


<p>Cabinet</p> <p>5th April 2016</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Zena Cooke – Corporate Director of Resources</p>	<p>Classification: Unrestricted</p>
<p>Corporate Revenue and Capital Budget Monitoring Q3 2015/16 (Month 9)</p>	

Lead Member	Cllr Edgar, Cabinet Member for Resources
Originating Officer(s)	Kevin Miles, Chief Accountant
Wards affected	All Wards
Key Decision?	No

Executive Summary

This monitoring report details the financial position of the Council at the end of December 2015 (Month 9) compared to budget. The report includes details of the;

- General Fund Revenue
- Housing Revenue Account;
- Capital Programme

Recommendations:

The Mayor in Cabinet is recommended to:

- Note the Council's revenue and capital financial performance compared to budget for 2015/16 as detailed in Sections 3 to 7 and Appendices 1-4 of this report.

1. REASONS FOR THE DECISIONS

- 1.1. Good financial practice requires that regular reports be submitted to Council/Committee setting out the financial position of the Council against budget, and its service performance against targets.
- 1.2. The regular reporting of the Corporate Revenue and Capital Budget Monitoring should assist in ensuring that Members are able to scrutinise officer decisions.

2. ALTERNATIVE OPTIONS

- 2.1 The Council reports its anticipated annual outturn position against budget for both revenue and capital net spend. It also reports its strategic performance.
- 2.2 Significant variations, trends and corrective action are reported in the body and appendices of the report. No alternative action is considered necessary beyond that included below and this report is produced to ensure that Members are kept informed about decisions made under the delegated authority.

3. DETAILS OF REPORT

3.1 General Fund

As at the end of December 2015, the net projected General Fund outturn position was £292.571m. This includes a £2.2M pressure contained within the Children's Services and Adult Care Services Directorates and a saving in the youth service of £964k. This pressure represents less than a 1% increase on the approved budget of 291.362m.

The current position after directorate action is summarised below

Narrative	£m
Budget	291.362
Children's Services - Pressure	1.200
Adult Care services - Pressure	1.000
Communities Localities and Culture – Youth Service Saving	(0.964)
Other Minor Movements	(0.027)
Forecast Outturn – Per system	292.571

3.2 HRA

The HRA is projecting an underspend position of 0.955m for 2015/16. This represents 1.08% of the total budgeted income of £92.1m.

3.3 Income Suspense

The balance on the main income suspense at the end of period 9 was £671k, A summary of the movement is shown in section 4.

3.4 Capital Programme

Directorates have spent 39% of their capital budgets for the year (£45.4m against budgets of £116.3m) and are projecting slippage of £15.636m. Further information is provided in section 5 of the report and Appendix 4.

3.5 More detailed financial information is contained in the following report appendices:

- Appendix 1 - lists Revenue budget / target adjustments (including virements).
- Appendix 2 - provides the General Fund budget outturn forecast by Directorate and explanations of any major variances.
- Appendix 3 – provides the budget outturn forecast for the HRA

4. **FINANCE OVERVIEW**

4.1 The following table summarises the current expected outturn position for the General Fund.

SUMMARY	Latest Budget £'000	Actual to Date £'000	Outturn £'000	Variance £'000	Reserve Movements £'000	After Reserve Movements £'000	Final Variance £'000
Law, Probity & Governance	9,525	7,791	9,525	0	0	9,525	0
Communities & Localities	78,707	45,901	77,743	(964)	0	77,743	(964)

Development and Renewal	15,962	15,391	15,928	(34)	0	15,928	(34)
Adult Care Services	124,992	84,906	132,705	7,713	6,714	125,991	999
Children's Services	89,923	79,470	93,506	3,583	2,383	91,123	1,200
Resources	7,441	37,720	7,448	7	0	7,448	7
Corporate Costs / Capital Financing	(35,188)	15,907	(35,188)	0	0	(35,188)	0
Total	291,362	287,086	301,667	10,305	9,097	292,570	1,208

4.2 Variances are explained in the detailed budget analysis in Appendix 2. The summary position for each service directorate is set out below.

4.2 Law Probity and Governance

Nil

The LP&G directorate is projected to break even at the year-end, any minor variances within the services will be contained within the directorate.

