


<b>Cabinet</b>  27 March 2024	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director of Resources	<b>Classification:</b> Unrestricted
<b>Budget Monitoring 2023/24 Quarter 3</b>	

<b>Lead Member</b>	<b>Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living</b>
<b>Originating Officer(s)</b>	Abdulrazak Kassim – Director of Finance, Procurement and Audit John Harrison – Interim Director of Finance, Procurement and Audit Ahsan Khan – Strategic Head of Finance (Chief Accountant)
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Forward Plan Notice Published</b>	N/A
<b>Reason for Key Decision</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	All Strategic Plan 2022-26 priorities

### Executive Summary

The General Fund budget forecast at this stage in the financial year (Quarter 3), if accepted with no further action taken, indicates a forecast general fund under spend of £0.1m, a favourable movement of £4.3m compared to the Quarter 2 forecast reported position of £4.2m overspend. This forecast is after the Directorates requested use of earmarked reserves at quarter 3 totalling £19.4m (previously forecast and planned to be £14.5m as part of the 2023/24 budget setting process reported to full council in March 2023). This is a good forecast financial performance for the council given the nationally recognised pressures faced by the council including, but not limited to, major overspend variances due to demand service-based pressures totalling £10.3 million related to Homelessness (£3.9m), Adult Social Care (£3.2m) and Special Education Needs (SEN) (£3.2m).

Total savings target for 2023/24 is £15.5m which includes previous years' slipped savings. Of which, £12.3m 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 and £1.1m has been identified as unachievable.

The Quarter 3 forecast outturn General Fund capital expenditure for the year is £84.8m, which represents 95% of the revised 2023/24 capital budget of £88.9m (subject to full council approval in February 2024), resulting in a forecast variance of £4.1m. The Quarter 3 forecast outturn HRA capital expenditure for the year is £65.1m, which represents 90% of the revised 2023/24 capital budget of £72.2m (subject to full council approval in February 2024), resulting in a forecast variance of £7.1m.

### **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Note the council's position and consequent forecast outturn as at 31<sup>st</sup> December 2023, against General Fund Budget (£0.1m underspend) Dedicated Schools Grant Budget (£0.3m overspend), Housing Revenue Account (£0.1m underspend).
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 31<sup>st</sup> December 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 31<sup>st</sup> December 2023.
5. Approve the anticipated net slippages of £6.7m and net overspends of £2.6m across the General Fund capital programme and net slippages of £7.2m and net overspends of £0.1m across the Housing Revenue Account capital programme as detailed in section 3.13 and 3.14 below.
6. 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.

## **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 stage in the financial year (Quarter 3), if accepted with no further action taken, indicates a forecast general fund under spend of £0.1m. This forecast is after the Directorates requested use of earmarked reserves at quarter 3 totalling £19.4m (previously forecast and planned to be £14.5m as part of the 2023/24 budget setting process reported to full council in March 2023). This is a good forecast financial performance for the council given the nationally recognised pressures faced by the council including, but not limited to, major overspend variances due to demand service-based pressures totalling £10.3 million. The key drivers of this overspend are Homelessness, Adult Social Care and Special Education Needs (SEN).
- 3.3 **Homelessness (£3.9m) – (Q2 – £2.7m, an adverse position of £1.2m)**  
As rents in Tower Hamlets are above LHA rates, the housing options service incurs a HB subsidy loss on each placement, incurring the council a significant deficit, which the council does not have control over. The budget is supported by annual government grant totalling £9.3m. It is assumed these grants will be applied in full during the year and it is proposed to drawdown £3m in-year from these reserves to partially mitigate the overspend position. After applying grants and reserves still leaving an overall adverse variance of £3.9m. This is a £1.2m increased forecast overspend from Quarter 2, due to continued forecast increased demand for Temporary Accommodation. The service is taking actions to mitigate these budget pressures including supporting improvements in the service through recruitment campaigns, taking part in London wide initiatives and identifying additional units and resources available to mitigate Temporary Accommodation pressures, taking intervention to increase the supply of the private rented sector and facilitating better strategic working.
- 3.4 **Adult Social Care (£3.2m) – (Q2 – £2.2m, an adverse position of £1.0m)**  
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. The total allocated

