

Corporate Budget Monitoring Report

Quarter 2 2018-19

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Circulated to	Cabinet
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Classification	Unrestricted
Report of	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

General Fund Outturn variance £0.5m overspend

DSG Outturn variance £2.3m overspend

Housing Revenue Account (HRA) £0.9m underspend

£m	2018/19 Outturn Variance			2018/19 Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund GF/ DSG/ HRA	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget (1)	Forecast Outturn Position	Budget to Date	Actual
Children's (GF)	5.6	5.6	-	104.7	110.3	52.3	50.9
Resources	1.1	11.3	10.2	22.5	33.8	11.3	16.3
HA&C	-	0.3	0.3	140.8	141.1	70.4	58.8
Place	0.8	0.8	-	64.4	65.2	32.2	22.8
Governance	-	-	-	13.1	13.1	6.6	8.6
Corporate	(7.0)	(7.0)	-	(1.8)	(8.8)	(0.9)	2.4
General Fund	0.5	11.0	10.5	343.7	354.7	171.9	159.8
Ringfenced - Items							
Children's (DSG)	0	2.3	2.3	0.0	2.3	0.0	82.5
Public Health	0	(1.0)	(1.0)				
HRA	0	(0.9)	(0.9)	(7.4)	(10.2)	(4.3)	(35.9)
Overall Position	0.5	11.4	10.9	336.3	346.8	167.6	206.4

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 external funding sources such as Council tax, business rates; grants and drawdown from the Council's Earmarked and General Fund reserves.

The current position is estimated to be a £0.5m overspend on the general fund after the application of £10.2m from the IT transformation reserve.

The HRA is currently projected to show a £0.9m 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.

Quarter 2 in two sentences and five numbers

This is the second monitoring report Members have received for the 2018-19 financial year, forecasts show an overspend on the general fund of £0.5m. This is an improvement over the Q1 position when an overspend of £1.5m was estimated. Approval is sought for the inclusion of a number of new capital schemes to deliver member priorities against approved budget provision.

£0.5m **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 £7.1m will slip into future years and that around £0.2m is at risk.

£165m **Approved Capital budget;** we are currently projecting spend position at the end of the financial year of £143m.

£391m **Collectable income:** from our share of Council Tax and NNDR.

£458m **Treasury Investments:** a strategy for delivering additional income which was included in the budget proposals is well advanced.

Outturn variance £5.6m General fund overspend

Outturn variance £2.3m DSG overspend

	Outturn Variance			Annual Figures		Figures to 30 Sept 2018		
	£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget ⁽¹⁾	Forecast Outturn Position	Budget to Date	Actual
Children's (GF)		5.6	5.6	-	104.7	110.3	52.3	50.9
Children's (DSG)		0	2.3	2.3	0.0	2.3	0.0	82.5

The general fund is projected to be overspent by £5.6m. Most of this overspend is within Children's Social Care - £1.6m, and Youth Services and Commissioning - £1.7m.

The forecast has increased in Qtr 2 due to unachievable Early Years Savings of £1.3m and School redundancy costs of £0.4m.

Children's Social care was overspent in 2017/18, and nationally there is a trend toward overspending in this area.

After the Ofsted report in April 2017, Children's Services has formulated its approved Improvement plan. We are part way through this 2 year plan which identifies a one-off £4.2m cost which will be met by Council Reserves subject to meeting certain targets.

Details of the significant variances on the General Fund are shown below.

(in numerical descending order)	Over £m	Variance commentary
Fieldwork Advice and Assessment + Family Support Agency workers – 79% recruited to fully staff the team.	1.4	To ensure the service is able to deliver to the most vulnerable children in LBTH, agency workers have been recruited. This will continue until we can stabilise the workforce with permanent staff. The introduction of the social work academy in October 2018 will support the ability to increase ASYE and "grow our own" SW resulting in an expected cost reduction in this area.
Contract Services Full review of service	1.3	Options for the future delivery of Contract Services were presented to the Mayor in August 2018. Several recommendations are being considered in order to reduce pressures on the budget for this service which primarily covers the meals and cleaning services.
Early Years Unachievable Savings	1.3	These savings are unachievable in 2018/19 due to pressures on Early Years budgets. The services will need to look for alternative savings options.
Special Educational Needs Higher than expected transportation costs	0.5	The increased numbers of pupils with EHCPs and therefore who qualify for transport continues to leave the budget under-resourced in relation to the need. A further growth bid was submitted for this financial year to reduce the financial impact of the predicted over spend. Transport both home to school and external Transport costs have accelerated over the couple of years, due to the increased uptake for both services, child numbers continue to rise and as does the service provision costs (fuel). A transport spending review across Children and Adult Services is currently underway, and this will not be completed until the end of FY 18/19. The re-tendering process for delivery of the service was carried out over the Summer and the increased numbers have already identified the need for further investment in an additional 30 seater coach. The School Transport Advisory Group is being convened to enable all stakeholders to discuss improvements to the delivery of the service.