No key risks have been identified in the current financial year

4.3 Communities, Localities and Culture

£954k underspend

Since the initial collation of the period 9 report a significant underspend has been identified with the CLC directorate. The underspend of £964K relates to Youth Services and the breakdown is as follows:-

Youth Service Savings 2015-16		Saving £'000
Summer Grants	Budget for summer grants was given up as savings to fund the Mayoral priorities earlier this financial year.	0
PAYP	Forecast underspend as a result of detailed scrutiny of applications and the curtailing of grant awards.	148
YOF		159
	Total Saving from Grants	307
SLAs	The holiday programmes i.e. LAP area SLA's are forecast to underspend. A range of SLA's were discontinued from the end of September 2015, some were extended to March 2016 and some were re-procured and begin re-provision from April 2016.	88
	The Boroughwide SLA Provisions is forecast to underspend as a result of management decisions to reduce the award of SLA's during 2015-16.	23
	PAYP SLA – No provision in 2015-16 awarded.	75
	Total Saving from SLAs	186
Employees	Holiday Programme provisions (Lap areas 1-8) – Due to the curtailment of the holiday programmes has led to substantial reduction in hours worked by both casual and zero hour workers.	471
	The service has had a period of vacancies throughout the financial year. From April to August there was a total of 12 FTE's vacant, which has now reduced to 5.5FTE's. The decision to recruit further is pending as a result of service review by management.	
	Total Saving from Employees	471
	Grand Total	964

No significant risks have been identified in the current financial year

4.4 Development and Renewal

£34K Underspend

The Net Revenue outturn for the directorate for the year is £15.930m against the revised target of £15.964m, a net underspend of £34k, this represents less than 1% of the overall target.

No key risks have been identified in the current financial year.

4.5 Children's Services

£1.2m Pressure

This represents the CMBM09 update to DMT highlighting the various pressures the directorate is experiencing in reference to the 2015/16 MTFP savings targets and other pressures which are apparent within Children's Social Care and Learning and Achievement.

At the CMBM07 DMT meeting it was agreed that these would be quantified and reflected in the monthly monitoring process as base budget pressures which need to be addressed, the strategy to date in this financial year has been to highlight these to DMT but use the one-off resources in the form of reserves and grants to mitigate these base budget pressures to a balanced budget, which has then been reported through the corporate budget monitoring process. The approach which has been agreed with the Financial Strategy Group is that assumptions which have been made in the forecast relating to MTFP savings which have slipped and which are unlikely to be deliverable will be reported as overspend pressures in CMBM07 along with other base budget pressures. The reported overspend £1.2m will continue to be reported for CMBM09.

The Schools Budget is reporting a forecast unallocated DSG at year-end of £4.260m.

Childrens Services – Reconciliation to Agreed Pressure

Net Expend before action (Including Saving Pressure)		93,506
Early Intervention	(1,698)	
Better Care Funding	(585)	
In Service Action - Social Care	(100)	
Total Funding Assumptions		<u>(2,383)</u>
		<u>91,123</u>
Agreed Pressure 2015/16		1,200

Key Risks in the Children's Services Area

The main factor that needs to be noted at this juncture is that there are **directorate savings of £0.989m** which are held in a central holding code in vote H82, up to this point the forecast had assumed that these savings will either be delivered or receive a target adjustment from corporate resources for slippage of savings or under-delivery, these are now being forecast as an overspend pressure. There are however significant risks associated with this figure which need to be reported upwards in the form of potential overspends – prior to the use of reserves. In addition there are budget pressures which relate to Preventing Violent Extremism (PVE) which is an area of work which

isn't receiving any extra funding and income target budgets in L&A which have never been achieved.

4.6 Adult Care Services

£1.0m Pressure

The directorate reported an overspend of £1m in CMBM07 as a result of savings pressures, there are many factors and assumptions which need to be considered in order to achieve this position at year end. This report provides analysis of these factors and highlights the variances and the risks associated with the budget monitor. At present it appears that the current potential reserves held both in the directorate and centrally would be sufficient to contain the position to an overspend of £1m. However the use of any reserves (apart from growth and inflation) are one-off resources for this financial year only. The main factor that needs to be noted at this juncture is that there are **directorate savings of £1m** which are held in a central holding code, this forecast assumes that **these savings are unlikely to be delivered**. This has also been discussed at the Financial Strategy Group (FSG) and it was agreed that the 2015/16 MTFP Savings which are not being achieved and being covered by the use of reserves would be highlighted in the budget monitor as a potential directorate overspend.

Adults Services – Reconciliation to Agreed Pressure

Net Expend before action (Including Saving Pressure)		132,704
Drawdown from Public Health Reserve	(1,998)	
Better Care Funding	(2,528)	
Corporate Growth to be applied	(2,188)	
Total Funding Assumptions		(6,714)
		125,990
Agreed Pressure for 2015/16		1,000

Key Risks in the Adults Care Services Area

The main spend pressure is on the long term Care packages budget topped up by an overspend on First Response, the Learning Disability Pooled Budget, Adult Protection and lower budget pressures within other areas.

Work is currently under way to realign the care packages budget which will complete as soon as the interface improvement between Agresso and FWI is in place.

