Corporate Budget Monitoring Report

Quarter 3 2019-20

	Sctn	Page
Summary	1	2
Directorate positions		
Children and Culture	2.1	4
Resources	2.2	7
Health, Adults & Community	2.3	8
Place	2.4	9
Governance	2.5	16
Corporate Costs	3	17
Housing Revenue Account (HRA)	4	18
Capital	5	19
Reserves	6	23
Savings	7	25
Council Tax and Business Rates	8	26
Treasury	9	27
Pension Fund	10	28

Circulated to	Cabinet
Date	26th February 2020
Classification	Unrestricted
Report of	Corporate Director of Resources
Lead Member	Cllr Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Tim Harlock, Chief Accountant
Wards affected	All Wards
Key Decision?	No

Summary

General Fund forecast outturn variance £10.8m overspend

Dedicated Schools Grant (DSG) forecast outturn variance £7.9m overspend

Housing Revenue Account (HRA) forecast outturn variance £2.6m underspend

	2019-20 Forecast Outturn Variance			2019-20 Annual Figures		Figures to 31 Dec 2019	
£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 & Culture (GF)	11.2	11.7	(0.5)	98.3	109.9	73.6	99.8
Resources	2.6	10.6	(8.0)	15.3	25.9	11.5	72.5
HA&C	4.1	5.7	(1.6)	106.7	112.4	79.4	91.3
Place	(5.5)	(5.3)	(0.2)	68.4	63.1	51.3	44.9
Governance	-	0.8	(0.8)	15.4	16.2	11.5	15.8
Corporate and financing costs	(1.6)	(1.6)	-	4.3	2.7	3.2	6.8
General Fund	**10.8**	**21.9**	**(11.1)**	**308.4**	**330.2**	**230.5**	**331.1**
Ringfenced Items							
Children's (DSG)	-	7.9	(7.9)	-	7.9	-	132.8
Public Health GF	-	-	-	34.1	34.1	25.5	20.3
HRA	-	(2.6)	2.6	-	(2.6)	28.5	(39.8)
Overall Position	**10.8**	**27.2**	**(16.4)**	**342.5**	**369.6**	**284.5**	**444.4**

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 2019 adjusted for any subsequent approved budget virements. The budget history is included as Appendix 3.

Note 2: Although ringfenced the Public Health Grant is included in the net revenue budget of £342.5m

In February 2019 the Council approved a revenue budget of £342.5m 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 £10.8m overspend on the General Fund after the application of £11.1m from reserves.

The HRA is currently projected to show additional income of £2.6m. This is demonstrated by the income from dwelling rents being forecast to be higher than budgeted due to lower levels of 'Right to Buy' sales than was assumed when the budget was set, and void rates are also lower than anticipated.

The MTFP outlined for 2019-20 approved savings of £14.8m in order to deliver a balanced budget. An additional £10.3m relating to slippage from previous years must also be achieved. Therefore in total £25.1m of savings were planned to be delivered.

Quarter 3 2019-20

This report shows the quarter 3 position (as at the end of December) for the financial year. Forecasts at quarter 3 demonstrate an overspend on the general fund of £10.8m. Directorates have developed and are enacting recovery plans to reduce these overspends and therefore reduce the requirement on General Fund reserves funding.

£10.8m	**Overspend on General Fund**: after application of transformation reserves.
£25.1m	**Savings**: our total savings requirement for the current year taking into account slippage from earlier years; we believe that £7.5m will slip into future years and that £6.1m is at risk.
£591m	**Collectable income**: Total we expect to collect in total for Council Tax and Business Rates.
£266m	**Treasury Investments**: a strategy for delivering additional income which was included in the budget proposals is well advanced.
£378.7m	**Approved Capital budget:** original allocation of £263m, slippage from previous years of £16m and quarters 1, 2 & 3 adjustments of £103.9m.

Children's Services

Forecast outturn variance £11.2m General Fund overspend

Forecast outturn variance £7.9m DSG overspend

	Forecast Outturn Variance			Annual Figures		Figures to 31 Dec 2019	
£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)	11.2	11.7	(0.5)	98.3	109.9	73.6	99.8
Children's (DSG)	-	7.9	(7.9)	-	7.9	-	132.8

The general fund is projected to be overspent by £11.7m. The overspend is as follows: Children's Social Care £3.3m, Education & Partnerships £2.1m, Youth Services & Commissioning £1.1m, Children's Resources £0.9m.

Unachievable savings of £3.3m (Early Years £2.4m and SEND £0.9m) and slipped savings of £1.0m (Children's Social Care) are included in the £11.7m overspend.

C&C have a recovery action plan in place that currently suggests a reduction in the forecast overspend to £10m before drawdown from reserves of £0.5m (Ofsted).

Children's Social Care Ofsted inspection received a 'Good' rating and work is ongoing within the service to maintain the current standard and work towards an 'outstanding' rating. As part of the Continuous Improvement Plan Children's Social Care are also working to reduce the current reliance on Agency staff.

The local growth in SEND, which is not matched by growth in funding, is resulting in budget pressures that are reflected nationally. A range of measures have been put in place to reduce the spending against the general fund as well as the High Needs Funding Block element of the DSG which will show impact over time and actions are being scoped to reduce pressures in the short term during the current financial year. The DFE have announced there will be growth in 2021-22 which should help to reduce some of the pressures moving forward

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

(in numerical descending order)	£m	Forecast variance commentary
Children's Social Care **1. CSC - Staffing £1.6m** Agency workers – pressure reducing as permanent staff are recruited.	3.3	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 still require a small 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. In addition all agency staff vacancies and extensions are currently being reviewed by the Corporate Director to identify where further reduction in costs could be achieved. £0.5m of this overspend relates to extra staffing spend for Ofsted improvement work and will be requested to be funded from transformation reserves.