School Redundancies	0.4	These costs associated with school reorganisations are met corporately and are increasing as schools restructure to meet budget pressures.
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Building and Technical services	0.3	This overspend is the cost of providing security and NNDR charges for vacant buildings.
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The Dedicated Schools Grant (DSG)

	£m	Variance commentary
Schools Block (SB)	(0.6)	There is currently an anticipated underspend in the Schools Block in relation to the growth fund and contingency elements which have not been fully utilised.
Early Years Block (EYB)	0.3	The DSG EYB budget and forecast are based on the DfE's expected attendance hours at the January 2017 census data and an estimate of the take-up of the additional 15 hours available to working parents. The DfE will recalculate the amount of DSG due to the Authority in July 2019 based on the January 2018 and January 2019 census data.
High Needs Block (HNB)	2.6	<p>This budget is under significant pressure; last year the overall block had an in-year overspend of £1.424m which was supported by the DSG carried forward reserves. There continues to be significant growth in demand for Education Health and Care Plans (EHCPs) and in the complexity and cost of SEN provision across the whole age range. This growth mirrors the national position and is expected to increase further with a projected 28% increase in Plans over the next 10 years.</p> <p>Action taken to address the pressures includes increasing in-borough provision and developing the Special Educational Need and Disability Strategy, The High Needs working group will make their recommendations in January 2019 to reduce costs over the next 3 years.</p>

Outturn variance £1.1m overspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget ⁽¹⁾	Forecast Outturn Position	Budget to Date	Actual
Resources	1.1	11.3	10.2	22.5	33.8	11.3	16.3

The Resources directorate has a net budget of £22.5m. It is currently forecasting an outturn of £33.8m. £10.2m of this will be funded from the ICT Transformation Reserve leaving a potential directorate overspend of £1.1m.

Details of the areas at risk of overspending are summarised below.

(in numerical descending order)	Over £m	Variance commentary
Corporate Finance Delayed implementation of finance and procurement restructure.	0.7	The service has a savings target of £1m that needs to be delivered through a service review and restructure however slippage of c.£700k is expected.
Customer Access Historic budget pressure from Reduced SLA income	0.25	The service still has a historic budget pressure due to reductions in SLA income following the withdrawal of THH from this service. This is being addressed through a service review/restructure.
Council Tax Admin Additional court costs income cannot be realised	0.15	Continued budget pressure due to income levels not being sufficient to meet additional cost pressures and historic savings.
Other comments		
Use of Reserves		Approximately £10.2 m will be needed from the ICT Transformation reserve to fund ICT Transformation projects which were agreed by cabinet in 2017/18 for delivery in 2018/19.

Outturn variance £1.0m underspend on Public Health (Ring fenced)

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget ⁽¹⁾	Forecast Outturn Position	Budget to Date	Actual
HA&C	-	0.3	0.3	140.8	141.1	70.4	58.8

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 £3.5m of savings including £0.8m of savings from prior years. The directorate is forecasting to achieve £3.4m (97%) of these savings in 2018-19.

Actual expenditure to date is lower than budget to date due to contractual invoices still to be received and paid.

(in numerical descending order)

£m

Variance commentary

Adult Social Care

An overspend due to demand for residential and community-based care services for disabled and older people.

1.7 The forecast outturn variance is a £1.7m overspend against a net budget of £89.5m. 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.

The overspend is caused by pressures in demand led residential and community based care services for adults with disabilities and older people.

Outstanding income from health partners is being reviewed and engagement is underway to resolve historical debt queries.

Integrated Commissioning

An underspend due to procurement efficiencies.

