

2018-19 Provisional Outturn Report

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Report of	Corporate Director of Resources
Lead Member	CLr 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 Reserve usage £6.5m compared to planned £5.6m in original budget

DSG has a net overspend of £5.7m excluding ring-fenced funds

Housing Revenue Account (HRA) £0.9m overspent

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Health, Adult & Community	141.0	105.9	107.1	1.2	(1.2)	105.9	(0.0)	105.6	105.6	0.0
Public Health ¹	0.0	35.0	34.6	(0.4)	0.4	35.0	(0.0)	33.5	33.5	0.0
Children & Culture	107.2	100.0	110.1	10.0	(2.2)	107.9	7.8	98.8	107.6	8.8
Place	64.4	70.2	67.5	(2.7)	(0.2)	67.3	(2.9)	64.4	63.4	(1.0)
Governance	13.1	14.2	16.1	1.8	(1.8)	14.3	0.1	12.8	13.4	0.6
Resources	22.3	20.9	26.7	5.8	(4.7)	21.9	1.1	26.3	27.1	0.8
Corporate	(4.3)	(2.5)	(13.2)	(10.7)	4.1	(9.1)	(6.5)	4.5	(6.2)	(10.7)
	343.7	343.7	348.8	5.1	(5.6)	343.2	(0.5)	345.9	344.4	(1.5)
Financed by	(338.1)	(339.8)	(340.4)	(0.6)	3.7	(336.7)	3.1	(346.5)	(345.9)	0.0
Net General Fund Movement	5.6	3.9	8.4	4.5	(1.9)	6.5	2.6	(0.6)	(1.5)	(1.5)
Housing Revenue Account²	0.0	(7.4)	(6.5)	0.9	(0.9)	(7.4)	0.0	12.0	12.0	0.0
DSG – Schools Block ³	197.5	197.5	196.3	(1.2)	0	196.3	(1.2)			
DSG - Non Schools Block	79.0	79.0	84.7	5.7	0	84.7	5.7			
DSG Total	276.5	276.5	281.0	4.5	0	281.0	4.5			

¹ Public Health is ring-fenced and surpluses are taken into an earmarked reserve

² The HRA is a standalone account outside of the general fund

³ The Schools Block DSG Allocation is ring-fenced and cannot be used to support overspends in other DSG areas

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 2.

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.

There has been an overall £6.4m usage of the General Fund compared to the planned £5.6m in the original budget. This leaves an overspend on the general fund of £2.6m compared to the revised budget. The £7.8m overspend on Children Services is the main contributing factor.

The DSG has a gross overspend position of £7.9m (within the 'High Needs' and Early Years blocks), although this is partially mitigated by an underspend of £2.2m from the central schools services block allocation, leaving a net overspend position of £5.7m. There is an additional £1.2m underspend within the schools block, but this is ring-fenced and must be carried forward.

The HRA has achieved a reduced surplus of £6.5m against a projected surplus of £7.4m.

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.

Summary (cont.)

1

2018-19 in two sentences and five numbers

This report shows outturn position for the financial year ended 2018-19

£2.6m **Net overspend on General Fund:** after application of £18.3m of Reserves.

£23.8m **Savings:** our total savings requirement for the current year taking into account slippage from earlier years'; we believe that £8.4m will slip into future years, and £1.8m is not recoverable.

£18.3m Adjustments made from earmarked reserves to fund services. This is higher than the £13.1m originally budgeted.

£566m **Collectable income:** total collected for Council Tax and Business Rates.

£383m **Treasury Investments:** a revised investment strategy to achieve £1.5m of additional income was achieved.

Health, Adults & Community

2.1

Outturn variance of less than 100k

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
HA&C	141.0	105.9	107.1	1.2	(1.2)	105.8	(0.0)	105.6	105.6	0.0
Public Health	0.0	35.0	34.6	(0.4)	0.4	35.0	(0.0)	33.5	33.5	0.0
Health, Adult & Community	141.0	140.9	141.7	0.8	(0.8)	141.9	0.0	98.8	107.6	8.8

The Health, Adults and Community Directorate has come in broadly on budget for 2018-19 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 achieved £2.9m (81%) of these savings in 2018-19.

