corporate income and expenditure – forecast (£2.2m) Underspend

Forecast overachievement of income of £2.2m against corporate income target attributable to the receipt of £2.2m from the London mayor in respect of Free Healthy School Meals.

Treasury Management – forecast £1.1m underspend

An underspend of £1.4m is forecast on borrowing costs and Minimum Revenue Provision due to slippage in the capital programme.

Interest and dividend income receivable in 2023-24 is estimated at £2.1m, net of interest payable on section 106 balances. This is £0.5m more than budgeted, principally due to interest rates being higher than forecast.

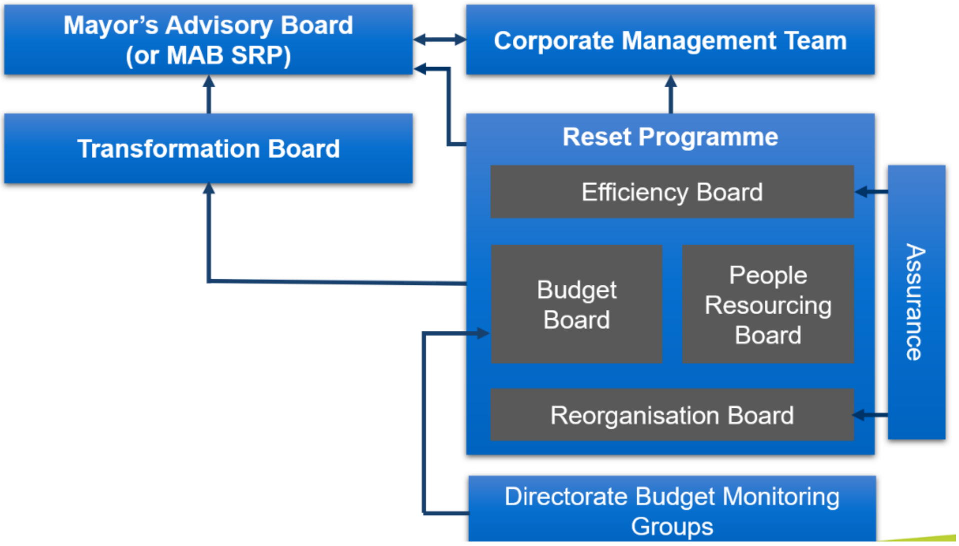
The HRA share of treasury management costs is £1.0m (Item 8 debit and credit), against a budget of £1.8m.

Actions to Address the Forecast Overspend

The Council is undergoing a transformation programme to make sure we are achieving the council's agreed priorities, Mayor's ambitions for the borough and the objectives set out in the Strategic Plan in a more efficient and financially sustainable manner.

Boards have been set up to drive the transformation and achieve those efficiencies detailed in our Medium-Term Financial Plan (MTFP). These boards have been set up to bring much more rigour to the financial management process, in part based on the annual underachievement of savings targets over a number of years and will help to reorganise and restructure the council and are subject to on-going quarterly review to ensure they are working as effectively as possible.

The diagram below shows how these new governance arrangements for the transformation of the Council operate:



A key element of these arrangements is the Budget Board, which is chaired by the Section 151 Officer and leads on approving budget efficiencies, including saving targets, budget growth requests and in-year variances.

In addition, the Council is also reviewing its Target Operating Model to guide the organisations evolution towards one that places more emphasis upon the needs and aspirations of the people of our Borough and the users of our services.

Directorates have been issued with additional savings targets to achieve and proposals will progress through the new governance framework to ensure they are deliverable, and all potential savings are identified. Savings that can be taken in year will be identified as part of this process.

A corporate savings target has also been set for the Corporate Restructure Initiative. There are three drivers that necessitate a review of the departmental structures for the Council's services. These are: -

- To ensure staff resource is better aligned to the Council's priorities.
- To ensure that the services we offer are as efficient and customer focused as they can be.
- To provide an accelerated contribution to the delivery of £40m of realisable recurring savings required over the coming medium term to secure a financially sustainable position in line with our financial strategy.

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(1.1)	36.4	0.2	1.3
Total	**(1.1)**	**36.4**	**0.2**	**1.3**

The Housing Revenue Account has an outturn position with an adverse variance of £1.3m when compared with budget. There are a number of favourable and adverse variances that make up the final outturn position:

Delegated Budgets – £2.2m Adverse Variance

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 2023/24 is an income of £64.8m. There is an adverse variance of £2.2m against these budgets.

Income – (£0.2m) Favourable

A £1.5m favourable variance relating to leaseholder service charges. Income is projected to exceed budgeted levels due to an increase in the cost of energy and insurance, with this additional charge being passed on to Leaseholders. Although the budget was inflated, recent price increases have exceeded the level of inflation applied.

A £0.6m adverse variance in rental income due to properties being held void. A total of 164 properties are being held as void, primarily for respite / decant purposes from Maltings & Brewster (structural works being undertaken) and Bentworth House (following an explosion). Rents are not charged to the decanted tenants on these properties. These are in addition to the normal day to day voids occurring during the year.

A £0.4m adverse variance relating to tenant service charge income resulting from the high number of void properties where service charge income is not being collected.

Garage rents have an adverse variance of £0.2m. A number of garages have been decommissioned with the sites being included in the Mayor's new build property programme.

A £0.1m adverse variance relating to the admin fee for major works.

Expenditure – £2.4m Adverse Variance

A favourable variance of £0.1m for NNDR costs associated with the non-dwelling properties.

Work relating to community investment projects was suspended during the pandemic and has been slow ever since resulting in a £0.2m favourable variance.

