

## Appendix A

# 2020-21 Provisional Outturn Budget Monitoring Report

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Report of	Corporate Director of Resources
Lead Member	Cllr Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Ahsan Khan, Head of Strategic Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

Provisional outturn General Fund (GF) £1.9m underspend

Provisional outturn Dedicated Schools Grant (DSG) £0.5m overspend

Provisional outturn Housing Revenue Account (HRA) £4.1m underspend

**Provisional forecast position as overspend/(underspend)**

£m	Gross impact on General Fund	Estimated COVID-19 non-ring fenced grants*	Variance before reserve adjustments	Contribution to / (from) Reserves	Provisional outturn on General Fund GF/DSG/HRA
Children & Culture (GF)	5.3	(5.5)	(0.2)	1.5	1.3
Resources	9.4	(8.8)	0.6	0.0	0.6
HA&C	5.9	(5.6)	0.3	(0.5)	(0.2)
Place	12.4	(13.4)	(1.0)	0.6	(0.4)
Governance	(0.2)	(4.0)	(4.2)	1.0	(3.2)
<b>Sub-total GF Services</b>	<b>32.8</b>	<b>(37.3)</b>	<b>(4.5)</b>	<b>2.6</b>	<b>(1.9)</b>
Corporate and Financing costs	6.5	(4.4)	2.1	(3.7)	(1.6)
Contribution to Insurance reserve	0.0	0.0	0.0	1.3	1.3
Contribution to ICT reserve	0.0	0.0	0.0	0.3	0.3
Covid relief	0.0	(3.5)	(3.5)	3.5	0.0
<b>General Fund</b>	<b>39.3</b>	<b>(45.2)</b>	<b>(5.9)</b>	<b>4.0</b>	<b>(1.9)</b>
<b>Ringfenced Items</b>					
Dedicated Schools Grant			0.5	0.0	0.5
Public Health GF			(2.4)	2.4	0.0
HRA			(4.1)	0.0	(4.1)
<b>Overall Position</b>			<b>(11.9)</b>	<b>6.4</b>	<b>(5.5)</b>

*\*The estimated COVID-19 non-ring fenced grants include funding for both expenditure incurred and income foregone pressures*

## Status of Outturn

This is a provisional outturn statement for an extraordinary year in a climate of volatility, uncertainty, complexity and ambiguity and is considered to be a relatively good outcome for the council. This is subject to the final closure of the council's ledger, conclusion of the closure of accounts process, which is currently in progress, and the external Audit of the Statement of Accounts. For example, the council is continuing to review loss allowances (bad debt provisions) to ensure adequate provisions are set aside to meet any potential future non-recovery of debt, specifically in light of the wider financial and economic pressures brought about as a consequence of the pandemic. This has the potential to have a relatively significant impact on the forecast position.

## General Fund

The gross provisional position before Covid grants is a significant underlying overspend of £39.3m and costs will need to be reduced to come back to a position in the future where we have no further government funded Covid grants. The position after the application of Covid grants, and contributions to reserves, is a net underspend of £1.9m or 0.2% of gross budget, this is a relatively small variance and a relatively good outcome for the Council in a very unpredictable year. There are significant savings to be delivered in 2021/22, so strategically these are still very challenging circumstances. The underspend at the year-end will be transferred to reserves and it should be noted that the reserves position remains uncertain pending the delayed closure and audit of the Council's accounts for the period 2016 – 2020.

## Covid-19

Over an unprecedented year, the Council has worked hard to prevent and limit the spread of Covid-19 whilst tackling the wider impact the pandemic has had on residents and businesses.

The Council has worked with partners and with residents to: prevent and limit the spread of Covid-19; support the most vulnerable through the pandemic; support children and families through lockdown and school closure; support businesses and residents through economic hardship; help make Tower Hamlets as safe a place as possible and work closely with communities.

The pandemic has created cost pressures, delayed planned savings actions, and depressed economic activity reducing Council income, but the full impact will be experienced over the medium term as the shortfall on this year's collection fund is accounted for from 2021/22 onwards and the potential impact of reduced local receipts.