The Outturn position includes the usage of £1.46m of additional funding received to alleviate winter pressures on the NHS, getting patients home quicker and freeing up hospital beds across England.

(in numerical descending order)

£m

Variance commentary

Adult Social Care

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

3.0 The 2018-19 outturn is an over spend of £3.0m against a net budget of £90.1m (3%).

The over spend is caused by pressures in demand led residential and community based care services for adults with disabilities, older people and mental health.

There was an adverse movement of £2.2m from the forecast over spend of £0.8m in Period 11 to the final outturn of a £3.0m overspend. This movement was predominantly in relation to homecare – forecasts did not reflect the level of outstanding payments to providers (the total accrual raised for homecare is approximately 20% of total spend on homecare for 2018-19). The forecasting approach last year was successful as providers were paid on account until February 2018. Since then the approach to paying providers has changed, and electronic homecare monitoring is now implemented, albeit with some difficulties, which has resulted in the previous method for forecasting no longer being suitable.

Extensive work is underway to review the end-to end process for commissioning care to the care being provided, invoiced for and paid, to look at how clarity of information can be improved across the teams within the directorate, the quality of the information available within systems at the Council and how data quality improvements can be made, and how to decrease the time taken to pay providers for care delivered. These actions will ensure much greater accuracy with forecasts can be achieved.

Integrated Commissioning

An under spend due to procurement efficiencies.

(2.5) The outturn variance is a £2.5m underspend against a net budget of £12.1m, following efficiencies achieved through the procurement programme and IBCF and BCF time limited funding.

The under spend is attributable as follows:

BCF schemes - £0.8m. BCF income for care act implementation pressures (£0.7m) is held here, however actual pressures are presented in Adult Social Care. The remaining under spend of £0.1m relates to schemes supporting integration with health.

IBCF schemes - £0.6m. Funding relating to market sustainability and LD inflationary pressures was held in this Division; however the expenditure pressures were actually presented within Adult Social Care. The funding was held separately from the actual pressures to reflect that IBCF funding within the directorate is one off in nature as the funding reduced and ultimately ceases after 2019-20.

Procurement efficiencies - £0.7m. Contract efficiencies made in 2018-19 will support delivery of intended savings in 2019-20.

Unbudgeted income - £0.2m. This is in relation to the return of prior years' tenants subsidies of £0.2m.

Community Safety

An under spend due to temporary vacancies in staffing.

(0.7) The outturn variance is a £0.7m under spend against a net budget of £3.7m following planned allocation of reserves for the additional costs of police posts.

The under spend is due to posts being vacant, pending a safer communities service redesign (to achieve a 2019-20 MTFs saving of £0.255m) and whilst recruitment to new posts took place.

Alongside this, a general fund budget of £0.2m to support DAAT has not been used due to the full allocation of the Public Health contribution not being required to fund the DAAT service.

Public Health

Break even after transfer to reserves.

- The outturn variance under spend of £0.4m will need to be retained in reserves for Public Health initiatives in future years, in line with the ring fenced nature of the grant. This will result in the Public Health ring fenced reserve totalling £1.7m. It is planned to support future work on tackling loneliness and social isolation through the use of some of this reserve.

The under spend is a result of reduced expenditure on substance misuse services following 2 of the 3 providers not meeting the threshold in place for PbR (payments by results) payments and management of demand driven residential treatment.

Outturn variance £7.8m General fund overspend
DSG £5.7m overspend excluding ring-fenced items

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
C&C GF	107.2	100.0	110.1	10.0	(2.2)	107.9	7.8	98.8	107.6	8.8
C&C DSG	276.5	276.5	281.0	4.5	0	281.0	4.5			

The General Fund budget for Children & Culture is £100.031m and was overspent by £10.0m before a pre-approved drawdown from reserves of £2.2m, leaving a net variance of £7.8m. Most of this overspend is within Children’s Resources (£2.1m), Youth Services and Commissioning (£1.7m), Children’s Social Care (£1.7m) and Early Years (£1.3m).

