2017-18 Provisional Outturn Report

Circulated to	Corporate Leadership Team (CLT)
Date	
Classification	Unrestricted
Report of	Zena Cooke – Corporate Director of Resources
Lead Member	Cllr Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Kevin Miles, Chief Accountant
Wards affected	All Wards
Key Decision?	No

£m Directorate	Outturn Variance	Revised Budget	Outturn Position (before Reserves)	Reserve Adjustments	Outturn Position (after Reserves)
Children's Services	8.8	98.8	110.1	(2.5)	107.6
Resources	0.8	26.3	26.6	0.5	27.1
HAC	-	139.1	138.0	1.1	139.1
Place	(1.0)	64.4	64.0	(0.6)	63.4
Governance	0.6	12.8	13.4	-	13.4
Corporate Costs	(10.7)	4.5	0.7	(6.9)	(6.2)
General Fund	(1.5)	345.9	352.8	(8.4)	344.4
HRA	(20.5)	12.0	(8.5)	20.5	12.0
Total	**(22.0)**	**357.9**	**344.3**	**12.1**	**356.4**

Executive Summary

The overall provisional outturn variance for revenue is **£22.0m**, being £1.5m positive variance in the General Fund on a revised budget of £346m (0.4%), plus a **£20.5m** positive variance against the Housing Revenue Account (HRA). The Council's Medium Term Financial Plan (MTFP) assumed in 2017-18 there would be a contribution of £0.5m to the Council's General Fund reserves and that £12m of reserves were required in support of the HRA revenue budget.

For the HRA rather than requiring support from reserves of £12m it has proved possible to add a further £8.5m to the HRA reserve. This is primarily due to reduced levels of capital expenditure which were originally intended to be funded from revenue.

The 2017-18 approved General Fund budget also required the delivery of saving proposals of £20.4m in order to deliver a balanced budget. An additional £5.7m relating to slippage from previous years' proposals were also required to be achieved. During the year £22.9m of savings were actually delivered with £5.3m of savings slipping into later years.

The revised capital budget for 2017/18 is £182.9m (£127.6m GF and £55.3m HRA). Actual expenditure for General Fund schemes was £88m; around 70% of the revised programme. For the HRA actual expenditure was £34.5m; 62% of the revised programme.

Provisional Outturn Position

The provisional outturn position is consistent with that reported to the Cabinet based on the quarter 3 (December 2017) position. The Council's 2017/18 statement of accounts has been published by the statutory deadline of 31 May and is now subject to audit review by KPMG whom will report their opinion to the Audit Committee by the end of July 2018.

£1.5m **Underspend on General Fund**: the original budget approved by Members assumed a transfer to General Fund reserves of £0.5m; the outturn position is an improvement on that but is consistent with the position reported to Cabinet throughout 2017/18.

£22.9m **Savings**: nearly £23m of our proposed savings have been delivered with slippage of £5m into 2018/19.

£20.5m **Budget Surplus on HRA activities**: the surplus has reduced from that anticipated in quarter 3 but overall £8.5m has still been added to the ring-fenced HRA revenue reserve for use in future years'.

£150m **Current estimate of Pension Fund deficit:** The estimated Funding level has increased from 82.8% to 90.4% at the end of December 2017. The next formal valuation will take place at April 2019.

£m	Outturn Variance	Revised Budget	Outturn Position (before Reserves)	Reserve Adjustments	Outturn Position (after Reserves)
Children's Services	8.8	98.8	110.1	(2.5)	107.6

The General Fund outturn variance is £8.8m. The overspend is mainly in Children's Social Care and reflects the national picture – 75% of Councils are reporting overspends in Children's Services, according to the LGA. Following the Ofsted report in April 2017, Children's Services initiated an Improvement Plan. The plan includes a one-off £4.2m cost over two years, to be funded from Reserves and conditional on hitting certain targets. £1.9m of this total has been spent in 2017/18. The service will monitor the impact of the plan on levels of demand and its longer term service costs.