The Council's response to the pandemic continues to overlay considerable complexity and uncertainty to forecasting, given that the financial impact ranges from additional expenditure requirements, increases in demand from vulnerable clients, consequential losses of income, unachievable savings and for services having to work differently. The forecasting in this area is also affected by the unknown length of the emergency.

From March to December we had four principal causes of this uncertainty:

- The additional expenditure incurred can be quantified with some accuracy on the basis of additional activity per week or other unit of activity. Through the financial year, due to the uncertainty of the duration and impact of the pandemic, the actual forecast costs over the year were uncertain and subject to change.
- The impact on income to the Council was and is much harder to forecast, as it depends on assumptions over the months about, for example, the ability of residents to pay their council tax and how this has been impacted by their own personal financial circumstances, which will in turn be subject to potentially significant change.
- The long-term impact on sources of council finance, such as business rates, and demand for council services, which depends on assumptions about the scale of the impact of Covid19 on the UK economy and the corresponding pace and nature of economic recovery, locally and nationally.
- The amount of additional funding that was provided by Central Government was not known or when it would be reimbursed. There was no clear central government timetable for releasing the funding. Thus, it was not possible to quantify the complete financial impact with any certainty during the year.

In a 'normal' year, officers and the sector generally prepare prudent budget forecasts. However, for the above-mentioned reasons, forecasts were even more cautious. In some areas additional capacity was brought in to assist with the pandemic and this was included in the spend forecast for the year. In the first part of the year, officers were being prudent in allocating costs to the Covid grant(s), whilst the terms and conditions of many of the grants announced and received during the year were understood. Once we had more certainty in relation to the grants, the Council was able to offset additional General Fund overspends.

To date the government has provided total non-ringfenced grant of £38.1m (tranches 1-4), of which £0.1m was utilised in 2019/20. In addition, the Government will reimburse a proportion of income foregone, estimated at £7.3m. The total relief for 2020/21 is, therefore, estimated at £45.2m. The total Covid relief and reimbursements exceeds the estimated gross costs by £3.5m (£45.2m less £41.7m) in the General Fund (including the DSG COVID-19 pressure of £0.1m). Non-ringfenced grants of £3.5m and ringfenced grant of £8.4m, (£22.5m less £14.1m) which largely relates to the Contain Outbreak Management Fund, will be carried forward to 2021/22.

There will be ongoing reviews of service expenditure for next financial year which is likely to result in eligible expenditure that may be chargeable against the Covid relief grant. Thus the £3.5m will be used to mitigate against the anticipated pressures from the on-going pandemic in the future.

### **Collection Fund**

The Council share of the 2020-21 Business Rates deficit is currently forecast to be £79.4m, of which £42.5m is funded through expanded retail and nursery scheme relief grants. The estimated 2020-21 deficit balance for the Council of £36.9m (£79.4m less £42.5m) would need to be repaid over the three-year period 2021-24 and the government will fund a 75% contribution to components of this deficit. However, the final 2020-21 deficit will change based on the final calculation of the bad debt and appeals provisions.

The Council share of the 2020-21 Council Tax deficit is currently forecast to be circa £4.4m, which will be repaid over the three year period 2021-24 and the government will also fund a 75% contribution towards components of this deficit. The deficit may change based on the final calculation of the increase in bad debt provision required which is currently calculated to be an increase of £5.4m (Council share) from £11.9m (2019-20) to £17.3m (2020-21) due to the impact of the pandemic.

### Dedicated Schools Budget

After the application of the Covid-19 grant, the forecast overspend is £0.5m. This will increase the brought forward cumulative deficit of £11.1m to **£11.6m** into 2021/22. A mitigation plan is being developed by the Council to address pressures on the Dedicated Schools Budgets and the cumulative deficit.

### HRA

The HRA is forecast to underspend by £4.1m. This provisional outturn position represents a favourable movement of £2.4m when compared with forecasts previously reported. The impact of this movement will be to increase reserve balances within the HRA to a greater level than originally projected.