There is an increased pressure on the Special Educational Needs and Disability (SEND) support for schools budget within Education and Partnerships, on both General Fund (£1.7m) and DSG (£3.3m). The General Fund pressure is related to Transport Services (£1.3m) and staffing (£0.4m). The external transport service has recently been recommissioned resulting in an increased cost, which is currently being analysed by Commissioning and SEND, along with additional numbers of children requiring the service. Internal audit have been instructed to investigate the absence of controls in the existing process for commissioning transport services. Grant Thornton is currently also leading a review of expenditure on this area. The outcome from these exercises will be reported to members in due course.

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 (£1.9m incurred in 2017/18 and £1.7m in 2018/19) which has been 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 £1.8m to be drawn down in 2018-19. The balance of £0.5m will be required for 2019-20. £0.4m is required from reserves for Fireworks, Youth Sports and THEP Seed funding.

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

(in numerical descending order)	Over £m	Variance commentary
Special Educational Needs Continued increase of transportation costs	1.7	The increased numbers of pupils with Education, Health & Care Plans (EHCPs) qualifying for transport led to over spending on both the internal and the external SEND transport. Despite a growth bid submitted for the 2018-19 financial year to reduce the impact of a predicted overspend, the increase in service users, the rise in costs of both internal and external transport and the limitations of the re-tendering process undertaken in Summer 2018 meant that the budget was 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. Increased numbers and the age of the fleet meant that an additional 30-seater coach needed to be purchased and an anomaly in the transport for pupils to the LA’s residential school was corrected to reimburse the annual costs of transport back to the school. The School Transport Advisory Group meets regularly and has recommended a pilot project to increase

the numbers of pupils with EHCPs who receive travel training to travel independently to school and the offering of personal travel budgets. Going forward SEN Transport and Commissioning are waiting for the results of the review of transport expenditure which is expected to recommend a range of strategies to reduce the spend on both internal and external SEN Transport.

Agency staff and internal SLAs with other council services have contributed to the over spend due to backlog of Education Health & Care Plans (EHCP) and new caseloads; this pressure remained as the focus shifted to ensuring statutory compliance with timescales for issuing EHCPs and annual reviews. There are £0.2m savings for 2018-19 that are unachievable. Moving forward into 2019-20 there are an additional £0.740m unachievable savings in the MTFS that will require a management action to mitigate.

<p>Contract Services Full review of service</p>	<p>1.6 Options for the future delivery of Contract Services were presented to Cabinet in February 2019. All recommendations were accepted by Cabinet. The recommendations are 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. Cabinet have instructed officers to work up full detailed plans for each of the recommendations.</p>
<p>Early Years Unachievable Savings</p>	<p>1.3 These savings are unachievable in 2018-19 due to pressures on Early Years budgets. The savings are currently held in the Children's resources holding account. A decision is required on how these savings will be managed moving forward into 2019-20 along with the 2019-20 MTFS savings of £1.079m.</p>
<p>Looked After Children (LAC) Placements Work continues to reduce high cost placements</p>	<p>1.1 The forecast for the placement budget was based on LAC modelling and sufficiency strategy outcomes. The spend has increased by £0.467m since Q1, but there has been a reduction of £1m in costs since 2017-18. 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 40 from 289 in February 2018 to 329 in March 2019. However the per 10,000 figure for CLA continues to show that the TH rate of children in care is considerably lower than both statistical neighbours and England averages.</p>
<p>Children's Resources Historical Budget adjustments</p>	<p>1.0 There is a £1m pressure for historical budget adjustments that relate to the financial years 2013-14 to 2016-17. £0.3m relates to historical Business Support savings and will be moved into the 2019-20 budget build. A decision is required on how the balance of £0.7m will be managed moving forward into 2019-20.</p>
<p>Children's Social Care Staffing Agency workers – pressure reducing as permanent staff are recruited.</p>	<p>0.8 To ensure the service is able to deliver good quality social work to the most vulnerable children in LBTH, agency workers have been recruited. This will need to continue until we can stabilise the workforce with a greater number of permanent staff. The introduction of the social work academy in November 2018 will support the ability to increase ASYE and "grow our own" SW resulting in an expected cost reduction in this area. In addition the work that has already been undertaken in relation to improving recruitment and retention has resulted in a significant reduction in staff turn-over (now at 9.9%) which brings us significantly below the London average. The recent focus on pro-actively identifying issues of Neglect and Early Help have led to increased numbers of open cases. This has meant that a number of agency SWs who we had expected to be able to release as part of the SW Academy plan have needed to be retained. Agency staffing cost £9.1m in 2018-19. This is 30% of the total staffing cost.</p>
<p>School Redundancies</p>	<p>0.4 These costs associated with LA school employee redundancies are increasing as schools restructure to meet budget pressures.</p>
<p>Building and Technical services</p>	<p>0.3 This overspend is the cost of providing security and NNDR charges for vacant buildings.</p>
<p>Corporate Recharges</p>	<p>0.2 The pressure is due to non-budgeted insurance recharges</p>

