Corporate Budget Monitoring Report

Quarter 3 2018-19

Circulated to	Cabinet
Date	27th February 2019
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

Summary

General Fund Outturn variance £0.5m overspend

DSG Outturn variance £4.6m overspend

Housing Revenue Account (HRA) £3.2m overspend

	2018-19 Outturn Variance			2018-19 Annual Figures		Figures to 31st Dec 2018	
£m	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)	6.7	6.7	(0.0)	98.3	105.0	73.7	91.0
Resources	1.1	11.3	(10.2)	20.6	31.9	15.1	26.6
HA&C	(1.0)	(1.7)	0.7	140.8	140.1	105.6	95.9
Place	0.2	0.2	-	66.1	66.3	49.5	55.2
Governance	-	1.0	(1.0)	14.4	15.4	10.8	14.6
Corporate	(6.5)	(2.8)	(3.7)	3.5	(0.3)	2.6	5.3
General Fund	**0.5**	**14.7**	**(14.2)**	**343.7**	**358.4**	**257.3**	**288.6**
Ringfenced - Items							
Children's (DSG)	0	4.6	(4.6)	0.0	4.6	0.0	125.4
Public Health	0			0.0	0.0	0.0	0.0
HRA	0	3.2	(3.2)	(7.4)	(4.2)	(5.6)	(8.7)
Overall Position	**0.5**	**22.5**	**(22.0)**	**336.3**	**358.8**	**251.7**	**405.3**

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 overspent on the general fund after the application of £11.5m from reserves and the corporate contingency.

The HRA is currently projected to show a reduced surplus of 4.2m against a projected surplus of £7.4m this is because the actual depreciation charge for non-dwellings is significantly higher than budget. The overall effect of the higher charge is that revenue resources (via depreciation) are moved into the Major Repairs Reserve to finance capital expenditure on maintaining the Council's existing HRA stock.

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. Therefore in total £23.8m of savings are to be delivered.

Quarter 3 in two sentences and five numbers

This report shows the Quarter 3 position (as at the end of December) for the financial year. Forecasts show an overspend on the general fund of £0.5m. This is in line with the position reported to members at the end of September.

£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 £6.2m will slip into future years and that around £2m is at risk.
£165m	**Approved Capital budget;** we are currently projecting a spend position at the end of the financial year of £137m.
£580m	**Collectable income**: Total we expect to collect in total for Council Tax and Business Rates
£369m	**Treasury Investments**: a strategy for delivering additional income which was included in the budget proposals is well advanced.

Children's Services

Outturn variance £6.7m General fund overspend

Outturn variance £4.6m DSG overspend

£m	Outturn Variance: Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves	Annual Figures: Current Budget (1)	Forecast Outturn Position	Figures to 31st Dec 2018: Budget to Date	Actual
Children's (GF)	6.7	6.7	0.0	98.3	105.0	73.7	91.0
Children's (DSG)	0	4.6	(4.6)	0.0	4.6	0.0	125.4

The general fund is projected to be overspent by £6.7m. Most of this overspend is within Youth Services and Commissioning - £2.1m, Children's Social Care - £2.1m, Early Years - £1.3m and Children's Resources £1.0m.

We continue to develop work to address the challenges highlighted for improvement following the Ofsted report in April 2017. This work is now beginning to positively impact on practice and systems which has enabled a reduction of spend and pressures within Children's Social Care. We are now heading towards the end of this 2 year plan which identifies a one-off £4.2m cost which will be met by Council Reserves subject to meeting certain targets. Work to review and re-design our placement sufficiency and strengthen our recruitment and retention are now demonstrating that spend is reducing and positively impacting on financial pressures. The net forecast includes the £2.3m balance to be drawn down in 2018-19.