### General Fund Reserves

There is a forecast improvement in the year-end reserves position, this is summarised in the table below:

All in figures in £m	31 March 20	31 March 21	Increase/(decrease)
General Balance	19.1	20.0	0.9
Reserves without restrictions	71.4	75.1	3.7
<b>Total</b>	<b>90.5</b>	<b>95.1</b>	<b>4.6</b>
Restricted Reserves	70.0	97.9	27.9

Although reserves (excluding restricted reserves) have increased by £4.6m, the £95.1m represents 44 days gross expenditure for the Council in 2021/22. We are in an hugely unpredictable environment and we are facing significant challenges over the medium-term including the underlying 2020/21 overspend, delivery of saving amounting to £28.8m in 2021/22, potential changes to local government funding and service demand. Thus, it is important to maintain reserves at an adequate level to help mitigate and manage these significant risks and ensure the Council remains on a sustainable footing. It should be, nevertheless, noted that the relatively large increase in restricted reserves relates mainly to government funding towards our Collection Fund deficit which will be used in full over the next two financial years. This matter is explained further in the Corporate Costs section (3) later in this report.

Provisional outturn overspend of £1.3m on General Fund

Provisional outturn DSG overspend of £0.5m

	Forecast Variance		
£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Children and Culture (GF)	1.3	(0.2)	1.5
Children and Culture (DSG)	0.5	0.5	-

The general fund provisional outturn is a £1.3m overspend, after applying all Covid relief and making transfers to reserves. Claims have been made against the un-ringfenced Covid grant of £3.6m and a further claim of £1.5m from refundable lost income, giving a gross service overspend of £5.3m. The contribution to reserves represents PFI surpluses for the year which are transferred to the PFI reserve set aside for future payments to the provider.

The net overspend is made up as follows: Children’s Social Care £1.1m overspend, Education & Partnerships £1.2m overspend, Children’s Resources £0.3m overspend, Youth Services & Commissioning underspend £0.9m and Sports, Leisure underspend £0.6m

Details of the significant variances on the General Fund are shown below, net of Covid relief applied.

	£m	Forecast variance commentary
<b>Children’s Social Care</b>	<b>£1.1m</b>	
(i) <b>CSC - Staffing £0.8m</b>		<p>The division continues to work to reduce the previous use of agency staff. However there is still a significant reliance on agency in certain areas. Whilst this work has been effective in reducing overall cost there is still work to do in relation to some Group Manager and Team Manager posts within the Assessment and Intervention teams.</p> <p>There has continued to be good progress with the number of permanent newly qualified Social Workers starting within the Social Work Academy and we have seen agency contracts terminated and expect to realise the benefits of this in 2021/22.</p> <p>Whilst Covid has factored into greater staff retention over the year, the lack of agency staff leave has meant an increase in the average time worked and therefore increased costs.</p>
(ii) <b>CSC - Looked After Children (LAC) Placements (0.5m)</b>		<p>LAC placements are underspend by £0.5m. Despite the pressures of lock-down, CIC numbers remained steady and in line with previous years. However, early indication is that as Schools return a significant increase in referrals are likely to put pressure on this budget for 2021/22.</p>

- (iii) **Disability Services Direct Payments and Family Support £0.5m** There is an overspend of £0.5m for Disability services where there has been an in-year increase in the hourly rate paid for all direct payments. Some of the pressure is offset by an underspend in Short Breaks, the service would benefit from a clear realignment of the budget.
- (iv) **General Non-Staffing expenditure £0.3m** General overspends across all areas of Social Care, not attributable to one area.

**Youth Services and Commissioning (£0.9m)**

- (i) **Contract Services £1.2m** The pressure in contract services remained challenging throughout the year. Whilst the return to school had meant the number of meals provided has increased, the variable closures of year group bubbles had meant short notice reductions in the number of meals taken at the same time as there had been an increase in the number of temporary staff required to cover staff who are self-isolating. An agreement with Schools to pay a fixed amount in relation to the Spring term supported a level of recovery in the later part of the year.
- (ii) **Children's Centres (£1.3m)** Children's Centre underspend by £1.3m through tightening of non-essential spend, reduced staffing and reduced use of centres during periods of restriction. Further review of current costs whilst the centres are being utilised less could realise future months savings. This area would benefit from a review and budget realignment.
- (iii) **Early Years' Service (0.2m)** Reduced spend on additional Nursery payments for classes aligned to the Academic Year.
- (iv) **Early Help Services (£0.5m)** This underspend relates primarily to staffing. This area is currently going through a review and restructure.