2. CSC - Looked After Children (LAC) Placements £0.9m Work continues to reduce high cost placements		The forecast for the placement budget is based on LAC modelling and sufficiency strategy outcomes. There has been a reduction of £0.3m in costs since 2018/19 outturn. Re-commissioning is expected to reduce costs further. Reductions are being sought through the regular Panel that scrutinises receptions into care and prioritises placements within our own cohort of foster-carers. Ongoing pressures continue due to Mother and baby and secure placements being extended. LAC Placements have decreased by 38 from 389 in November 2018 to 351 in November 2019. The placements budget has 2019-20 savings of £0.3m allocated against Adoption & Fostering. This will be fully achieved.
3. CSC – Leaving Care £0.8m Additional demands		£1m one-off growth in 2018-19 has now ended. The effectiveness of the "Through Care" team is positive. The forecast pressure has reduced by £0.9m since P4. Ongoing funding pressure as a result of responsibilities for increase UASC and change in legislation for LA responsibilities for up to age 25. In addition responsibilities for providing accommodation for Dubbs Children.

Special Educational Needs Continued increase of transportation costs. Includes £0.9m unachievable savings.	2.8	This is an ongoing pressure that is likely to increase. Grant Thornton was commissioned to undertake a deep dive in order to understand the reasons and to recommend actions to address. Their recent report highlights the service is underfunded as there is no annual review to take account of demand, but alongside this during 2018-19 a retendering process resulted in an additional circa £0.8m pressure rather than a saving. Initial recommendations from GT have been discussed with elected members prior to moving forward on the final action plan to reduce cost, which will involve possibly controversial policy changes. A public consultation on proposed changes will take place this financial year. No cost reductions are expected this financial year.
Early Years Unachievable Savings	2.4	The historical EY £2.4m saving was based on a flawed business case and levied against services funded by DSG. These savings are due to be reversed in the 2020-21 MTFS.
Contract Services Full review of service	1.6	Options for the future delivery of Contract Services were presented to Cabinet in February 2019. The options included 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. All recommendations were accepted by Cabinet; and an action plan is now in place to reduce pressures. However, the action plan will have a phased impact during 2019-20 with implementation intended during 2020-21.
Free School Meals Forecast underspend	(0.2)	The Mayors Free School Meal Programme now has an agreed Memorandum of Understanding (MoU) between LBTH and Primary schools, which sets conditions for the programme. This is expected to reduce the £0.5m pressure in 2018/19 to an underspend of £0.2m in 2019-20.
Sports Leisure & Culture	0.5	Recovery action plan proposes reducing spend against AEG income by £0.5m to offset pressures within this service. The action plan provides full details.
Building and Technical services	0.2	This overspend is the cost of providing security and NNDR charges for vacant buildings.
PFI		A successful bid was made for a new senior level PFI post which would ensure full compliance and integration with the range of council services which have a bearing on PFI for this financial year. It was intended that this post sit in Procurement Service structure, in Resources directorate but the delay in recruitment and operational concerns have meant that budget has

		been used to commission specialist support during this financial year. School leaders 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 pressure in some schools 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	The key impact on the DSG is the significant overspend in the High Needs Funding Block element. The actions being taken to address this are outlined below.
High Needs Block (HNB) Plus £5.7m deficit from 2018-19	7.8	The Council are required to provide to the DfE a recovery plan that articulates how the overspend on the High Needs Funding Block (HNFB) will be addressed over the period 2019 – 2022 through: - significantly reducing the funding retained by LBTH to deliver support services, - reducing the demand for centrally retained funding for Alternative Provision, - reducing the rate of increase in EHC plan numbers, - a reduction across all school top-up payments All of the above are also fully detailed in the C&C Recovery Action Plan.

Resources

Forecast outturn variance £2.6m overspend

	Forecast Outturn Variance			Annual Figures		Figures to 31 Dec 2019	
£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
Resources	2.6	10.6	(8.0)	15.3	25.9	11.5	72.5

The Resources directorate has a net budget of £15.3m. It is currently forecasting an outturn of £25.9m of which £8.0m of funding has been previously approved from the ICT Transformation Reserve leaving a potential directorate overspend of £2.6m.

The Resources directorate leadership team is reviewing all savings delivery across the directorate to identify mitigating actions to reduce the estimated overspend.

Actual spend to date includes costs relating to Housing Benefit which will be offset by income.

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

Forecast variance commentary

(in numerical descending order)	£m	
Customer Access Savings slippage	0.9	Savings slippage due to delayed implementation of the Customer Access model, partially offset by holding vacancies and reducing agency spend.
Human Resources Phase 2 review slippage	0.6	Savings slippage on phase 2 of the HR review, partially offset by holding vacancies and reductions in non-pay expenditure.
Business Support Phase 2 review slippage	0.9	Phase 2 of the business support review will take place one year after the full implementation of phase 1 which is in the recruitment and implementation stage.
Benefits Service	0.2	Pressure from reduced Housing Benefits Administration Grant, partially offset by one-off government grants from DWP.

Other comments

Use of Reserves	Approximately £8.0m will be required from the ICT Transformation reserve to fund ICT Transformation projects which were agreed by Cabinet in 2017-18.

Health, Adults & Community

Forecast outturn variance £4.1m overspend on the General Fund

£m	Forecast 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 31 Dec 2019: Budget to Date	Actual
HA&C	4.1	5.7	-1.6	106.7	112.4	79.4	91.3
Public Health	-	-	-	34.1	34.1	25.5	20.3

The Health, Adults and Community directorate forecast outturn for 2019-20 at quarter 3 is for a £4.1m over spend after use of reserves, in-line with the forecast position at quarter 2. This position is driven by growing pressures in adult social care. The main variances are summarised below.