The repairs & maintenance budget is forecasting an adverse variance of £0.2m. This results from increases in the cost of labour and materials built into new contracts and legacy works being cleared from slippage from the previous contracts.

Building insurance is forecast to overspend by £2.2m, bringing the full forecast for this year to £6m. The insurance market is experiencing contraction, as the number of insurers has declined, and premiums are increasing. During the tendering process, the Council received only one proposal, and it was accepted.

Charges for Dame Collet and Poplar Baths are forecasting an adverse variance of £0.1m which is directly attributable to inflationary increases. Final charges were agreed post April after the budget had been set.

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

Following an explosion at Bentworth Court, the Council has incurred costs totalling £0.5m.in addition to those incurred previously of £4.4m. It is assumed that this additional cost will be met through insurance, resulting in nil variance.

Management Fee – Nil Variance
A nil variance is projected against the Management Fee. This does however assume a reserve transfer to meet the cost of the pay award once it has been agreed.

Non delegated budgets – £2.2m Adverse Variance
A £0.2m favourable variance relating to shop income. This relates to shop income for Ben Johnson Road which has not been budgeted for in the HRA. These shops previously sat in the General Fund but are HRA dwellings.

The Leaseholder Enfranchisements income has exceeded budget by £0.1m. The number of applications to extend leases is projected to be higher than budgeted.

A £1.3m adverse variance on repairs and maintenance costs relating to non-dwelling properties. This includes additional security costs on void properties, projected business rate charges on empty properties and unbudgeted responsive and programmed repairs.

A £0.2m adverse variance relating to projected lower than budgeted capitalisation of salary costs. This relates to expected slippage within the HRA capital programme.

A £0.3m adverse variance for support service recharges relating to additional recharges from the asset management team as they are undertaken additional HRA related works. The team supporting the HRA include agency staff at higher cost.

An adverse variance of £0.7m against insurance premiums for dwellings with costs rising at a higher percentage than was budgeted. Premiums are expected to increase by 40% in year due to reduced competition in the market driving up costs.

The Council are looking to enter into a development agreement to build out some sites which currently sit within the pipeline schemes but cannot be afforded within the HRA capital programme. There will be costs associated with this agreement but at present they are unknown as work to procure a partner developer is in its infancy. Any in-year revenue implications will be reviewed as this work progresses.

Technical Adjustments – (£3.1m) Favourable Variance
A favourable variance of £0.7m against the depreciation charge (£0.8m favourable for HRA dwellings and a £0.1m adverse variance against the HRA non-dwelling properties).

An adverse variance of £1m for the Item 8 debit and a favourable variance of £3.4m for the item credit resulting from increased interest rates. The item 8 charges are sensitive to changes in interest rates and will be monitored throughout the year.

The table shows forecast pressures on 2023/24 General Fund and Earmarked Reserves balances and how this might be managed by means of utilising earmarked reserves.

£m	Draft balances as per 31 March 2023* £m	Forecast contribution to / (from) Reserve £m	Forecast balance 31 March 2024 £m
GF balances (general reserve)	**24.2**	(2.5)	**21.7**
	24.2	**(2.5)**	**21.7**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
BAME	0.8	(0.3)	0.5
CIL Reserve	3.7	(1.3)	2.4
Collection Fund Smoothing**	43.7	(2.7)	41.0
Covid Recovery Fund	1.8	0.0	1.8
Covid-19 Grant	4.1	0.0	4.1
Free School Meals Reserve	1.8	(1.8)	0.0
HA&C Joint Funding Agreements	7.3	(4.7)	2.6
Insurance	7.9	(0.3)	7.6
Local Elections earmarked reserve	0.6	0.0	0.6
Parking Control	8.8	(0.5)	8.3
Public Health Reserve	7.2	(2.0)	5.2
Revenue Grants Unused	11.4	(3.3)	8.1
Earmarked reserves with restrictions – Subtotal	**98.9**	**(16.8)**	**82.1**
Earmarked reserves without restrictions			
ICT Reserve	9.3	(2.0)	7.3
Mayor Tackling Poverty Reserve	2.9	(0.7)	2.2
Mayors Priority Investment Reserve***	46.6	(26.7)	19.9
Risk Reserve	15.7	(4.2)	11.5
Services Reserve	18.4	(3.7)	14.7
Social Care Pressures Reserve***	0.0	4.6	4.6
Transformation Reserve	3.1	(1.0)	2.1
Earmarked reserves without restrictions - Subtotal	**96.0**	**(33.8)**	**62.2**
Total Earmarked Reserves	**194.9**	**(50.6)**	**144.3**
Total GF and Earmarked reserves	**219.1**	**(53.1)**	**166.0**

* updated 31 March 2023 position from provisional outturn 2022/23

**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 Mayor's Priority Investment reserve is forecast to reduce by £26.7m due to budgeted contributions to fund MTFS (22.1m) and budgeted creation of a Social Care Pressures Reserves (£4.6m) as approved by council on 1st March 2023

The table shows the 2023/24 forecast outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves.

HRA and DSG reserves	Draft balances as per 31 March 2023*	Forecast contribution to / (from) reserves	Forecast balance 31 March 2024
	£m	£m	£m
Housing Revenue Account (HRA)	**36.1**	(13.1)	**23.0**
Dedicated Schools Grant (DSG)	**(13.8)**	1.0	**(12.8)**
Capital Grants Unapplied	**191.1**	(42.8)	**148.3**
Capital Receipts Reserve	**148.8**	(4.8)	**144.0**
Major Repairs Reserve (MRR)	**8.1**	(7.2)	**0.9**
Total Other Reserves	**370.3**	**(66.9)**	**303.4**

* updated 31 March 2023 position from provisional outturn 2022/23

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 draft accounts balance as at 31 March 2023 was £94.3m and the total is forecast to be £76.2m at 31 March 2024.