It is expected that these pressures will start to reduce as ongoing work around the sufficiency strategy and workforce strategy for CSC take effect. The gate-keeping on high cost placements will continue and the implementation of the Early Help Service will ensure LBTH has a robust preventative service for families. Recruitment and retention of social work staff will continue to have a key focus in reducing the cost pressures of agency staff; implementation of the Social Work Academy will assist with this process.
There is an overall underspend against the Dedicated Schools Budget of 0.2m which was reported to the Schools Forum on 13 June.

A list of significant variances with explanations is shown below

(in numerical descending order)	£m	Variance commentary
Staffing We're dealing with increased demand via agency staff. We need instead to recruit permanent staff	2.2	Demand for services is up (since April, 15% more caseload, 41% more monthly contacts, 66% more referrals). Result: agency staff now make up over a third of our social work posts. Also when budgeting we assumed staff costs would average out at the mid-point salary scales, but the reality has seen costs closer to the top of the scale. Action: plans to recruit and retain more permanent staff have been developed and budgets have been reassessed accordingly with additional provision being agreed as part of the 2018/19 budget.
Special Educational Needs and Disabilities (SEND) This impacts on elements of the General Fund (Transport costs) and the Dedicated Schools Budget (SEN placement costs)	3.6	In the medium to long term, our Special Educational Needs and Disabilities (SEND) strategy, which is currently in draft form, will address some of this pressure by managing down the demand for transport provision. This will be through better early intervention, avoiding the need for formal Education Health and Care Plans (EHCPs), providing more locally based placements, expansion of some schools where demand currently outstrips supply and collaboration with neighbouring boroughs; who may be able to provide more specialist placements closer to pupils' home. In addition, better management of the EHCP process will ensure that the need for transport for individual pupils will be reviewed on a more regular basis. The growing number of children with ECHPs is continuing to cause a budget pressure on the Dedicated Schools Budget. 2018/19 pressures of £1m have been acknowledged as a risk within the MTFS to be funded from reserves.

Looked After Children (LAC) Increased demand and the age profile of our LAC population is leading to higher costs.	2.5	Ofsted commented on delays in care proceedings and high thresholds. Result: we have more children in care (and we expect even more in future), and there is a high proportion of older children too which cost more to look after. Action: we plan to intervene earlier in a child's life. The experience of other councils is that the sooner help is provided the more cost effective it is in overall terms. It will increase costs us in the short term (more young children in the system now), but saves us in the long term (the length of time in care would reduce and fewer children remain as more costly older children in the system). Our sufficiency strategy is beginning to make an impact on the high costs. It has been established that some of the pressure in 2017/18 relates to previous years' costs and the underlying pressure is considered to be £1.8m.
Leaving Care Services LAC have an entitlement to leaving care services after they become adults	1.4	The overall growth in LAC numbers and the higher numbers of older children are putting pressure on this area of the budget; the strategy of intervening earlier will also help to manage this pressure in the medium to long term.
Contract services The costs of school meals are not covered fully by income.	1.8	The service has been focussing on reducing costs as far as possible together with a proposed increase in the meal prices for secondary schools (from £2.35 to £2.75). Any increase in price for both Primary (0.5p increase from £1.95 to £2.0) and Secondary schools will come into effect from September 2018.
Integrated Early Years Service This impacts on elements of the General Fund and the Dedicated Schools Budget.	(0.7)	Following the restructure of the Integrated Early Years services (IEYS) which was completed in May 2017 work has been going on to clarify the full financial impact of those changes. There has been a significant churn in staffing and time was needed for bedding down before the impact could be assessed. This information is now being used to inform financial planning for 2018/19 and to identify where the savings committed to in the medium Term Financial Strategy can be realised. The financial position across the IEYS budgets identifies some variation between the services. There is a lower take up of 3-4 years funding for PVI's and in-house nurseries.