(1.2) The forecast outturn variance is a £1.2m underspend against a net budget of £12.7m, following efficiencies achieved through the procurement programme. This is after an expected drawdown from general reserves of £0.3m for Care Act implementation projects.

Community Safety

An underspend due to temporary vacancies in staffing.

(0.5) 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.

The underspend is attributable to a number of temporarily vacant posts being held, due to a pending safer communities service redesign (to achieve a 2019-20 MTFs saving of £0.255m) and due to delays in recruitment.

Public Health

An underspend due to procurement efficiencies and demand management.

(1.0) The forecast outturn variance is a £1.0m underspend against the budget of £35.0m. This underspend has been achieved through procurement efficiencies and the management of demand in primary care, sexual health and substance misuse services.

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.

Outturn variance £1.1m overspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget ⁽¹⁾	Forecast Outturn Position	Budget to Date	Actual
Place	0.8	0.8	-	64.4	65.2	32.2	22.8

An overall overspend of £0.8m 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
Property & Major Programmes	0.50	There is a forecast £0.5m overspend due to a reduction of rental income following the THH move from Jack Dash House which will continue until a new tenant is secured. The service is actively marketing the property and also looking for additional ways in which the pressure can be managed.
Public Realm Historical savings unachieved.	0.20	The savings target for the income generating opportunity from CCTV network of £200k. This saving will not be achieved and continues to be a budget pressure. There is potential to offset some of this pressure with additional Streetworks income and staff vacancies.
Resources Overspend from unbudgeted Management costs	0.20	There is an overspend of £130k 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. An independent review of Tower Hamlets Homes is being carried out to consider the Councils options following the end of the current management agreement. This is to cost between £40-50k and approval is sought for this to be met from general reserves. There are unbudgeted costs due to senior management being brought in to support the directorate. These costs are expected to be contained within the overall Place budget at year end.

Other comments

Planning & Building Control Unbudgeted Plan Making Team.	The unbudgeted Plan Making Team remains a budget pressure which will need to be continually reviewed. In the past the costs have been mitigated by increased planning income. The delay in delivering the Local Plan may impact on income expected to be received.
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Outturn position balanced

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget ⁽¹⁾	Forecast Outturn Position	Budget to Date	Actual
Governance	-	-	-	13.1	13.1	6.6	8.6

Other comments

Overall Governance outturn on target The directorate has a net budget of £13.1m and it is currently forecasting to come in on budget at year end. With the exception of the potential risk SPP service (mentioned below), all other services are currently expected to achieve a balanced position.

SPP (Strategy, Policy and Performance) risks overspend, but the position is being monitored. The SPP service had a savings target of £600k which it needed to deliver through a service review and restructure. The savings have been taken from the SPP budget. The potential risk of overspend comes from appointing temporary staff to vacancies. The revised budget for the new service is currently being finalised. Having permanent staff in place and reviewing the budget should minimise any possible risk of an overspend. The budget and recruitment is kept under review.

Outturn Position of £8.8m underspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Current Budget ⁽¹⁾	Forecast Outturn Position	Budget to Date	Actual
Corporate and financing costs	(7.0)	(7.0)	-	(1.8)	(8.8)	(0.9)	2.4

Other comments

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, resources are moved into their budget to help cover the cost of that growth.

Contingency Budget £3.1m This provision allows for any costs for unforeseen circumstances. This currently has been applied to reduce the over spend pressures projected for the year.

Housing Revenue Account (HRA)

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Outturn variance for HRA £0.9m underspend

£m	Outturn Variance			Annual Figures		Figures to 30 Sept 2018	
	Contribution (to) / from HRA	Contribution (to) / from Reserves	Outturn Variance before Adjustments	Revised Budget	Forecast Outturn Position	Budget to Date	Actual
HRA	(0.9)	-	(0.9)	(7.4)	(8.3)	(4.3)	(35.9)

The overall forecast variance is made up of a number of over and underspends, the main ones being: -

