

Cabinet 7 March 2017	 TOWER HAMLETS
Report of: Zena Cooke – Corporate Director of Resources	Classification: Unrestricted
Corporate Budget Monitoring Report Period 9 (December) 2016-17	

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

Executive Summary

This report details the projected outturn position of the Council at the end of Period 9 (December) 2016-17. The report includes details of:-

- General Fund Revenue and Housing Revenue Account;
- General Fund and HRA Capital Programme
- Key Balance Sheet information at end of December 2016

The Council's Medium Term Financial Strategy (MTFS) covering the period to 2019-20 was approved in February 2016. Government and grant funding is forecast to continue to fall, reflecting the on-going government austerity measures. The current projections suggest that the unfunded budget gap will be approximately £58m for the period to the end of 2019-20.

At the end of 2015-16 an underspend was reported and instead of the £7.8m drawdown from reserves the authority was able to make a contribution to both the General Fund and earmarked specific reserves. This still left some overspends in areas such as Children's Social Care.

The Council is due to deliver savings of £19.5m in 2016/17 and of this sum £12.6m relates to the Children's and Adults services directorates.

Revenue Budget Position 2016-17

The Council's 2016-17 revenue budget was agreed in February 2016 this assumed a net service cost of £361.9m against which the authority can expect to receive £338.6m via Central Government funding, Council Tax, retained Business rates and core grants.

The resulting funding gap of £23.3m is proposed to be funded from the General Fund Balance and is in large part intended to support expenditure or provision for expenditure on the new Civic Centre.

At the end of Period 9 (December 2016), the Council's projected outturn position against the following components is:

- A General Fund revenue underspend of £0.7m (set out in Table 1), after the application of agreed reserves.
- A Housing Revenue Account surplus of £11.6m.

Proposed service management action is set out within the detailed explanations in this report.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the Council's Revenue and Capital financial forecast outturn position as at the end of December 2016 as detailed in Sections 3 to 8.
2. Note the summary savings position and management action being taken
3. Note the summary Balance Sheet Information

1. REASONS FOR THE DECISIONS

- 1.1. The regular reporting of Revenue and Capital Budget Monitoring information provides detailed financial information to members, senior officers and other interested parties on the financial performance of the council. It sets out the key variances being reported by budget holders and the management action being implemented to address the identified issues.
- 1.2. Set alongside relevant performance information it also informs decision making to ensure that members' priorities are delivered within the agreed budget provision.
- 1.3. It is important that issues are addressed to remain within the approved budget provision or where they cannot be contained by individual service management action, alternative proposals are developed and solutions proposed which address the financial impact; Members have a key role in approving such actions as they represent changes to the budget originally set and approved by them.

2. ALTERNATIVE OPTIONS

- 2.1 The Council could choose to monitor its budgetary performance against an alternative timeframe 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 Corporate Management Team including approval of management action.
- 2.2 To the extent that there are options for managing the issues identified these are highlighted in the report in order to ensure that members have a full picture of the issues and proposed solutions as part of their decision making.

3. DETAILS OF REPORT

3.1. General Fund Revenue

- 3.1.1. At the end of December 2016 service projections show a net General Fund revenue underspend of £0.7m including approved reserve movements. This position is based on budget managers' projections at the end of December. However, achieving the 2016-17 savings of £19.5m are a key component of successfully managing the budget and there are indications in most service areas of potential slippage against these proposals. It is important that

managers continue to work rigorously to deliver these savings and also to manage any in-year pressures being seen.

3.1.2. There are particular concerns within both Adults' and Children's Services social care provision as a result of the non-delivery of savings as well as current pressures around the provision of social care packages. In addition there remain pressures against the Public Health Service which is supported by the Public Health Grant.

3.1.3. The approved use of General Fund Balances in the budget of £23.3m includes a contribution of £20m towards the acquisition and refurbishment of the new Civic Centre in Whitechapel, together with the balance of £3.3m being provided for general support to the budget.

3.2. Housing Revenue Account (HRA)

3.2.1. The provisional HRA outturn is expected to show a £11.6m surplus. This sum is ring-fenced and will be added to the existing HRA Reserve of £32.1m as it cannot be used for other purposes. Full details can be found in section 6 of this report.