The 2019-20 budgets include £3.4m of savings, including £0.7m of savings from prior years. The directorate is forecasting to achieve £2.6m (75%) of these savings in 2019-20. The main area of slippage is in learning disability services (Supporting Independence programme). 100% of these savings remain achievable and work continues to deliver as much as possible this year with a clear plan for any slippage in to future years.

A recovery plan has been developed to address the pressures being faced by the directorate, which focuses on opportunities to make sustainable changes that will lead to an ongoing reduction in expenditure, as well as one-off activities. The recovery plan is regularly reviewed and updated.

Forecast variance commentary

(in numerical descending order)	£m	
Adult Social Care & Integrated Commissioning An over spend due to demand for residential and community-based care services for disabled, mental health and older people.	4.5	The forecast outturn variance is a £4.5m overspend against a net budget of £100.3m. The forecast overspend is caused by pressures in both residential/nursing placements and community based services supporting service users in their own homes. These over spends are a continuation of the pressures seen and reported in the 2018-19 Outturn report. Similar pressures in adult social care budgets are reported by authorities nationally. There has been an increase of £0.6m in the forecast for care packages, predominantly across supported living, nursing care and day care. Currently the council is purchasing 474 residential placements, 142 nursing placements and approximately 30,000 hours a week of homecare support. This increase has been offset by the use of £0.5m of Public Health reserve to support the cost of information and advice provided to residents in relation to health and social care. The time-limited "Unpaid Invoice Hub" is still in operation and continuing to work through operational issues associated with the billing arrangements and electronic systems which support home care. This work has enabled improvements to reporting on planned & actual homecare delivery by providers. A recovery plan to reduce the forecast level of over spend has been developed and is regularly reviewed and monitored. The Council has utilised in full the short-term grants provided by central government to support pressures in

		social care and these are not sufficient to fully cover the pressures. Operationally, a "Practice and Quality Forum" is in place which encourages reflection on social work practice, giving consideration to how preventative and strength-based interventions can promote wellbeing and focus on improved outcomes for adults. Panels for signing off placements and care packages have also been put in place to increase control on costs. However work is ongoing to validate what has been delivered. Where possible vacancies are also being held across the directorate and measures taken to minimise all staffing and non-pay budgets. The use of agency staff has reduced significantly and is carefully controlled.
Community Safety An underspend due to delays in police deployment of officers	(0.4)	The forecast outturn variance is a £0.4m under spend against a net budget of £6.4m. This is after the allocation of an expected £0.7m funding for the Partnership Task Force. The majority of the under spend is in relation to the general fund element of the Partnership Task Force (PTF) (£0.2m), due to delays in police deployment of officers. There are now 2 sergeants and 20 constables in place, however this is still 2 sergeants less than the original agreement.
Public Health Breakeven position with the grant forecast	-	It is currently forecast that the public health grant will be fully utilised in 2019-20.

Forecast outturn variance £5.5m underspend on the General Fund

£m	Forecast Outturn Variance: Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves	Annual Figures: Current Budget (1)	Forecast Outturn Position	Figs to 31 Dec 2019: Budget to Date	Actual
Place	(5.5)	(5.3)	(0.2)	68.4	63.1	51.3	44.9

The Place Directorate has budgetary provision of £68.4m and is forecast to outturn with a £5.5m underspend being projected. £4.6m of this underspend relates to additional homelessness rental income that has been achieved through the property buyback programme. This is the first quarter the forecast underspend has been reported given the impact has only started to crystalise later in the financial year. The resultant additional income generated by the programme will ultimately be used to offset the cost of borrowing to fund the programme corporately.

There are a number of other under and overspends within the Place Directorate that are contributing to the variance position. Underspends within Public Realm and Planning are being offset by pressures within Corporate Property. Exclusive of the buyback surplus, the net position for the Place Directorate is a £0.9m underspend.

Unachievable savings of £0.8m and slipped savings of £0.3m are included within the overspend position.

Details of the significant variances are outlined below:

(in numerical descending order)	Variance £m	Forecast variance commentary
Corporate Property & Capital Delivery Reduction in income from occupation of Jack Dash House; costs of holding vacant premises awaiting disposal; Non-Delivery of saving proposals relating to commercial shops; reduced rent roll for leased properties; Reduction in Agency staff	1.6	<u>Administrative Buildings (£1m overspend)</u> A pressure of £1.1m resulting from loss of rent following Tower Hamlets Homes move from Jack Dash House in July 2018. This budgetary pressure will continue until a new tenant is secured or the property is put to a different use or disposed of. The building will require capital investment to bring it to a marketable standard should a decision be taken to rent it out. Costs are being incurred in relation to ensuring the security of vacant buildings whilst decisions and processes are completed around their disposals. Previously an overspend was reported but use of guardians at no expense to the Council has negated this pressure. Unbudgeted income arrears relating to the Montefiore Centre are being recovered in year, resulting in a £0.1m underspend. <u>Corporate Property (£0.3m underspend)</u> A reduction in the number of agency staff being employed within Corporate Property will achieve a net saving of £0.2m after adjusting for recharges to Capital and HRA. The reduction will be in place for the final quarter of 2019/20. There is a projected underspend of £0.1m relating to the part year staff cost

