

# Corporate Budget Monitoring Report

## Quarter 1 2018-19

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Circulated to	Cabinet
Date	25 <sup>th</sup> July 2018
Classification	Unrestricted
Report of	Corporate Leadership Team
Lead Member	Cllr Ronald, Cabinet Member for Resources
Originating Officer(s)	Kevin Miles, Chief Accountant
Wards affected	All Wards
Key Decision?	No

General Fund Outturn variance £1.5m overspend

DSG Outturn variance £3.0m overspend

Housing Revenue Account (HRA) £0.2m underspend

£m	2018/19 Outturn Variance			2018/19 Annual Figures		Figures to 30 June 2018	
	Estimated impact on General Fund GF/ DSG/ HRA	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Children's (GF)	4.0	4.0	-	107.2	111.2	26.8	23.8
Resources	0.2	10.8	10.6	22.4	33.2	5.6	4.8
HA&C	-	-	-	141.0	141.0	35.2	24.2
Place	0.4	0.4	-	64.4	64.8	16.1	9.1
Governance	-	-	-	13.1	13.1	3.3	4.3
Corporate	(3.1)	(3.1)	-	(4.4)	(7.5)	(1.1)	1.7
<b>General Fund</b>	<b>1.5</b>	<b>12.1</b>	<b>10.6</b>	<b>343.7</b>	<b>355.8</b>	<b>85.9</b>	<b>67.9</b>
<b>Ringfenced - Items</b>							
Children's (DSG)	0	3.0	3.0	0.0	3.0	0.0	40.5
HRA	0	(0.2)	(0.2)	(7.4)	(7.6)	(1.8)	(33.0)
<b>Overall Position</b>	<b>1.5</b>	<b>14.9</b>	<b>13.4</b>	<b>336.3</b>	<b>351.2</b>	<b>84.1</b>	<b>75.4</b>

Conventions: The use of brackets denotes either an income budget or a positive variance (underspend)

Note 1: The current budget reflects the original budget approved by Members in February 2018 adjusted for any subsequent approved budget virements. The budget history is included as Appendix 1.

In February 2018 the Council approved a revenue budget of £343.7m which was to be financed by £338.5m of external funding sources such as Council tax, business rates and grants; the balance of £5.2m was to be met by way of drawdown from the Council's General Fund balance.

The current position is estimated to be a £1.5m overspent on the general fund after the application of £10.6m from the IT transformation reserve.

The HRA is currently projected to show a £0.2m surplus.

The MTFP outlined for 2018-19 approved savings of £18.3m in order to deliver a balanced budget. An additional £5.5m relating to slippage from previous years must also be achieved. In total therefore £23.8m of savings are to be delivered.

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### This Month: two sentences, five numbers

This is the first monitoring report Members have received for the 2018-19 financial year, initial forecasts show an overspend on the general fund of £1.5m. Approval is sought for the inclusion of a number of new capital schemes to deliver member priorities against approved budget provision.

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**£1.5m** **Overspend on General Fund:** after application of Transformation Reserve.

**£23.8m** **Savings:** our total savings requirement for the current year taking into account slippage from earlier years'; we believe that £0.8m will slip into future years and that around £2m is at risk.

**£0.2m** **Surplus:** on the ring-fenced HRA.

**£387m** **Collectable income:** from our share of Council Tax and NNDR.

**£461m** **Treasury Investments:** a strategy for delivering additional income which was included in the budget proposals is well advanced.

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Outturn variance £4m General fund overspend

Outturn variance £3m DSG overspend

£m	Outturn Variance			Annual Figures		Figures to 30 June 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Children's (GF)	4.0	4.0	-	107.2	111.2	26.8	23.8
Children's (DSG)	0	3.0	3.0	0.0	3.0	0.0	40.5

For Children's Services the General Fund is projected to be overspent by £4m.

Details of the significant variances on the General Fund are shown below; in addition to these there are a number of more minor variations both positive and negative which lead to the overall pressure in Children's Services.

The Dedicated Schools Budget (DSB) is also currently estimated to have pressures primarily from the costs of SEN funding.