Other comments

Free School Meals	Free School Meals programme is funded by Mayors Fund Growth Bid (£2m) and Public Health Grant (£1m). An additional pressure of £0.560m arising from increased pupil number demand has been funded from the Public Health Grant.
Tower Hamlets Youth Sports Foundation (THYSF)	The Mayor has written to the Foundation Trustees following an evaluation of the business plan and in the light of schools signing up to the THYSF service offer. Unfortunately there is insufficient commitment to establish the financial viability of this service and it will therefore cease from the end of the summer term 2018. A transition plan is being agreed and schools will be signposted to existing alternative providers.

Resources

Outturn variance £0.8m overspend

		Annual Figures		Figures to 31 Mar. 2018	
£m	Outturn Variance	Revised Budget	Forecast Outturn Position (before Reserves)	Reserve Adjustments	Forecast Outturn Position (after Reserves)
Resources	0.8	26.3	26.6	0.5	27.1

The Resources directorate has an overspend of just under £0.8m, which is an improvement from the £1.2m overspend that was last reported to Cabinet at quarter 3 (December). The improved position is principally due to a lower than anticipated overspend in customer access and this has been achieved through a number of cost cutting measures implemented throughout the year, including vacancy management. The key variances are still in Customer Access, Housing Benefit and Council Tax Administration and a brief explanation is provided below.

Variance commentary

(in numerical descending order)	£m	
Customer Access Tower Hamlets Homes now provide their own customer contact centre	0.30	Tower Hamlets Homes stopped buying this service from us and the shortfall is caused by the lost business/income. The cost of the service is mainly staffing and while restructures are being progressed to reduce expenditure, they will not be in place until the end of Q1 of 2018-19. In the interim the service has managed to reduce the level of overspend by vacancy management.
Housing Benefit Admin Reductions in Government Grant support	0.29	The service is delivering savings of £0.5m agreed last year and faces on-going grant reductions from the government. Costs are mainly staffing and the service cannot achieve the level of staff reductions needed this year to cover both the savings requirement and the grant reduction without affecting service levels. A longer planning period is required to redesign the service in the context of welfare reform changes and time limited resources have been agreed as part of the 2018/19 budget process to manage these changes over a longer timeframe.
Council Tax Admin	0.16	Additional income anticipated to meet previously agreed savings has not proved possible to generate due to restrictions on what can be charged for court costs and the service will need to reduce costs to be within budget.

Other comments

Use of Reserves	Approximately £6m has been drawn down from the Transformation Reserve to pay for costs associated with delivering the smarter together savings programme including the costs of the Programme Management Office. A further £2.1m has been drawn from the ICT Transformation Reserve to fund ICT Transformation projects totalling £16m agreed by the Mayor in Cabinet earlier in the year.
Directorate Savings	There are specific savings in Finance, HR, and Housing Benefits – the detailed performance on these are set out within the savings tracker. All projects are progressing and where there is slippage such as with the finance review , these have been covered by bringing forward treasury savings

Health, Adults & Community

No overall variance

£m	Outturn Variance	Revised Budget	Outturn Position (before Reserves)	Reserve Adjustments	Outturn Position (after Reserves)
HA&C	-	139.1	137.8	1.3	139.1

The Health, Adults and Community Directorate budget for 2017/18 is balanced once the ring-fenced Public Health Grant is taken into account. We have summarised the main variances below.

The 2017/18 budgets included £7m of savings including £3.3m of savings from prior years. The directorate achieved £5.5m (79%) of savings in 2017/18. The writing off of historic unachievable savings totalling £0.7m was agreed as part of 2018/19 budget setting process. The remaining savings slippage of £0.8m will be achieved in full in 2018-19.