		relating to the Divisional Director post. <u>Capital Delivery (nil variance)</u> The Capital Delivery team are forecasting to outturn in line with budget. Salary costs are being capitalised and charged to the HRA in line with timesheets <u>Corporate Landlord Model (£0.9m overspend)</u> Business Rate expenditure on Council owned property is forecast to exceed budget by £0.2m. This results from properties remaining vacant against which a business rate charge remains in place and also inflationary increases to the rateable values not being reflected in the budget. Rents for sites managed within the corporate landlord model are currently projected to underspend by £0.1m. This forecast is based on the properties contained in the leased in rent roll and results from leases that have been given up. A £0.8m overspend relating to the Appropriation of HRA shops to the general fund. This saving proposal will not deliver the required saving based on current assumptions and as a result the appropriation has not taken place. Any mitigation for this unachieved saving will be met corporately and not within the Place Directorate. <u>Building & Technical Services (Nil Variance)</u> Costs are incurred for works undertaken on community buildings. These costs will be recharged to the HRA where these assets are held.
Resources No liability for Kemnal Park moving forwards	(0.1)	The Council is finalising a deal with Green Acres that will mean it is no longer liable for purchasing plots or for the annual fee of £0.2m for the management and maintenance of the site at Kemnal Park Multi-Faith Cemetery. The council has received its final invoice and will underspend against budget by £0.1m
Planning & Building Control Fees income in relation to Planning and street naming; vacant posts; Planning appeal relating to West Ferry Printworks	(0.4)	<u>Planning</u> Current income projections for planning are forecast to exceed budget £0.2m. Income is over achieving within Development Management where several large planning fees have been realised and also within the Street Naming & Numbering service where demand has been significantly greater than budget. The income is demand driven and the forecast is predicated on large planning applications at Canary Wharf (Wood Wharf scheme) and Commercial Road being submitted in year. The Planning Service has been carrying a significant number of vacancies throughout the year, with both recruitment and retention of staff being an issue. This is expected to continue for the remainder of the year, resulting in an underspend of £0.6m against budget. These underspends are being partly offset by one off legal fees and costs currently estimated at £0.4m relating to an appeal following refusal of planning application for the Westferry Printworks site. LBTH has required significant specialist Counsel representation due to the technical and accelerated nature of the appeal. Based on current activity and forecast this pressure can be absorbed within existing budgets. There is a background concern Brexit will significantly impact on income but there is no evidence to suggest planning activity is being adversely affected at present. This will continue to be monitored throughout the year.

		<u>Building Control Trading Account</u> Based on current forecasts the Building Control Trading Account is breaking even in year. Competition from the private sector is impacting on income, which is expected to under recover but this pressure is being offset by salary underspends. Any surplus realised at year end will be transferred to the Building Control Trading Account Reserve and any overspend covered from a reserve drawdown.
Growth & Economic Development Breakeven position expected Additional costs from delays to restructuring being offset by additional funding	-	The Growth and Economic Development restructure was implemented on 1 July 2019. The budget is based on the new structure coming into effect for the whole year and as a result the delays in implementation have resulted in additional cost and overspend. The impact on the General Fund has been mitigated by vacant posts within the new structure and lower than budgeted spend against specific projects. As a result Growth & Economic Development are projected to outturn in line with budget, utilising approved s106 funding and mayoral growth monies as planned in the base budget. Mayoral Priority Growth was incorporated within the budget in 2018-19. Due to the re-profiling of projects, the funding was not fully spent. The balanced budget position is predicated on this funding totalling £1.2m being available and utilised in the current year.
Public Realm Over achievement of parking income from bay suspensions and permits; Reduced commercial waste income; Vacancies in Environmental Services; Improved waste disposal position; savings relating to traffic & highways management; Unspent growth	(2.0)	<u>Parking Control (£0.1m overspend)</u> Parking income is projected to over achieve budgeted levels by £1.5m. The additional income results from a variety of factors, the main ones being that the current budget includes loss of income resulting from several large suspensions covering multiple years which have not come to fruition and the early introduction of permits for car clubs and casual parking. These savings are one off and not expected to recur in future years. The use of Parking surpluses is tightly controlled through s55 of the Road Traffic Regulation Act, 1984. As a result, this surplus will be excluded from the overall Place monitoring position as it cannot be used to subsidise general overspends. There are a number of other projected under and overspends within Parking Control that are forecast to result in a £0.1m overspend: The mobility support service is forecasting to underspend by £0.1m, with the contribution towards the cost of Taxi Cards being less than budgeted. This is a demand led budget, with little ability for the Council to control or reduce costs. The permits budget is overspending by 0.3m from additional resourcing requirements due to Local presence and a large number of temporary permits issued at nil cost, a one off occurrence attributed to issues implementing the new parking back office system. Staffing costs within the on-street service is forecasting to overspend by £0.1m, additional resources were recruited on a temporary basis to provide support in the back office team. A resource review is being undertaken in early 2020, when there is a better understanding of reduced workloads from the new parking back office system. The Enforcement service is underspending by £0.8m as a result of vacant posts. This is being partially offset by a reduction in income forecast at £0.3m where 8,000 fewer tickets have been issued at the end of q3 than in the previous financial year. Recruitment has commenced for revenue generating posts, enforcement officers. A separate work stream has been

approved to commission new enforcement cameras in 'hot spot' areas, this includes a review of all moving traffic restrictions.

Removals are forecasting to overspend by £0.1m, resulting from reduced income from fines and the requirement to use an additional truck for persistent offenders. Work with the contractor is ongoing to improve performance. Additional monitoring has been put in place by the interim Operations Manager. To ensure the additional truck achieves best value, it will be utilised from January 2020 to enforce against untaxed vehicles, a new power adopted by the Council.

Recharges relating to the car pound from the Corporate Landlord Model are forecast to exceed the budgeted amount by £0.1m. These costs relate to energy, cleaning, water and minor improvements to the building. The future operation from the Commercial Road site is part of a wider Council strategy. Investment in the site is limited, beyond essential maintenance.

