


<b>Cabinet</b>  28 October 2020	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Neville Murton, Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Budget Monitoring Report 2020-21 as at 31<sup>st</sup> August 2020 (Period 5)</b>	

<b>Lead Member</b>	<b>Councillor Ronald, Cabinet Member for Resources and the Voluntary Sector</b>
<b>Originating Officer(s)</b>	Tim Harlock – Interim Chief Accountant
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Forward Plan Notice Published</b>	16/09/2020
<b>Reason for Key Decision</b>	As a noting report this report does not meet the Key Decision criteria.
<b>Strategic Plan Priority / Outcome</b>	<b>1. People are aspirational, independent and have equal access to opportunities.</b>  <b>2. A borough that our residents are proud of and love to live in.</b>  <b>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</b>

### **Executive Summary**

This report presents the budget monitoring report 2020/21 as at 31<sup>st</sup> August 2020. It includes details about General Fund revenue, Dedicated Schools Budget (DSB), Housing Revenue Account (HRA), and progress made against savings targets.

It also provides projections on General Fund earmarked reserves and indicates significant reductions by the end of the year.

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Note the Council's projected outturn position against General Fund, Dedicated Schools Budget, Housing Revenue Account and earmarked reserves for 2020-21, based on forecasts as at 31<sup>st</sup> August 2020;
2. Note the Council's projected outturn position on the capital programme; and,
3. Note that there are no equalities implications directly resulting from this report, as set out in Section 4.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The Council could choose to monitor its budgetary performance against an alternative timeframe, but it is considered that the reporting schedule provides the appropriate balance to allow strategic oversight of the budget by Members and to manage the Council's exposure to financial risk. More frequent monitoring is undertaken by officers and considered by individual service directors and the Council's Corporate Leadership Team (CLT) including approval of management action.
- 1.2 To the extent that there are options for managing the issues identified these are highlighted in the report in order to ensure that Members have a full picture of the issues and proposed solutions as part of their decision making.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The regular reporting of Revenue and Capital Budget Monitoring information through the year and the preparation of the provisional outturn position after the year end provides detailed financial information to Members, senior officers and other interested parties on the financial performance of the Council. It sets out the key variances being reported by budget holders and the management action being implemented to address the identified issues.
- 2.2 Further information across the Council's key financial activities is also included to ensure that CLT and Members have a full picture to inform their consideration of any financial decisions set out in this report and also their broader understanding of the Council's financial context when considering reports at the various Council Committees.
- 2.3 Set alongside relevant performance information it also informs decision making to ensure that Members' priorities are delivered within the agreed budget provision.
- 2.4 It is important that issues are addressed to remain within the approved budget

provision or where they cannot be contained by individual service management action, alternative proposals are developed and solutions proposed which address the financial impact; CLT and Members have a key role in approving such actions as they represent changes to the budget originally set and approved by them.

### **3 DETAILS OF THE REPORT**

- 3.1 On 19 February 2020 the Council considered and agreed the Revenue Budget and Council Tax for 2020-21. The Council also agreed Dedicated Schools Budget (DSB) and the Housing Revenue Account (HRA) budget for 2020-21, which includes rent setting and other charges.
- 3.2 The net budget requirement for 2020-21 has been set at £354.5m. The Medium Term Financial Plan (MTFP) indicates a budget for 2020-21 which is broadly balanced, though requires a drawdown of £1.74m from General Fund balances, and includes delivering savings of £18.2m (£10.2m for 2020-21, and £8.0m slippage from previous years).
- 3.3 At the time of the last budget monitoring report to Cabinet, the 2019/20 outturn was still provisional; for this report that has now been finalised, subject to audit, and so some 2020/21 opening figures may have changed since the Period 2 report.
- 3.4 The projection for the General Fund outturn is for an overspend of £13.0m, which already takes into account the use of some earmarked reserves in delivering services (i.e. without the use of these reserves the overspend forecast would be higher). Furthermore, given the latest forecast financial position, earmarked General Fund reserves are consequently projected to fall significantly; from £132m to £94.7m by the end of this financial year.
- 3.5 This is clearly not a sustainable position for the Council; taken together with the constraints imposed by the latest Medium Term Financial Strategy and the associated need to reduce net expenditure in line with approved budgets, challenging decisions will need to be taken in order for Council finances to be maintained at an acceptable level going forward.
- 3.6 The Dedicated Schools Budget (DSB) is forecasting an overspend of £0.4m for 2020-21 and this will increase the forecast deficit from a draft £11.1m to £11.5m.
- 3.7 The Housing Revenue Account (HRA) is forecast to underspend by £1.0m.
- 3.8 The Capital Programme has spent a total of £30.8m against an apportioned budget of £95.1m to the end of August, the annual budget being £228.4m.
- 3.9 The detailed monitoring report, setting out estimated variances against approved budgets and the reasons for the variances, along with the financial

implications of the currently reported financial position, is attached as Appendix A to this report.

#### **4 EQUALITIES IMPLICATIONS**

4.1 There are no equality implications directly resulting from this report.

#### **5 OTHER STATUTORY IMPLICATIONS**

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 There are no other statutory implications contained in this report.

#### **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 The attached report is primarily financial in nature and the financial implications of the issues raised have been included in the main report.

#### **7 COMMENTS OF LEGAL SERVICES**

7.1 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's chief finance officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report

7.2 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report complies with that legal duty.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- NONE.

**Appendices**

- Appendix A: Budget Monitoring report as at 31<sup>st</sup> August 2020 (Period 5)

**Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- NONE.

**Officer contact details for documents:** N/A