3.3. Capital Programme

Directorates have spent 47% of their capital budgets for the year (£43.8m against budgets of £92.7m). Further information is provided in section 7 of the report and Appendix 5

4. FINANCE OVERVIEW

4.1. Table 1 below summarises the forecast revenue outturn position for the General Fund for 2016-17.

- 4.2. The Corporate Director, Resources has undertaken a review of existing reserves with the Lead Member for Resources.
- 4.3. In order to support the MTFS the Corporate Director, Resources is working towards the consolidation of a number of corporately held reserves previously created to facilitate savings' programmes, these will be brought together into a single transformation reserve.
- 4.4. The remaining reserves will either be taken to the general fund or re-established as specific earmarked reserves in 2017-18.

5. Directorate Summary position

Law, Probity and Governance - Balanced

	£000s
Revised Budget	10,127
Actual to date	6,303
Forecast outturn position	10,127
Variance	0
Total Savings Target	339
Savings Achieved (Green or Amber)	339
Savings Deferred	0
Savings not achieved	0

- 5.1 As at Month 9 the LPG directorate is forecasting a breakeven position.

Following the introduction of the 'Our East End' publication and the new Communications Strategy, there is a budget pressure of approximately £550k within the service. In 2016-17 the pressure will be funded through corporate contingencies and a growth bid has been agreed via the MTFS for future years.

Communities, Localities and Culture £490k Underspend

	£000s
Revised Budget – After Adjustments	76,221
Actual to date	42,978
Forecast outturn position	75,731
Variance (u/s)	(490)
Total Savings Target	4,833
Savings Achieved (Green or Amber)	4,133
Savings Deferred	0
Savings not achieved	700

Following the Council restructure, the following paragraphs explain how the former CLC directorate areas are being transferred into the other Directorates.

Services transferred to Place Directorate

- 5.2 Parking services are projecting an additional £500k income. The income is being generated from the increase in bay suspensions in the borough due to major development works. This will make the budgeted General Fund contribution £9.1m. Of this sum £8.6m will be used to fund freedom passes and £0.5m will be used to support relevant revenue expenditure in accordance with the regulations covering the parking control account. This is expected to continue into the future with provision made within the MTFs that offsets the general fund highway maintenance and concessionary fares commitments.
- 5.3 Given the lead time for the development of the Closed Circuit Television (CCTV) network income generating opportunity, no savings will be achieved in this financial year. Current projections show that £200k rather than £400k is a more realistic achievement in the current market. For the current financial year the pressure has been mitigated through using the uncommitted budget for one off initiatives of £400k. This sum is from the Safer Communities budget which is set aside to fund various schemes to tackle drug misuse, the main one being 'dealer a day' initiative undertaken by the Police task force. The resource is not available going forward as this sum is accounted for in the future MTFs savings process.
- 5.4 The saving proposal for the animal warden service provides for an alternative delivery model. However, the prolonged absence of senior management in the area charged with delivery of this savings opportunity has delayed the staff consultation process and the negotiation of a SLA with LB Hackney (the service providers). The current activity levels and statutory duties are being reviewed and it is anticipated that only £120k of the £160k saving will be realised when the SLA and new working model are in place. This has been reflected in the 2017-18 budget.
- 5.5 The savings target associated with the deletion of 10 Commercial Waste Tower Hamlet Enforcement Officer (THEO) posts of £451k will not be realised in this financial year. This is due to a further review of enforcement functions being carried out across the directorate.
- 5.6 Additional growth of £480k was approved as part of the budget for 2016-17, to deal with Anti-Social Behaviour enforcement (ASB). £380k was identified to fund additional THEOs. The review of the whole THEO function is currently being undertaken and is due for completion by the end of March 2017. The additional THEOs have therefore not been recruited. The results of the review will determine the level of resources required to tackle ASB. The cost of the ASB review will be provided for in the budget.
- 5.7 The School crossing patrol saving of £89k is now progressing with the service liaising with the schools that receive this service.

5.8 Management action has been taken in order to mitigate the budget pressures in paragraphs 5.5 to 5.7. Through a combination of holding vacancies and other staffing actions £700k has been identified to fully offset those pressures.