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

(in numerical descending order)	Over £m	Variance commentary
Contract Services Full review of service	1.4	Options for the future delivery of Contract Services were presented to the Mayor in August 2018. This review included several recommendations intended to reduce pressures on the budget for this service, including withdrawal of Secondary school catering, withdrawal from schools contract cleaning, a review of adults' welfare meals, and a review of primary schools SLAs. The Mayor has not yet made any decisions based on this review.
Early Years Unachievable Savings	1.3	These savings are unachievable in 2018-19 due to pressures on Early Years budgets. The services are investigating where alternative to savings can be made.
Children's Social Care Staffing Agency workers – pressure reducing as permanent staff are recruited.	1.1	Much work has been undertaken over the past 12 months to put in place arrangements to reduce the numbers of agency Social Workers and to recruit and retain our own staff. The launch of the Social Work Academy and our continuing work with regard to the recruitment of experienced staff have had a positive impact on ensuring that staff turn-over is much reduced. However we are still require a number of Agency Social Workers to maintain a level of experience and knowledge so that our more complex work can be allocated to those staff with the appropriate level of experience. Therefore, although staff cost pressures are reduced, they will continue for the next 12 months.
Looked After Children (LAC) Placements Work continues to reduce high cost placements	0.9	The forecast for the placement budget is based on LAC modelling and sufficiency strategy outcomes. The forecast has increased by £0.4m since Q1, but there has been a reduction of £0.9m in costs since 2017/18 outturn. These reductions have been achieved through the setting up of a regular Panel that scrutinises receptions into care and prioritises placements within our own

		cohort of foster-carers. LAC Placements have increased by 38 from 316 in November 2017 to 354 in November 2018. Current pressure on numbers is due to 4 large sibling groups recently entering care and the rise of Unaccompanied Asylum Seeking Children (UASC) clients (costs are partially offset by income by the Home Office).
Special Educational Needs Continued increase of transportation costs	0.6	The increased numbers of pupils with Education, Health & Care Plans (EHCPs) qualifying 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 last couple of years, due to the increased uptake for both services, child numbers continue to rise do 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 2018-19. 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.
Free School Meals	0.5	A working group is reviewing the terms and conditions for the Mayors Free School Meal Programme. The introduction of a Memorandum of Understanding (MoU) between LBTH and Primary schools will set conditions, which is expected to reduce the ongoing pressure. One of the conditions will refund schools for actual meals served as opposed to the current process of using schools census numbers. Until this is implemented there needs to be a discussion on whether the pressure will be funded corporately.
School Redundancies	0.4	These costs associated with LA school employee redundancies are increasing as schools restructure to meet budget pressures. There needs to be a discussion on whether the pressure will be funded corporately.
Building and Technical services	0.3	This overspend is the cost of providing security and NNDR charges for vacant buildings.
PFI		Building schools programme – A number of schools are reporting pressures to budgets as a result of the payments due for the PFI. Detailed work around the extent of the pressures across Grouped Schools is currently being undertaken. One of the key drivers for the pressures relates to pupil numbers coming in lower than had been originally forecast. This drove the design specification of the PFI sites, therefore resulting in a situation where a number of schools are receiving lower than forecast pupil funding, whilst having unoccupied PFI buildings/classrooms which need to be paid for.

The Dedicated Schools Grant (DSG)	£m	Variance commentary
High Needs Block (HNB)	2.9	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. 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.
Local Authority Day Nurseries (LADN)	0.8	A proposal to close the LADNs was agreed by Cabinet on 27th September. This means there will be a residual budget pressure this financial year and a

		pressure in the next financial year of circa £0.450m.
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.
Schools Block (SB)		There is currently an anticipated underspend in the Schools Block (£0.6m) in relation to the growth fund and contingency elements which have not been fully utilised.

Resources

Outturn variance £1.1m overspend

£m	Outturn Variance: Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Annual Figures: Current Budget (1)	Forecast Outturn Position	Figures to 31st Dec 2018: Budget to Date	Actual
Resources	1.1	11.3	(10.2)	20.6	31.9	15.1	26.6

The Resources directorate has a net budget of £20.6m. It is currently forecasting an outturn of £31.9m of which £10.2m of funding has been previously approved from the ICT Transformation Reserve leaving a potential directorate overspend of £1.1m.