(in numerical descending order)	£m	Variance commentary
<b>Contract Services</b> The cost of the school meals service is not being covered by income received.	1.3	A separate briefing paper has been shared with the Lead Member and Mayor on the issues associated with the Council's contract services organisation. A combination of reducing demand for services as schools seek cost effective provision and an imbalance between the costs of meals produced and sold is causing pressures. Action is being initiated to manage cost pressures in this area as part of a wider piece of work on trading activities with our schools.
<b>Commissioning of Looked After Children (LAC) Placements</b> Costs are reducing although an overspend remains this year.	0.9	In 2017-18 the LAC commissioning budget overspent by £1.6m; current projections indicate that this is forecast to fall to around £0.9m and is based on existing children remaining in their present placements for the remainder of the year. There will be a number of placement changes during the year as new placements are commissioned and the costs of existing placements changes are made; all of these changes are reviewed on a monthly basis to ensure that the forecast position is accurate. There has been a fall in the number of Looked After Children from 345 (June 2017) to current levels of 301.
<b>Fieldwork Advice and Assessment</b> The additional costs associated with agency workers is having a significant impact.	0.9	Of the 39 posts in this area 31 posts are being covered by agency workers despite efforts to recruit permanent staff into the structure. The service is developing its plans for a new Social Work Academy which is intended, in the medium to long term, to assist in manging down the numbers of agency staff. Previous approaches to converting agency staff into permanent employees are also continuing.
<b>Learning and Achievement</b> Costs of transporting children with SEN	0.7	Budget reductions were made in this area on the basis of implementing the recommendations of an external review of transport services. This has not happened and together with increasing cost pressures from fuel prices the budget is estimated to overspend.

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## **Dedicated Schools Budget (DSB)**

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### **Funding for children with Special Education Needs**

- 2.5 The number of children requiring an EHC plan has been increasing and currently 4.2% of the school age population in Tower Hamlets are in receipt of such a plan. There was an increase of £2.3m in the DSG for the High Needs block in 2018-19 however, this is not sufficient to cope with the additional demands including in particular an increase in students in FE colleges with an EHC plan. A review of SEND provision will consider ways in which the pressure can be mitigated.
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## **Other Issues**

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### **Local Authority Day Nurseries (LADN).**

A consultation on the option of closing the three LADN has now commenced.

The School Forum has resolved to cease the funding from the Dedicated Schools Grant (DSG) for the three local authority day nurseries from September 2018. The Mayor in Cabinet's decision to consult on the closure of the LADN on 27 June was 'called-in' and this took place on the 11<sup>th</sup> July. Full details will be included in the next report

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Outturn variance £0.2m overspend

£m	Outturn Variance			Annual Figures		Figures to 30 June 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Resources	0.2	10.8	10.6	22.4	33.2	5.6	4.8

The estimated overspend of £0.2m is explained below:

£m	Variance commentary
<b>Council Tax Admin</b> Additional court costs income cannot be realised	0.2 Additional income through court costs was intended to meet previously agreed savings proposals. This is no longer possible due to restrictions on what we can charge for court costs and the service will need to reduce costs to remain within budget.

### Other comments

<b>Use of Reserves</b>	We are estimating the use of approximately £10.6 m from the ICT Transformation reserve to fund ICT projects agreed by cabinet in 2017/18.
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£m	Outturn Variance			Annual Figures		Figures to 30 June 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
HA&C	-	-	-	141.0	141.0	35.2	24.2

The Health, Adults and Community Directorate forecast outturn for 2018-19 is balanced once the ring-fenced Public Health grant is taken into account. We have summarised the main variances below.

The 2018-19 budgets include £2.7m of savings including £0.8m of savings from prior years. The directorate is forecasting to achieve £2.6m (96%) of savings in 2018-19.

Actuals to date are lower than the budget to date due to quarter one contractual invoices still to be received and paid.

£m	Variance commentary	
<b>Adult Social Care</b> An overspend due to demand for residential and community-based care services for disabled and older people.	1.7	<p>The forecast outturn variance is a £1.7m overspend against a net budget of £89.7m. This is after the expected further allocation of £0.7m inflationary pressures budget, and an expected drawdown from general reserves of £0.5m for Care Act implementation projects.</p> <p>The overspend is caused by pressures in demand led residential and community based care services for adults with disabilities and older people.</p> <p>Outstanding income from health partners is being reviewed and engagement is underway to resolve historical debt queries.</p>
<b>Commissioning &amp; Health</b> An underspend due to procurement efficiencies.	(1.2)	<p>The forecast outturn variance is a £1.2m underspend against a net budget of £12.6m, following efficiencies achieved through the procurement programme. This is after an expected drawdown from general reserves of £0.3m for Care Act implementation projects.</p>
<b>Public Health</b> An underspend due to procurement efficiencies and demand management.	(1.0)	<p>The forecast outturn variance is a £1.0m underspend against the budget of £35.0m. This underspend is achieved through procurement efficiencies and the management of demand in primary care, sexual health and substance misuse services.</p> <p>The unapplied grant of £1.0m will need to be retained in reserves for Public Health initiatives in future years, in line with the ring-fenced nature of the grant.</p>
<b>Community Safety</b> An underspend due to temporary vacancies in staffing.	(0.5)	<p>The forecast outturn variance is a £0.5m underspend against a net budget of £3.6m. This is after the allocation of an expected £0.5m funding for extra police posts.</p> <p>The underspend is attributable to a number of temporarily vacant posts being held, pending a safer communities service redesign (to achieve a 2019-20 MTFS saving of £0.255m) and delays in recruitment.</p>