Support for Schools 0.1 Funding for schools of concern.

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) Pressures

£m

Variance commentary

High Needs Block (HNB) 7.1 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.
The main pressures relate to the following services within the High Needs block: Colleges £1.4m, Independent Schools £1.7m, Special Schools £0.9m, Academies & Free Schools £3.1m. The High Needs working group considered recommendations in January 2019 to reduce costs over the next 3 years. Action needs to be taken to address the pressures including increasing in-borough provision and further implementation of the High Needs funding review recommendations. A solution for 2019-20 needs to be urgently identified.

Early Years and 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 £0.250m. Redundancy costs of £0.5m in 2019-20 will be funded corporately.

Central school services block allocation (2.2) The central schools block allocation has been under-utilised during the course of the year and was planned to support known overspends in the Higher Needs Block. The underspend includes partial application of the Education Support Grant (ESG).

Outturn variance £2.8m underspend

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Place	64.4	70.2	67.5	(2.7)	(0.2)	67.3	(2.9)	64.4	63.4	(1.0)

The Place directorate has an outturn position of £69.4m (0.9m overspend). This is mitigated by the inclusion of £2m of non recurrent parking income and a late budget adjustment for the Mayors Priority that did not allow time to incur the relevant spend in 2018-19 and will be carried forward to 2019/20.

	Over £m	Variance commentary
Property & Major Programme Reduction in income from occupation of Jack Dash House and costs of holding vacant premises awaiting disposal.	1.6	There is a £0.8m overspend due to a reduction of rental income following the Tower Hamlets Homes move from Jack Dash House in July 2018. This budgetary pressure will continue until a new tenant is secured. In addition, various costs have been incurred in relation to ensuring the security of vacant buildings.
Planning & Building Control Legal Fees in relation to Planning Appeals	0.3	Significant legal fees have been incurred in relation to the costs of defending planning appeals. These total approximately £0.8m but underspends within the service, together with additional income from planning fees, have enabled most of these costs to be contained within the service budget.
Growth & Economic Development Mayoral priority funding outcomes to be delivered	(1.1)	Mayoral Priority Growth was incorporated within the budget in month 11. Due to the re-profiling of projects, the funding has not been fully spent. £1.2 million of resources will need to be available in 2019-20 in order to deliver on the Mayor's outcomes.
Public Realm Historical savings unachieved. Transfer of ASB Enforcement to HAC to be completed in January 2019	(3.6)	Parking over achieved income by £2.0m due in the main to the deregulation bill and use of cameras along with more efficient enforcement of Penalty Charge Notices (PCN's); increases in Pay and Display and permit income; and an increase in parking bay suspensions. The retendering of the disposal contract in 2017 has resulted in £1m underspend being deferred as a saving opportunity until 2019-20. This has enabled the mitigation of historical savings unachieved in the 2018-19 (£0.451m and £0.160m). The MTFs approved at January 2019 Cabinet addressed the budget shortfall with the Enforcement Review growth bid. Mayor's Priority Growth Budget allocated in month 11 of £0.55m has not been spent (due to re-profiling of the projects) and will need to be available in 2019-20 in order to deliver on the Mayor's outcomes.
Property & Major Programme Reduction in income from occupation of Jack Dash	1.6	There is a £0.8m overspend due to a reduction of rental income following the Tower Hamlets Homes move from Jack Dash House in July 2018. This budgetary pressure will continue until a new tenant is secured.

