

<p>Cabinet</p> <p>27 February 2018</p>	
<p>Report of: Zena Cooke – Corporate Director of Resources</p>	<p>Classification: Unrestricted</p>
<p>Corporate Budget Monitoring Report - <i>Period 9 (December 2017) 2017-18</i></p>	

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

In February 2017 the Council agreed a General Fund (GF) revenue budget of £338.9m and a Capital programme of £216.2m (GF £103.1m, £113.1m Housing Revenue Account (HRA) for 2017-18). This report details the projected outturn position for 2017-18 based on information as at the end of Period 9 (December 2017). The report includes details of:-

- General Fund (GF) Revenue Budget Position
- Housing Revenue Account (HRA) Budget Position
- Progress delivering 2017-18 Savings
- Progress delivering Council Growth Priorities, including Mayoral Priority Growth
- Council Tax and Business Rates Income
- Treasury Management Activities
- Pension Fund Investments Position

The Medium Term Financial Plan (MTFP) assumed in 2017-18 there would be a small contribution of £0.5m to the Council's General Fund reserves.

Currently the General Fund forecast outturn is projecting an **underspend of £1.5m** after the application of reserves and corporate contingency. The HRA is projecting an **underspend of £24.8m**.

There are significant pressures in Children's Services which is currently projecting a large overspend, much of this is attributable to social care. Similar concerns in Health, Adults and Community have been largely mitigated with the application of the Improved Better Care Fund and new Adult Social Care grants. There is also an overspend in the Resources Directorate which is largely due to the costs of the contact centre, administration of the Housing benefit function.

The Place directorate is forecasting a overspend position. This is predominantly where budgeted savings are not being made. Other areas of potential overspend are the subject to the application of earmarked reserves.

Corporate costs and capital financing (including the corporate contingency) is currently showing a £13.7m underspend which will be used, alongside approved earmarked reserves, to offset unplanned pressures.

The MTFs outlined for 2017-18 approved savings of £20.4m in order to deliver a balanced budget. An additional £5.7m relating to slippage from previous years must also be achieved.

The following items are potential risks to the budget, and Corporate Directors and Business Partners are working to mitigate these reduce the risk of overspending.

- Social Care Costs
- Ofsted Outcomes
- Savings Delivery

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the Council's forecast outturn position against Revenue and HRA budgets agreed for 2017-18, based on information as at the end of December as detailed in the Appendices
2. Note the summary savings position.
3. Endorse Management action to achieve savings.
4. Note the position on the Mayoral Priority Budget

1. ALTERNATIVE OPTIONS

- 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. Further information across the Council's key financial activities is also included to ensure that CLT and Members have a full picture to inform their consideration of any financial decisions set out in this report and also their broader understanding of the Council's financial context when considering reports at the various Council Committees.
- 1.3. Set alongside relevant performance information it also informs decision making to ensure that Members' priorities are delivered within the agreed budget provision.
- 1.4. 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; CLT and Members have a key role in approving

such actions as they represent changes to the budget originally set and approved by them.

2. REASONS FOR THE DECISIONS

- 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 Leadership Team (CLT) 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 Budget Position 2016-17 Outturn position

- The final outturn position for 2016-17 was reported to Cabinet in July, this showed a net underspend of £0.7m. Although Children's Services and Health, Adults and Community Directorates showed significant overspends (mainly around social care), this was offset by corporate underspends due to growth and inflation not being required, the councils contingency and lower than expected capital financing costs.
- In total there was a net drawdown of £5.5m from the Council's reserves. A small number of earmarked reserves were also created to support Transformation and other Council priorities. Reserves were established to support the new Civic Centre and the Council's IT Strategy. At the 31 March 2017 the General Fund reserve was £31.7m which was in line with the MTFS.

2017-18 Budget Position

- The overall revised revenue budget is currently £345.9m, which is an increase of £7m from the £338.9m originally approved by the Council in February as part of the Medium Term Financial Strategy (MTFS) for the period 2017 – 2020. This increase was wholly due to funding from the Improved Better Care Fund.
- The General Fund forecast outturn for Period 8 is currently showing an underspend of £1.5m after the application of approved growth and reserves. The forecast position for the Housing Revenue Account (HRA) is a surplus of £24.8m.
- Full Directorate summaries can be found in the attached appendix. This incorporates the new proposed format for the budget monitoring which we think will improve the quality and readability of the information.

Year end 2017/18

We need to close the accounts in a shorter period of time than in previous years, this means that we will need to provide a final outturn position we can substantiate quicker than last year and improved budget monitoring will help us in this respect.

4. LEGAL COMMENTS

- 4.1. 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.
- 4.2. 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.
- 4.3. 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.
- 4.4. When considering its performance, 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 budgets are formulated by reference to its public sector equality duty and monitoring performance should help to ensure they are delivered.

5. ONE TOWER HAMLETS CONSIDERATIONS

- 5.1. 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.

6. BEST VALUE (BV) IMPLICATIONS

- 6.1. 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.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1. There are no specific actions for a greener environment implications

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. 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.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

9.1. There are no specific crime and disorder reduction implications.

Linked Reports, Appendices and Background Documents

Linked Report

None

Appendices

Appendix 1 – Control Budget

Appendix 2 – Directorate Summary and other indicators

Appendix 3 – Savings Tracker Summary and Detail

Appendix 4 – Mayoral Priorities

Appendix 5 – Capital Q3 2017-18