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 £404m in 2023-24 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 economic impacts from the cost of living pressures, although collection rates are starting to return to pre-pandemic levels.

There is a provisional (subject to audit) accumulated Business Rates Collection Fund deficit to the end of 2022-23, of which the estimated Council share is £17.0m. 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 to the end of 2022-23 continues to include a significant loss allowance (bad debt provision) for potential non-payment of debts, of which the Council share is £4.9m, to allow for the ongoing potential impacts of cost of living pressures.

To the end of Period 3, we have collected £131m of £431m billed (30.29% in-year collection rate) compared to 28.74% for 2022-23, which is an improvement on last year. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

Council Tax

We are expected to collect £175.7m in 2023-24 (both GLA 27.5% and Council 72.5% shares). Collection levels continue to be impacted by the economic impacts of the cost of living pressures.

There is a provisional (subject to audit) accumulated Council Tax Collection Fund deficit to the end of 2022-23, of which the estimated Council share is £1.2m. There is a loss allowance (bad debt provision) of £13.7m to allow for the potential impacts of cost of living pressures.

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 and has continued to rise to £32.3m in 2023/24. The level of claimants has reduced slightly from the increased pandemic level (£32.3m cost in 2023-24 which includes the effect of the Adult Social Care precept increase). The 2023-24 forecast at Period 1 is £32.3m. The level of claimants has reduced from 29,989 (end of 2021-22) to 28,175 (end of Period 1).

To the end of Period 3 we collected £41.6m of the £176m Council Tax bills raised (25.8% in-year collection rate) compared to 24.9% for the same period in 2022-23, which is an improvement on last year but lower than pre-pandemic collection levels. Future years' collection rates could continue to be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on energy and food costs).

The Council actioned the government's Council Tax support Fund, administering the reductions in bills of £55 to eligible Council Tax payers in time for the annual demand notices.

Overall Position

The Council's investment at the end of June 2023 was £239.6m (an increase of £1.7m from March 2023) and a decrease of £29.3m from previous month). Capital loss from strategic and cash pooled funds was £5.2m making the market value of investments as £234.489m. External borrowing was £68.709m and no new external borrowing took place during the quarter. The Council's Q1 average investment balance remains higher than the Arlingclose pool of London Boroughs of 21 of £98.2m and pool of 128 local authority average of £82.5m.

The 2023-24 budget for investment income is £2m and the actual income is currently expected to be in the region of £5m due to reducing cash balances. Although this income forecast is same as last year's actual and interest rates are rising, the reduction in council's cash balances remains a huge factor in forecast. Externally managed strategic and cash pooled fund investments are expected to face a further fall in capital value of strategic and cash pooled fund however income from dividends is expected to increase during the year.

Investment Category	**June 2023 Nominal Value £m**	**June 2023 Fair Value £m**
Internally Managed Investments		
Banks	31.000	31.000
DMADF	69.169	69.169
Money Market Funds	63.512	63.512
Externally Managed Pooled Funds		
Cash Plus & Short Bond Funds	20.0m	19.507
Strategic Pooled Funds	56.0m	51.301
Total	**239.672**	**234.489**

Income Position

The yield of the internal portfolio at the end of the quarter was 4.82%. This was helped by the 2 Base Rate increases during the quarter thereby reflected on new fixed deposits placed with banks and Debt Management Office during the quarter. The income returns of the entire portfolio, including the Council's external investments during the quarter was 4.5% and the total return including impact of externally managed pooled fund losses was 3.51%. (Capital loss total on cash plus pooled funds was –0.73% and strategic funds -4.24%).

Benchmarking

According to the June quarter benchmarking information received from our advisors, Arlingclose Ltd, our June quarter ending average income return of 4.50% outperformed a group of twenty-one London councils (4.47%) average income return) and outperformed against 126 national local authorities (4.32% average income return).

The treasury benchmark is against a pool of Arlingclose clients. In respect of London Boroughs, Arlingclose benchmarks against their pool of London & Met Boroughs and a second pool of their local authorities' clients which may be London Boroughs, County council's district council etc.

In June 2023 this was 21 London & Met Boroughs Average investment balance of £98.2m and 126 Las average balance of £82.5m compared to Tower Hamlets.

Tower Hamlets council's investments comprises of DMO fixed deposits, money market funds, pooled and cash funds.

In the Arlingclose pool of London & Met Boroughs the average return was 3.47% against Tower Hamlets return of 3.51%. Compared with their LA average return this was 2.34% average. Tower Hamlets holds short dated cash in money market funds and has been able to receive the benefits of base rate increases faster compared to investments in fixed deposits where benefits in rate rises will only be received when existing investments mature. Council return also takes into account the pooled fund investments.

The council has also been able to place fixed deposits with the DMO on days when DMO rates have been high by tracking daily DMO rates.

Liquidity

28% of Council's funds at the end of the quarter is available within 7 days ensuring adequate cash is available to meet daily expenditure payments. This compared to the average London Borough of 68% and pool of Local Authorities in the Arlingclose pool of 54%.

49% of funds are available within 100 days of maturity compared with a London Borough average of 82% and local authority average of 71%. Overnight liquidity at the end of June was £63.512m which is 38.8%% of the internal portfolio. The average days to maturity of the internal portfolio at the end of the quarter was 68 days (8 days March 2023) which continues to be influenced by the deposits with the DMADF, fixed bank deposits and the LA deposits.