Street Trading Account (Nil Variance)
Markets are projected to overspend by £0.2m. This overspend is caused by reduced income primarily at Petticoat Lane, Roman Road and Whitechapel Road markets (£0.3m) where the number of permanent traders are reducing, staffing costs and unbudgeted revenue costs resulting from the implementation of the PSI (combined £0.1m overspend). This overspend is being partly mitigated by additional income (£0.2m) derived in other markets from increased numbers of casual traders and new services, for example a food market at Brick Lane. The balance will be drawn down from the Street Trading operations reserve as the service is provided through a trading account, resulting in a balanced position at year-end.

It is anticipated a new system to manage payments and allocation of pitches will provide the Council additional data which will be used to analyse the financial performance of individual markets.

Environmental & Regulatory Services (£0.6m underspend)
The Environment & Regulatory service is forecasting to underspend by £0.6m. This is primarily the result of vacant posts within the Out of Hours Noise service, pest control, traveller's liaison, licensing administration and food safety services. The posts have been very difficult to fill and staff retention is a problem within this area.

Additional income from Landlord Licensing and HMO (House in Multiple Occupation) is being profiled to be allocated over the life of each licence issued. Income is received up front and drawn down over the five years it is valid to cover costs incurred. No variance is forecast.

Environmental Support Services (£0.2m underspend)
Environmental Support Services are forecasting to underspend by £0.2m as a result of vacancies.

Public Realm Management & Administration (£0.3m underspend)
There is a £0.3m underspend within Public Realm Management following a restructure and vacancies within the management structure.

The outsourced waste collection and Trade Waste services will be brought back in-house in 2020/21. A one-off budget of £2.5m has been identified for this mobilisation project from the Transformation reserve. Planned work on staff inductions and service consumables has slipped into the next financial year, resulting in £0.4m of this budget not being spent in year. This amount will be carried forward to cover the cost of this work in 2020/21. Overall it is forecast that the mobilisation project is on budget.

Operational Services (£0.5m underspend)
Commercial Waste income is forecast to overspend by £0.3m when compared to budget.

The retendering of the waste disposal contract has resulted in a reduced budget provision of £1m. This saving has been delivered and based on current tonnages and sales of recyclable materials, the waste disposal service is forecasting to underspend by £0.3m against the revised contract.

The Contracts Development Team is forecasting to underspend by £0.5m of which £0.3m relates to growth built into the budget for contract monitoring that is not required. This is one-off growth. The remaining £0.2m relates to reduced expenditure against graffiti removal which also represented growth in the base budget.

Highways and Traffic Management (£0.5m underspend)
The Engineering Group charges design and implementation fees to highways and traffic related capital projects. Fees charged in respect of the capital Footway and Carriageway Programme have contributed to the over achievement of income by £0.4m. Over achievement of fees related to Street works, including permits and traffic management orders are contributing to a further £0.2m underspend in this area.

These underspends are being offset by unbudgeted costs of £0.2m relating to one-off office move costs for the Transport and Highways service.

Additionally there is a forecast under achievement of income from advertising fees of £0.1m. This results from the removal of advertising hoardings following site regeneration programmes which have not been reflected in the budget.

There is a projected underspend of £0.2m within Highways & Traffic Management rechargeable works. The current year's drawdown appears to be in line with budgets but s278 Highway development works completed in 2018/19 were not drawdown from reserves. As a result the costs were incurred in the previous year and the service will benefit from the recharge in the current year. This drawdown will be on top of the rechargeable works undertaken in year.

Fleet (Nil Variance)
Fleet management, passenger transport and vehicle workshops will each have a balanced position at year end as costs are recharged to client services.

Housing & Regeneration Slippage of savings proposal through improved utilisation of I.T. Over recovery of income relating to T.A. acquisitions; Over recovery of income relating to lettings service	(4.6)	Based on current activity and unit cost data, the Homelessness and Temporary Accommodation services are forecasting to underspend by £5m. Homelessness numbers continue to increase placing more pressure on the use of expensive nightly booked accommodation. However, the additional rental income relating to acquisitions as part of the buyback programme has mitigated this cost pressure and generated additional unbudgeted income of £5m. An element of this additional income can be used to cover the cost of the borrowing requirement to fund the buyback programme. This forecast is inclusive of budgeted grant drawdowns totalling £4.8m in year to cover specific activity including rough sleepers (£0.5m), homelessness reduction act (£0.4m) and flexible homelessness support (£3.9m). A savings target of £0.1m will slip into 2020/21 reducing the Homelessness and Temporary Accommodation underspend. The saving relates to the acquisition of properties through the pan London Capital Letters programme. The

company is now live and in the market to procure property but the benefit derived from this will not impact in the current financial year. The cost of this saving is being met from the Homelessness underspend.

The Housing Options Lettings service is forecasting to underspend by £0.2m as a result of income from Registered Social Landlords (RSL's) exceeding budgeted targets. RSL's are using the Council's common housing register above budgeted levels and a charge is being made to them for this service.

A £0.3m savings target within the Housing options lettings service will not be delivered in 2019/20. This savings target relates partly to automating applications to the common housing register and also a review of the allocations policy, both of which will be implemented in year but the associated benefit will not be realised until the following year. Again this cost will be met from the Homelessness underspend.

There is a forecast overspend of £0.2m within the Private Sector Housing service as a result of historic unachievable income targets being carried forward into the 2019/20 budget. It is anticipated that a full budget review will take place across the Place Directorate with a view to mitigating this overspend in future years.