Services transferred to Children's Directorate

5.9 Renegotiation of the Leisure contract has been undertaken in order to deliver savings of £1.24m. The objective has always been to provide for a full year's savings including agreement with Greenwich Leisure (GLL) to reinstate the current year's provision following the completion of the negotiations. Agreement in principle was reached with GLL in January on the fee waiver – this will require the approval of the Mayor in Cabinet as part of the Council's procurement framework. Therefore, subject to Cabinet agreement the full saving can be made in 2016-17 and on an ongoing basis

5.10 Following the decision to run the Mela festival in-house at a cost of £286k, funding of £87k was identified from sponsorship and commercial income, and £29k from the Arts and Events budget. This leaves a balance of £170k that has been met from reserves.

5.11 The annual fireworks event in November cost £180k, which was funded through £120k from Commercial activities and Sponsorship, and £60k from the budgeted sum. This leaves £90k underspend from the allocated budget of £150k.

Services transferred to Adults Directorate

5.12 Based on current activity levels for Tier 4 DAAT (Drug Alcohol Action Team) treatment an underspend of £500k is anticipated. This will result in a reduction in the allocation from the Public Health grant allocation for the current year. The service will continue to review the level of demand for future additional cases.

Children's Services – Overspend £7.217m

	£000s
Revised Budget	92,527
Actual to date	87,554
Forecast outturn position	99,744
Variance (o/s)	7,217
Total Savings Target (after reversal of agreed savings)	5,707
Savings Achieved (Green or Amber)	4,841
Savings Deferred	866
Savings not achieved	0

- 5.13 The Directorate is currently reporting a gross £8.2m overspend position at the end of Period 9, though this would be reduced to £7.2m should £1.015m of earmarked reserves be applied. Currently there is a 2016-17 directorate savings target of £5.7m; those elements which relate to Social Care are considered to be partly at risk given current year pressures in that area. The savings target includes unachievable savings of £866k and this is included in the outturn projection.
- 5.14 There has been a significant increase in the numbers of children and young people assessed as having special educational needs in the Borough. Changes in the demographic make-up of the Borough are also leading to impacts in both the size and nature of the demand. This additional demand is having a significant impact on budgets, with an estimated £0.8m overspend for 2016-17. The DfE is reviewing the way that school funding is assessed and these changes are likely to add further pressures to this budget for future years. The DfE review will not impact upon 2016-17.
- 5.15 An independent review has been commissioned of the SEN service with the objective of providing a fully costed set of recommendations to identify the underlying demand and proposed solutions.
- 5.16 Within Children's Social Care (CSC) the current forecast overspend stands at £6.272m. The main causes of this overspend are the pressures around the Council's statutory obligation regarding Looked after Children. The number of cases (in particular those with complex needs cases) and the resultant need to maintain full staffing levels has led to the use of agency staff costing more than permanent staff. This means that it has not been possible to meet the vacancy factor to achieve a 6% saving included in the prior years' transformation savings target.
- 5.17 A service re-design group, led by the CSC Divisional Director, is undertaking a review of the CSC service area, looking at ways to maintain effective service provision alongside actions for bringing the current budget variances back into line. A growth bid has been approved as part of the MTFS to address the underlying budget pressures and the service re-design will be put in place during the course of the 2017/18 financial year. This service re-design proposal will deliver a balanced budget by the end of the current MTFS period.
- 5.18 The Contract Services trading account continues to have the same pressures that were seen in 2015-16, which resulted in an overall £1.4m overspend. Current profiles suggest that 2016-17 will be no different, with a similar level of overspend being projected. Strategies are needed which will equalise the disparity between increasing expenditure and static income streams. A service review has now been concluded and a number of options are being considered including price increases and amendments to menus. These proposals will be presented to the Schools Forum in June 2017. If agreed the new SLAs will be put in place from September 2017 (new academic year). Additionally, back office functions and the general operating structure of Contract services will be reviewed to yield further efficiencies.

5.19 The Youth Service has recently transferred to Children's Services. Following a significant underspend in 2015-16 the service has moved to deliver an interim service offer pending the development of a sustainable service offer for the future. The interim service offer and the on-going service redesign are expected to contribute to the overall Council's savings programme and it is expected that there will be a smaller underspend (c£500k) in 2016-17 than was seen in 2015-16. The Mayor in Cabinet on the 10th January approved a revised service, which is expected to cost less, hence a further saving proposal has been put forward for Youth Services, to take effect from 2017-18 financial year.