Security

Both the time-weighted and value-weighted credit ratings was AA- representing a more secured portfolio compared to the average rating for Arlingclose pool of 21 London Boroughs of A+ and A+ average for pool of 126 local authorities.

The Council's largest unsecured exposure to a single financial institution aside of the DMADF is with ANZ Banking Group and Development Bank of Singapore (£15m each), the lowest credit ratings for ANZ Banking Group is A+, while DBS is AA+. The portfolio's bail-in risk decreased by 30% to 39% i.e., the portion that remains susceptible to bank bail-in risk partly due to the Council's decision to stop investing in local authorities.

The Bank of England published the results of its stress testing of UK banking system on 11 July. The latest results show that major UK banks would be resilient in the face of the FPC's severe stress scenario, a positive reflection of the strength these institutions have built up in recent years. At individual bank level, the results show that no institution is required to strengthen its capital position, indicating that major UK banks can withstand the severe macroeconomic stress while being able to support businesses and households.

Inflation

Inflation remains high but there are reasons to be hopeful about the near future. The headline CPI rate is expected to fall further in July when the reduction in retail energy price cap feeds into the equation. Reduction in producer price inflation should also start to feed through to the consumer over the next six months.

The latest update from the Office for National Statistics (ONS) puts the Consumer Prices Index (CPI) measure of inflation **at 7.9%** in the year to June 2023, down from 8.7% in May 2023.

During the quarter, the Consumer Price Index (CPI), on a monthly basis, rose by 0.10% in June 2023, compared with a rise of 0.8% in June 2022. Falling prices for motor fuel led to the largest downward

contribution to the monthly change in both the CPIH and CPI annual inflation rates, while food prices rose in June 2023 but by less than in June 2022, also leading to an easing in the rates.
There were no large offsetting upward contributions to the change in the rate.

CPI (excluding energy, food, alcohol and tobacco) rose by 6.9% in the 12 months to June 2023, down from 7.1% in May, which was the highest rate since March 1992; the CPI goods annual rate slowed from 9.7% to 8.5%, while the CPI services annual rate eased from 7.45 to 7.2%.

The only upward contributors to the increase in CPI are communication and clothing footwear. Transportation was the largest downward contributor to the ease in CPI this month, driven by the falling price of motor fuel which fell by 2.7% this month but increased 9.3% in the same period last year. This is the first time that the reading turned negative after being positive since August 2020.

Interest Rate Forecast June 2023

	Current	**Sep-23**	**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**	**Mar-26**	**Jun-26**
Official Bank Rate Central Case	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00
3-month MMF rate Central Case	5.40	5.60	5.60	5,60	5.30	4.80	4.30	3.80	3.30	3.05	3.05	3.05	3.10
5yr gilt yield Central Case	4.50	4.70	4.75	4.60	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.35	3.45
10yr gilt yield Central Case	4.26	4.50	4.55	4.30	4.20	4.00	3.60	3.50	3.50	3.60	3.60	3.70	3.80
20yr gilt yield Central Case	4.43	4.60	4.50	4.40	4.30	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20
50yr gilt yield Central Case	3.96	4.15	4.15	4.15	4.10	4.00	4.00	4.10	4.10	4.10	4.10	4.10	4.10

Borrowing

The Council has Public Works Loan Board (PWLB) loans totalling £51.21m and fixed rate bank loans totalling £17.5m. No external borrowing took place during the quarter because the capital program is temporarily funded using cash reserves there by saving on external borrowing costs in the short term.

Target for year £15.5m

£13.2m savings to be delivered

Services	£m 2023/24 Target A	£m Prior Year Slippage B	£m Saving Target C = A + B	£m Forecast Savings	£m Slippage	£m Under Recovery
HA&C	2.6	-	2.6	2.6	-	-
Children and Culture	2.5	0.1	2.6	2.6	-	-
Place	7.1	0.3	7.4	5.1	2.1	0.2
Resources	0.9	0.2	1.1	1.1	-	-
Chief Executive's Office	0.3	-	0.3	0.3	-	-
Cross-Directorate	1.0	0.5	1.5	1.5	-	-
Total	**14.4**	**1.1**	**15.5**	**13.2**	**2.1**	**0.2**

Total savings target for 2023/24 is £15.5m. £10.0m relates to approved savings as part of the 2023/24 budget setting process, and £5.5m as a result of reconfiguration of previous years' savings (including slippages).

- £13.2m is identified as being on track to deliver savings;
- A net position of £2.1m is forecast to slip into future years due to timing issues;
- £0.2m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2023-26' for a detailed breakdown and latest updates on the savings programme.

General Fund (GF) forecast outturn £117.7m against a revised budget of £143.4m
Forecast Variance £25.7m - net slippage £23.6m, net underspend £2.1m