demographic growth (for new packages) for 2023-24 is £4.0m. For quarter 1-3 in 2023-24 a total of £3.4m demographic growth funding had been applied, with assumption, full funding allocation will be utilised. The majority of the demographic growth funding has been utilised on new clients in receipt of Homecare Services. A £4.4m inflation budget has been allocated on top of existing Market Sustainability, Improvement Grant funding of £2.2m which has been used to pay for the inflationary uplifts to care providers and a further £1.5m pressure still existing on top to be funded from reserve resulting in a £1.0m increased forecast overspend from Quarter 2. 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.

**3.5 Special Educational Need (SEND) pressures including transport (£3.2m) – (Q2 - £2.4m, an adverse position of £0.8m)**

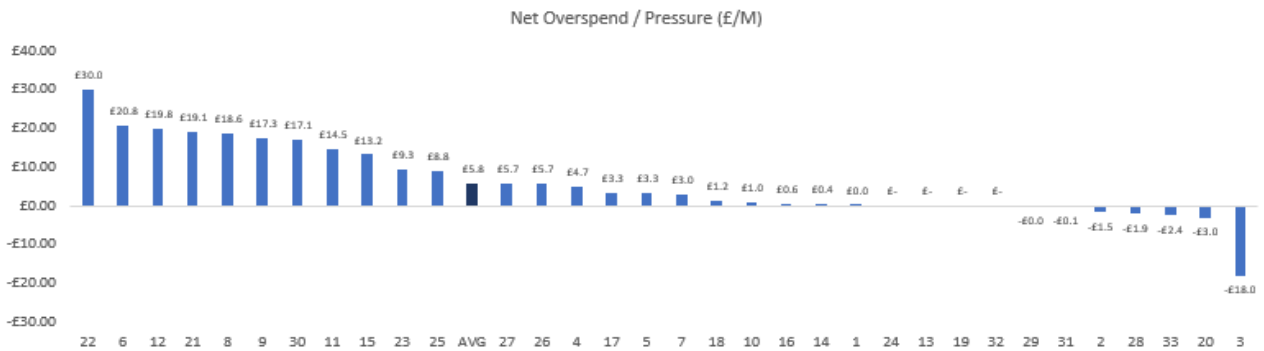
SEND pressures are the greatest concern and continue to increase with a clear link to the impact of the pandemic upon children's development, with unprecedented increases in the number of referrals for EHCP's. Whilst the costs associated with the delivery of EHCPs are met from within the DSG there are several services that relate to these increases that are met from within the General Fund including, our statutory responsibilities in relation to assessments and annual reviews. These costs have significantly increased with the need for additional staff in Education Psychology and SEN casework (including the use of locum and interim staff), to keep pace with the rising demand. There also continues to be significant increases in 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 resulting in a £0.8m increased forecast overspend from Quarter 2. Whilst a few mitigations have been introduced to facilitate personnel budgets and accelerate the programme of travel training this is not keeping up with the volume growth.

3.6 As reported in Quarter 2, 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. There is evidence the transformation programme is beginning to embed within the organisation, notably through the improved overall forecast General Fund outturn position reported through the year, and from Quarter 2 to 3, an overall decrease in forecast overspend by £4.3m.