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

Variance commentary

(in numerical descending order)	Over £m	Variance commentary
Corporate Finance Delayed implementation and agency cover	0.7	The service has a savings target of £1m that needs to be delivered through a service review and restructure. The restructure has started and is in the Consultation Phase but slippage of c.£700-800k is expected.
Customer Access Historic budget pressure from Reduced SLA income	0.3	The service still has a historic budget pressure due to reductions in SLA income. This is needs to be addressed through a service review/restructure.
Council Tax Admin Additional court costs income cannot be realised	0.1	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.

Health, Adults & Community

Outturn variance £1.0m underspend on Public Health (Ring fenced) and £1.0m underspend on the General Fund

£m	Outturn Variance: Estimated impact on General Fund (GF)	Outturn Variance: Variance before reserve adjustments	Outturn Variance: Contribution to / (from) Reserves	Annual Figures: Current Budget (1)	Annual Figures: Forecast Outturn Position	Figures to 31st Dec 2018: Budget to Date	Figures to 31st Dec 2018: Actual
HA&C	(1.0)	(0.7)	(0.3)	140.8	140.1	105.6	95.9
Public Health	0	(1.0)	1.0		(1.0)	0.0	0.0

The Health, Adults and Community Directorate forecast outturn for 2018-19 is for a £1.0m underspend 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 £2.9m (83%) 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.

It was recently announced that £240m of additional funding for Councils to alleviate winter pressures on the NHS, getting patients home quicker and freeing up hospital beds across England would be made available for 2018-19. The Tower Hamlets share is £1.46m. Plans on how this funding can be best spent to achieve the aims have been formulated and factored in to the forecast position.

Variance commentary

(in numerical descending order)	£m	
Adult Social Care An overspend due to demand for residential and community-based care services for disabled and older people.	0.7	The forecast outturn variance is a £0.7m 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. The £1.0m reduction in the forecast overspend from previous reporting is due to the inclusion of the planned usage of the recently announced Adult Social Care winter funding. It is anticipated it will support one-off projects, as well as forecast pressures within community based care.
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 £0.35m 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 £0.2m overspend

£m	Outturn Variance: Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Annual Figures: Current Budget (1)	Forecast Outturn Position	Figures to 31st Dec 2018: Budget to Date	Actual
Place	0.2	0.2	-	66.1	66.3	49.5	55.2

An overall overspend of £0.2m for 2018-19. Historical savings of £0.2m 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 Programme Reduction in income from occupation of Jack Dash House and costs of holding vacant premises awaiting disposal.	1.0	Costs attributable to securing the new Town Hall site will continue to be a budget pressure and be met from the corporate provision set aside to finance this project. Security costs on buildings earmarked for disposal will continue to be incurred until disposals are progressed. These costs are estimated at £0.250m and will be funded from corporate reserves. The Facilities Management service is currently forecasting a £0.750m overspend for the year. This is mainly due to the part year impact of the loss of rental income following Tower Hamlets Homes' relocation from Jack Dash House. Although an overspend is being reported, these costs will be funded from corporate reserves.
Resources Overspend from unbudgeted Management costs	0.1	Budget pressure of £0.1m 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. There are also unbudgeted management costs brought in to support the directorate. These costs are expected to be contained within the overall Place budget at year end.
Planning & Building Control Breakeven position expected	0	Current projections are that the outturn will be in line with budget.
Growth & Economic Development Breakeven position expected Transfer of Careers service to be completed Mayoral priority funding outcomes to be delivered	0	Current projections are that the outturn will be in line with budget. A target adjustment will be made to reflect the transfer of the Careers Service from Children's Directorate.
Public Realm Historical savings unachieved. Transfer of ASB Enforcement to HAC to be	(0.8)	The savings target for the income generating opportunity from CCTV networks of £200k is shown within the base budget. This saving will not be achieved and will continue to be an ongoing budget pressure. However this is compensated for in 2018-19 and deleted/removed from the financial year 2019/20