(in numerical descending order)	Variance £m	Variance commentary
Leasehold Service Charges	(0.5)	The leasehold service charge budget shows a forecast variance of £0.5m of additional income. An element of this relates to the recovery of block insurance charges which have increased significantly during 2018-19. The corresponding higher costs of insurance are included within the Supervision and Management (Special Services) budget, but are partly offset by projected lower expenditure on energy.
Additional income recovered		
Repairs and Maintenance	(0.4)	A projected underspend of £0.4m is forecast within the repairs & maintenance budget where small underspends are being forecast on some projects such as home decorations, play areas and lower than anticipated revenue expenditure on repairs to void properties. In addition to these, the estate curtilage programme is forecast to underspend as the project will not be commencing until the second half of 2018/19.
Underspends across a number of areas		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 continue to be closely reviewed.
Other Issues		
Tower Hamlets Homes (THH) Delegated: Special Services, Rents, Rates & Taxes/ Supervision & Management/ Repairs & Maintenance		Although small net 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 outlined above. These budgets are closely monitored in order that demand pressures are identified and financial implications addressed.

Capital expenditure: **Table 5.1**

	Forecast (under)/ over spend for year	Spent to date vs Budget		This year's fig (£m)		
		This year (month 5)	Last year (Q2)	Projection for year	Annual budget	Spent to date
		£m A = D - E	% B = F/E	% C	£m D	£m E
Housing Revenue Account	(24.8)	6%	11%	50.4	75.2	4.4
Corporate	(0.8)	11%	7%	10.3	11.1	1.2
Children's Services	0.1	19%	32%	15.1	15.1	2.8
Place	5.2	38%	54%	63.9	58.8	22.6
Health, Adult, Communities	0.3	0%	11%	3.2	2.8	0.0
Resources	(1.2)	0%	0%	0.8	2.0	0.0
Total	(21.3)	19%	26%	143.7	165.0	31.0

We've spent 19% of budget as at month 5, compared to 26% at quarter 2 (month 6) last year – as per last year, we spend more later on in the financial year. We are still however projecting slippage of £21m, mainly within the Housing Revenue Account (HRA). Below is detail of projected variances. Overleaf are Capital Receipts.

	(Under)/ overspend £m	
Purchase of properties for use as temporary accommodation	18.5	A Programme of purchasing properties to be used as temporary accommodation is progressing and funds from future years' budgets will be brought forward.
Housing Capital Programme	(9.6)	The significant element impacting the capital programme delivery relates to procurement delays following an issue with one of the main contractors on the LCP Framework. This required additional due diligence, but led to delays to the start of the larger programmes of work in Better Neighbourhoods, with current forecasts of c£5.5m slippage. There are also some procurement issues affecting some of the mechanical and electrical works programmes, with current projections indicating c£3.6m of slippage in this area.
New Housing Supply – schemes on site	(6.3)	Watts Grove has now completed, awaiting final defects costs to come through. Remaining budget to transfer to New Supply Budget Provision.
Establish a Housing Wholly-Owned Company	(5.0)	This represents the Council's equity investment in the housing company. The company has been established and the first acquisitions are anticipated in Q3 this financial year.
Housing Pipeline Schemes Phase 2a (1-4-1)	(3.9)	New pipeline schemes are currently being identified and are under review.

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 2019/20.
Conversion of council buildings to temporary accommodation	(2.4)	Buildings have been identified for conversion to temporary accommodation and works are underway.
Community Benefit Society – 1-4-1 Receipts	(2.2)	The process of establishing a company is underway. On track for first purchase in Q3.

Capital receipts from sale of Housing and General Fund assets

Capital receipts: **Table 5.2**

	This year
	£m
Dwellings sold under Right to Buy (RTB)	
Receipts from RTB sales	9.5
Less: poolable amount paid to DCLG	(0.9)
Sale of other HRA assets	
Preserved Right to Buy receipts	0.4
2 Trinity Green	0.4
47 Old Ford Road change of use	0.1
RTB lease extensions	0.03
Sale of General Fund assets	
Atlee House deed of release	0.3
Total	9.8

Receipts shown gross before costs of sale are deducted

Accounting – a reminder: 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.

There are a number of new capital approval requests and these are detailed in Annex 1-3

Annex 1 – Existing Schemes

Annex 1 provides details of 5 existing capital schemes which require additional resources totalling £21.941m. .

Annex 2 – New Capital Projects

Annex 2 details 14 new capital projects totalling £4.363m and cabinet are asked to approve these projects for inclusion in the Councils capital programme for 2018/19. Some of these projects have future year implications, such as the South Dock Bridge Project, which will be incorporated into the overall MTFS report later in the year.