- 3.7 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 councils financial position moving forward. Total savings target for 2023/24 is £15.5m which includes previous years' slipped savings. Of which, £12.3m 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 and £1.1m has been identified as unachievable, summarised as follows;

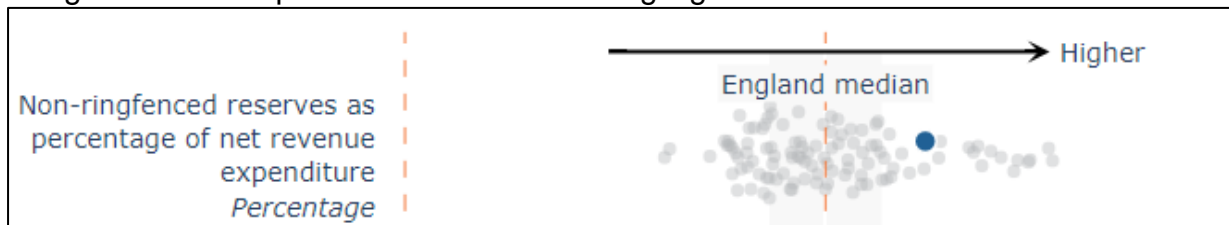
Services	2023/24 Target £m	Prior Year Slippage £m	Saving Target £m	Forecast Savings £m	Slippage £m	Under Recovery £m
	A	B	C = A + B			
Health and Adult Social Care	2.6	-	2.6	2.6	-	-
Children's Services	2.5	0.1	2.6	2.6	-	-
Housing and Regeneration	4.7	0.3	5.0	2.8	2.1	0.1
Chief Executive's Office	0.3	-	0.3	0.3	-	-
Resources	1.0	0.2	1.2	1.2	-	-
Communities	2.3	-	2.3	2.3	-	-
Cross-Directorate	1.0	0.5	1.5	0.5	-	1.0
<b>Total</b>	<b>14.4</b>	<b>1.1</b>	<b>15.5</b>	<b>12.3</b>	<b>2.1</b>	<b>1.1</b>

- 3.8 Based on the Quarter 3 forecast, total general fund balance and reserves without restrictions are projected to remain within tolerable limits in the short term at a total £85.4m 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.
- 3.9 By way of comparison and illustrative context the Quarter 3 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 reported forecast net underspend of £0.1m for Quarter 3, projected well below the average of £5.8m net overspend reported across all 33 London Councils who participated in the survey in Quarter 3.



3.10 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:



3.11 Forecast outturn on the spend within the Dedicated Schools budget is an overspend of £0.3m. 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.

3.12 The Housing Revenue Account is forecasting an underspend of £0.1m when compared with budget. It is assumed that 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 £3.2m, the non-delegated budget is forecasting a year-end adverse variance of £1.3m and technical adjustment budgets are forecasting a favourable variance of £3.6m. Further details are provided in Appendix A, section 4.

3.13 The Quarter 3 forecast outturn GF capital expenditure for the year is £84.8m, which represents 95% of the revised 2023/24 capital budget of £88.9m (subject to full council approval in February 2024). The forecast variance of £4.1m is due to forecast net slippages of £6.7m and net overspends of £2.6m across the

programme. The capital projects driving the forecast net overspend largely relate Public Health centres/facilities (£1.6m). Further details of the Quarter 3 GF forecast outturn capital monitoring position at programme level is provided in Appendix A, section 10 as well as Appendix C.

- 3.14 The Quarter 3 forecast outturn HRA capital expenditure for the year is £65.1m, which represents 90% of the revised 2023/24 capital budget of £72.2m (subject to full council approval in February 2024). The forecast variance of £7.1m is due to expected net slippages across the programme (£7.2m) and net overspends of (£0.1m). The capital projects driving the forecast net overspends largely relate to HRA new council homes schemes (£0.1m). Further details of the Quarter 3 HRA forecast outturn capital monitoring position at programme level is also provided in Appendix A, section 10.
- 3.15 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.
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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None

#### **Appendices**

- Appendix A: Budget Monitoring Report 2023-24 as at 31<sup>st</sup> December 2023 (Period 9)
- Appendix B: Summary MTFS Savings Tracker 2023-26
- Appendix C: Detailed General Fund (GF) 2023-24 Q3 Capital Forecast by Programme

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

- None

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