Variance commentary

(in numerical descending order)	£m	
Adult Social Care An overspend due to demand for residential and community-based care services for disabled and older people.	1.8	There was a £1.8m overspend in this area against a net budget of £89.8m (2%). The overspend was caused by pressures in demand led residential and community based care services for adults with disabilities and older people. For residential care a new charging policy was implemented from April 2017 with an income target of £540k. A total of £1.6m was billed and £825k collected by the end of the year. Work is continuing to review the level of charges which are subject to change as a result of financial assessment processes. The 2018-19 budget will be reviewed in the light of any re-assessemnts.
Commissioning & Health An underspend due to procurement efficiencies.	(1.4)	The outturn variance is a £1.4m underspend against a net budget of £12.6m, following efficiencies achieved through the procurement programme.
Community Safety An underspend due to temporary vacancies in staffing	(0.4)	The outturn variance is a £0.4m underspend against a net budget of £3.2m. The underspend was attributable to a number of temporarily vacant posts being held due to delays in recruitment.
Public Health An underspend due to procurement efficiencies and demand management	(1.3)	The outturn variance is a £1.3m underspend against the budget of £33.5m. This was achieved through procurement efficiencies and the management of demand in primary care, sexual health and substance misuse services. The unapplied grant of £1.3m will need to be retained in reserves for Public Health initiatives in future years, in line with the ring-fenced nature of the grant.

Place

£1.0m underspend

£m	Outturn Variance	Revised Budget	Outturn Position (before Reserves)	Reserve Adjustments	Outturn Position (after Reserves)
Place	(1.0)	64.4	64.0	(0.6)	63.4

The Place Directorate achieved an overall underspend of £1.0m for 2017/18. Historic savings of £1.6m were not achieved however, mitigating action has been put in place to cover the shortfall in the current year.

(in numerical descending order)	Variance £m	Variance commentary
Property & Major Programme Unbudgeted maintenance costs	0.24	Budget pressures are due to having to meet statutory compliance and planned maintenance obligations on the corporate estate. For 2018/19 the existing measured term contract for building maintenance will transfer to a hard services contract that should result in better control of the planned and reactive maintenance budgets.
Resources Unbudgeted Management costs	0.10	Costs due to senior management being brought in to support the directorate. These costs have been contained within the overall Place budget.
Planning & Building Control Unbudgeted Plan Making Team funded from increased income.	(0.05)	The unbudgeted cost for the Plan Making Team and the additional income generated from an increase in statutory planning fees of 20% effective from Jan 2018, has resulted in the unbudgeted cost being contained.
Public Realm, Housing & Regeneration Increased income from Housing Associations and developments.	(0.32)	A number of budget pressures have been contained for the current year, these include advertising income, historic unachieved savings and waste contract retender project costs. After taking account of the Landlord Licensing income, the mitigations also included the achievement of additional income from increased development in the borough and savings from the procurement of the new waste disposal contract.

£0.6m overspend

£m	Outturn Variance	Revised Budget	Outturn Position (before Reserves)	Reserve Adjustments	Outturn Position (after Reserves)
Governance	0.6	12.8	13.4	-	13.4

The Governance directorate has an overspend of £0.6m which is a slight improvement from the position reported previously to Cabinet. The key areas of overspend are still Strategy Policy and Performance (SPP) and the Registrars Service. The pressure in SPP is temporary and is linked to slippage in the savings programme which is now on track to be concluded in 2018/19. Further explanations for the key variances are provided below.

(in numerical descending order)	Variance £m	Variance commentary
Strategy, Policy and Performance (SPP) Savings slippage	0.5	The restructure needed to save £0.6m through centralisation of SPP teams was delayed hence the overspend (due to slippage in savings).
Registrars Service Not generating as much income as we had hoped	0.1	The new registrar's service model, with some additional chargeable services was introduced in 2016/17 so that we can generate additional income and help meet the Councils budget gap. We are not generating as much income as we had hoped hence the overspend. We are looking at ways to reduce costs and increase charges for some of our more popular services in line with competitors to further reduce the level of overspend in 2018/19.