## Outturn variance £0.6m overspend

£m	Outturn Variance			Annual Figures		Figures to 30 June 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Place	0.4	0.4	-	64.4	64.8	16.1	9.1

An overall overspend of £0.4m is estimated for 2018-19. Historical savings of £0.20m will not be achieved and continues to be a budget pressure in the current year.

(in numerical descending order)	Variance £m	Variance commentary
<b>Property &amp; Major Programme</b> Unbudgeted costs for Whitechapel Civic Centre and Vacant premises awaiting disposal.	0.3	Costs attributable to securing the new Town Hall site continue to be a budget pressure.  Security costs on buildings earmarked for disposal will continue to be incurred until disposals or alternate options are progressed.
<b>Resources</b>	0.1	There is an overspend in respect of Kemnal Park whilst demand for burial plots does not meet originally estimated levels. Marketing continues to take place to highlight the availability of plots there.

## Outturn position balanced

	Outturn Variance			Annual Figures		Figures to 30 June 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
£m							
Governance	-	-	-	13.1	13.1	3.3	4.3

The directorate has a net budget of £13.1m and it is currently forecasting a balanced position although there are risks in relation to the Registrars Service which continues to face difficulty in delivering a historic savings target.

**Registrars Service**

A new registrar's service model, with some additional chargeable services, was introduced in 2016-17 to generate additional income. Changes to fees and charges have been agreed through the fees and charges report which should help reduce the pressure – this is being closely monitored.

**General Data Protection Regulations**

External support has been commissioned to identify actions required to ensure the Council's continued compliance with these regulations. It is proposed to meet these costs from the Council's corporate contingency with any on-going requirements being considered as part of the Council's MTFS review processes.

## Outturn Position of £3.1m underspend

	Outturn Variance			Annual Figures		Figures to 30 June 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget <sup>(1)</sup>	Forecast Outturn Position	Budget to Date	Actual
Corporate and financing costs	(3.1)	(3.1)	-	(4.4)	(7.5)	(1.1)	1.7

### Corporate and Central budgets

This includes Council-wide budgets for financing costs, savings, growth and inflation. If during the year, a Directorate demonstrates that there has been service growth in its area, we move some money from this Central pot into their budget to help cover the cost of the growth.

### Contingency Budget £3.5m

This provision allows for any costs for unforeseen circumstances. It is proposed to meet the costs of the HRA review and work required to ensure the new General Data Protection Regulations from this source.

Outturn variance for HRA £0.2m underspend

£m	Outturn Variance			Annual Figures		Figures to 30 June 2018	
	Contribution (to) / from HRA	Contribution (to) / from Reserves	Outturn Variance before Adjustments	Revised Budget	Forecast Outturn Position	Budget to Date	Actual
HRA	0.2	-	0.2	(7.4)	(7.6)	(1.2)	(21.7)

The £0.2m variance consists of the following:

(in numerical descending order)		Variance £m	Variance commentary
<b>Client Managed: Non-Dwelling rents/Investment Income</b>		(0.2)	The ongoing rent reviews of the commercial portfolio have resulted in extra non-dwelling rent being recovered than anticipated. This position is net of any foreseen repairs to the properties.
<b>Other Issues</b>			
<b>Revenue Contribution to Capital Outlay (RCCO)</b>			Although currently forecast in line with budget, the HRA estimates assume an RCCO of in excess of £20 million, the majority of which is earmarked to support the use of retained Right to Buy receipts to develop new social housing. The Council is currently holding substantial levels of Right to Buy receipts which must be used for the supply of new housing. The Council has agreed an arrangement with the GLA to extend the period over which these right to buy receipts can be held and applied Capital estimates are in place to meet the expenditure profile required to maximise the use of these resources.
<b>Tower Hamlets Homes (THH) Delegated: Special Services, Rents, Rates &amp; Taxes/ Supervision &amp; Management/ Repairs &amp; Maintenance</b>			Although no variances are currently being projected on the delegated budgets managed by Tower Hamlets Homes, some large demand led services are managed within this area, including the Repairs and Maintenance budget. It should be noted that demand for repairs often increases during the winter months which may result in future demand pressures on the budget. This position will be closely reviewed.