House and costs of holding vacant premises awaiting disposal.

In addition, various costs have been incurred in relation to ensuring the security of vacant buildings.

Outturn variance £0.1m overspend

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Governance	13.1	14.2	16.1	1.8	(1.8)	14.3	0.1	12.8	13.4	0.6

Over
£m

Variance commentary

Overall Governance shows a small overspend

The directorate has a net budget of £14.2m and has a small overspend of less than £100k after the application of approved reserves.

This overspend comprises of £700k of election costs covered from the Risk Reserve. There is further £514k associated with strategic improvement work carried out for Children Service Improvement & SEND, the cost was captured within SPP (Strategy, Policy and Performance) and the total cost for each project is shown in the table above. This was funded from the Children Service Ofsted Improvement budget.

The remaining £550k is a pressure in the SSP improvement team and was funded from the transformation reserve.

Outturn variance £1.1m overspend

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Resources	22.3	20.9	26.7	5.8	(4.7)	21.9	1.1	26.3	27.1	0.8

The Resources directorate has a net budget of £20.9m. The outturn was £26.7m of which £4.7m of funding has been previously approved from the ICT Transformation Reserve leaving a directorate overspend of £1.1m.

Details of the areas of overspending are summarised below.

(in numerical descending order)	Over £m	Variance commentary
Corporate Finance Delayed implementation and agency cover	0.6	The service had a savings target of £1m to be delivered through a service review and restructure.
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 needs to be addressed through a service review/restructure or other management action.
Council Tax Admin Additional court costs income cannot be realised	0.3	The overspend is due to lower income levels insufficient to meet additional cost pressures and historic savings.

Other comments

Use of Reserves	Approximately £4.7m was used from the ICT Transformation reserve which was agreed by Cabinet in 2017-18. The costs relate to ICT Transition, Cloud migration, Network transformation, Desktop Transformation and the cost of the project team.
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£5.2m of additional Earmarked Reserves were drawn down

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Corporate	(4.3)	(2.5)	(13.2)	(10.7)	4.1	(9.1)	(6.5)	4.5	(6.2)	(10.7)

Other comments

Summary

The 2018-19 budget included use of £5.6m of general fund reserves to manage the budget funding gap. The final position shows £6.5m of general fund reserves were used. The main difference is the higher Children services expenditure, partially offset by a Place underspend against budget.

In arriving at this figure we have utilised £18.4m of earmarked reserves to manage the overspends (compared to £13.1m in the original budget) within the services and also set up a reserve of £16.8m for unspent New Homes Bonus money.

Service	Original Budget	Revised Budget	Actual	Variance before Reserves	Reserve Adjustments	Outturn After Reserves	Variance After Reserves	Revised Budget	Outturn After Reserves	Variance After Reserves
	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2018-19	2017-18	2017-18	2017-18
Housing Revenue Account	0.0	(7.4)	(6.5)	0.9	(0.9)	(7.4)	0.0	12.0	12.0	0.0