completed in January 2019		There remains a budget pressure in the areas of advertising and this is offset to some degree from additional street works income and budget savings from staff vacancies. This too will be removed in 2019/20 financial year. The retendering of the disposal contract in 2017 has resulted in £1m being deferred as a saving opportunity until 2019-20. This has enabled the mitigation of historical savings unachieved in the current year (£0.451m and £0.160m). Waste services will be brought in-house and the costs associated with the waste mobilisation process will be met from corporate reserves. Parking income is projected to over achieve by at £1m which will be utilised through the corporate processes for the General Fund and Parking Reserve Account in line with Section 55 requirements. Discussions are ongoing on how this will be achieved. Additional income from Landlord Licensing and HMO (House in Multiple Occupation) will be profiled to be allocated over the period of the licences issued in future years. Transfer of ASB - Enforcement to HAC to be split of enforcement functions with ASB being managed by Health, Adult and Community Directorate and Street enforcement remaining with Place. In addition to the creation of a hub function. The proposal reverses the historical savings for Animal Warden and Commercial Waste THEOs highlighted above.
Housing & Regeneration Additional income	(0.2)	An underspend is currently projected due to additional income being generated from RPs.

Governance

Outturn position balanced

£m	Outturn Variance: Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution (to) / from Reserves	Annual Figures: Current Budget (1)	Forecast Outturn Position	Figures to 31st Dec 2018: Budget to Date	Actual
Governance	-	1.0	(1.0)	14.4	15.4	10.8	14.6

Other comments

Overall Governance outturn on target	The directorate has a net budget of £14.4m and it is currently forecasting to come in on budget at year end after reserves are applied.

Corporate Costs

Outturn Position of £6.5m underspend

£m	Outturn Variance: Estimated impact on General Fund (GF)	Outturn Variance: Variance before reserve adjustments	Outturn Variance: Contribution (to) / from Reserves	Annual Figures: Current Budget [1]	Annual Figures: Forecast Outturn Position	Figures to 31st Dec 2018: Budget to Date	Figures to 31st Dec 2018: Actual
Corporate and financing costs	(6.5)	(2.8)	(3.7)	3.5	(0.3)	2.6	5.3

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)

Outturn variance for HRA £3.2m overspend

£m	Outturn Variance: Contribution (to) / from HRA	Contribution (to) / from Reserves	Outturn Variance before Adjustments	Annual Figures: Revised Budget	Forecast Outturn Position	Figures to 31st Dec 2018: Budget to Date	Actual
HRA	3.2	-	3.2	(7.4)	(4.2)	(5.6)	(8.7)

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 **Additional income recovered**	(1.3)	The leasehold service charge budget shows a forecast variance of £1.5m of additional income, most of this relates to the recovery of block insurance charges which are significantly higher than anticipated when this budget was set.
Repairs and Maintenance **Underspends across a number of areas**	(0.9)	A projected underspend of £0.9m is forecast within the repairs & maintenance budget where underspends are being forecast on some projects such as home decorations, play areas and lower than anticipated revenue expenditure on repairs to void properties due to more costs of works on void properties being capitalised. In addition to these, the estate curtilage programme is forecast to underspend as the project will not be commencing until the final quarter of 2018-19. 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.
Special Services, Rents, Rates & Taxes	1.8	As mentioned in the 'Leasehold Service Charges' line above, the higher than budgeted costs of leasehold building insurance are included within the Special Services budget. There are also a number of other variances within this budget heading, such as £0.250m lower than budgeted energy costs, however there are also some forecast overspends in relation to concierge costs and NNDR expenditure.
Capital Financing charges	4.0	The 2018-19 depreciation charge is approximately £4.5m higher than the budget, however, the HRA's major repairs reserve will be credited with an extra £4.5m which can be used to finance the HRA's capital programme or repay debt. In addition, the interest payable by the HRA is forecast to be £900k lower than budgeted due to the Authority having repaid a £60m loan during the year which it is anticipated will be replaced by loan(s) with lower interest rates. To somewhat offset this lower interest charge however is an additional sum of £350k which will be paid by the HRA in 2018-19 and for the next 40 years as a redemption charge on the £60m loan.
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 8)	Last year (Q3)	Projection for year	Annual budget	Spent to date
	£m	%	%	£m	£m	£m
	A = D - E	B = F/E	C	D	E	F
Housing Revenue Account	(16.8)	19%	24%	45.1	61.9	11.8
Corporate	(4.8)	34%	13%	5.0	9.8	3.4
Children's Services	0.1	27%	56%	16.5	16.4	4.4
Place	(6.6)	59%	64%	67.0	73.6	43.7
Health, Adult, Communities	(0.1)	0%	30%	2.6	2.7	0.01
Resources	-	6%	24%	0.5	0.5	0.0
Total	(28.2)	38%	47%	136.6	164.8	63.3