Adults' Services - £2.715m Overspend

	£000s
Revised Budget	128,228
Actual to date	95,042
Forecast outturn position	130,943
Variance (o/s)	2,715
Total Savings Target	6,931
Savings Achieved (Green or Amber)	3,512
Savings Deferred	2,826
Savings not achieved	593

5.20 The Directorate is currently reporting a £2.715m overspend position at the end of Period 9 after the application of the remaining Public Health ring-fenced reserve (£0.850m).

5.21 Currently there is a 2016-17 directorate savings target of £6.931m. Delivery of £3.512m of the savings is expected in 2016-17 with the remainder slipping into 2017-18. This is because of the late start on savings projects in the current financial year. The balance of savings that will not be achieved is £2.4m, this is reflected in the projected overspend and includes :

Joint Funding NHS Packages with NHS	£1.000m
Reablement of Social Care Users	£0.400m
Sharing Services with NHS Partners	£0.435m
Charging for Social Care Services	£0.540m

5.22 The Public Health Service has identified a net overspend of £2.045m (after use of the £0.850m ring-fenced reserve) which reflects the gap between savings agreed, increased demand on the 'free infant school meals' scheme and the effects of central Government's grant reduction. The remaining Public Health reserve is now fully utilised and the service has presented a recovery plan to its DMT with a range of measures intended to minimise any potential overspend in this area.

5.23 The Adult Social Care Service is currently reporting an overspend of £4.386m mostly within the costs of client services. The client area that has increased most is within Physical

Disabilities, with other areas experiencing relatively small increases. The Directorate has implemented a person centred assessment approach which is hoped will help to mitigate part of the budget pressure.

5.24 The Commissioning and Health budget is currently reporting an underspend of £0.627m which is mostly due to staffing underspends. Given the nature of this budget, covering mostly staffing and block contracts, the final budget position is not expected to change significantly. The Directorate is planning a review of a number of services with the aim of implementing more efficient and effective delivery models.

Development and Renewal – £300k Underspend

	£000s
Revised Budget	14,417
Actual to date	14,811
Forecast outturn position	14,117
Variance (u/s)	(300)
Total Savings Target	979
Savings Achieved (Green or Amber)	818
Savings Deferred	0
Savings not achieved	161

5.25 The directorate is currently reporting a slight underspend position of £300k. Specific areas where variances are expected or risks are anticipated are included below. Actual spend to date is higher than budget due to recharges yet to be processed, (including NNDR, insurance and depreciation). These are typically put through in the last quarter of the financial year when there is a reasonable degree of certainty on the level of the charges.

5.26 Homelessness – Overspend £82k. Due to the current housing market and economic climate there has been a persistent stream of homeless applications and acceptances, with an acute shortage of properties available to place clients. The result is an increase in Temporary Accommodation (B&Bs and Nightly Lets and Non Secure Tenancies). Most of the homelessness overspend is offset by additional income from housing benefit.

5.27 Planning income – Higher than expected fee income - £319k. This budget is driven by local development and income can vary significantly between financial years. It is anticipated that fee income in 2016-17 will be higher than anticipated even allowing for a reduction in fees over the winter months, resulting in a net surplus on the service budget. This coincides with the second year of the council's Community Infrastructure Levy (CIL, implemented in April 2015) which includes an element to cover the costs of administering the scheme. There is a risk that future income levels may fall due to market uncertainties following the decision for the UK to leave the European Union.

Resources - Balanced

	£000s
Revised Budget	9,302
Actual to date	5,011
Forecast outturn position	9,302
Variance	0
Total Savings Target	703
Savings Achieved (Green or Amber)	625
Savings Deferred	78
Savings not achieved	0