**Sports, Leisure and Culture (£0.6m)**

- (i) **Arts Parks and Events (£0.3m)** There is an underspend with the reduced costs of supplies and services over the period and the savings in community events such as the Mela and Fireworks.
- (ii) **Sports and Physical activity (£0.7m)** The previously forecast pressure in sport and physical activity was offset with a grant award from Sports England to support the loss of income for GLL that would have otherwise been met by the Council. As we emerge from the current lockdown, this area is likely to face future pressure.

(iii) **Community Language Service**  
**£0.4m**

The pressure of £0.4m has arisen as savings were attributed to this budget as the service was due to be restructured. This restructure was delayed, and staffing costs continued through to January when staff left the service.

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**Education and Partnerships**

**£1.2m**

(i) **Closure of Raines School and the amalgamation of Guardian Angels and St Anne's schools**  
**£2.1m**

The General Fund pressure from the closure of Raines School and the amalgamation of Guardian Angels and St Anne's schools, resulting in an in-year pressure of £2.1m. Most of the cost related to both retention and then severance costs for staff. With several school closures in 2021/22 costs will need to be closely monitored.

(ii) **Parental Engagement**  
**(£0.3m)**

There continued to be parental engagement activities over the lockdown period many of these were online giving reduced cost and less use of resources.

(iii) **SEN Transport**  
**(£0.6m)**

Whilst SEN transport continues to be a pressure, during lock down the use of Vehicle hire (taxis) reduced and a £0.5m saving was recognised. There were further reductions in costs related to in house transport recharges from Place directorate with a late additional reduction of £0.1m.

**The Dedicated Schools Grant (DSG)**

**£0.5m**

The key impact on the DSG is the significant overspend in the High Needs Funding Block.

**High Needs Block (HNB)**  
**Plus £11.782m deficit from 2018-19 and 2019/20**

**£1.5m**

High needs continues to be a volatile budget and whilst there was an 8% additional funding allocation for 2020/21 this only represented some of the additional costs faced in the previous two years whilst at the same time high needs costs continue to grow. The budget allocation for 2021/22 is showing a further growth of 8% on the 2021/22 base which would indicate a more secure position, however the accrued deficit of £11.782m will need to be addressed over a number of years. The DfE have asked for a management plan (previously called a recovery plan) from Tower Hamlets in relation to the deficit to be produced for the end of the current calendar year with initial informal discussions starting at the end of June.

Schools Forum have set up a High needs working group to support long term planning.

**Early Years Block (EYB)**

**(£1.0m)**

The early years block is showing an underspend of £1m, this supported the bought forward deficit from early years of £0.7m. There has been reduced levels of take up with parents cautious in sending Children to Nursery for the first time during the Pandemic and School Nurseries were running at 86% of the capacity of the same period last year for the count in the spring term. Whilst for the Summer and Autumn term funding levels were protected the announcement on December 17th indicated a return to participation funding for all providers that could push forward a pressure on the budget for 2021/22.

## Provisional outturn overspend of £0.6m

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Resources	0.6	0.6	-

The Resources directorate provisional outturn impact on the general fund is an overspend of £0.6m. This position is following Covid-19 funding of £9.6m.

Reserve movements relating to insurance reserve being increased by £1.25m for potential future self-insurance claims and the ICT Transformation Reserve being increased by £0.3m (utilising the 2020-21 short-term underspend from achieving 2021-22 efficiency contract savings in advance) are corporate decisions and not included in the resources directorate outturn position above.

Please also note that there is a planned capital drawdown of £5.2m from the ICT Transformation Reserve for ICT infrastructure improvements.

Details of the areas of overspending and mitigations are summarised below.