<b>The Council approved a Capital Strategy in February 2017</b>	This set out the intention to ensure that capital expenditure was clearly focussed on its strategic objectives. It described adopting a longer term planning horizon and developing financing strategies and governance arrangements that would underpin this new approach.
<b>In February a longer term programme covering the period to 2028 was approved.</b>	For 2018/19 expenditure proposals amounting to £115.9m were agreed, of which £47.2 were in respect of the Housing Revenue Account (HRA). A further £386m of broad expenditure headings set against the Council's priority expenditure areas were also approved.
<b>Provision of £15m was set aside for new schemes in 2018/19</b>  <b>Cabinet approval for these schemes is sought</b>	A number of specific schemes have now been identified and these are set out in Annex 1. The total estimated amount required currently exceeds the £15m set aside. However, there are a number of schemes from 2017-18 that have now concluded or there is slippage into 2018-19. It is likely that there will be some slippage in 2018-19 against these schemes which can be subject to delays in planning design or delivery. These factors can also be covered through the re-profiling process currently underway. Cabinet are asked to review and approve these schemes.
<b>Provision of £1.5m was set aside for additional feasibility work in 2018/19</b>  <b>Cabinet approval for these schemes is sought</b>	A number of specific schemes have now been identified and these are set out in Annex 2. Cabinet are asked to review and approve these feasibility studies.
<b>New capital governance arrangements have been developed.</b>	The Mayor's Advisory Board will be asked to consider revised capital governance arrangement designed to ensure that capital schemes can be agreed within an overall approval framework that supports more effective delivery of schemes.
<b>Housing Pipeline Capital Schemes</b>	The Housing Capital Pipeline Programme is expected to deliver significant number of high quality council homes by building within existing estates and on other council-owned land to contribute towards the Mayor's 2015 pledge to plan the delivery of 1,000 new council homes. Section 6 below sets out detailed proposals for Phase 2 and sets out the approach to developing a Phase 3 programme.
<b>New Infrastructure Scheme Proposals</b>	A number of residual schemes from the previous Infrastructure Delivery programme have been incorporated into this report pending the full operation of the new capital governance arrangements including in particular a Capital Strategy Board. Section 7 sets out two schemes where approval is sought to bring them into the capital programme together with additional funding.
<b>Slippage</b>	There is currently £52m of slippage which is being profiled into 2018/19 and future years.

<b>Capital Variances</b>	<p>We are have also identified £10m of underspends that will not be required.</p> <p>The capital programme also includes £1.7m of overspends. These are being investigated and a full report will be brought to the next meeting.</p>
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## Capital – Housing Pipeline Schemes

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A capital budget of £149.2m is sought in relation to a number of schemes to deliver the Council's Phase 2 Housing Capital Pipeline Programme. Approval to enable the Corporate Director (Place) to award contracts through appropriate frameworks or alternate procurement routes, enter into agreements and submit grant funding applications in support of the schemes identified is also sought.

A capital estimate of £1.5m is also requested to commission viability work and detailed design and consultancy to enable the submission of planning applications for the Phase 3 sites to be identified.

**Schemes within the current phase of the Housing Capital Pipeline Programme were identified in the estate capacity study completed in November 2016 and following a review of under-used council-owned assets.**

In addition to infill sites, the estate capacity study assessed each of the Council's estates, scored them against a list of agreed criteria, prioritising stock condition and identified a number of estate regeneration opportunities which will be explored as part of third phase of the Pipeline Programme.

The Council has maximised its delivery programme by purchasing development sites on the open market, such as 99 St Paul's Way, and making use of other assets in its ownership to increase the supply of housing and provide other community uses

**A number of schemes are progressing through the planning process**

Annex 4 sets out information in respect of the proposed Phase 2 Housing Pipeline Programme. For each scheme a capital budget has been identified over the period 2018-2024.

In total 288 new council homes will be created from these schemes contributing to the Mayor's 2015 pledge to plan 1,000 new council homes. For these schemes, design and feasibility works to RIBA stage 3 are underway alongside community consultation.

The first community consultation events took place in October 2017 at the start of the design development process. As part of its commitment to consultation, residents and other local stakeholders are invited to a minimum of two consultation events to inform the design development and review feedback prior to a planning application being submitted

**A phase 3 programme is also being developed.**

These will contribute to the Mayor's 2018 election pledge to create a further 1,000 new council homes

**A number of financing options are available**

A combination of retained right to buy receipts, HRA capital reserves, external grant funding and borrowing will be used to optimise the council's funding position.

