


Cabinet 25 July 2018	 TOWER HAMLETS
Report of: The Corporate Leadership Team	Classification: Unrestricted
Revenue and Capital Monitoring 2018-19 Quarter 1 – June 2018	

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

Executive Summary

On the 21st of February 2018 the council considered and agreed the Revenue Budget and Council Tax for 2018-19; and a capital programme showing resources available for investment in assets and infrastructure for ten years until 2027-28. The Council also agreed the Housing Revenue Account (HRA) budget from 2018-19 which includes the rent setting and other charges.

The net budget requirement for 2018-19 has been set at 343.7m. The MTFP indicates a balanced budget for 2018-19, which includes delivering savings of £23.8 (£18.3m for 2018-19, and £5.5m slippage from previous years) and anticipates the Council will still need to deliver further annual savings of £13.2m and £9.0m in 2019-20 and 2020-21 respectively.

General Fund is projected to show an overspend £1.5m after the application of reserves and corporate contingency. The HRA is projecting an underspend of £0.2m.

There are ongoing significant pressures in Children's Services which could result in an overspend, much of which is attributable to social care.

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 projected to be £3.1m underspent which wholly represents the corporate contingency which is held to cover unforeseen costs.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the Council's projected outturn position against General Fund, Dedicated Schools Budget and HRA budgets agreed for 2018-19, based on information as at the end of June as detailed in the Appendices.
2. Note the summary savings position.

In respect of the Housing Capital Pipeline Schemes (Section 6 in Appendix 1)

3. Approve the allocation of a capital budget of £131.4million for the period 2018 – 2024 to cover total project costs for schemes in Phase 2 of the Housing Capital Pipeline Programme, as set out in Appendix 1 Annex 4.
4. Authorise the Corporate Director (Place), after consultation with the Corporate Director (Governance), to agree to proceed to award contracts and enter into any agreements required to implement recommendation 3. if so required, subject to tenders being within the approved capital budgets and progress the Housing Capital Pipeline Programme.
5. Authorise the Corporate Director (Place) to submit bids for grant funding to funding bodies pursuant to any future national or regional grant or investment programme(s) for which the Phase 2 and 3 projects may be eligible if they conform to and support the Council's objectives and values.
6. Authorise the Corporate Director (Place) to commission viability work and detailed design and consultancy work to enable the submission of planning applications for the Phase 3 sites to be identified for the Pipeline Programme.
7. Approve a capital estimate of £1.5m to enable the implementation of recommendation 6.
8. Authorise the Corporate Director (Place) and the Corporate Director of Resources, in line with the Council's Contract Standing Orders, to incur any necessary pre-construction expenditure, including the appointment of consultants and expenditure on related fees and site enabling works, related to sites within the Phase 2 and 3 pipeline programme to facilitate the preparation of planning applications and Invitations to Tender.
9. Authorise the Corporate Director (Place) to grant leases and Wayleave Agreements to statutory service providers in connection with the Phase 2 and 3 sites on behalf of the Council in its capacity as landowner and where required, to remove any third party rights of way in accordance with the statutory process.

In respect of the new capital scheme proposals (Sections 5 & 7 in Appendix 1)

10. Approve the proposed schemes set out in Annex 1 and the feasibility studies set out in Annex 2 of the attached budget monitoring report.
11. Adopt Capital Budgets of £3.1m and £1.0m respectively for the “Community Hubs” and “Maximising Health Infrastructure: Island Medical Centre Projects as set out in Section 7 of the appended budget monitoring report.

ALTERNATIVE OPTIONS

- 1.1. The regular reporting of Revenue and Capital Budget Monitoring information through the year and the preparation of the provisional outturn position after the year end 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 2018-19

- The current general fund revenue budget is £343.7m approved by the Council in February as part of the Medium Term Financial Plan (MTFP) for the period 2018 – 2021..
- The General Fund forecast outturn for Quarter 1 is currently showing an overspend of £1.7m after the application of approved growth and reserves. The forecast position for the Housing Revenue Account (HRA) is a surplus of £0.2m.
- Full Directorate summaries can be found in the attached detailed budget management report.

4. CHIEF FINANCE OFFICER COMMENTS

4.1. The attached report is primarily financial in nature and the financial implications of the issues raised have been included in the main report.

5. LEGAL COMMENTS

5.1 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's chief finance officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for the Cabinet to receive information about the revenue and capital budgets as set out in this report.

5.2. The report also requests the allocation of various sources of funds and the delegation of the authority to spend those funds. The Council has the legal powers to carry out the various items of work both for the provision of housing and for the improvement of facilities (such as the health facility) in the Borough.

5.3. The Council as the duty to achieve Best Value in terms of economy efficiency and effectiveness in the delivery of its services and the expenditure of its resources. The report details that the expenditure of the money will be based upon competitive exercises performed either individually or through the use of pre-existing framework agreements. The methodology of the particular framework to be used will need to be checked by Legal Services in order to ensure that the use of the particular framework satisfies the Council's European Law obligations, but ostensibly the award of contracts under a competitive procedure will demonstrate Best Value.

5.4. It is anticipated that the contracts resulting from the competitive exercises will include appropriate clauses to allow the Council to monitor the delivery of the

contracts. This will allow the Council to ensure the quality of the Works and Services meets the tendered level and also safe guard Best Value.

- 5.5. It is clear that some of the schemes are likely to have an impact on people who have a protected characteristic for the purposes of the Equality Act 2010. Therefore, the Council will have to perform equality assessments in respect of each scheme whilst the decision making process as regards the detail of each scheme is still at a formative stage. It is likely in part at least, that it will be necessary for the Council to carry out consultation exercises in order to properly understand the impact of the schemes on persons with a protected characteristic and thereby to comply with the Council's Equality Act duties

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.2. 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.

7. BEST VALUE (BV) IMPLICATIONS

- 7.2. 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.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

9. RISK MANAGEMENT IMPLICATIONS

- 9.2. 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.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.2. There are no specific crime and disorder reduction implications.

Linked Report

None

Appendices

Appendix 1 – Directorate Summary Report

Appendix 2 – Revenue Control Budget

Appendix 3 – Capital Control Budget

Appendix 4 – Savings Tracker Summary and Detail