General Fund (GF) Capital Forecast

Theme	Directorate	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
Approved Programme	Children & Culture	59.3	5.2	50.9	(8.4)	86%	(8.7)	0.3
	Health, Adults & Communities	7.1	3.1	6.2	(0.9)	87%	(1.2)	0.3
	Place	46.7	2.1	33.6	(13.1)	72%	(10.4)	(2.7)
	Resources	1.4	0.0	0.3	(1.1)	21%	(1.1)	0.0
Approved Programme Total		**114.5**	**10.4**	**91.0**	**(23.5)**	**79%**	**(21.4)**	**(2.1)**
Approved Rolling Programme	Children & Culture	5.0	0.2	4.6	(0.4)	92%	(0.4)	0.0
	Health, Adults & Communities	0.3	0.0	0.0	(0.3)	0%	(0.3)	0.0
	Place	8.5	0.4	8.5	0.0	100%	0.0	0.0
	Resources	2.1	0.0	3.1	1.0	148%	1.0	0.0
Approved Rolling Programme Total		**15.9**	**0.6**	**16.2**	**0.3**	**102%**	**0.3**	**0.0**
Invest to Save Programme	Place	5.1	0.9	4.0	(1.1)	78%	(1.1)	0.0
Invest to Save Programme Total		**5.1**	**0.9**	**4.0**	**(1.1)**	**78%**	**(1.1)**	**0.0**
LIF Programme	Place	7.2	0.0	6.5	(0.7)	90%	(0.7)	0.0
LIF Programme Total		**7.2**	**0.0**	**6.5**	**(0.7)**	**90%**	**(0.7)**	**0.0**
Completed and Retentions Projects	Children & Culture	0.7	0.0	0.0	(0.7)	0%	(0.7)	0.0
Completed and Retentions Projects Total		**0.7**	**0.0**	**0.0**	**(0.7)**	**0%**	**(0.7)**	**0.0**
General Fund Capital Total		**143.4**	**11.9**	**117.7**	**(25.7)**	**82%**	**(23.6)**	**(2.1)**

Introduction

On 1st March 2023, Full Council approved a total GF capital programme for 2023/24 to 2025/26 totalling £238.6m, of which £122.3m related to the 2023/24 financial year. Subsequently, on 26th July 2023, Cabinet approved £20.8m of net capital slippage from the 2022/23 provisional outturn, resulting in a total revised GF capital programme budget for 2023/24 to 2025/26 of £259.4m, of which £143.4m related to the 2023/24 financial year.

The period 3 forecast outturn GF capital expenditure for the year is £117.7m, which represents 82% of the revised 2023/24 capital budget of £143.4m. The forecast variance of £25.6m, is due to expected net slippages of £23.6m and net underspends of £2.1m across the programmes. The total spend to date is

£11.9m, which will need to be kept under close review to ensure forecasts are materialising as expected for the year. The details of the programmes are set out below;

Approved Programme

Theme	Directorate	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
Approved Programme	Children & Culture	59.3	5.2	50.9	(8.4)	86%	(8.7)	0.3
	Health, Adults & Communities	7.1	3.1	6.2	(0.9)	87%	(1.2)	0.3
	Place	46.7	2.1	33.6	(13.1)	72%	(10.4)	(2.7)
	Resources	1.4	0.0	0.3	(1.1)	21%	(1.1)	0.0
Approved Programme Total		**114.5**	**10.4**	**91.0**	**(23.5)**	79%	**(21.4)**	**(2.1)**

The 2023/24 revised budget for the Approved Programme is £114.5m. The forecast outturn for the Approved Programme is £91.0m (79% of the revised budget) resulting in total forecast variance of £23.5m due to expected net slippages of £21.4m (19% of the revised budget) and net underspends of £2.1m (2% of the revised budget) across the programme.

Children's and Culture

The 2023/24 revised budget for the Children & Culture Approved Programme is £59.3m. The forecast outturn for the programme is £50.9m (86% of the revised budget) resulting in total forecast variance of £8.4m due to expected net slippages of £8.7m and net overspends of £0.3m across the programme.

The major programme under the Children & Culture Approved Programme is the Schools Basic Need and Expansion Programme. The total revised budget for this programme is £49.2m for the year, current forecast against revised budget is spend of £45.0m, due to expected net slippages of £4.4m and net overspends of £0.2m within the year. Within this programme there are several large schemes which are at differing stages of their project life cycles and further details of significant schemes are provided as follows;

The 2023/24 revised capital budget for the London Dock School Expansion programme is £37.0m. The forecast spend is £37.5m due to expected accelerated spend of £0.5m. Though the project has been subjected to delay due to difficulties in appointing the contractor, it is now expected this hurdle (entry into the contract) will be crossed in August 2023. The Department for Education (DfE) have requested for a change in the design specification relating to the heating source on site which is now to be switched from the district heating network to a heat pump before the approval of the grant. The design change will lead to an increase in cost and negotiations on funding are on-going with the DfE.

Harpley School Key stage 1&2 Accommodation is slipping its entire £1.1m budget allocation for 2023/24 into future years. Following several issues with planners on the existing design of the London East Alternative Provision (LEAP) Harpley site, the project is undergoing a masterplan review for provision to best determine the utilisation of space. Until the design is put forward and agreed, no spend is anticipated.

The Arnhem Wharf - Damp Permanent Resolution project budget allocation of £2.9m is forecast to slip by £2.7m into future years. This budget is to cover the safety of the site and essential capital works only.

The forecast spend for the year is £0.2m to safeguard against the immediate impacts of the on-site damp issue.

The George Green/West Ferry school re-build project with a 2023/24 budget allocation of £0.6m is forecast to spend £0.1m in-year, resulting in slippages of £0.5m of spend into future years. The project has been paused subject to further reviews and the remaining fees from feasibility stage will need to be re-profiled subject to the completion of the review.

The Wood Wharf Expansion project, with a revised budget of £3.3m for the year, is forecasting spend of £3.2m in-year with works progressing on site with final completion now expected in December 2023.

The council is also investing £0.7m to ensure schools have the correct equipment and resources to increase their catering capacity first to support extending free school meals to all secondary school pupils up to the age of 16, which was approved by Cabinet in May 2023.