£m	Forecast variance commentary
<b>Benefits Service</b> Temporary accommodation costs above grant level	<p>4.6 Housing Benefits provisional outturn overspend of £8.9m. This forecast overspend is due to temporary accommodation costs, increased demand due to the pandemic, its economic impact on the level of housing benefit claims and an expected increase in the loss allowance (bad debt provision) required for Housing Benefit overpayments debtors.</p> <p>The loss allowance required is being calculated and could alter the final outturn position.</p> <p>The non-ringfenced Covid-19 emergency grant is funding £4.3m of the increase since 2019-20.</p> <p>The 2020-21 Benefits service – centralisation of assessments – service review and restructure saving of £0.6m has been delayed due to needing to facilitate grant payments and new business rates reliefs relating to the Covid-19 pandemic and a significant increase in the number of residents submitting new claims for Council Tax Reduction. Replacement funding of £0.6m has been provided from the Covid-19 emergency grant.</p> <p>Improved Recovery of Housing Benefits Overpayments saving (reference SAV/RES 01 / 18-19) in 2020-21 of £0.5m was not achieved in 2020-21 due to the economic impact of Covid-19 and this savings slippage has therefore been funded through the Covid-19 emergency grant.</p> <p>As well as the main Housing Benefits Administration Grant, the Benefits Service has also historically received adhoc grants from government departments, such as from the DWP for participation in pilot schemes. Due to the Covid-19 pandemic, these other grants have not been available in 2020-21 in full resulting</p>



in an income pressure of £0.611m which has been funded through the Covid-19 emergency grant.

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<b>Human Resources</b> Phase 2 review unachievable savings	0.3 Unachievable savings on phase 2 of the RES001a/17-18 Human Resources saving of £0.7m. This saving has been agreed through the 2021-24 MTFS budget setting to be re-profiled to 2023-24 to allow consideration of the level of HR support required ongoing and the level of savings that could be achieved. In 2020-21 this saving has been partially mitigated through temporary vacancies and reductions in non-pay expenditure (£0.4m).  The 2020-21 HR Services - Additional Staffing Efficiencies saving of £0.1m has been achieved.  Covid-19 emergency grant funding of £144k was allocated for staffing costs relating to co-ordinating key worker information, monitoring and managing the Coronavirus inbox, managing redeployments, collating health and wellbeing information for key workers, and supporting managers with increased staff absences for muscular skeletal, mental health and Covid-19 issues.
<b>Business Support</b>	0.1 Savings slippage, which will be actioned in Phase 2 of the business support review, has been partially mitigated through temporary vacancies.
<b>Customer Access</b>	(0.9) Provisional outturn underspend of £0.9m due to staffing costs allocated to Covid grants, maximisation of Idea Stores Learning costs against external education grants and an underspend on library books due to the pandemic.  Customer Access model savings slippage in 2019-20 of £0.9m was achieved for full year effect in 2020-21. The unachieved 2020-21 Additional Local Presence Efficiencies saving of £0.3m was mitigated in 2020-21 through staff being on lower spinal points in grades (budget set at top spinal point).  Staffing costs relating to Covid of £152k were allocated to the Covid Outbreak Management Fund grant.  Covid-19 non-ringfenced grant funding was allocated to fund the £30k overtime costs caused by pandemic work carried out in the Customer Contact Centre and Idea Stores and £54k for lost income relating to room hire in Idea Stores.  Idea Stores Learning had reduced income of £276k for adult community learning classes due to the pandemic. The Council has received Sales, Fees and Charges income compensation from MHCLG of £196k and the remaining £80k of reduced income has been funded from the non-ringfenced Covid emergency grant.
<b>Finance, Procurement and Audit</b>	(1.2) Provisional outturn underspend of £1.2m, before the addition of £1.3m into the insurance reserve for potential future self-insurance claims.  The 2020-21 provisional outturn position includes a cost of £881k due to payroll overpayment recovery income which was miscoded into the Payroll revenue cost centre in historical years up to 31/3/21 and has been repaid into the payroll net pay balance sheet account.  The Council has committed to continue with its improvement journey following issues highlighted in the ongoing audits of the Council's accounts for 2018-19 and 2019-20. It is anticipated £1m (approved by CLT) will need to be drawn down from the Transformation Reserve in 2021-22 to fund the completion of the improvements. This sum has been taken into account in the forecast Council reserve levels going forward.