Annex 3 – Approval to reallocate.

This requests approval to allocate £50k from the feasibility pot to carry out new cycle route design and options.

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 £6.4m**Increase our HRA by £0.9m****Reduce our earmarked Reserves by £21.4m**

	Balance at 31 March 2017	Balance at 31 March 2018	Contribution (to) / from Reserve	Projected Balance 31 March 2019
	£m	£m	£m	£m
General Fund Reserve	31.7	33.3	6.4	26.9
Housing Revenue Account (HRA)	39.1	47.6	(0.9)	48.5
Earmarked Reserves	159.4	141.9	21.4	120.5
				-
Total Usable Reserves	230.2	221.2	26.9	194.3

	Balance at 31 March 2017	Balance at 31 March 2018	Contribution (to) / from Reserve	Projected Balance 31 March 2019
£m	£m	£m	£m	£m
Earmarked reserves consist of				
Transformation	25.0	15.0	1.9	13.1
ICT / Finance Systems	23.1	21.0	10.2	10.2
Other	1.0	0.9		0.9
Parking Control	3.3	3.3		3.3
Building Control	0.4	0.2		0.2
Land Charges	0.7	0.7		0.7
Insurance	20.8	21.2		21.2
Public Health Grant	-	1.3	(1.0)	2.3
Schools Balances	24.7	23.4		23.4
New Civic Centre	20.0	17.2		17.2
New Homes Bonus	7.3	12.1		12.1
Free School Meals	6.0	4.0	2.0	2.0
Mayor's Investment Priorities	10.0	7.0	1.9	5.1
Risk Reserve	10.5	8.8	4.0	4.8
Revenue Grants	1.6	1.7		1.7
Mayor's Tackling Poverty Reserve	5.0	4.1	2.4	1.7
Totals	159.4	141.9	21.4	120.5

Target for year £23.8m

£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	1.4	1.9	-	-
HA&C	3.5	2.7	0.8	3.4	0.1	-	-
Place	2.8	1.9	1.0	2.3	0.3	0.2	-
Governance	0.7	-	0.7	0.7	-	-	-
Resources	3.1	2.1	1.0	1.1	2.0	-	-
All	10.4	9.0	1.3	7.5	2.9	-	-
Total	23.8	18.3	5.5	16.4	7.2	0.2	0.0

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)

- £16.4m is identified as being on track to deliver savings;
- A net position of 7.2m is forecast to slip into future years due to timing issues
- £0.2m 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.

NNDR

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

We are expected to collect £460m in Business Rates. To the end of August we have collected £215 (47%).

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 £11.5m (54%) has been collected.

Council Tax

We are expected to collect £123m for 2018/19.

We are expected to collect £123m in Council Tax. We are on target to achieve a full collection with £51.9m (42%) having been collected by the end of August.

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 £2.7m or 14%. 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.

Overall Position

For this period our portfolio totals £458m, and we are current receiving an average return of 0.85%.

We have £458m of investments

We currently have 8.3% of the total portfolio Investments, held in the Money Market Funds to provide liquidity and to diversify risk. Almost 32% (£146m) of the outstanding investments (including Money Market Funds) have less than 3 months until they mature. Of the remaining £312m, £185m (40%) will mature in less than 1 year and a further £127m (28%) of investments are held for periods longer than 12 months.

Income Position**Budgeted income of £4m.**

At the start of the year we budgeted £4m investment income. As at 31st August 2018 we have received £1.25m, this is slightly below the budgeted amount, due to delay in setting up some pooled investments. We believe that by the end of the year we will be in-line with budget set if prevailing market buoyancy persists.

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 2.4%, and therefore the average return of 0.85% is lower. This means that the future value of the funds invested today will be less. The move of some funds into externally managed pooled funds is designed to improve this position.

Pension fund**Fund outperformed over the quarter.**

The Fund marginally outperformed its benchmark return of 2.95% by 0.2% for the quarter.

Seven mandates matched or Achieved benchmark set.

For this quarter, seven mandates matched or achieved returns above the set benchmark. Three mandates performed below benchmark returns

The latest estimated Fund Valuation of £1.525bn represents a £40m increase over the quarter.

The next valuation of the Pension Fund will take place at March 2019 with any changes to pension contributions taking effect from April 2020

Fund outperformed over twelve months.