The other significant programme within the Children & Culture Approved Programme is the Parks Programme, with has a total revised budget allocation of £6.3m for the year. The forecast outturn for the year is £4.2m, resulting in forecast variance of £2.1m due to net slippages of £2.2m and net overspends of £0.1m at year-end. There are several smaller schemes forming this programme and further details of these schemes are provided as follows;

The 2023/24 revised budget for Quality Parks projects is £2.9m, with forecast spend of £1.3m anticipated at year-end. The budget for this programme has been reconfigured several times to ensure that it meets the councils priorities for the Parks Programme. In particular, there is £1.0m earmarked for Allen Gardens that has been held back subject to approval (which has now been received) of match funding from central government with plans being finalised before the project can formally commence. Other aspects of this programme were only approved in late 2022, and as the funding was intended to be spread out over several years, aspects of the programme will need to be profiled for future years.

The Inclusive Playgrounds project budget allocations of £0.7m for the year are forecast to spend £0.1m in-year, resulting in expected net slippages of £0.6m into future years. Of the £0.7m budget, £0.3m has been earmarked for specific projects that will be delivered in future years. The John McDougall Gardens project (£0.2m) requires consultation and will be commenced after the summer holiday programme, which means the construction won't commence until spring 2024 and the St George's project (£0.1m) cannot move forward until plans are confirmed alongside the new leisure centre project.

The Christ Church Garden project budget allocation of £0.5m is forecast to spend £0.1m in-year, resulting in expected slippages of £0.4m into future years. The original plan was to procure a design team last autumn, with works expected to complete by year-end. However, the Community Advisory Group in charge of the project has decided to make more modest changes and to resume the procurement process at a later date, this position will be kept under review through the year.

The net overspends of £0.1m in the Parks Programme is from a number of various other smaller projects within the programme, where spend profiles have been revised based on latest project plans.

The St George Leisure Centre project is a significant capital project being delivered within the councils Children & Culture Approved Programme . The project has a budget allocation of £3.9m and forecast spend for the year is £1.6m due to expected slippages of £2.3m of spend into future years. The design team is due to commence work for the leisure centre at the end of September 2023. Employers' agent will commence late September/early October 2023, with the expectation that the main contractor will be on board by early 2024. a hard strip out is expected to start in September 2023, with demolition planned for late 2024, subject to planning approval. Main construction should start early 2025.

Health, Adults and Communities (HA&C)

The 2023/24 revised budget for Health, Adults & Communities Approved Programme is £7.1m. The forecast outturn for the programme is £6.2m (87% of the revised budget) resulting in total forecast variance of £0.9m due to expected net slippages of £1.2m and net overspends of £0.3m across the programme.

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

Public Health projects have a combined capital budget of £4.7m with spend forecast to slip £0.6m into future years. These projects are led by the NHS and they are very slow at invoicing for works completed. The project managers will continue to press for prompt invoicing which will reflect stage of project and spend.

The Sewardstone Road project within the Adult social care programme with a budget of £0.6m is forecasting a slippage of £0.2m. The project is near completion. Day provision Antill Rd with a budget of £0.5m is projecting a slippage of £0.4m due to delay and the forecast spend is a provision for consultants' costs to be incurred within the year. Norman Grove which has a revised budget of £0.4m for 2023/24 is forecasting a spend of £0.7m, resulting in an accelerated spend of £0.3m.

The Protective Security project within the Community Safety security programme is projecting to fully slip the budget of £0.3m into future years as the project is currently paused awaiting decision. Transformation of the CCTV Public Space Infrastructure and 24/7 Control Room reprovision and redesign Programme with a budget of £0.4m is planning to spend £0.7m thereby overspending by £0.3m. This Programme includes the redesign, fit out and reprovision of a new CCTV 24/7 control room. The costs of the building works are higher than original estimates due to inflationary increases to materials, generator, acoustic housing and overall building works. A recovery plan and options to mitigate overspend are being explored.

Place

The 2023/24 revised budget for Place Approved Programme is £46.7m. The forecast outturn for the programme is £33.6m (72% of the revised budget) resulting in total forecast variance of £13.1m due to expected net slippages of £10.4m and net underspends of £2.7m across the programme.

There are various key projects that are driving the forecast variance of £13.1m, detailed as follows;

The New Town Hall project budget allocation for the year of £5.9m is forecast to slip of £1.5m at year-end into future years. The slipped budget is the withheld retention fees, and the end of defects will be June 2024 when this is expected to be released to the contractor.

The High Street and Town Centre Programme which includes Middlesex Street, Brick Lane, Roman Road West regeneration and the Middlesex Street Art Trail projects is forecast to underspend by £0.5m against an in-year total budget allocation of £1.8m. This is in line with the reduction in scope of the project following review.

The New Infrastructure Programme with a budget of £3.6m is forecast to slip by £1.7m into future years. The originally capital works to the northern footway on Whitechapel Road were programmed for 2023/24. However, this will now likely go ahead in 2024/25, with design development continuing this financial year, hence the expected slippage for the year.

Spend for against the Waste, Recycling and Fleet programme budget allocation for the year of £7.6m is forecast to slip into future years by £3.4m. The slippage is mainly due to the Electric Waste Vehicles project within the programme. The project is experiencing delays with charging infrastructure and power supply which have a direct impact on the replacement schedule for the electric vehicles. In order to operate electric vehicles charging points need to be installed. Site surveys have been required to confirm if electric power supplies are sufficient to provide enough power at each site. There have been delays in completing these surveys, which in turn has led to delays in starting procurement for electric vehicles.

The Carbon Offsetting project with a budget allocation of £3.6m for the year is forecasting spend of £2.4m in 2023/24, thereby slipping a budget of £1.2m into future years. The budget needs to be re-profiled across future years in line with the latest project plans and spends where projects are largely currently looking at being procured.