The delivery route will inform the financial viability of the scheme and potentially provide cross-subsidy through mixed tenure provision. However, the capital allocation being sought is based on the cost estimates and at the outset of the project is sufficient to cover the total

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scheme costs irrespective of the source of funding.

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**The propose mixed use schemes are expected to be delivered through one of the Council's housing delivery vehicles**

This will require a proportion of the new homes to be let at market or sub-market rents alongside new council homes let at social rents and the Tower Hamlets living rents.

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## Capital – New Scheme Proposals

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Two schemes have been progressing through the previous Infrastructure Delivery process to secure approval for inclusion in the capital programme; the Community Hubs project and Island Medical Centre.

Approval is sought for a capital budget of £3.145m for Community Hubs and £0.986m for the Island Medical Centre

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### Community Hubs

Approval is sought for a capital budget of £3,145,000 for the restoration of 5 community buildings to create a network of Community Hubs. These Community Hubs include:

- Christian Street (already completed)
- St Andrews (Bromley by Bow)
- Tramshed (Bethnal Green) (already completed)
- Raines House (Wapping)
- Granby Hall (Bethnal Green)

The Council has a large property portfolio. A small but significant part of the estate is the community buildings portfolio; a number of these buildings are used for much-needed services for local residents, provided by local voluntary and community sector groups. The borough has around 2,000 voluntary and community groups.

The council reviewed the use of community buildings in the borough and looked into existing agreements with occupiers, the terms of occupation, the condition of buildings and the range of activities taking place in them.

To maximise the use of council resources, the December 2015 Cabinet report recommended a network of community hub buildings be established throughout the borough in order to best serve local communities with good quality, relatively inexpensive accommodation. Community Hubs aim to provide accessible, high quality, versatile, multi-use spaces for use by voluntary and community groups throughout the week on a shared basis that can be hired on a short-term or long-term basis. The establishment of Community Hubs will provide voluntary, community and residents groups in Tower Hamlets with access to high quality, secure and safe places from which they can operate and deliver services.

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	<p>The Community Hubs will be initially marketed and managed directly by Council, but in the future will be managed by an external provider on behalf of the Council</p>
<b>Island Medical Centre</b>	<p>Approval to capital expenditure of £985,838 is sought to remodel the existing Island Medical Centre at Roserton Street E14 3PG in order to increase its ability to serve the health needs of the expanding local population. The project will involve the health centre extending into another part of the building which is not currently in health usage in order to create more clinical space as well as remodelling the existing health space to increase the number of clinical rooms.</p> <p>Island Medical Centre was not included in the initial programme of Maximising Health Infrastructure (MHI) works to increase capacity in the health estate in Tower Hamlets, however, an opportunity has since then presented itself to expand the practice by leasing additional floor space in this location.</p> <p>As above, the project is additional to the initial programme. The Harford and Whitechapel schemes in that programme have not proceeded beyond feasibility study and surveys due to it not being possible to obtain the necessary approvals.</p> <p>If approved, It is expected that the final design will be completed in Autumn 2018 and the works be tendered in the Winter for commencement on-site in Spring 2019. It is therefore expected that the extended and improved facility will be fully operational Autumn 2019.</p>
<b>Detailed Project Initiation Documents are available for review</b>	<p>Both projects have detailed Project Initiation Documents which were prepared for the Infrastructure Delivery process.</p>
<b>Funding approach</b>	<p>Existing S106 resources have been identified which meet the relevant criteria for both of these projects in addition to CIL funding. The projects will be financed in a way that optimises the Council's time limited or constrained resources at the point expenditure is incurred.</p>

The Council's Medium Term Financial Strategy set out a financing requirement of £338m primarily from locally determined sources of funding such as the Council tax and retained business rates. This section sets out whether there are any significant variations or issues in respect of these or other sources of finance used to fund the Council's activities both Revenue and Capital.

#### Business Rates Pilot

At the time that the Council set its budget the latest information in respect of the London Business Rates Retention Pilot scheme was that Tower Hamlets' share of the estimated additional growth from the scheme was £8m; this was used to fund a number of the one-off mayoral Priority Growth items. The final calculations indicated that additional growth across London was anticipated and that the final share of the amount to be redistributed is £10.4m.

As with the original sum projected this should only be used for one-off purposes.

#### S106

The total unspent resources for S106 at the end of the 2017-18 financial year and the period to the end of May 2018 are shown in the table below.