For the twelve months to June 2018, the Fund returned 7.56% outperforming the benchmark of 6.26%, the Fund is ahead of its benchmark by 1.3%.

Four mandates matched or achieved benchmark set.

Four mandates underperformed their respective benchmark.

Fund is broadly in line with the strategic benchmark weight.

Looking at the longer term performance, the three year return for the Fund was 10.04%, which is above its benchmark return by 0.4% for that period. Over the five years, the Fund posted a return of 9.53% outperforming the benchmark return of 9.03% by 0.5%.

The Fund remains in line with its long term strategic equity asset allocation and the distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight.

Equity Protection Strategy

During this quarter the fund implemented an equity protection strategy designed to minimise the exposure to equity falls in the period leading to the next valuation (March 2019)

Cabinet approval is required for the following increases to existing Capital schemes

Alie Street Highways	0.322	The current capital programme includes an estimate of £0.405m to deliver a number of traffic management improvements in Alie Street, incorporating modelling for improved crossing facilities at the junction of Commercial Road with Alie Street. A further £0.322m is being requested to complete the programme of works and the total cost of £0.727m can be funded through Section 106 funding.
Outcomes of the project include improved pedestrian and cycle environments, improved air quality and greening of the street to improve public realm. In addition to this, by encouraging a model shift to walking and cycling, it is hoped that this project will result in a reduction of car travel and an improvement in air quality.		
Bartlett Park Landscape Improvement Project	0.550	In November 2013 a capital estimate of £3.71m was adopted for this project, including landscape improvements in the park, the canal side path and changing rooms. The extent of the works has increased since the outset and recent tender return has demonstrated that costs have increased. A contractor has now been appointed and it is anticipated that work will start on site in October 2018. The revised project cost is £4.26m and £0.550m is required in 2018/19.
Aberfeldy Practice	0.119	The shell and core health facility within the Aberfeldy New Village development is scheduled for completion and hand over to the NHS in June 2019. Works to undertake the fit out of the shell and core premises will enable a re-provision for the Aberfeldy GP Practice. A further £0.119m is required to complete the fit-out works and this could be funded through Section 106 funds. The current capital programme includes an estimate of £3m for this project; this approval would increase total cost of the project to £3.119m.
Maximising Health Infrastructure	1.100	Tower Hamlets CCG undertook an exercise to identify any additional capacity that could be provided in existing premises, primarily by converting non clinical space to clinical space. 11 GP Practices have been identified that could make improvements to their premises in order to increase capacity and access to provide more clinical appointments to the local population. The current capital programme includes an estimate of £0.771m; An additional £1.1m in required to complete the project and the total cost of the project would be £1.871m.
Acquisition of Properties	20.000	A provision of £20m is requested to enable further acquisitions of properties, mainly for use as temporary accommodation. This sum would be brought forward from future years' programmes for this purpose.
Boiler Replacement Programme	0.600	The Council had delivered a pilot project replacing old and inefficient boilers for households. Following the success of the project it is intended to continue this project which contributes to reducing carbon emissions and tackling fuel poverty in the borough. The scheme replaces old inefficient gas boilers and faulty radiators as well as upgrading heating controls. The scheme is open to eligible homeowners who are on low income and in receipt of a qualifying benefit.
Total	22.691	