- 5.28 As at Month 9 this directorate is forecasting a balanced budget position. However, an overspend in excess of £200k is currently forecast within the Customer Access budget as a consequence of THH withdrawing services from SLA arrangements. The pressure will be managed through a combination of directorate underspends and potentially the risk reserve. In 2016/17, there are forecast underspends within financial systems (c.£50k) and corporate finance budgets (c.£80k) as a consequence of vacancies in permanent roles, graduate trainee posts and general supplies and services spend. The balance will either be met through any other general underspends or the risk reserve. The position will be reviewed for 2017/18 as part of the wider review of the customer access strategy across the Council.
- 5.29 ICT is expected to spend approximately £2m above its base budget. Spend on specific ICT projects agreed during the year are generally funded through the ICT transformation reserves. which will be a drawn down at the end of the year.
- 5.30 The figure of £2m is made up of, £1m which relates to replacement of the legacy contract BT telephony system that goes out of support at the end of March 2017 with an enhanced BELL Mitel telephony system that will allow unified communication as part of the Council's transformation programme. The balance of £1m relates to a planned ICT project spend covering Network Transformation spend, WiFi provisioning and end of life infrastructure upgrade that will support the Council's transformation programme and savings agenda including the move to a new town hall.
- 5.31 In addition to this there will be approximately a further £1.5m of expenditure relating to the Council's Transformation programme, which will be funded through the Transformation Reserve. It includes the following schemes:
- Bank transfer from HSBC to Natwest
 - Various financial systems improvement works
 - MTFs strategic partner costs (GT Consortium)
 - HR improvement programme
 - Other project management resources supporting delivery of the Council's savings programme

Corporate Costs & Capital Financing (Budget provision of £9.8m available)

- 5.32 Corporate cost budgets comprise provisions for unforeseen events (contingencies) and Council wide budgets for growth and inflation approved at the time of the MTFS.
- 5.33 Currently the contingency budget (£3.1m) will be used to offset those service pressures highlighted above although the Corporate Director, Resources has made it clear that she expects services to have fully considered management action to contain pressures. Corporate provision specifically to manage the risk associated with the slippage against approved savings can also be applied where it is clear that unavoidable delays are being experienced. A further £3.3m provides general support to the budget from Council's reserves and in addition £1.4m held against growth and inflation has not yet been allocated.
- 5.34 A positive variance of £2m is projected against the capital financing budgets. This is due to far lower than expected levels of borrowing to fund the Capital Programme for both the general fund and the HRA leading to an underspend in 2016-17 and in turn higher than expected cash balances which can be made available for investment.

6. Housing Revenue Account (HRA)

- 6.1 The overall projected HRA underspend of £11.6m is due to two main variances; the first is that the 2016-17 HRA budget assumes that a levy of £8.4 million would be payable in relation to the Sale of Higher Value Void properties policy contained within the Housing and Planning Act 2016, however the government has recently confirmed that no levy will payable until April 2018 at the earliest.
- 6.2 In addition, the HRA budget assumes a Revenue Contribution to Capital (RCCO) of £2m. A decision will be made at the end of the financial year about how best to finance the HRA capital programme, at which point it may be considered better for the HRA to use other resources; therefore the forecast assumes that no RCCO will take place.
- 6.3 As well as these two main areas there are some small variances forecast, the principal one being that it is forecast that HRA investment income will be higher than budgeted due to the level of HRA reserves currently held.

7. APPROVED SAVINGS PROGRAMME

- 7.1 A total saving of £19.492m needs to be delivered in 2016-17. £17.423m of this relates to new savings projects agreed as part of the 2016-17 budget setting process. The balance represents historic savings (£2.069m), mainly within Adults' Services and Children's Services, which have previously been covered off through one-off measures but require permanent sustainable plans. These plans have been included in the 2017-18 budget.
- 7.2 The table below summarises the current savings position by directorate and by the current RAG status of the savings.

Green – Forecast Savings Delivered

Amber - Low Level of Risk & and potential for slippage

Red - High level of Risk and unlikely to be delivered

Grey - 2016-17 Slippage expected to be fully delivered in 2017-18

Black - No delivery plan or decision required

Table 2 – Total 2016-17 savings

Directorate	Total Savings 2016-17 £'000	Forecast Savings 2016-17 RAG Green £'000	Forecast Savings 2016-17 RAG Amber £'000	Forecast Savings 2016-17 RAG Red £'000	Slippage 2016-17 £'000	Variance (Total Non Delivery) 2016-17 £'000
Adults' Services	6,931	1,915	1,597	-	2,826	593
Children's Services	5,707	473	4,368	-	866	-
Communities, Localities and Culture	4,833	2,493	1,640	-	-	700
Development and Renewal	979	605	213	-	161	-
Law, Probity and Governance	339	260	79	-	-	-
Resources	703	625	-	-	78	-
Total	19,492	6,371	7,897	-	3,931	1,293