	31 March 18 (£m)	31 May 18 (£m)
<b>Revenue</b>	9.204	10.140
<b>Capital</b>	88.999	94.409
<b>Overall Total</b>	<u>98.203</u>	<u>104.549</u>

#### Community Infrastructure Levy (CIL)

The total unspent resources for CIL to 30 April 2018 is £39.4m.

Before CIL is received there are a number of formal processes to establish the eventual CIL liability and payment. These are:

- Liability Notice – an early indication of floorspace from which an initial liability is calculated.
- Demand Notice – Confirms CIL Liability on receipt of a Commencement Note and generates an invoice to be paid.

The tables below summarises the key financial information based on the CIL from inception (April 2015) to date:

Table 1

	30 April 18 £m
<b>Liability Notices</b>	54.5
<b>Demand Notices</b>	44.5

Table 2

	30 April 18 £m
<b>Invoices Raised</b>	39.6
<b>Payments Received</b>	39.5
<b>Unspent Resources</b>	<b>39.4</b>

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**1-4-1 Retained Capital Receipts  
from Right to Buy sales**

The latest position in respect of retained right to buy receipts is set out in Annex 3. Under current regulations the Council is required to use these receipts within a three year period following receipt or alternatively return them to the government with interest. The Council has so far been able to meet this and the other relevant constraints and has therefore not needed to repay any receipts. However, as can be seen in Annex 3 there is a risk of having to return some receipts depending on future payment profiles.

There is a potential risk as early as Q2 in 2018-19 when £121.9m of relevant expenditure must be incurred to avoid returning, with interest, some right to buy receipts. Currently expenditure of £105.2m is projected highlighting the extent of the risk.

In order to mitigate this risk the Council has now signed an agreement with the GLA who have agreed to ring-fence both the receipt and interest elements of any returned receipts. This welcome approach gives in effect a further period of 3 years during which the receipts can be applied for the same purposes as originally held.

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**Current projections will :**

This table shows the balance on the general fund, HRA and useable reserves held for the previous 2 years as well as showing the projected impact on reserves for 2018-19.

**Reduce our General Fund by £6.9m****Increase our HRA by £0.2m****Reduce our earmarked Reserves by £10.6m**

	Balance at 31 March 2017	Balance at 31 March 2018	Contribution (to) / from Reserve	Projected Balance 31 March 2019
	£m	£m	£m	£m
<b>General Fund Reserve</b>	31.7	31.7	6.9	<b>24.8</b>
<b>Housing Revenue Account (HRA)</b>	39.1	47.6	(0.2)	<b>47.8</b>
<b>Earmarked Reserves</b>	159.4	141.9	10.6	<b>131.3</b>
				-
<b>Total Usable Reserves</b>	230.2	221.2	17.3	<b>203.9</b>

  

	Balance at 31 March 2017	Balance at 31 March 2018	Contribution (to) / from Reserve	Projected Balance 31 March 2019
£m	£m	£m	£m	£m
<b>Earmarked reserves consist of</b>				
Transformation	25.0	15.0		<b>15.0</b>
ICT / Finance Systems	23.1	21.0	10.6	<b>10.4</b>
Other	1.0	0.9		<b>0.9</b>
Parking Control	3.3	3.3		<b>3.3</b>
Building Control	0.4	0.2		<b>0.2</b>
Land Charges	0.7	0.7		<b>0.7</b>
Insurance	20.8	21.2		<b>21.2</b>
Children's Schools and Families	-	1.3		<b>1.3</b>
Schools Balances	24.7	23.4		<b>23.4</b>
New Civic Centre	20.0	17.2		<b>17.2</b>
New Homes Bonus	7.3	12.1		<b>12.1</b>
Free School Meals	6.0	4.0		<b>4.0</b>
Mayor's Investment Priorities	10.0	7.0		<b>7.0</b>
Risk Reserve	10.5	8.8		<b>8.8</b>
Revenue Grants	1.6	1.7		<b>1.7</b>
Mayor's Tackling Poverty Reserve	5.0	4.1		<b>4.1</b>
<b>Totals</b>	<b>159.4</b>	<b>141.9</b>	<b>10.6</b>	<b>131.9</b>

£m	Saving Target	18/19 Target	Prior Year Slippage	Forecast Savings	Slippage	Under Recovery	Over recovery
	A = B + C	B	C	(D = E + F + G) = A	E	F	G
				✓	✗	✗	✓
Children	3.3	2.6	0.7	3.0	0.3	0.3	-
HA&C	3.5	2.7	0.8	3.5	-	-	-
Place	2.8	1.9	1.0	2.1	0.5	0.2	-
Governance	0.7	0.0	0.7	0.7	-	-	-
Resources	3.1	2.1	1.0	3.1	-	-	-
All	10.4	9.0	1.3	10.4	-	1.5	-
<b>Total</b>	<b>23.8</b>	<b>18.3</b>	<b>5.5</b>	<b>22.8</b>	<b>0.8</b>	<b>2.0</b>	<b>0.0</b>

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.