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

	Variance £m	Variance commentary
Dwelling & Non Dwelling Rental income Additional income recovered	(1.4)	Approximately £1.4m of additional dwelling rental income was received compared to the budgeted figure. This is due to better than forecast void rates; the budget made an allowance of 2% for voids, but actual void rates were approximately 0.6%.
Leasehold Service Charges Higher than expected income	(1.4)	Year end income is higher than budgeted, mainly due to building insurance costs being higher than was assumed when this budget was set. This is offset by additional expenditure in the 'Special Services, Rents, Rates & Taxes' budget line below.
Investment Income Less investment income than expected	0.8	Lower than forecast income from HRA balances has been received compared to the budget as the interest rate applied to the HRA balances held at year end was substantially lower than had been assumed, due to using the 7 day LIBID interest rate rather than the 3 month LIBOR interest rate as was previously the case.
Repairs and Maintenance Underspends across a number of areas	(0.6)	This variance is due to underspends in relation to the home decorations budget, play areas and repairs work on void properties. In addition to these, the estate curtilage programme underspent as the project did not commence until the second half of 2018/19.
Special Services, Rents, Rates & Taxes	2.5	As projected throughout the year there was an underspend on the energy budget due to energy prices being lower than assumed when this budget was set. This underspend is offset by the additional building insurance expenditure referred to in 'Tenant & Leaseholder Service Charges' budget heading above, as well as higher insurance charges for HRA dwellings.
Bad Debt Provision	(1.2)	As forecast during the year, due to delays in implementing some elements of welfare reform it was anticipated that the full level of provision may not be needed in 2018/19. Now that the final position is known and the bad debt provisions have been calculated this has proven to be the case, and the bad debt provisions have actually reduced.
Capital Financing charges	(1.0)	The 2018/19 depreciation charge is approximately £2m higher than the budget, however, the HRA's major repairs reserve will be credited with an extra £2m which can be used to finance the HRA's capital programme or repay debt. The depreciation charge was previously calculated as £4.5m but a recent revaluation of the housing stock has led to a reduction of £2.5m in the depreciation charge between Month 11 and 12. Partially offsetting the higher than budgeted depreciation charge is a lower than budgeted interest charge to the HRA (£900k lower than budgeted) due to the Authority having repaid a £60m loan during the year.

Capital expenditure: Table 5.1

	Actual (under)/ over spend for year	Spent to date vs Budget		This year's fig (£m)	
		This year	Last year	Annual budget	Final Spend
		£m A = E - D	% B = E/D	% C	£m D
Housing Revenue Account	(27.3)	56%	62%	61.9	34.6
Corporate	2.2	122%	0%	9.8	12.0
Children's Services	(4.9)	65%	68%	14.2	9.3
Place	16.0	128%	76%	56.3	72.3
Health, Adult, Communities	(1.4)	53%	40%	3.0	1.6
Resources	(0.4)	20%	24%	0.5	0.1
Total	(15.8)	89%	82%	145.7	129.9

We've spent 89% of budget in 2018/19, compared to 82% last year. Overall, slippage of £15.8m has occurred, but any unspent budget will be spent in future years rather than the current year. The programmes with the largest variances are set out below. Overleaf are Capital Receipts.

	(Under)/ overspend £m	
Purchase of properties for use as temporary accommodation	26.9	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	(9.2)	There have been three starts on site this year, though they were subject to delays.
Housing Pipeline Schemes Phase 2a (1-4-1)	(7.5)	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 Receipts	(4.5)	The process of establishing a company is underway.
Registered Provider Grant Scheme (1-4-1 receipts)	(3.4)	Spend is dependent on external partners
Housing Capital Programme	(3.1)	The significant element impacting the capital programme delivery relates to procurement delays following an issue with one of the main bidders on the LCP Framework which required additional due diligence and led to their eventual disqualification. This, plus the requirement to carry out further S20 consultation led to delays to the start of the larger programmes of work in Better Neighbourhoods and Fire Safety works. There have also been delays in completing some fire safety works due to the need to re-evaluate proposed components. Some of the housing initiatives and mechanical and

engineering programmes are demand-led (voids, emergency boilers, lifts).

