


Cabinet 13 December 2023	 TOWER HAMLETS
Report of: Julie Lorraine, Corporate Director of Resources	Classification: Unrestricted
Budget Monitoring 2023/24 Quarter 2	

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
Forward Plan Notice Published	N/A
Reason for Key Decision	N/A
Strategic Plan Priority / Outcome	All Strategic Plan 2022-26 priorities

Executive Summary

This report presents the current forecast year end outturn compared to the budget as at 30th September 2023 (Period 6/Quarter 2) for the General Fund, Dedicated Schools Grant (DSG), Housing Revenue Account (HRA), progress against savings targets, the council's capital programme and provides projections on General Fund earmarked reserves.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the council's position and consequent forecast outturn as at 30th September 2023, against General Fund Budget (based on the previous structures), Dedicated Schools Budget, Housing Revenue Account and earmarked reserves for 2023-24.
2. Note the actions taken to date to address the demand pressures as set out in Appendix A, Section 3.2.
3. Note the progress made against the 2023-24 savings targets, based on forecasts as of 30th September 2023.

4. Note the council's forecast outturn position against General Fund and Housing Revenue Account capital programme approved budgets for 2023-24, based on forecasts as of 30th September 2023.
5. Note that there are no equalities implications directly resulting from this report, as set out in Section 4.

1 REASONS FOR THE DECISIONS

- 1.1 The regular, timely and accurate reporting of Revenue and Capital Budget Monitoring information through the year is a key financial control. It makes visible variations to budget to inform decision making and enable the council to take timely mitigating actions.
- 1.2 It is important that issues driving variations to budget are understood, challenged and addressed so that the council remains both within the approved budget envelope and on track to delivering the plans Members budgeted for.
- 1.3 Where there are underlying issues arising that cannot be contained by individual service management action, for example increasing costs of homelessness, which is an issue of national concern particularly so across London Boroughs, then alternative proposals can be developed. These then form realistic and acceptable solutions which address the financial impact; CMT and Members have a key role in approving such actions. Only as a measure of last resort should proposals represent potential changes to the budget originally approved.

2 ALTERNATIVE OPTIONS

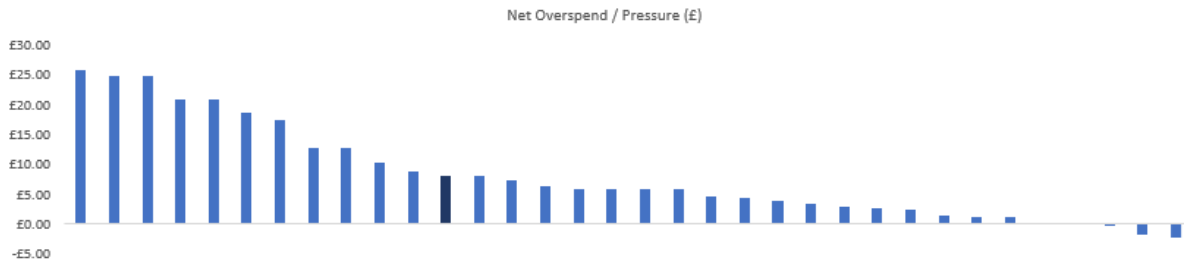
- 2.1 The council could choose to monitor its budgetary performance against an alternative time frame, but it is considered that the reporting schedule provides the appropriate balance to allow strategic oversight of the budget by Members and to manage the council's exposure to financial risk. More frequent monitoring is undertaken by officers and considered by individual service directors and the council's CMT including approval of management action.

3 DETAILS OF THE REPORT

- 3.1 On 1 March 2023, council agreed a general fund budget of 445.5 million, which required delivering savings of £15.5m. The overall savings requirement included elements of slippage from previous years where the Council had been unable to deliver its savings targets during the period. The current progress made against savings targets is detailed contained in Appendix B.
- 3.2 The budget forecast at this mid-point stage in the financial year (Quarter 2), if accepted with no further action taken, indicates a projected potential general fund overspend of £4.2m. This includes, but is not limited to, major overspend

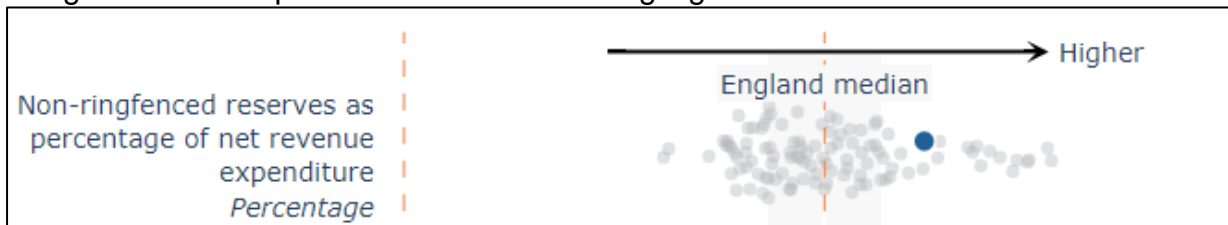
variances due to demand service-based pressures totalling £8.5 million arising from Homelessness (£2.7m) Adult Social Care (£2.2m), Special Educational Need (SEND) pressures including transport (£2.4m).