	Other comments
Other Services	There are a number of smaller overspends in some areas (Information Governance) that has been covered through small underspends in other areas (Communications – Campaigns budget).

Corporate Costs 3

£10.7m underspend

		Annual Figures		Figures to 31 Mar. 2018	
£m	Outturn Variance	Revised Budget	Forecast Outturn Position (before Reserves)	Reserve Adjustments	Forecast Outturn Position (after Reserves)
Corporate	(10.7)	4.5	0.7	(6.9)	(6.2)

Variance commentary

Corporate and Central budgets

These are provisions for unforeseen events (contingencies) and Council-wide budgets for savings, growth and inflation. The Contingency is currently £3.1m and has offset overspending in other areas described above.

Corporate / Central Financing

Additional Treasury Management income and reduced capital financing costs against the council's Minimum Revenue Provision budget have been achieved due to delays in delivering the council's planned capital programme during the year.

Housing Revenue Account (HRA) 4

£m	Outturn Variance	Revised Budget	Outturn	Adjustments	Reported Position
HRA	(20.5)	12.0	(8.5)	12.0	(8.5)

A £20.5m underspend is projected in the Housing Revenue Account (HRA) with the major variances being:

(in numerical descending order)	Variance £m	Variance commentary
Capital Financing Charges / Depreciation	2.7	Statutory changes in the method for the calculation of HRA depreciation have increased charges significantly during 2017/18. The effect is partly offset by a reduction in capital financing charges. Although a charge to the revenue account, the depreciation is held in the Major Repairs Reserve to finance HRA capital expenditure relating to existing housing stock. The overall effect therefore is that the resources are now held for HRA capital purposes rather than revenue.
Dwelling and Non-Dwelling Rents / Tenant and Leaseholder Service Charges	(0.7)	Rent and service charge income exceeded the budget of £90.4 million. Dwelling rents were higher as a result of less properties being sold under Right to Buy regulations than anticipated, although this was partly offset by the loss of rent resulting from a fire in June 2017 at one of the Council's housing blocks. Rent reviews of commercial properties have resulted in extra non-dwelling rent being recovered.
Bad Debt Provision Contributions	(1.8)	The successful recovery of historic arrears, particularly in respect of leaseholder service charges, means that the bad debt provision that the Council holds can be reduced by £1.2 million. The HRA budget assumed that an increase of £600,000 in the provision would be required.
Revenue Contribution to Capital Outlay (RCCO)	(21.4)	The Council adopted a capital estimate of £27.3m on October 6th 2015 to finance the purchase of former social housing units within the borough. The scheme was funded from retained capital receipts of £8.2m with the balance of £19.1m financed from HRA capital resources. Cabinet, on 30th January 2018, approved the use of the acquired properties as temporary accommodation within the General Fund rather than the HRA, meaning that the remaining uncommitted budget of £26.2m within the HRA capital programme was no longer required for this purpose. This will

enable HRA resources of £18.3m (representing the 70% Council contribution required to support the use of retained receipts towards funding of the scheme) to be used to finance other HRA initiatives; either the development of new housing supply or capital works to the Council's existing dwelling stock, including fire safety works. The review of the HRA long term business plan will take account of the overall level of resources available including the use of the HRA balances in support of need within the HRA.

When considered in conjunction with the slippage on the Better Neighbourhoods element of the HRA capital programme, a significantly reduced level of HRA revenue resources were required to finance the capital programme in 2017/18, with an RCCO of £2.2 million being applied rather than the budgeted £23.6 million.

Growth Priorities 5

Including Mayoral Priority Growth

Earlier this year, we set aside £21m for specific mayoral projects to improve outcomes for residents and businesses. They include projects to improve employment opportunities for residents, in particular targeting vulnerable groups such as young people, care leavers, residents over 50 and women and improve the local environment and tackle poverty within the borough through the Mayors Tackling Poverty fund.