Total target for 2018-19 is £23.8m (£18.3m relates to approved savings as part of the 2018-19 budget setting process, and £5.5m as a result of previous year savings not delivered)

- £22.8m is identified as being on track to deliver savings;
- A net position of 0.8m is forecast to slip into future years due to timing issues
- £2m has been identified as unrecoverable

This section shows the amount of money we have collected from Tax payers of the borough, and the split between the amount that is retained and the amounts paid over to central and government and the GLA.

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**NNDR**

**We are expected to collect £460m for 2018/19.**

We are expected to collect £460m in Business Rates. To the end of May we have collected £86m (22%) and are on target to achieve full collection.

**NNDR is split between**

GLA            36%,  
LBTH          64%

At the end of the previous year there was also an outstanding debt of £21m relating to historic periods. Of this £6m (29%) has been collected.

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**Council Tax**

**We are expected to collect £121m for 2018/19.**

We are expected to collect £121m in Council Tax. We are on target to achieve a full collection with £22m (18%) having been collected by the end of May.

**CT is split between**

Government 23%,  
LBTH            77%

We also have historic Council tax debt of £19m at the end of last year. Of this we have collected £1.5m or 8%. This is a little lower than we would expect, but we have had to make a large refund during the year for properties that have changed tax status.

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**Overall Position**

For this period our portfolio totals £461m, and we are currently receiving an average return of 0.75%.

**We have £461m of investments**

We currently have 24% of the total portfolio Investments, held in the Money Market Funds to provide liquidity and to diversify risk. Almost 48% of the outstanding investments have less than 3 months to mature. Only £52m of investments are held for periods longer than 12 months.

**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 whilst including Equity, Bonds and Property in the portfolio.

**Inflation****Inflation is eroding the value of our investments.**

At the moment the Consumer Prices Index (CPI) inflation is running at 2.3%, and therefore the average return of 0.75% is significantly lower. This means that the future value of the funds invested today will be less.

**Pension fund****Overall Position to 31<sup>st</sup> 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.

<b>Education condition and Improvement Programme</b>	3.000	Condition and improvement works (boiler repair, roof repair and refurbishments) across a number of school premises, funded by basic need grant.
<b>Healthy Pupil Capital Funding (HPCF)</b>	0.259	Portion of Soft Drinks Industry Levy will be provided in 2018-19 for the HPCF, LBTH allocation for 18/19 (£258,782). This fund is intended to improve children's and young people's physical and mental health by improving and increasing availability to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions.
<b>SEND Review Implementation - Tommy Flowers House</b>	0.100	<p>This programme will deliver the additional special school places identified as required under the recent SEND review of demand. This follows on from an earlier review conducted during 2016, which found that projections of demand for places in SEND were poorly developed.</p> <p>The child population in Tower Hamlets is expected to grow by over 20% by 2026. The number with SEND should, at least, keep pace with this. Although we are not yet certain, this might mean as many as 500 extra children and young people with SEND.</p>
<b>SEND Review Implementation - Conversion of Bow Boys South site to create additional temporary classrooms for Phoenix School</b>	0.800	As above.
<b>SEND Review Implementation - Temporary classrooms to the rear of Beatrice Tate school</b>	0.500	As above.
<b>Section 55 Programme - Transport and Improvements</b>	0.440	To use, under the provisions of Section 55 of the Traffic Management Act, the surplus accumulated to the Parking Reserve account for a range of transport and local environmental improvements.
<b>Capital Footway and Carriage Programme - Council Contribution – Transport and Highways</b>	2.730	Improvement works to footways and carriageways, evaluated in accordance with need and transport priority.
<b>Remote Monitoring of Street Lighting</b>	0.400	The opportunity exists to amend the current street lighting replacement programme to include remote monitoring. Remote monitoring allows more effective management of lighting stock.
<b>St George's Town Hall – Refurbishment Programme</b>	0.750	St Georges Town Hall is a Grade II listed building in the council's ownership, currently occupied by small business users. The proposal is to refurbish and reconfigure the building to provide a mixed-use hub, including a basement café, community office space, meeting