- 3.3 As reported in Quarter 1, 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 and to introduce additional controls in the way the council spends its money. Another aspect of transformation taken to meet the Mayor's ambitions for the borough, drive efficiencies and to aid in financial control has been to re-organise the council, with a new council structure going live in August 2023, with this budget monitor being the first to report based on the new council structure. There is evidence the transformation programme is beginning to embed within the organisation, notably through the improved overall forecast General Fund outturn position reported from Quarter 1 to 2 (an overall decrease in forecast overspend by £2.5m).
- 3.4 The council has experienced challenges in previous years relating to slippages and non-achievement of savings targets, leading to overspends for the council which have largely been mitigated through the use of savings/efficiencies generated elsewhere in the council or one-off reserves. This is not sustainable and savings targets will need to be closely monitored through the year to ensure urgent action is taken where savings are not being achieved through substitution of savings or reduced growth to maintain the robustness of the council's financial position moving forward.
- 3.5 Based on the Quarter 2 forecast, total general fund balance and reserves without restrictions are projected to remain within tolerable limits in the short term at a total £89.6m by the end of the year as shown in Section 5 of Appendix A. Therefore, at this stage the council can demonstrate financial resilience which importantly provides time to progress corresponding recurring savings/underspends to replace shorter term sources of funding which has helped offset much of the demand pressures to date.
- 3.6 By way of comparison and illustrative context the Quarter 2 Budget Monitoring Survey produced by London Councils shows similar significant external pressures being faced by local government. Due to a combination of strong financial oversight and the actions taken by the Council as set out in section 3.2 of Appendix A, the Table below demonstrates Tower Hamlets remains in a comparatively strong position with a same period forecast overspend of £4.2m projected well below the average of £8.0m across all 33 London Councils who participated. The council's position has also improved from the Quarter 1 benchmarking data produced by London Councils, where at the time the council was reporting a forecast overspend of £6.7m compared to the average forecast overspend of £9.5m being reported across participating authorities.



3.7 Government indicators from Oflog benchmark Councils' Non-ringfenced reserves. This data is for the 2021/22 financial year and shows Tower Hamlets in the top 25% of local authorities for the size of its reserves. This shows that the Council had a comparatively high level of non-ringfenced reserves in comparison to other authorities and as such was well placed to weather a storm with some short-term reliance on reserves to support revenue expenditure.

Oflog Indicator Graph with Tower Hamlets Highlighted:



3.8 Forecast outturn on the spend within the Dedicated Schools budget is a breakeven position. However, this budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements for children with SEND. We have seen large increases in the number of referrals for assessment with the majority of those progressing to a full plan with additional cost. Current demand trends indicate that without larger than forecast growth in DSG allocations than we will not be a position to reduce the accrued DSG deficit that has been bought forward. This position is in common with the majority of Local Authorities, and we wait a direction on a longer-term solution from government.

3.9 The Housing Revenue Account is forecasting an underspend variance of £1.1m when compared with budget. This balance will be transferred to general HRA balances at year-end. Variances in the HRA relate to delegated budget, which is forecasting a year-end adverse variance of £1.4m, the THH management fee is forecasting a break-even position, the non-delegated budget is forecasting a year-end adverse variance of £1.1m and technical adjustment budgets are forecasting a favourable variance of £3.6m. Further details are provided in Appendix A, section 4. It should be noted that one of the key areas of efficiencies yet to be incorporated into our forecast year end position and Medium-Term Financial Strategy relates to the integration of THH. This is an important element of future consideration for the council given the potential corresponding risks associated with investment requirements in existing stock, meeting new regulatory standards and delivering our housing growth agenda.

- 3.10 Further details of the Period 6/Quarter 2 forecast outturn capital monitoring position at programme level is provided in Appendix A, section 10 as well as Appendix C.
- 3.11 Although the council is operating in a challenging financial environment, much of it driven by external factors, such as high inflation and interest rates, our financial strategy remains focussed on securing long-term sustainability and as such delivery of our identified savings in parallel with the accelerated identification of future savings requirements remains a key area of action across the organisation, in order to achieve a sustainable balanced position across the medium term.

4 EQUALITIES IMPLICATIONS

- 4.1 There are no equality implications directly resulting from this report.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.
- 5.2 There are no other statutory implications contained in this report.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The attached report is primarily financial in nature and the financial implications of the issues raised have been included in the report and its associated appendices.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The council's chief finance officer has established financial procedures to ensure the council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report

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

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix A: Budget Monitoring Report 2023-24 as at 30th June (Period 6)
- Appendix B: Summary MTFS Savings Tracker 2023-26
- Appendix C: Detailed General Fund (GF) 2023-24 Q2 Capital Forecast by Programme

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

- None

Officer contact details for documents: N/A