The income continues to be a risk area as client income does not tend to follow a steady trend. In addition we have considerable historic unpaid client income, so this will need to be continually monitored.

4.7 Resources

7k Overspend

There are small variances in the resources directorate, but these are manageable within the overall resources budget, and overall a break even position is projected. The processing of housing benefit subsidy entries at year-end will offset expenditure to date.

No significant risks have been identified.

4.8 Corporate Costs & Capital Financing

Nil

A breakeven position is forecast for the financial year. Spend to date variance is due to items such as depreciation and minimum revenue provision being processed at year-end.

5. Housing Revenue Account

£0.955m Underspend

The overall projected HRA underspend is the net result of a number of variances. During the first three quarters of 2015/16 there were 197 Right to Buy sales, which was more than assumed when setting the budget; as a result service charges are projected to be higher than budgeted, although offsetting this, dwelling rental income is forecast to be lower. Energy costs are forecast to be lower than budgeted, along with other utilities, although this is a volatile budget and will be closely monitored. The additional net income needs to be seen in the context of emerging pressures on future rents brought about by changes in government policy, and the need to support future investment in existing or new stock as part of a sustainable HRA business plan.

6 CAPITAL

6.1 The capital budget for 2015/16 now totals £116.3m, decreased from the £119.3m reported to Cabinet in January 2016. The decrease is due mostly to re-profiling of budgets into future years.

6.2 Details of all the changes to the capital budget are set out in Appendix 1.

6.3 Total capital expenditure to the end of Quarter 3 represented 39% of the revised capital programme budget for 2015/16 as follows:

	Annual Budget as at 31-Dec-15	Spent to 31-Dec-15	% Budget Spent
	£m	£m	%
TOTALS BY DIRECTORATE:			
Adults' Care Services	0.400	0.013	3%
Children's Services	15.980	4.845	30%
Communities, Localities and Culture	10.028	3.644	36%
Development and Renewal	4.796	2.488	52%
Building Schools for the Future (BSF)	1.014	-0.197	-19%
Housing Revenue Account (HRA)	83.731	34.588	41%
Corporate	0.350	0.011	3%
GRAND TOTAL	116.299	45.392	39%

This compares with 36% at the same stage last year. Expenditure tends to be heavily profiled towards the latter months of the year as new schemes are under development at the start of the year.

6.4 Projected capital expenditure for the year compared to budget is as follows:

	Annual Budget as at 31-Dec-15	Projection 31-Mar-16	Forecast Variance
	£m	£m	£m
TOTALS BY DIRECTORATE:			
Adults' Care Services	0.400	0.366	-0.034
Children's Services	15.980	12.081	-3.899
Communities, Localities and Culture	10.028	9.872	-0.156
Development and Renewal	4.796	3.514	-1.282
Building Schools for the Future (BSF)	1.014	1.014	0.000
Housing Revenue Account (HRA)	83.731	73.468	-10.263
Corporate	0.350	0.350	0.000
GRAND TOTAL	116.299	100.665	-15.634

Programme slippage of £15.634m is currently being projected for 2015/16. The projection does not reflect an underspend but is due to timing differences between years. Any amount of slippage will be spent in future years. The main reasons for the variance are as follows:

- **Decent Homes Backlog (£5.9m)**

The residual Decent Homes programme is being managed by Tower Hamlets Homes. In 2015/16 the GLA grant-funded element totals £13.270 million and this will be fully utilised. The scheme is being managed in accordance with the terms of the GLA grant agreement which has placed a cap on the level of leaseholder recharges. The consequential effect of the enhanced leaseholder consultation that has been undertaken has led to the programme for the financial year being backloaded, and it is therefore likely that some residual costs will be incurred in 2016-17, when the Decent Homes Backlog Programme will finish.

- **Basic Need/Expansion – Schools (£2.6m)**

Slippage is forecast on expansion schemes such as St Paul's Way Trust School, Olga Primary, Bow School and Stepney Green 6th Form due to the time taken to resolve contractual issues but schemes are now on site. Expenditure on these schemes is expected to take place in quarter 4 and into 2016/17.

- **Housing Capital programme (£1.8m)**

In light of the summer budget announcements and the need to maximise the use of one for one receipts, and an ongoing assessment of the needs arising from the initial findings of the recently completed stock condition survey, uncommitted elements of the HRA capital programme are being reviewed.

- **Private Sector Housing Improvement Grants (£1.0m)**

Resources are ring-fenced and any underspends will be carried forward into 2016/17 to fund ongoing commitments.

- **Provision for 2 Year Olds (£1.0m)**

Slippage on the programme is due to the timescale for resolving lease agreements and procurement/portal issues on the following schemes: Whitehorse Road 1 o'clock club, Bethnal Green Gardens new nursery, Limehouse child care provision and Lincoln Hall playgroup.