The Asset maximisation programme within the Place Programme, is forecasting a net slippage of £0.8m and an underspend of £0.3m against a budget of £2.7m. The 'Montefiore Centre Refurbishment' project, with an in-year budget allocation of £1.3m is forecast to slip by £1.0m into future years. The project has been paused to explore the addition of residential units within the refurbishment. The Indicative Feasibility Schemes - Asset Maximisation project with an in-year budget allocation of £0.3m is forecast to underspend its full budget. This is a pool of funds for project feasibility studies across the council and since spends on feasibility studies are classified as revenue, this has been withdrawn from the capital programme.

TFL funded schemes with an in-year budget allocation of £1.9m is forecast to underspend against the full budget. The key contributor to this forecast underspend is the Improving Air Quality project, which accounts for the majority of the in-year budget. This project was previously planned to be funded by external grant, which has not been subsequently secured, hence no spend can be incurred.

There were additional capital growth projects which were approved by Full Council in March 2023, subject to sign off through the council's capital governance process including agreement that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the Council. The Temporary Coroner's Court project (£0.3m) and Contingency 15% Uplift project (£0.5m) are capital projects which though have been approved are still progressing through the council's capital governance process and for period 3 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

Resources

The 2023/24 revised budget for Resources Approved Programme is £1.4m. The forecast outturn for the programme is £0.3m (21% of the revised budget) resulting in total forecast variance of £1.1m due to expected net slippages of £1.1m across the programme.

The Idea Store Whitechapel/Cultural Campus project with an in-year budget allocation of £1.0m has been paused pending review to ensure the project meets the administrations priorities as there may be significant additional costs.

Annual Rolling Programme

Theme	Directorate	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
Approved Rolling Programme	Children & Culture	5.0	0.2	4.6	(0.4)	92%	(0.4)	0.0
	Health, Adults & Communities	0.3	0.0	0.0	(0.3)	0%	(0.3)	0.0
	Place	8.5	0.4	8.5	0.0	100%	0.0	0.0
	Resources	2.1	0.0	3.1	1.0	148%	1.0	0.0
Approved Rolling Programme Total		**15.9**	**0.6**	**16.2**	**0.3**	**102%**	**0.3**	**0.0**

The 2023/24 revised budget for the Annual Rolling Programme is £15.9m. The forecast outturn for the Approved Programme is £16.2m (102% of the revised budget) resulting in total forecast variance of £0.3m due to expected net accelerations of £0.3m across the programme.

Children's and Culture

The 2023/24 revised budget for the Children & Culture Annual Rolling Programme is £5.0m. The forecast outturn for the programme is £4.6m (92% of the revised budget) resulting in total forecast variance of £0.4m due to expected net slippages of £0.4m across the programme.

The Conditions and Improvement for Schools' project with in-year budget allocation of £3.0m is forecast to spend £3.6m due to accelerated spend of £0.6m from future years. The programme reacts across the maintained school estate on a condition need requirement. As this is a ring-fenced externally funded budget, all overspends will be recovered within the Conditions and Improvement programme from the following financial year.

There were additional capital growth projects which were approved by Full Council in March 2023, subject to sign off through the council's capital governance process including agreement that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the Council. Improvements to Youths provisions (£1.0m) are capital projects which though have been approved are now progressing through the council's capital governance process and for period 3 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

Health, Adults & Communities (HA&C)

The 2023/24 revised budget for the Health, Adults & Communities Annual Rolling Programme is £0.3m. The forecast outturn for the programme is nil, resulting in total forecast variance of £0.3m due to expected net slippages of £0.3m across the programme.

There were additional capital growth projects which were approved by Full Council in March 2023, subject to sign off through the council's capital governance process including agreement that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the Council. Adults Social Care Disabled Facility Grant (DFG) (£0.3m) are capital projects which though have been approved are now progressing through the council's capital governance process and for period 3 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

Place
The 2023/24 revised budget for the Resources Annual Rolling Programme is £8.5m. The forecast outturn for the programme is £8.5m (100% of the revised budget) resulting in total forecast nil variance. This will be kept under review through the year.

Resources
The 2023/24 revised budget for the Resources Annual Rolling Programme is £2.1m. The forecast outturn for the programme is £3.1m (148% of the revised budget) resulting in total forecast variance of £1.0m due to expected net accelerations of £1.0m across the programme.

The programme consists of various IT rolling programmes. The key ones of note are Civica APP replacement project with a forecast accelerated planned spend of £0.3m and the Planning & Building Control Data Management project with a forecast accelerated spend of £0.3m. The procurement for this project is under way currently, with selection and award to take place during August 2023. It is expected that the data migration costs will be steep, therefore, year one deployment cost will be higher than anticipated. Other various projects contributed to the £0.4m accelerated spend within the programme.

Invest to Save

Theme	Directorate	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
Invest to Save Programme	Place	5.1	0.9	4.0	(1.1)	78%	(1.1)	0.0
Invest to Save Programme Total		**5.1**	**0.9**	**4.0**	**(1.1)**	**78%**	**(1.1)**	**0.0**

The Council's Place Directorate has the only Invest to Save Programme. The 2023/24 revised budget for the Invest to Save programme is £5.1m. The forecast outturn for the programme is £4.0m (78% of the revised budget) resulting in total forecast variance of £1.1m due to expected net slippages of £1.1m across the programme.

The Conversion of Temporary Accommodation (TA) programme budget allocation for the for the year is £1.5m, which is forecast to fully slip by £1.5m into future years as there are currently no identified properties for this programme. The slippage is because homes originally envisaged to be delivered through this programme, are now being delivered as permanent homes and have been moved into the HRA programme. The budget is to be reviewed, with a potential view to funding being re-allocated to the HRA new build programme.