		and ceremony rooms, commercial offices and workspace, subject to listed building consent, for which the overall project cost over two years will be £1m. An architect has been appointed and has re-designed the space for consultation with occupiers ahead of submitting a planning application. The project is expected to take 18 months to complete.
<b>Montefiore Centre – Refurbishment Programme</b>	1.000	The Montefiore Centre was brought back into the council's management in 2016 to enable the improvements to be carried out and the future use of the building to be optimised, in line with published service priorities. Essential repairs are required, including repairs to the roof, replacement windows, a new boiler and central heating system and rewiring and alongside these works the proposal is to upgrade the building to create a mixed-use hub with a range of accommodation and facilities including a café, community and commercial office space, nursery provision, studios, meeting rooms, workspace and a roof garden. The overall project cost over 2 years is £2m and the project is expected to take 18 months to complete.
<b>Reconfiguration of Idea Stores and One Stop Shops – Local Presence</b>	1.6	The project includes the reconfiguration of five of the borough's Idea Stores to ensure that they are able to deliver excellent customer service. The designs for this work have been completed and the project is ready to proceed.
<b>Housing Pipeline</b>	5.9	Additional new housing projects – The value of the overall programme is £131.4m, of which £5.9m is required in 2018/19. More details are included in Section 6 including detailing the specific housing projects over the period to 2028.
<b>Total</b>	<b>17.499</b>	

## Proposed Feasibility Studies

<b>Open Space and Parks Planned Maintenance Assessment – Public Realm</b>	0.085	A conditions survey, the results of which will be used to inform a cyclical maintenance programme for this area.
<b>Depot relocation – Public Realm</b>	0.100	Feasibility work to determine the Depot requirements for the Council.
<b>School's survey costs – Condition and Improvements</b>	0.350	Condition and improvement surveys across the Schools estate
<b>Asset Maximisation</b>	0.500	Review our current asset base with a view to creating a number of new arts space and multi-use buildings.
<b>Total</b>	<b>1.035</b>	

## Retained Right To Buy Receipts Analysis

Deadline	Quarter received	1-4-1 receipts	TOTAL SPEND NEEDED (Cumulative)	0						CUMULATIVE SPEND (ACTUAL)
				TA Acquisitions: Buy-backs, Poplar Harca, Out of Borough, SPW	RP grant scheme	New-build & Pipeline	Conversion of surplus properties	S106	Total in Q	
0	0	£m	£m	£m	£m	£m	£m	£m	£m	£m
31-Mar-17	2013-14	5.011	16.703	7.695	3.117	17.390	-	-	13.022	28.202
31-Mar-18	2014-15	20.906	86.389	51.757	6.555	2.576	0.090	-	9.485	89.180
Deadline	Quarter received	1-4-1 receipts	TOTAL SPEND NEEDED	TA Acquisitions: Buy-backs, Poplar Harca, Out of Borough	RP grant scheme	New-build and Pipelines	Conversion of surplus properties	S106	Total in Q	CUMULATIVE SPEND (FORECAST)
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Q1 spend to date (29/06/18)	0	0	99.721	10.341	0.663	0.592	0.059	0.000	11.656	100.836
30-Jun-18	Q1 15/16	4.000	99.721	10.688	0.663	0.700	0.059	-	12.110	101.290
30-Sep-18	Q2 15/16	6.660	121.921	2.350	0.553	1.000	-	-	3.903	105.193
31-Dec-18	Q3 15/16	6.678	144.179	-	4.330	1.000	-	7.983	13.313	118.507
31-Mar-19	Q4 15/16	6.419	165.577	-	1.250	1.000	-	-	2.250	120.757
30-Jun-19	Q1 16/17	9.024	195.656	-	-	5.385	-	-	5.385	126.142
30-Sep-19	Q2 16/17	10.487	230.612	-	-	8.160	-	-	8.160	134.302
31-Dec-19	Q3 16/17	9.579	262.541	-	-	10.866	-	-	10.866	145.168
31-Mar-20	Q4 16/17	5.538	281.000	-	8.133	14.698	-	-	22.831	167.999
30-Jun-20	Q1 17/18	4.640	296.467	-	-	15.013	-	-	15.013	183.012
30-Sep-20	Q2 17/18	6.555	318.318	-	-	9.201	-	-	9.201	192.213
31-Dec-20	Q3 17/18	5.300	335.984	-	-	5.316	-	-	5.316	197.529
31-Mar-21	Q4 17/18	4.239	350.115	-	-	-	-	-	-	197.529