6.5 The total approved budget, taking into account the whole life of all capital schemes, is currently £976.7m against which full spend is forecast.

The breakdown by directorate is shown below:

	All years budget as at 31-Dec-15	Projection (all years)	Variance
	£m	£m	£m
Adults' Care Services	1.274	1.274	0.000
Children's Services	117.276	117.276	0.000
Communities, Localities and Culture	66.074	66.074	0.000
Development and Renewal	30.350	30.350	0.000
Building Schools for the Future (BSF)	332.146	332.146	0.000
Housing Revenue Account (HRA)	416.718	416.718	0.000
Corporate	12.846	12.846	0.000
GRAND TOTAL	976.684	976.684	0.000

6.6 Capital receipts received in 2015/16 from the sale of Housing and General Fund assets as at 31st December 2015 are as follows:

Capital Receipts		
	£m	£m
Sale of Housing Revenue Account (HRA) assets		
Receipts from Right to Buy (196 properties)	23.978	
less pooled amount paid to DCLG	-1.330	
Preserved Right to Buy receipts	1.810	
296 Bethnal Green Road	0.554	
Blue Anchor Public House	0.235	
		25.247
Sale of General Fund assets		
Wapping Lane overage payments	0.064	
Land adjacent to 309-317 Cambridge Heath Road	0.085	
		0.149
Total Capital Receipts 2015/16		25.396

Retained Right to Buy receipts must be set aside to meet targets on housing provision as set out in regulations governing the pooling of housing capital receipts, so they must be ringfenced for this purpose and are not available for general allocation.

7. Glossary of Terms and Acronyms

ACS	- Adult Care Services
BATs	- Buildings and Technical Services
C&L	- Communities and Localities
CMBM	- Corporate Monthly Budget Monitor
CS	- Children's Services
D&R	- Development and Renewal
DCLG	- Department of Communities and Local Government
DSG	- Dedicated Schools Grant
GF	- General Fund
GLA	- Greater London Authority
HRA	- Housing Revenue Account
LPG	- Law, Probity and Governance
PH	- Public Health
SLA	- Service Level Agreement

8. COMMENTS OF THE CHIEF FINANCE OFFICER

- 8.1 Under Financial Regulations it is the responsibility of senior managers to contain expenditure within budgets and, where necessary, management action will need to be taken over the remainder of the financial year to avoid overspend.
- 8.2 Any ongoing revenue overspend during 2015/16 will have a negative impact on the Medium Term Financial Plan. At present a broadly break-even position

for Directorates is predicted for 2015/16, however there are cost pressures within social care that potentially require the use of earmarked reserves during the year.

9. LEGAL COMMENTS

- 9.1 The report provides performance information, including by reference to key performance indicators and the budget. It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted. For the same reason, it is reasonable for the Council to consider the views of residents about the borough and how the Council is discharging its functions.
- 9.2 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Monitoring of performance information is an important way in which that obligation can be fulfilled.
- 9.3 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 Members to receive information about the revenue and capital budgets as set out in the report.
- 9.4 When considering its performance and any procurement, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). The Council’s targets are formulated by reference to its public sector equality duty and monitoring performance against those targets should help to ensure they are delivered.

10. CONCLUSIONS

This report and the subsequent appendices are for noting only.

11. ONE TOWER HAMLETS CONSIDERATIONS

The Corporate Budget Monitor assists in reviewing the financial position of the council. It ensures that financial resources are applied to deliver services meeting the needs of the diverse communities living in Tower Hamlets and supporting delivery of One Tower Hamlets.

12. BEST VALUE (BV) IMPLICATIONS

Best Value implications for 2015/16 are incorporated within the forecast outturn. Best Value is assessed annually as part of the final audit of the Councils financial statements.

13. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

There are no specific actions for a greener environment implications

14. RISK MANAGEMENT IMPLICATIONS

There is a risk to the integrity of the authority's finances if an imbalance occurs between resources and needs. This is mitigated by regular monitoring and, where appropriate, corrective action. This report provides a corporate overview to supplement more frequent monitoring that takes place at detailed level.

The explanations provided by the Directorates for the budget variances also contain analyses of risk factors.

15. CRIME AND DISORDER REDUCTION IMPLICATIONS

There are no specific crime and disorder reduction implications.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- **Appendix 1** - lists revenue and capital budget / target adjustments (including virements).
- **Appendix 2** - provides the General Fund budget outturn forecast by Directorate and explanations of any major variances.
- **Appendix 3** – provides the budget outturn forecast for the HRA
- **Appendix 4** – provides the projected Capital Monitoring outturn position

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

- NONE

Officer contact details for documents:

- N/A