We've spent 38% of budget as at month 8, compared to 47% at quarter 3 (month 9) last year – as per last year, we spend more later on in the financial year. We still however project a slippage of £28.2m, but any unspent budget will be spent in future years rather than the current year. A new group (the Capital Governance Working Group) has been set up, this will support arrangements on the governance and administration of the capital programme, including the review of spend and slippage.

Below is detail of projected variances. Overleaf are Capital Receipts.

	(Under)/ overspend £m	
Purchase of properties for use as temporary accommodation	13.5	Accelerated spend is being undertaken in order to limit the amount of interest payable on Right to Buy one for one receipts. Budget will be brought forward from future years.
New Housing Supply – schemes on site	(7.5)	There have been three starts on site this year, though they were subject to delays.
Establish a Housing Wholly-Owned Company	(5.0)	This represents the Council's equity investment in the housing company. The process of establishing the company has started and the first acquisitions are anticipated later this financial year.
Whitechapel Civic Centre	(4.8)	The contract has now been let following delays arising from necessary adjustments on the design development, which required changes and renegotiations to the initial contract specification.
Housing Pipeline Schemes Phase 2a (1-4-1)	(4.6)	Half of the budget is currently unallocated to schemes, they will be confirmed in the new year, with spend expected in 2019/20.
Community Benefit Society – 1-4-1	(4.5)	A company, Mulberry Housing Ltd has been set up. Potential properties have been identified and purchase is being progressed.

Receipts		
Conversion of council buildings to temporary accommodation	(3.5)	Buildings have been identified for conversion to temporary accommodation and works are underway. Some delays have occurred due to current arrangements for some of the buildings identified. Works are expected to be completed by June 2021.

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	14.8
Less: poolable amount paid to DCLG	(1.3)
Sale of other HRA assets	
Preserved Right to Buy receipts	0.4
2 Trinity Green	0.4
RTB lease extensions	0.03
Sale of General Fund assets	
47 Old Ford Road change of use	0.1
Atlee House deed of release	0.3
Total	14.7

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.

Current projections will :

Reduce our General Fund by £6.4m

Decrease our HRA by £3.2m

Reduce our earmarked Reserves by £22.4m

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.

	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	3.2	**44.4**
Earmarked Reserves	159.4	141.9	22.4	**119.5**
Total Usable Reserves	230.2	222.8	32.0	**190.8**

	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	2.9	**12.1**
ICT / Finance Systems	23.1	21.0	10.2	**10.8**
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**	**22.4**	**119.5**

Savings

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	1.5	-	1.8	-
HA&C	3.5	2.7	0.8	2.9	0.6	-	-
Place	2.8	1.9	1.0	2.2	0.4	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	7.2	3.2	-	-
Total	**23.8**	**18.3**	**5.5**	**15.6**	**6.2**	**2.0**	**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 savings 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)

- £15.6m is identified as being on track to deliver savings;
- A net position of 6.2m is forecast to slip into future years due to timing issues;
- £2.0m has been identified as unrecoverable; this is mainly in the Children Services areas of Early Years and Special Educational Needs & Disabilities (SEND).

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 £457m for 2018-19.

We are expected to collect £457m in Business Rates. To the end of December we have collected £388m (85%).

At the end of the previous year there was also an outstanding debt of £21m relating to historic periods. Of this £12.5m (60%) has been collected.

Under the 2018-19 100% Retention Pilot arrangements we retain 64% of the total sums collected; any surplus over the baseline will be paid to Central government (tariff) and City of London for administering the pilot.

Council Tax

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

CT is split between
Government 23%,
LBTH 77%

We are expected to collect £123m in Council Tax. We are on target to achieve a full collection with £90.1m (74%) having been collected by the end of December.