The 2020-21 saving for Internal Audit – Streamline Management and Explore Shared Service Options (£50k) has been mitigated in 2020-21 through holding vacancies, and will be achieved in the Internal Audit, Anti-Fraud and Risk restructure.

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**Information Technology** (0.3) Provisional outturn underspend of £0.3m, before addition into the ICT Transformation Reserve of £0.3m (utilising the 2020-21 short-term underspend from achieving 2021-22 efficiency contract savings in advance).

IT infrastructure improvement capital works totalling £7m were funded through the ICT Transformation Reserve.

Regarding the 2020-21 ICT savings of £200k, the telephony IVR rationalisation saving of £100k has been achieved. The rack rationalisation has been delayed due to supporting the Covid-19 BECC and will achieve part-year savings of £40k in 2020-21. The extra cost of £60k was funded through the Covid non-ringfenced emergency grant.

The pandemic has slowed down the end user computing migration (as low as 40 employees per week in March compared to 300 per week) and this has created extra costs of £761k for staffing and prolonged retention of legacy systems (licences, maintenance and support). This extra cost of £761k was funded from the Covid-19 emergency grant.

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**Revenues Service** 0.2 Covid-19 had a significant impact on the staffing levels required in Revenues Services for administering Council Tax, Housing Benefits and Council Tax reduction claims. There was a 2020-21 extra cost of £852k demonstrated by £671k direct staffing costs and a £181k commissioned contract for external processing support.

The government provided Additional Burdens Funding for administration of the Covid-19 business grants schemes, Local Restriction Grants and the Council Tax Hardship Fund. The cost pressure remaining of £352k, after government funding of £500k, has been funded by the non-ringfenced Covid-19 emergency grant.

The pandemic delayed the implementation of Cashiers staffing savings of £130k by nine months, and therefore the £98k cost pressure has been funded through the non-ringfenced Covid-19 emergency grant.

The Council has increased the use of self-service options for the payment of bills by residents. This has successfully aided the achievement of staffing savings, however the increased bank transaction fees for card payments online and by touchtone phone has created a £0.2m pressure against the collection charges budget.

Enforcement activity to recover debts through the courts was suspended during the pandemic and this created a £930k under-achievement in court costs awarded income, which was funded through the non-ringfenced Covid-19 emergency grant.

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**Central Resources and Programme Management Office** (2.2) Provisional outturn underspend in staffing and third party payments expenditure.

Covid costs of £120k were funded through the non-ringfenced Covid emergency grant monies for BECC staffing, additional cleaning at Idea Stores, communication mailouts and the Council's contribution to the London Gold emergency planning group.

Provisional outturn underspend £0.2m on the General Fund

Public Health underspend of £2.4m before the transfer to reserves

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to / (from) Reserves
HA&C	(0.2)	0.3	(0.5)
Public Health	-	(2.4)	2.4

The Health, Adults and Community Directorate's provisional outturn for 2020/21 is £0.193m underspend against a revised budget of £142.9m. This takes into account expenditure totalling £4.989m funded from Covid non-ringfenced grant. An additional £4.896m of expenditure has been funded by the NHS under arrangements to cover the costs of packages of care on discharge from hospital.

Transfers to/from reserves for 2020-21 include a total of Safeguarding Adults Board Reserve of £44k and the Community Safety Police Task Force reserve of £452k. An additional £2.308m will be transferred to the ring-fenced Public Health reserve for 2020-21 and a new reserve created for the PrEP<sup>1</sup> grant in the amount of £73.79k (for specific use under grant conditions).