See Appendix 4 for projects and progress.

Some schemes are already underway, and our budgets reflect this. Others are being developed and will be included in future budgets.

Savings 6

Target for year £26.1m

Total target for 2017-18 is £26.1m (£20.4m relates to approved savings as part of the 2017-18 budget setting process, and £5.7m as a result of previous year savings not delivered)

Savings Progress

£m	Total 'red'	Slippage to future yrs	At risk of non-delivery	Over Delivery	Savings Achieved	Total target	Delivered/ cashed already
	A = B + C - D	B	C	D	E	F = A + D + E	
	✗	✗	✗	✓	✓		
HAC	1.5	0.8	0.7		5.5	7.0	5.5
Place	1.2	0.8	0.4		1.4	2.6	1.5
All	(2.2)	1.3		(3.5)	12.0	9.8	12.3
Resources	1.0	1.0	-		1.5	2.5	1.3
Children's Services	1.0	0.7	0.3		2.5	3.5	2.2
Governance	0.7	0.7	-		0.1	0.8	0.1
Total	**3.3**	**5.3**	**1.5**	**(3.5)**	**23.1**	**26.1**	**22.9**

Key for symbols

tick: a higher level of confidence that savings are on track to be delivered.

cross: either timing issues, i.e. slippage into future years, or at risk of non-delivery.

Full details of the position of individual directorate savings targets can be found in appendix 4

This section shows the amount of money we have collected from Business Rates and Council tax payers, and the split between the amount that is retained by the Council to fund its services and the amounts paid over to central and government and the GLA.

National non Domestic Rates (NNDR) **We collected £444m in 2017/18.** **NNDR is split between** GLA 37%, Government 33%, LBTH 30%	We budgeted to collect £434m in Business Rates. In total for 2017/18 we have collected £444m with £13m relating to previous years This represents a 99% collection
Council Tax **We collected £116m for 2017/18.** **CT is split between** Government 27%, LBTH 73%	We budgeted to collect £117m in Council Tax, we actually collected £116.m this equates to a 99% collection We also have historic Council tax debt of £17m at the end of last year. Of this we have collected £4m or 14%. This is a little lower than we would expect, but we have had to make a large refund during the year.

We have £516m of usable reserves on the Balance Sheet, which is an increase of 38m on the 2016/17 balance.
£222.8m are revenue reserves. The remaining £292.9 are capital reserves.

The balance of reserves is broken down as follows

Earmarked Reserve	2017/18 £m	2016/17 £m	Reason for Movement
General Fund	33.3	31.7	Improved outturn position.
Housing Revenue Account	47.6	39.1	Reduced contribution from revenue account to fund capital works.
Earmarked reserves	118.6	134.6	Application for agreed purposes
Schools reserves	23.4	24.7	School reserves used during year
Capital receipts reserve	194.6	156.8	Additional housing Right to Buy receipts and asset sales.
Capital grants unapplied	92.7	82.0	Grants received held to fund spend in future years
Major repairs reserve	5.5	9.5	
	515.7	478.4	

General Fund

The Council's General Fund Balance has increase by £1.5m

£25m has been used from the council's earmarked reserves.

£10m has been used from the council's transformation reserve in support of changes through its smarter together programme, £6m in support of the Mayors investment priorities including resources to assist in tackling poverty and for the provision of Free School Meals. £2m has been applied to upgrade the Council's IT systems, and almost £3m has been used to finance expenditure for the new Town Hall. School balances have reduced by £1.3m.

There have also been contributions to other earmarked reserves

Additional payments of £5m from the New Homes Bonus have been retained to support future house building programmes and there have also been additions to the ring-fenced reserves for the Public Health Grant (£1.3m) and the Housing Revenue Account (£8.5m) and for the Insurance and schools Maternity reserves.