Governance

Forecast breakeven position after reserves drawdown

£m	Forecast 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 31 Dec 2019: Budget to Date	Actual
Governance	-	0.8	(0.8)	15.4	16.2	11.5	15.8

The Governance directorate estimated impact on the general fund is nil, subject to the expected drawdown of £0.6m transformation reserve transitional funding for Strategy, Policy and Performance (SPP) and a further estimated £0.2m from the Children's Services Ofsted Improvement budget for strategic improvement work carried out by SPP.

The 2019-20 budgets include £0.05m of savings which the directorate is forecasting to achieve in full.

Other comments

Electoral Services	National elections (GE, European, GLA) are funded, in part, through a maximum recoverable amount grant and this is a system that provides a 75% advance and 25% to be claimed back, surpluses are assessed by government with no guarantee. Other elections are covered from the corporate contingency fund
Registrar Services	The move to St George's Town Hall in early 2020 will provide increased income earning opportunities.
Legal Services	The use of external legal services is being reviewed to reduce costs. The Council has joined frameworks for barristers and solicitors.
Communications	The communications division is reviewing the potential for street advertising income.

Corporate Costs

Forecast outturn variance of £1.6m underspend

£m	Forecast 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 31 Dec 2019: Budget to Date	Actual
Corporate and financing costs	(1.6)	(1.6)	-	4.3	2.7	3.2	6.8

The corporate and financing costs area is forecasting an underspend of £1.6m. This is demonstrated by the centrally held corporate contingency, treasury management and slippage in cross-directorate savings.

Details of the variances are summarised below:

(in numerical descending order)	£m	Forecast variance commentary
Corporate contingency Budget to cover unforeseen circumstances	(3.1)	The centrally held budget (£3.1m) is forecast to help offset current overspend pressures across the Council.
Treasury management Investment income over-achievement and interest payable underspend	(3.0)	Over-achievement in investment income against budget and an underspend on the borrowing costs budget, due to slippage in the capital programme, result in a forecast £3m underspend by the year-end.
Cross-Directorate Savings Slippage of savings achievement	4.5	Slippage in cross-directorate savings held centrally; being £1.5m slippage in Debt Management & Income Optimisation and £1.0m slippage in the Review of Printing/Scanning/Use of Multi-Functional Devices (MFD's). The balance of the £2m of slippage is a result of delays in implementing other cross directorate savings.

£m	Forecast Outturn Variance: Estimated impact on HRA	Variance before reserve adjustments	Contribution to /(from) Reserves	Annual Figures: Current Budget [1]	Forecast Outturn Position	Figures to 31 Dec 2019: Budget to Date	Actual
HRA	-	(2.6)	2.6	0	(2.6)	28.5	(39.8)

The overall forecast for the Housing Revenue Account is a £2.6m underspend. The main component of this is a reduction in funding of the capital programme from revenue.

(in numerical descending order)	Variance £m	Forecast variance commentary
Capital Financing charges	(2.6)	Major slippage in the capital programme is currently forecast so there will be a reduced funding need in the current year. In addition, the Council's ambitions for house building will require significant additional resources and until a review is complete HRA resources need to be conserved.
Other Issues		
Dwelling rent income **Additional income recovered**	(1.6)	Rental income is currently forecast to be higher than budget due to lower void rates than assumed when this budget was set, along with a lower level of Right to Buy sales.
Service Charges	(1.3)	Leaseholder charges are expected to be above original estimate following completion of calculations of actuals charges for 2018/19.
Shops income	(2.2)	It was planned to appropriate the shops from HRA to general fund but this proposal is under review and it is expected that the shops will remain in the HRA at least during 2019/20.
Interest costs	1.5	As a consequence of the above changes to treatment of shops and of capital programme funding an increase in borrowing and therefore in interest costs is forecast.
Debt repayment	1.6	The Council decision to include a provision for debt repayment (Minimum Revenue Provision) is forecast to add unbudgeted cost to the budget
Tower Hamlets Homes (THH) Delegated: **Special Services, Rents, Rates & Taxes/ Supervision & Management/ Repairs & Maintenance**	(0.6)	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. These budgets are closely monitored in order that demand pressures are identified and financial implications addressed. The HRA is forecasting to underspend by £0.6m on repairs and maintenance.

Capital Programme

	Forecast (under)/ overspend for year	Spend to Date Vs Budget This Year (Q3)	Spend to Date Vs Budget Last Year (Q3)	Projection for Year	This year (£m) Annual Budget	This year (£m) Spend to Date
	£m	%	%	£m	£m	£m
	A=D-E	B=F/E	C	D	E	F
Housing Revenue Account	(63.0)	29%	19%	54.9	117.9	34.4
Corporate	(24.3)	34%	34%	17.0	41.3	13.9
Children and Culture	(26.3)	33%	27%	29.8	56.1	18.3
Place	(39.2)	37%	59%	104.7	143.9	53.5
Health, Adults and Communities	(7.7)	2%	0%	5.3	13.1	0.2
Resources	(1.5)	22%	6%	5.0	6.5	1.5
Total	(162.0)	32%	38%	216.7	378.7	121.7

At Q3 the council has spent £121.7m (32%) against a budget of £378.7m, this compares with £62.8m (38%) of the approved budget of £165m at the same point last year. In previous years there has been a higher proportion of spend in the final quarter of the financial year and this year is expected to follow the same trend. Project slippage of £162.0m is still projected but any unspent budget will be carried forward for future years.

The Capital Governance Working Group supports arrangements on the governance and administration of the capital programme, as well as reviewing spend, slippage and trends in its delivery.

Below is detail of projected variances.