8 CAPITAL

- 8.1 The capital budget for 2016-17 now totals £92.7m, decreased from the £170.4m reported to Cabinet in the second quarter monitoring report. The decrease is mainly due to re-profiling of schemes into future years.
- 8.2 Details of all the changes to the capital budget are set out in Appendix 1.
- 8.3 Total capital expenditure to the end of Quarter 3 represented 47% of the revised capital programme budget for 2016-17 as follows:

Spend to Date by Directorate	Annual Budget as at 31 st Dec 2016	Spent to 31 st Dec 2016	% Budget Spent
	£m	£m	%
Adults'	3.592	0.103	3%
Children's	16.274	10.404	64%
Communities, Localities & Culture	6.774	2.666	39%
Development & Renewal	5.357	1.815	34%
Housing Revenue Account	56.227	28.846	51%
Corporate	4.488	0.000	0%
GRAND TOTAL	92.712	43.834	47%

This compares with 39% at the same stage last year, with the movement between years being attributable to re-profiling the budgets to reflect the reality of the pattern and timing of expenditure. Expenditure tends to be heavily profiled towards the latter months of the financial year.

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

Projected Variances by Directorate	Annual Budget as at 31 st Dec 2016	Projection to 31 st Mar 2017	Forecast Variance
	£m	£m	£m
Adults'	3.592	2.899	-0.693
Children's	16.274	14.837	-1.437
Communities, Localities & Culture	6.774	6.112	-0.662
Development & Renewal	5.357	3.845	-1.512
Housing Revenue Account	56.227	55.877	-0.350
Corporate	4.488	0.00	-4.488
GRAND TOTAL	92.712	83.570	-9.142

Programme slippage of £9.1m is currently being projected. The main reasons for the variance are as follows:

- **Corporate Budget Provision for Infrastructure Delivery (£4.4m)**

This relates to budget provision for allocations made under the Infrastructure Delivery Framework (IDF) Process. Amounts will be moved to Directorates as allocations are approved, and spend projections will be added accordingly. Sessions have been scheduled to agree allocations in the year. It is anticipated any amounts unspent in the current year will be rolled forward to 2017-18.

- **Development and Renewal Section 106 Schemes (£0.9m)**

Most of this budget relates to s106 funded schemes that are yet to be formally approved through the new s106 & CIL Infrastructure Delivery Board process

8.5 Capital receipts received in 2016-17 from the sale of Housing and General Fund assets as at 31st December 2016 are as follows:

Capital Receipts *		
	£m	£m
Dwellings Sold under Right To Buy (RTB)		
Receipts from RTB sales	35.190	
less poolable amount paid to DCLG (Q3 estimated)	-1.278	
		33.912
Sale of other Housing Revenue Account (HRA) assets		
Preserved Right to Buy receipts	1.145	
11-31 Toynbee St and 67-69 Commercial St	8.000	
32-34 Hessel Street	0.027	
31 Turner Street	1.800	
327-329 Morville Street	4.751	
		15.723
Sale of General Fund assets		
2 Jubilee St	4.050	
Limehouse Library deed of variation	0.033	
Cheviot House	14.040	
		18.123
Total		67.758

* Receipts shown gross before costs of sale are deducted

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 ring-fenced for this purpose and are not available for general allocation.

9 Balance Sheet Information

9.1 The following information relating to the Council's balance sheet assets and liabilities gives Members further information relating to the Council's overall financial position.

Debtors (assets)

9.2 Debtors are individuals, organisations and companies that owe the Council for goods and services. In year debtors are usually lower as a number of debtors are raised at year end to recover income from other government bodies.

	31 March 2016	31 Dec 2016
Debtors	£m	£m
- Council Tax Debtors*	16.5	14.1
- NNDR Debtors*	14.6	14.2
- Other Debtors	66.2	37.5
Total Debtors	97.3	65.8

* only debt pre 31-03-16 show

Business Rates

9.3 Growth in 2016-17 has seen the total rateable value increase from the initial estimate of £843m to £873m at the end of December 2016. As a result of this, Net Rates receivable have also increased to £404m (i.e. after taking into account the effect of reliefs and exemptions awarded totalling £27m). Year to date cash collected forecast is currently £40m ahead of the estimated end of year position. This will reduce as we approach the end of the financial year and we will need to increase our provision for appeals in the 2010 list which comes to an end in March 2017. In terms of budgeted income, collection is on course to exceed target and is at 85.27% for the year as at 31st December 2016.