Treasury 9

Overall Position **We have £466m of investments**	The Council had £466m of investments at 31st March 2018. This comprises of £442m (reported in the financial statements) supporting the general fund and £24m relating to the Pension Fund. We currently have 8.0% of the total portfolio investments, held in Money Market Funds to provide liquidity and to diversify risk. Almost 50% of the outstanding investments have less than 3 months to mature. Only £52m (11%) of investments are held for periods longer than 12 months. We are working with our advisors to develop a strategy which improves returns without being too risky; this is reflected in our Treasury Management Strategy document and will be the subject of discussions with the Audit Committee.
Benchmarking We compare favourably for the return we get from our internally managed funds, but at present we do not hold external investments	According to the information we receive from our advisors Arlingclose, we are out performing both a group of London councils, and a group of national local authorities (both averaging 0.48% on internally invested funds). We are looking at alternative approaches to retain and protect the capital value of the investment, with our Treasury Management advisors investigating options which will balance the risks and rewards.
Inflation Inflation is eroding the value of our investments.	At the moment the Consumer Prices Index (CPI) inflation is running at 2.5%, and therefore the average return of 0.72% is significantly lower. This means that the future value of the funds invested today will be less.

Pension fund 10

Overall Position to 31st March 2018	Over the year the fund value has increased by £113m to £1.48bn, which should mean an improvement on the 82.8% funding level from last year. We are awaiting confirmation from the actuary on this funding level improvement which should show the funding level is in excess of 90% The pension committee receive quarterly updates on the level and administration of the pension fund. The year end position will be reported to the July meeting of the Pension Committee.

Debtors		**31 March 2018** £'000	**30 March 2017** £'000	
Individuals, Companies and Organisations who own us money	Central government bodies	31,218	21,669	Housing Benefit
	Other local authorities	186	3,320	No Health Authority Debtors in 17/18
	Other entities and individuals	55,498	52,661	
	Payments in advance	3,708	2,837	
		90,610	80,487	

Creditors		**31 March 2018** £'000	**30 March 2017** £'000	
Individuals, Companies and Organisations who we owe money to.	Central government bodies	10,803	29,330	Housing Benefit
	Other local authorities	8,432	8,871	
	Other entities and individuals	67,865	61,174	
	Accruals	50,245	40,292	
	Receipts in advance	20,641	14,487	
		157,986	154,154	

The originally approved capital budget for 2017/18 amounted to £216.3m. £103.2m General Fund schemes and £113.1m HRA schemes. Subsequently a further £17.4m was added in respect of unspent capital resources from the previous year. During the year this was revised downwards by £50.8m to £182.9m (£127.6m GF and £55.3m HRA). Actual expenditure for General Fund schemes was £88m; around 70% of the revised programme. For the HRA actual expenditure was £34.5m; 62% of the revised programme.

Capital expenditure: **Table 13.1**

	Variance for year	Spent to date vs Budget		This year's fig (£m)	
		This year	Last year	Annual budget	Spent to date
	£m	%	%	£m	£m
	A = E-D	B = E/D	C	D	E
Housing Revenue Account	(20.8)	62%	87%	55.3	34.5
Corporate	(6.4)	0%	0%	6.4	-
Children's Services	(8.7)	68%	85%	26.9	18.2
Place	(22.1)	76%	86%	90.5	68.4
Health, Adult, Communities	(2.0)	40%	57%	3.3	1.3
Resources	(0.3)	24%	54%	0.4	0.1
Total	(60.3)	67%	82%	182.9	122.5

We've spent 67% of budget, compared to 82% last year. We are reviewing the extent to which the variance of £60.3m will need to be spent in future years. Below is a table showing how the capital expenditure was funded during 2017/18 together with the detail of significant variances.