The Street Lighting Replacement project is forecast to incur accelerated spend by £0.5m against an in-year budget allocation of £0.9m. The accelerated spend will be funded from future year budget allocations for the project.

LIF Programme

Theme	Directorate	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
LIF Programme	Place	7.2	0.0	6.5	(0.7)	90%	(0.7)	0.0
LIF Programme Total		**7.2**	**0.0**	**6.5**	**(0.7)**	**90%**	**(0.7)**	**0.0**

The LIF programme is resident in the Place Directorate. The 2023/24 revised budget for LIF programme is £7.2m. The forecast spend for the programme is £6.5m for the year, (90% of the revised budget) due to forecast slippages of £0.7m spend into future years. However, a new approach to LIF, called Neighbourhood CIL has been considered by Cabinet in July 2023 and approved. This will see major changes to the use of this funding source and the programme will be kept under review through the year.

Housing Revenue Account (HRA) forecast outturn £94.1m against a revised budget of £160.1m
Variance £66.0m - net slippage £66.0m

Housing Revenue Account (HRA) Capital Forecast

Theme	Directorate	Programme	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
Approved Programme	Place	New Council Homes	131.1	7.9	67.1	(64.0)	51%	(64.0)	0.0
	Place	HRA(Projects)	2.6	0.0	2.6	0.0	100%	0.00	0.0
Approved Rolling Programme	Place	HRA (THH Rolling)	26.4	1.9	24.4	(2.0)	92%	(2.0)	0.0
HRA Capital Total			**160.1**	**9.8**	**94.1**	**(66.0)**	59%	**(66.0)**	**0.0**

On 1st March 2023, Full Council approved a total HRA capital programme for 2023/24 to 2025/26 totalling £389.6m, of which £156.2m related to the 2023/24 financial year. Subsequently, on 26th July 2023, Cabinet approved £22.4m of net capital slippage from the 2022/23 provisional outturn, resulting in a total revised HRA capital programme budget for 2023/24 to 2025/26 of £412m, of which £160.1m related to the 2023/24 financial year.

The period 3 forecast outturn HRA capital expenditure for the year is £94.1m, which represents 59% of the revised 2023/24 capital budget of £160.1m. The forecast variance of £66.0m, is due to expected net slippages across the programme. The total spend to date is £9.8m, which will need to be kept under close review to ensure forecasts are materialising as expected for the year. The details of the programmes are set out below;

Approved Programme

Theme	Directorate	Programme	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
Approved Programme	Place	New Council Homes	131.1	7.9	67.1	(64.0)	51%	(64.0)	0.0
	Place	HRA(Projects)	2.6	0.0	2.6	0.0	100%	0.00	0.0
HRA Approved Programme Total			**133.7**	**7.9**	**69.7**	**(64.0)**	52%	**(64.0)**	**0.0**

The 2023/24 revised budget for the Approved Programme is £133.7m. The forecast outturn for the Approved Programme is £69.7m (52% of the revised budget) resulting in total forecast variance of £64.0m due to expected net slippages across the programme.

Approved Programme - New Council Homes

The council revised New Council Homes capital programme budget for 2023/24 amounted to £131.1m which was in line with the previous update to HRA business plan carried out in late 2022. The business plan is currently being updated and is expected to complete in August 2023, which will provide an update on affordability within the HRA capital programme based on the latest position on HRA funding and costs and allow a re-profiling of the programme to be undertaken to reflect the latest plans and timeframes for the programme.

Of the 2023/24 programme, total council approved housing scheme budgets amounted to c£114m. As at Quarter 1 (April - June) of 2023/24, the spend to date amounted to £7.9m, with the full year forecast spend for the year of £67.1m. If the forecast spend materialises as expected at year-end, this will lead to a variance of £46.9m at year-end. The majority of the variance on housing schemes is due to expected slippages in the programme for a range of reasons, including;

- on site difficulties with contractors e.g. experiencing labour and material supply issues, inflation, cash flow and actual contractual performance
- procurement difficulties in getting contracts out tenders returned meaning what had been hoped for start on sites earlier have slipped
- a number of schemes are going through re-design, some already with planning consent at the request of the Administration to try get an increase in larger sized homes. Schemes such as rooftops that may not achieve this may not progress.

The programme will be re-profiled for 2023-27 in line with the update of the HRA Business Plan.

Annual Rolling Programme

Theme	Directorate	Programme	Revised Budget £ 'm	Actual Spent to Date £'m	Forecast Outturn £'m	Forecast Variance to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under spend) / Overspend £'m
Approved Rolling Programme	Place	HRA (THH Rolling)	26.4	1.9	24.4	(2.0)	92%	(2.0)	0.0
HRA Approved Rolling Programme Total			**26.4**	**1.9**	**24.4**	**(2.0)**	**92%**	**(2.0)**	**0.0**

Tower Hamlets Homes (THH)

The 2023/24 revised budget for the HRA Annual Rolling Programme is £26.4m. The forecast outturn for the programme is £24.4m (92% of the revised budget) resulting in total forecast variance of £2.0m due to expected net slippages of £2.0m across the programme.

The THH rolling programme has experienced slight delays which has resulted in low year to date spends. A change in approach to Major Works programme delivery means that schemes can only go on site after works have been fully scoped and this can only happen when specifications have been drafted by consultants. However, significant delays in the procurement of consultants to undertake design, survey, and pricing work to allow tenders to commence, is still a major factor in programme delivery delays. This has resulted in projects starting later in the financial year. The Ocean Estate project within the Fire Safety programme is also held up due to objections at the section 20 consultation stage. Safety Works programme which relates to structural strengthening works for Brewster and Malting Houses is due to commence soon after approval by management.