Council Tax

9.4 In 2016-17 the total budgeted yield from the Council Tax base is £100m, of which the Council retains £77m (76.9%). This calculation is based on a tax base of 83,493 Band D equivalent chargeable properties. As at 31st December, the tax base has risen to 86,441 so at this stage is a long way ahead of the projected end of year position.

9.5 The budgeted collection rate is over 1% ahead of target at 76.03% for the quarter ending 31st December 2016. Further growth in chargeable properties will be closely monitored to ensure Council Tax income and growth is maximised and this will be reflected in the MTFs. At this stage it is anticipated there will be a surplus of around £3.2m, the Council's share being £2m.

Creditors (liability)

- 9.6 Creditors are individuals, organisations and companies that the Council owes for goods and services. Sums at the 31 March 2016 include closedown accruals, these are only calculated and included in the year end position.

	31 March 2016	31 Dec 2016
	£m	£m
Total Creditors	201.8	98.5

Reserves

- 9.7 Amounts set aside, which do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances which every Council must maintain as a matter of prudence.

	31-03-2016 £m	31-03-2017 £m	31-03-2018 £m	31-03-2019 £m	31-03-2020 £m
General Fund Reserve	72.1	31.1	31.6	26.3	28.3
Earmarked Reserves	122.0	0			
Insurance		22.1	22.1	22.1	22.1
Decent Homes - Capital schemes		11.6	8.6	6.6	4.6
Main Stream Grants Fund		0.4	0.0		
New Civic Centre		20.8	10.8	5.8	0.0
Replacement Social Housing Reserve (Capital)		7.5	3.5	1.5	0.0
Parking Control		3.3	3.3	3.3	3.3
Transformation Reserve		25.0	17.0	12.0	7.0
ICT Reserve		25.0	20.0	15.0	10.0
Mayor Tackling Poverty Reserve		5.0	3.3	1.7	0.0
Free School Meals Reserve		6.0	4.0	2.0	0.0
Mayor's Priority Investment Reserve		10.0	6.9	4.0	1.3
Risk Reserve		15.0	15.0	15.0	15.0
Services Reserve		7.3	5.3	4.3	3.3
Other Reserves					
Housing Revenue Account	32.1	32.1	43.1	15.3	19.6
Schools	31.8	31.8	29.8	27.8	25.8
Capital					
Capital grants unapplied	86.4	86.4	81.4	78.4	78.4
Capital Receipts reserve	56.2	56.2	51.2	46.2	41.2
Major Repairs Reserve	9.2	9.2	9.2	9.2	9.2
	409.8	405.8	366.2	296.4	269.1

10 COMMENTS OF THE CHIEF FINANCE OFFICER

- 10.1 This report is primarily financial in nature and therefore financial comments are included throughout; there are no additional comments to make.

11 LEGAL COMMENTS

- 11.1 The report provides financial performance information. It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted.
- 11.2 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 financial and other performance information is an important way in which that obligation can be fulfilled.
- 11.3 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 the Cabinet to receive information about the revenue and capital budgets as set out in the report.

12 ONE TOWER HAMLETS CONSIDERATIONS

- 12.1 The budget monitoring report assists in reviewing the financial performance 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.

13 BEST VALUE (BV) IMPLICATIONS

- 13.1 The Council’s achievement of the principles of Best Value are assessed annually as part of the final audit of the Council’s financial statements by the Council’s external auditors KPMG.

14 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 14.1 There are no specific actions for a greener environment implications

15 RISK MANAGEMENT IMPLICATIONS

- 15.1 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.

16 CRIME AND DISORDER REDUCTION IMPLICATIONS

16.1 There are no specific crime and disorder reduction implications.

Linked Reports, Appendices and Background Documents

Linked Report

None

Appendices

Appendix 1 – Savings Tracker

Appendix 2 – Capital Summary