	(Under)/ overspend £m	
Basic Need/Expansion	(21.6)	London Dock School has recently been approved and works were profiled to start in 19-20, however the revised start date is anticipated for early 20-21 Once Government funding is agreed
Housing Capital Programme	(13.2)	The housing capital programme currently has a possible 252 schemes that it can complete in the 2019/20 programme. Quarter 3 shows a projected underspend of £13.2m, consequently available for the 119 schemes still to complete in the Housing capital programme. There are also schemes in fuel poverty works, that are 'at risk' of not being approved/completed in 2019/20 where concerns exist that receiving contract approval may be delayed.
Creation of temporary accommodation	(2.3)	Scheme under review

Whitechapel Civic Centre	(22.8)	Following a protracted contract/cost negotiation period the formal start on site for the main works was achieved in December 2018, later than had been anticipated. As a result the spend forecast for the new Town Hall was to be re-profiled to reflect the updated programme. We are currently on target for the revised programme and spend forecast/profile provided in December 2019, which will be reflected in the 20-21 Capital Programme.
Public Health	(7.6)	ber of public consultations and planning designs under way, es expected to start towards the end of the year, early 20/21

Capital Programme : New Scheme Approvals

The following schemes require amendments to be included in the capital programme, full details can be found in Appendix 7

	Request £M	Forecast variance commentary
Community Hub	1.121	The original allocation of £3,145,000 was to resource the Community Hub Programme. The allocations would have been based on estimated figures as the full extent of the projects would have been unknown at that time. Now the costs are known and additional funds are required to complete the renovations.
Aberfeldy WellOne	0.010	Poplar Harca is due to take over the freehold of: 1. Aberfeldy Community centre 2. Aberfeldy Health Centre 3. Aberfeldy Community Café Collectively this request for funding will enhance the offer across Aberfeldy village, developing an integrated health and wellbeing centre, known as WellOne – a vision to create a shared approach to health, wellness and community Leaseholder charges are expected to be above original estimate following completion of calculations of actuals charges for 2018/19. Poplar Harca is due to take over the freehold of: 1. Aberfeldy Community centre 2. Aberfeldy Health Centre 3. Aberfeldy Community Café Collectively this request for funding will enhance the offer across Aberfeldy village, developing an integrated health and wellbeing centre, known as WellOne – a vision to create a shared approach

		to health, wellness and community
Refuse and Cleansing Fleet	10.00	The current Waste and Cleansing services contract expires in March 2020. A new contract will need to be in place to take the service over from April 2020 through either an outsourced or internal DSO route. The procurement of a new Waste contract, whether in-house or outsourced, will require significant investment in the purchase of a fleet of vehicles as the current fleet is coming to the end of its useful life. Additionally, new vehicles purchased would be required to meet standards to drive within London Mayors new Ultra Low Emissions Zone (ULEZ) due to come into effect in 2019, coupled with the mayoral commitment to phase out diesel vehicles from the council’s fleet.
London Square	1.49	This PID is concerned with the London Square project which forms part of the council's wider Civic Centre project which will bring the former Royal London Hospital on Whitechapel Road back into public use as the council's main administrative headquarters. London Square is a parcel of land located to the rear of the Civic Centre site and in front of Barts Health NHS Trust (Barts) Royal London Hospital. The site is primarily owned by Barts, but a small portion (c.20%) falls within the council’s ownership. London Square is the ‘current’ name given to this parcel of land which is allocated as new public open space in the Whitechapel Vision Supplementary Planning Document (SPD).

Capital Receipts

	This Year £m
Dwellings sold under Right to Buy (RTB)	
Receipts from RTB Sales	5.0
Less: poolable amount paid to DCLG	(1.3)
Sale of Other HRA assets	
Preserved Right to Buy receipts	0.4
20 Alton Street	0.4
Sale of General Fund Assets	
Wayside Gardens	1.9
	6.4

*Receipts shown gross before costs of sale are deducted.

Current projections will :

Reduce our General Fund Reserve by £6.8m

Increase our HRA by £2.1m

Reduce our Earmarked Reserves by £19.3m

Reduce our Capital Reserves by £60.2m

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 2019-20.

The minimum level below which the General Fund cannot go below is 20m.

	Final Balance at 31 March 2018	*Draft Balance at 31 March 2019	Contribution (to) / from Reserve	Projected Balance 31 March 2020
	£m	£m	£m	£m
General Fund Reserve	33.3	26.8	6.8	**20.0**
Housing Revenue Account (HRA)	47.6	53.7	(2.1)	**55.8**
Schools	23.4	23.3	(1.4)	**24.7**
Earmarked Reserves	118.6	120.3	19.3	**101.0**
Capital Reserves	320.7	318.4	60.3	**258.1**
Total Reserves	543.6	542.5	82.9	**459.7**

	Final Balance at 31 March 2018	*Draft Balance at 31 March 2019	Contribution (to) / from Reserve	Projected Balance 31 March 2020
£m	£m	£m	£m	£m
Earmarked reserves consist of				
Insurance	21.2	9.6		9.6
New Civic Centre	17.2	17.2	3.4	13.8
Parking Control	3.3	3.3		3.3
Transformation Reserve	15.0	9.2	6.8	2.4
Collection Fund Smoothing Reserve	0.0	6.5		6.5
ICT Reserve	21.0	16.1	8.0	8.1
Mayor's Tackling Poverty Reserve	4.1	3.4	1.7	1.7
Free School Meals Reserve	4.0	4.0	2.0	2.0
Mayor's Priority Investment Reserve	7.0	4.6	2.9	1.7
Risk Reserve	8.8	4.4		4.4
New Homes Bonus	12.1	28.9	(16.0)	44.9
Public Health Reserve	1.3	1.7	1.0	0.7
Services Reserve	3.6	1.9		1.9
Revenue Grants Unused	0.0	9.5	9.5	0.0
Totals	**118.6**	**120.3**	**19.3**	**101.0**

£m	Final Balance at 31 March 2018 £m	*Draft Balance at 31 March 2019 £m	Contribution (to) / from Reserve £m	Projected Balance 31 March 2020 £m
Capital reserves consist of				
Capital Receipts	194.6	190.7	46.8	143.9
Community Infrastructure Levy	38.5	45.1	11.5	33.6
Capital Grants and Contributions	82.1	82.6		82.6
Major Repairs Reserve	5.5	0.0	(4.1)	4.1
Totals	**320.7**	**318.4**	**54.2**	**264.2**

In addition to the reserves listed above, we also have the following Capital Conditional Resources relating to Section 106. These are not shown in the financial statements as reserves but rather as creditors.