Whitechapel Civic Centre	2.2	<p>The current spend reflects the enabling works since Aug 18 subsumed into the main works contract in Dec 2018. Progress of the main works and need to discharge a number of planning conditions prior to starting the works has triggered payment of the financial contributions within the planning obligation i.e. MCIL/S106.</p> <p>This spend and the current projected spend remains within the overall budget.</p>
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Schools - Conditions and Improvement	(2.1)	<p>This programme covers a number of individual projects across different schools. The slippage relates to the following schemes:</p> <ul style="list-style-type: none">- 398k variance for Beatrice Tate Temporary Classes: Programme has slipped due to Planning Permission issues being resolved, budget is expected to be spent in future years.- 345k variance for Arnhem Wharf Damp Issues: Programme has slipped due to delay in tender returns. Tenders reviewed and now awarded. Budget is expected to be spent in future years.- 300k variance for Indicative scheme: Some works were required to adapt the building to avoid need for extension at Bow School. This project has slipped and a review may be required of its need.
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Schools - Basic Need/Expansion	(2.0)	<p>This programme covers a number of individual projects across different schools. The slippage relates to the following schemes:</p> <ul style="list-style-type: none">- 875k spend variance for St Paul's Way: awaiting Final Account costs and potential Stamp Duty and Land registry claims as with the previous Wings of the building.- 763k spend variance for Raines: strategic valuation of the site was undertaken, with the prospect of developing the site to be used by a Maintained provision after a lease agreement from the Diocese. Therefore project has slipped. Budget expected to be used in future years.
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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	22.2
Less: poolable amount paid to DCLG	(4.0)
Sale of other HRA assets	
Preserved Right to Buy receipts	0.4
2 Trinity Green	0.4
Collective enfranchisement - 39-69 Globe Rd	0.07
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
Sovereign Court change of use premium	0.3
Overage on 11-31 Toynbee St	0.2
Total	20.0

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.

The capital resources which have been applied to fund the capital programme expenditure in 2018/19 are as follows:

Capital financing: Table 5.3

	2018/19 Capital Spend	Total Capital Funding Applied	Funding Sources Applied					
			Capital Grants	Developer Contributions	Revenue Funding	HRA Major Repairs Reserve	Capital Receipts	Prudential Borrowing
	£m	£m	£m	£m	£m	£m	£m	£m
Housing Revenue Account	34.6	34.6	9.0	0.5	-	22.3	1.4	1.4
Corporate	12.0	12.0	-	-	-	-	-	12.0
Children's Services	9.3	9.3	6.8	2.2	-	-	0.3	-
Place	72.3	72.3	5.9	5.9	(0.9)	-	21.0	40.4
Health, Adults & Communities	1.6	1.6	-	1.6	-	-	-	-
Resources	0.1	0.1	-	-	-	-	0.1	-
Total	129.9	129.9	21.7	10.2	(0.9)	22.3	22.8	53.8

The outturn has:

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

Reduced our General Fund by £6.3m**Increased our HRA by £6.5m****Reduced our earmarked Reserves by £18.8m gross (£1.6m net after including £16.8m of NHB and £0.4m PHG to reserves)**

	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	6.3	27.0
Housing Revenue Account (HRA)	39.1	47.6	(7.0)	54.6
Earmarked Reserves	159.4	141.9	1.6	140.3
Total Usable Reserves	230.2	222.8	0.9	221.9

	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	6.6	8.4
ICT / Finance Systems	23.1	21.0	4.7	16.3
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	(0.4)	1.7
Schools Balances	24.7	23.4		23.4
New Civic Centre	20.0	17.2		17.2
New Homes Bonus	7.3	12.1	(16.8)	28.9
Free School Meals	6.0	4.0		4.0
Mayor's Investment Priorities	10.0	7.0	2.4	4.6
Risk Reserve	10.5	8.8	4.4	4.4
Revenue Grants	1.6	1.7		1.7
Mayor's Tackling Poverty Reserve	5.0	4.1	0.7	3.4
Totals	159.4	141.9	1.6	140.3

Target for year £23.8m

£m	Saving Target	18-19 Target	Prior Year Slippage	Forecast Savings	Slippage/ Non Achievable	Under Recovery	Over recovery
	A = B + C	B	C	(D = E + F + G) = A ✓	E x	F x	G ✓
Children	3.3	2.6	0.7	1.5	1.6	0.3	-
HA&C	3.5	2.7	0.8	2.8	0.7	-	-
Place	2.8	1.9	1.0	1.9	0.5	0.3	-
Governance	0.7	-	0.7	0.7	-	-	-
Resources	3.1	2.1	1.0	0.9	2.3	-	-
All	10.4	9.0	1.3	5.2	5.2	-	-
Total	23.8	18.3	5.5	13.0	10.3	0.6	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).