*Table 1: Health, Adults and Community Provisional Outturn Summary 2020-21*

Service	2019/20 Outturn			2020/21 Provisional Outturn		
	Budget	Outturn	Variance	Revised Budget	Projected Final Outturn	Projected Final Variance
Adult Social Care	91,834,447	98,627,941	+6,793,494	92,197,519	94,535,559	+2,338,040
Integrated Commissioning	9,463,744	7,474,824	-1,988,920	9,124,339	6,917,307	-2,207,032
Community Safety	7,043,089	6,663,425	-379,664	6,377,938	6,054,016	-323,922
Public Health	34,827,943	34,837,407	+9,464	35,195,373	35,195,373	+0
<b>Total HAC</b>	<b>143,169,223</b>	<b>147,603,597</b>	<b>+4,434,374</b>	<b>142,895,169</b>	<b>142,702,255</b>	<b>-192,914</b>

## Adult Social Care

Adult Social Care has an outturn overspend position of £2.338m for 2020-21 on a revised budget of £92.197m.

Table 2 below provides a detail of the provisional outturn for 2020-21 for Adult Social Care by category of expenditure and income.

Due to demand and unit costs for services continuing to increase, weekly Care and Support Plan Assurance Meetings (CSPAM) continue. CSPAM Tier I data (where weekly unit costs are £500 or more) currently shows that since the 1st April, a total of 126 out of the total of 473 cases assessed, have resulted in a decrease in package, with a full year impact of £2.9m reduction in costs (as seen in Table 3 below). However, we have also seen an increase of care needs, resulting in 162 clients requiring an increase in care packages and 185 clients with no change. CSPAM Tier II data (where weekly unit costs are under

<sup>1</sup> PrEP – pre-exposure prophylaxis – drugs to protect from HIV

£500) shows a higher proportion of reduced packages of care, where 295 care package reductions out of a total of 729 assessments, have been made, resulting in a full year impact of £2.6m reduction in costs (Table 4 below).

In line with the NHS Discharge Guidance, a total of £4.896m was recovered from NHS England (via the CCG) in relation to eligible costs during 2020-21 for additional packages of care services under guidance for when clients were discharged from hospital. The majority of costs related to additional home care and care home placements. These costs were agreed as one-off additional funding for 2020-21 only, as per the guidance in place. Further funding can be claimed until September 2021 however there is no confirmation of ongoing funding after this date creating a risk of additional pressure in 2021/22.

**Table 2: ASC Provisional Outturn 2020/21 – by Expenditure and Income Category (excluding Covid Related expenditure balances)**