Capital expenditure: **Table 13.2**

	Capital Spend 2017/18	Funding sources used for capital spend					
		Grants and contributions	Developers' contributions (s106 and CIL)	Borrowing	Funding from revenue budgets or reserves	HRA Major Repairs Allowance	Capital Receipts
	£m	£m	£m	£m	£m	£m	£m
Housing Revenue Account	34.5	9.1	-	0.1	2.2	22.0	1.1
Corporate	-	-	-	-	-	-	-
Children's Services	18.2	13.6	4.3	-	0.3	-	-
Place	68.4	2.3	2.0	36.8	8.1	-	19.2
Health, Adult, Communities	1.3	-	1.3	-	-	-	-
Resources	0.1	-	0.1	-	-	-	-
Total	122.5	25.0	7.7	36.9	10.6	22.0	20.3

	variance £m	
Housing Capital Programme	(13.4)	The variance of £13.370m is explained by: • £9.832m reduction in estimated spend on Decent Homes backlog and 38 of the Better Neighbourhood blocks due to changes in scope • £2.992m delays in Mechanical & Electrical works caused by issues with planning and DES options. • £1.029m slippage on a range of other projects. • This is offset by urgent Fire Safety works giving rise to £0.483m overspend
Corporate Budget Provision for Infrastructure Delivery	(6.4)	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. Any unallocated amounts in the current year will be rolled forward to future years.
Establish a Housing Wholly-Owned Company	(6.0)	This represents the Council's proposed equity investment in Seahorse Homes – the Council's wholly owned housing company. It is likely to be advanced in 2018/19.
Transport for London (TfL) schemes	(3.3)	Consultation outcomes caused delays in completion of the programme, work re-scheduled for 2018/19. TfL agreed £1.1m of 2017/8 LIP funding be carry forward into 2018/19 as part of the reprioritisation of funding in the programme. Other funding issues resulted in the removal of approx. £940k funding for TfL Greenways/ Quietways schemes not to proceed as planned.
School expansion schemes	(3.3)	For Raines Foundation School; due to delay in agreeing to release S106 monies, the Diocese were not able to get to Planning stage and Procurement as originally programmed within the PID. Therefore the project has slipped including the forecasted spend of 1.264 million. For St Paul's Way Trust; credit of 770k for contract payment received at the beginning of Q4 for contract overpayment made in the previous financial year, has been offset against this year's expenditure. This was not taken into account during Q3 forecasting (budget recently increased was to cover previous and future stamp duty costs).

Parks	(2.8)	The Bartlett Park project is the scheme which is responsible for the majority of this underspend. There has been a planning decision delay.
Establish a Housing Community Benefit Society	(2.5)	This represents the S106 resources allocated for use by the Community Benefit Society. It is likely to be advanced in 2018/19.
New Housing Supply – On Site	(2.3)	The 17-18 budget included £3m for Watts Grove. The scheme is now complete, and although final costs will be incurred in 18-19, it is anticipated that the scheme will be delivered for approximately £700k under budget. The extension budget (£1.2m) will fully slip into 18/19.
Purchase of properties for use as Temporary Accommodation	(2.2)	A number of buybacks that were planned to be purchased have slipped into Q1 of 18/19
Blackwall Reach	(2.1)	The CPO & the majority of buybacks and tenant decants have completed in previous years to enable Phase 2 of Blackwall Reach Regeneration Programme. The bulk of the remaining spend will take place as part of Phase 3 land assembly, with 6 homeowners still to buy back (c. £2.5m), these should be anytime between now and 2022. All 6 will be contacted this year regarding vesting.

Capital receipts from sale of Housing and General Fund assets

Capital receipts: **Table 13.3**

	This year £m
Dwellings sold under Right to Buy (RTB)	
Receipts from RTB sales	27.2
Less: poolable amount paid to DCLG	(1.7)
Sale of other HRA assets	
Preserved Right to Buy receipts	2.5
43 Saltwell Street	0.02
9 Gascoigne Place	0.03
Sale of General Fund assets	
255-279 Cambridge Heath Rd (LEB building)	30.2
Sovereign Court (annual premium for change of use consent)	0.3
Total	58.5

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.