We also have historic Council tax debt of £17m at the end of last year. Of this we have collected £3.6m or 21%. 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 **We have £369m of investments.** **£60m of LOBO loans repaid, and replaced by PWLB loans.**	For this period our portfolio totals £369m, and we are current receiving an average return of 0.96%. The amount invested is lower than last quarter as the council has repaid nearly £60m of LOBO loans, which has been replaced by PWLB long term borrowing at a lower interest rate. Following the repayment of the LOBO loans we are only holding £9m (less than 3%) in Money Market Funds. About 26% (£96m) of the outstanding investments (including Money Market Funds) have less than 3 months until they mature. Of the remaining £273m, £180m (49%) will mature in less than 1 year and the remaining £93m (25%) 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 December 2018 we have received £3.2m and we are broadly on target.
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). In time we intend to invest more heavily in longer term options including more equities. We are continuing to look at alternatives that retain and protect the capital value of our investment. Our Treasury Management advisors are 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 2.0%, and therefore the average return of 0.96% 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.

(Actuary Report due 4-6 weeks after the relevant Quarter end date – latest information relates to Q2)

Fund underperformed over the quarter.	The Fund underperformed its benchmark return of 3.24% by 0.84% for the quarter.
Five mandates matched or Achieved benchmark set.	For this quarter, five mandates matched or achieved returns above the set benchmark. The five that did not achieve the benchmarks were the mandates with *LCIV BG (DGF), LCIV BG (GE), Insight and +GSAM bond portfolios. Fund Valuation of £1.560bn, a £35m increase over the quarter.
Fund underperformed over twelve months.	For the twelve months to September 2018, the Fund returned 7.81% marginally underperforming the benchmark of 7.88%, the Fund is behind its benchmark by 0.07%.
Four mandates matched or achieved benchmark set.	Four mandates underperformed their respective benchmark. The mandates that underperformed their respective benchmarks were *LCIV RF lagged behind by 1.66%, *LCIV BG (DGF) lagged behind by 2.45%, +GSAM lagged behind by 6.34% and Insight by 7.82%.
Fund is broadly in line with the strategic benchmark weight.	Looking at the longer term performance, the three year return for the Fund was 12.45%, above its benchmark return by 0.54% for that period. Over the five years, the Fund posted a return of 9.42% outperforming the benchmark return of 9.19% by 0.23%. 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.

*LCIV BG (DGF) – fund manager is Baillie Gifford and investment is Diversified Growth Fund, LCIV BG (GE)- fund manager is Baillie Gifford and investment is Global Equity, LCIV RF – fund manager is Ruffer, +GSAM – Goldman Sachs Asset Management

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

Capital Footway & Carriageway Programme	0.539	Local highways maintenance, including the repair of potholes, to keep local bridges and structures open and safe, as well as to help aid other minor highway works that may be needed.
Cycle Safety hotspots	0.167	Cycling Schemes - a Stakeholder Workshop held as part of the Accelerated Delivery Cycling Improvement Initiative identified key areas of concern for cycle safety - detail to be determined through accident analysis and in liaison with other work on TfL Cycle Safety Hotspots.
EV charging point feasibility	0.050	Development of Electric Vehicle Charging Point Delivery Plan.
Green Grid	0.050	Further greening of key routes in the Green Grid. To encourage walking and improve air quality, including provision of EV charging points and cycle hangars.
Healthy Streets audits and design: Cotton St / Prestons Rd / West India Dock Rd	0.050	Healthy streets corridor review to encourage slower speeds by design. Improved compliance with 20mph limit, safer streets, better pedestrian and cyclist ambience and more reliable bus services.
Motor Cycle Parking	0.010	Addition of points in existing parking bays to secure motorcycles.
Tackling ASB Driving	0.050	Introduction of physical road closures on key racing routes.
Total	**0.916**	

Cabinet approval is required for the following new Capital schemes

Improved Local Presence - Local History Library and Archives	0.100	The Local Presence Vision 2025 proposes how services will be delivered to customers in the future. This includes the provision of information and advice services, local library services, universal youth and children's centre services, services for older people and provision of the local history archive. This is the first year requirement for this project, with the remainder to be developed.
Total	**0.100**	