Cabinet approval is required for the following new Capital schemes

Healthcare ICT Infrastructure	<p>0.493 This project involves an upgrade of healthcare IT and technology across the borough at GP surgeries and the accident and emergency department at the Royal London Hospital, as well as targeting increased accessibility to services and information for residents.</p> <p>The project has five components:</p> <ul style="list-style-type: none"> - Improving the ease of registering for GP services in Tower Hamlets through online access - Creating a Tower Hamlets health mobile app - Provision of surgery pods in practices - Provision of laptops equipped with 'EMIS Anywhere' and Skype to GP surgeries - Improving the front-line technology at GP surgeries <p>£0.493m is urgently required to progress this project in 2018/19. The total cost of the project is £1.503m and the amounts required for future years will be incorporated into the Council capital programme as part of the MTFS report.</p>
Improve the look and feel of Tower Hill Terrace	<p>0.359 This project aims to improve Tower Hill Terrace by installing a new garden, covered seating, and new entrances, creating an improved public open space that would be more fitting for a high profile tourist destination.</p>
SEND Review Implementation – Harpley	<p>0.400 This project will deliver 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>
Learning Disability accommodation for supported accommodation at Stewardstone/Antill Road	<p>0.200 The council proposes to carry out alteration works at these two buildings in its ownership. This is the first year requirement for the estimated £2m project. The balance will be brought into the capital programme as part of the MTFS report.</p>
Capital Investment Programme – Council Owned Assets	<p>0.500 A programme of plant replacement and fabric maintenance for the Council's general fund assets.</p>
South Dock Bridge Programme Overview	<p>1.370 The new South Dock Bridge will provide a fully accessible link between South Quay and Canary Wharf and its new Elizabeth and Jubilee Line Stations. It will unlock the delivery of new housing and commercial development on the Isle of Dogs, and improve access to new jobs, retail and other town centre services at Canary Wharf. South Dock Bridge will also help ease congestion on the existing Wilkinson Eyre Pedestrian Bridge which is approaching capacity. The total cost of the project is estimated to be in the region of £15m (TBC) and approximately £7m has been secured through a successful bid from the 'Strategic Investment Pot (SIP)'. The SIP is funded through business rates growth from the London wide Business rates pooling pilot.</p> <p>The overall project will be incorporated into the Council's Capital programme through the MTFS and budget process 2019/20. However it is necessary to allocate an urgent sum of £1.370m in 2018/19 to fund initial project management, design and scope</p>

		development.
Inclusive Playgrounds (phase 1)	0.300	This project will deliver the first phase of a three year playground refurbishment programme (£1.4m in total). The borough is poorly provided with inclusive play opportunities for children with disabilities and active play. This phase will reanimate 3 to 4 run down playgrounds in key areas of the borough based on analysis of the most recent play equipment inspection in the borough and create inclusive play in areas that have little or no inclusive play equipment and high need.
Improvements to sports facilities in parks	0.075	<p>The Urban Adventure Base (UAB) is a dedicated youth activity centre located in Mile End Park, which provides adventurous activities for young people such as climbing, canoeing, kayaking and the Duke of Edinburgh's Award Scheme. It consists of two buildings, the main base and an urban gym. The project will mitigate the impact of high levels of criminal behaviour taking place around the site:</p> <ul style="list-style-type: none"> - Improvements to CCTV / Cameras on sight to aid intelligence and assist the Police with enforcement action - Crown trees around the area and remove overgrown shrubbery and to improve sightlines and reduce the number of low visibility sheltered areas where criminal behaviour can thrive - Fence the urban gym with 2 metre high fencing - Improve lighting in and around the area to help act as a deterrent for criminal and anti-social behaviour and improve CCTV camera footage - Relocate the teenage shelter in the park - Install a vehicle deterrent mechanism at Mile End Park Leisure Centre to reduce out of hours use of the car park for criminal and Anti-social behaviour
Quality Parks: Master plan for the south of the Isle of Dogs	0.040	This project will deliver a master plan linking the three main open spaces in the south of the Isle of Dogs: Millwall Park, Island Gardens and Mudchute Park & Farm. The project will produce a blueprint for improvements in line with the Open Space Strategy which identifies this area as a priority ward/area where the parks and open spaces fall below the quality standard and require investment to bring them up to standard or improve accessibility to existing sites.
Improved Air Quality	0.070	Installation of on street Electric Vehicle Charging Points & Mobile Parklet design and construction.
Improving local accessibility	0.100	Improving access to kerbside parking with innovative improvements to parking arrangements.
Sustainable Schools	0.390	Streetscene improvements outside schools to improve road safety and encourage walking to school initially targeting Sir William Borough School, Central Foundation Girls school, John Scurr school and Harry Gosling school.
Bus priority	0.030	To support and deliver the Mayor's Transport strategy to improve bus services and reduce cars on road.
Go Ultra Low City Scheme (GULCS)	0.036	Install streetlight column Electric Vehicle Charging Points; install medium charge Bluepoint units; install TfL rapid chargers.
Total	4.363	

Proposed Feasibility Studies

Cycling Future Route 5	0.050	A sum of £1.5m was set aside in 2018/19 for feasibility studies. To date approximately £685k has been allocated to specific feasibility studies and £815k remains available. A sum of £50k is requested for this feasibility and concept design work.
Total	0.050	