£m	Final Balance at 31 March 2018 £m	*Draft Balance at 31 March 2019 £m	Contribution (to) / from Reserve £m	Projected Balance 31 March 2020 £m
Capital Conditional Resources				
Section 106	85.7	101.1	25.1	76.0
Totals	**85.7**	**101.1**	**25.1**	**76.0**

*The figures as at 31/03/2019 are draft, due to the ongoing audit of the 2018-19 financial statements.

Savings

Target for year £25.1m

£m	Saving Target	19-20 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 and Culture	5.1	3.4	1.6	0.6	1.0	3.3	-
HA&C	3.4	2.7	0.7	2.6	0.9	-	-
Place	2.9	2.5	0.5	1.9	0.3	0.8	-
Governance	0.1	0.1	-	0.1	-	-	-
Resources	2.8	0.5	2.3	2.1	0.7	-	-
All	10.8	5.6	5.2	4.1	4.7	2.0	-
Total	**25.1**	**14.8**	**10.3**	**11.4**	**7.6**	**6.1**	**-**

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 2019-20 is £25.1m (£14.8m relates to approved savings as part of the 2019-20 budget setting process, and £10.3m as a result of previous year savings not delivered)

- £11.4m is identified as being on track to deliver savings;
- A net position of £7.6m is forecast to slip into future years due to timing issues;
- £6.1m has been identified as unachievable; this is mainly in the Children and Culture areas of Early Years and Special Educational Needs & Disabilities (SEND); and the Human Resources plan for revisions to terms and conditions.

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 2019-20.

We are expected to collect £457m in Business Rates. To the end of December we have collected £379m (83%).

At the end of the previous year there was also an outstanding debt of £20m relating to historic periods. Of this £12m (60%) has been collected.

Under the 2019-20 75% Retention Pilot arrangements we retain 48% 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 £134m for 2019-20.

CT is split between
Government 23%,
LBTH 77%

We are expected to collect £134m in Council Tax. We are on target to achieve this with £97m (73%) having been collected by the end of September.

We also have historic Council tax debt of £19m at the end of last year. Of this we have collected £4m (19%).

Overall Position **We have £266m of investments and £73m borrowing.**	For this period our portfolio totals £266m, and we are currently receiving an average income return of 1.50% and total return (including capital gains/losses) of 2.50%.
Income Position **Forecast over-achievement in investment income.**	The 2019-20 budget for investment income is £4m (based on a budgeted return of 1.1%). Based on current interest rates and portfolio size we are forecasting to over-achieve this by circa £1m.
Benchmarking **We compare favourably for the return we get from our investments.**	According to the information we receive from our advisors, Arlingclose Ltd, we are out-performing both a group of thirteen London councils (1.39% average income return) and a group of 136 national local authorities (1.43% average income return). 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.
Liquidity	44% of funds are available within 7 days. 62% of funds are available within 100 days.
Inflation **Monies invested are holding value against current inflation.**	As at December 2019 the Consumer Prices Index (CPI) inflation was 1.3%, and therefore the Council's average income return of 1.50% is higher. This means that the future value of the funds invested today will be more. The move of some funds into externally managed pooled funds improved the previous position.

Borrowing **Forecast underspend in interest payable.**	The Council has Public Works Loan Board (PWLB) loans totalling £55.8m and fixed rate bank loans totalling £17.5m. There is a forecast underspend on the borrowing costs budget of circa £2m, due to slippage in the capital programme.

Fund underperformed over the quarter.	The Fund underperformed its benchmark return of 1.45% by 0.38% for the quarter.
Five mandates matched or Achieved benchmark set.	For this quarter, eight mandates matched or achieved returns above the set benchmark. The three mandates that did not achieve the benchmarks were the mandates with LGIM FT All World Index GBP Hedged Fund, *LCIV (Ruffer) Absolute Return Fund, LCIV (CQS) Multi Asset Credit Fund. Fund Valuation of £1.644bn, a £84m increase over the quarter.
Fund underperformed over twelve months.	For the twelve months to December 2019, the Fund returned 8.35% underperforming the benchmark of 9.03%, the Fund is behind its benchmark by 0.69%.
Four mandates matched or achieved benchmark set.	Three mandates underperforming their respective benchmarks on twelve months to date performance basis. LGIM MSCI World Low Carbon Hedged lagged by 0.05%, *LCIV (CQS) Multi Asset Fund lagged by 1.21%, Schroders Eq Protection Strategy lagged by 0.36%, GSAM lagged behind by 1.43% and Insight by 3.39%.
Fund is broadly in line with the strategic benchmark weight.	Looking at the longer-term performance, the three-year return for the Fund of 8.28%, was above its benchmark return by 0.37% for that period. Over the five years, the Fund posted a return of 8.03% underperforming the benchmark return of 8.17% by 0.14%. 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. The Pension Committee is expected to review the current Equity Protection mandate during its February 2020 meeting. The Protection was put in place to protect equity performance in the run up to the 2019 actuarial valuation.

*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