- £13.0m has been delivered;
- £8.4m will slip into future years due to timing issues.
- £1.8m 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.

Business Rates

The 'In Year' collection rate is marginally lower than last years' collection rate of 99.37%, at 99.22%. It must be noted that there have been two large reductions in rateable value at the end of the year resulting in refunds of over £1m, which have impacted on cash collection overall, and as a result of changes in valuation law, Tower Hamlets has suffered from a large reduction in rateable value throughout the year.

We will continue to monitor the effect of changes in how large assessments are valued and will work closely with accountants to ensure we understand fully the impact going forward. In 2019-20, the changes to the pilot scheme mean that any losses due to big reductions in rateable value will now be shared with central government and the GLA. This will reduce the impact the deficit in the collection fund.

We will be working closely with the Valuation Office Agency (VOA) to ensure local authority reports are acted upon swiftly and any new assessments identified and brought into rating at the earliest opportunity.

NNDR

We collected £448m for 2018-19.

We have collected £448m in Business Rates, which is a 99.22% collection rate.

At the end of the previous year there was also an outstanding debt of £21m relating to historic periods. Of this £14.65m (70%) 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

The "in year" collection rate has marginally increased from last year's rate of 96.3% to 96.5%.

There is still, however, a shortfall in anticipated growth in the tax base which finished at 94,264 band D equivalent chargeable properties. This is 831 short of the estimated 95,095 at the beginning of the year and has resulted in budgeted collection being £839k short of the £93.7m target. Working with information provided by developers and the Valuation Office Agency, there appears to be a temporary slowdown in domestic properties being completed. We anticipate that this position will recover in the first 6 months of 2019/2020.

We will be working with the information provided by developers and the Valuation Office Agency to gain insight into the estimated completion dates of domestic properties in the borough. We will also be looking to serve completion notices on large developments so that they attract a charge at an earlier date and encourage developers to complete and let properties as quickly as possible.

Council Tax

We collected £118m in Council Tax from possible 122m which is a 96.5% collection rate.

We collected £118m for 2018-19.**CT is split between**

Government 23%,
LBTH 77%

We also have historic Council Tax debt of £16.9m at the end of last year. Of this we have collected £4.0m or 24%.

Overall Position

We had £383m of investments as at 31 March 2019.

£60m of LOBO loans repaid, and £50m PWLB loans were raised.

For this period our portfolio totals £383m, and we are current receiving an average return of 1.16%. 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.

As at 31st March 2019 we had £36.65m (less than 10% of investment portfolio) in Money Market Funds. About 32% (£124m) of the outstanding investments (including Money Market Funds) have less than 3 months until they mature. Of the remaining £259m, £178m (47%) will mature in less than 1 year and the remaining £81m (21%) of investments are held for periods longer than 12 months.

Income Position

Budgeted income of £4m.

We achieved the £4.0m of investment income that was budgeted at the beginning of the year.

Benchmarking

We compare favourably for the return we get from our internally managed funds.

According to the benchmarking information for quarter ended March 2019 we received from our advisors, Arlingclose, we are under performing both when compared to a group of London councils and a group of national local authorities for externally managed funds but outperforming both groups by 0.04% and 0.07% on internally managed funds.

Due to severe market volatility towards the end of 2018, further investment in strategic pooled funds was halted. As we believe capital preservation is preferential to yield.

Inflation

Inflation is eroding the value of our investments.

At the moment the Consumer Prices Index (CPI) inflation is running at 1.9%, and therefore the average return of 1.16% 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.