Cipfa	Cipfa(T)	Care Type	2020-21 Outturn			Comments
			Budget	Provisional Outturn 20/21	Variance	
1	Employees	-	20,605,233	20,013,873	-591,360	Underspend due to vacancies held throughout the year
2	Premises-Related Expenditure	-	17,400	41,635	+24,235	
3	Transport-Related Expenditure	-	2,376,575	107,674	-2,268,901	To be offset against costs in (7) support services. Net underspend £624k, movement £109k down from P11. Less usage of transport services during the pandemic as day centres were closed. Additional refunds also applied from Transport services.
4	Supplies & Services	-	590,328	2,522,521	+1,932,193	Bad Debt Provision - increase in loss allowance for historic health invoices
5	Third Party Payments	Block	8,588,613	8,574,873	-13,740	Over-accrued creditors from 2019-20 offset against this year's spend.
		Day care	4,894,051	4,759,339	-134,712	
		Direct Payment	11,689,300	10,855,687	-833,613	Increase mainly in PD clients
		Extra Care	1,709,537	3,583,120	+1,873,583	Outstanding spot costs from previous year exceeded accrual raised
		Home care	27,369,471	24,999,040	-2,370,431	Part of the block contracts was charged to Covid funds as commitments on mosaic were less than the block payments to providers. Forecast at P11 didn't include the adjustment for the income.
		Nursing Care	4,948,259	4,856,768	-91,491	Outturn close to Projected outturn at P11 (Net increase of £58k overall). Residual payments from previous years is causing the increased movement
		Other	833,285	2,839,723	+2,006,438	Community Equipment supplies - offset by income below (BCF and Pooled Budget)
		Prevention & Support	1,318,410	4,914,540	+3,596,130	£260k increase in client costs from P11. In addition, £311k costs from prior years.
		Residential	21,724,767	21,669,447	-55,320	Some overcommitments on Mosaic when compared to actuals.
		Respite	88,506	172,413	+83,907	
		Respite Care Residential	40,313	40,624	+311	
		Supported Living	4,546,201	6,265,527	+1,719,326	Reduction mainly from Transition clients not materialising. Cases were reviewed by Transition team and due to the pandemic most clients remained at home this year. Costs likely to pick in the next financial year.
		-	1,088,264	(15,122)	-1,103,386	
6	Transfer Payments	-	0	1,476	+1,476	
7	Support Services	-	23,300	1,668,080	+1,644,780	This is mainly transport recharges - to be offset against 3. Transport where budget is held.
8	Capital and Financial Accounting	-	70,300	70,305	+5	
9	Income	BCF	(5,786,079)	(6,579,712)	-793,633	Increase in S75 allocation by 5.4%
		Client Contributions	(5,623,750)	(4,864,278)	+759,472	Under-recovery from client contributions was expected due to Covid, in some cases resulting in services to be closed (day services). Part of this is offset against income received from the SFC claim for covid loss of income (£553k under Government grants). Small movements across all areas in both Res and non-res contributions resulting in an increase overall from projection at P11.
		Government Grants	(3,782,380)	(6,895,556)	-3,113,176	Income for Winter Pressures, social care grant and covid related grants such as workforce capacity, rapid testing etc.
		Other Health funding	(3,530,435)	(1,781,314)	+1,749,121	
		Other Income	(377,220)	(744,078)	-366,858	Income from Employment support Social Impact Bond (SIB)
		Pooled Budget - Community Ed	0	(736,000)	-736,000	Offset against expenditure above
		Public Health contribution	0	(275,000)	-275,000	
		S117 Income	(1,224,730)	(1,530,044)	-305,314	Increase in the number of clients claimed for as part of S117
<b>Grand Total</b>			<b>92,197,519</b>	<b>94,535,559</b>	<b>+2,338,040</b>	

Table 3: CSPAM Tier I Summary (outturn)

	No. of clients	Change in weekly cost	Full year impact
Increase	162	78,425	4,089,080
Decrease	126	(56,259)	(2,933,368)
No Change	185	0	0
<b>TOTAL</b>	<b>473</b>	<b>22,166</b>	<b>1,155,711</b>
Deferred	44	14,193	740,033
NEW	36	19,536	1,018,631

Table 4: CSPAM Tier II Summary (outturn)

	No. of clients	Change in weekly cost	Full year impact
Increase	275	24796	1,292,876
Decrease	295	(49,026)	(2,556,221)
No Change	159	0	0
<b>TOTAL</b>	<b>729</b>	<b>(24,230)</b>	<b>(1,263,345)</b>
Deferred	74	1,971	102,764
New	46	4,324	225,470

## Integrated Commissioning

Integrated Commissioning has underspent by £2.207m in 2020-21 offsetting the above overspend in Adult Social Care (as the two divisions make up the totality of the Adult Social Care budget). The underspend is mainly related to the Better Care Fund (£880k), contribution from Public Health Grant Funding towards the Information & Advice Service and Linkage Plus (£600k), savings delivered from restructure of integrated commissioning (£202k), delay in staff recruitment and staff vacancies (£248k) and the Tenants' Activity Pot (£299k). Significant realignment of budgets across the two divisions is taking place as a number of these 'underspends' are due to funding not being in the right place in the budget.

Table 5: Integrated Commissioning Provisional Outturn Summary 2020-21

Vote & Descriptions	Code and Descriptions	Outturn 2019/20	Budget 2020/21	Provisional Outturn 2020/21	Variance 2020/21
	36011 Adults of Working Age Total	358,897.58	411,431.00	380,223.94	- 31,207.06
<b>A35 Adults of Working Age Total</b>		<b>358,897.58</b>	<b>411,431.00</b>	<b>380,223.94</b>	<b>- 31,207.06</b>
	30070 Access to Resources Total	46,910.62	-	-	-
	30074 Monitoring Framework Total	700.00	-	-	-
	30075 Equipment Service Contribution Total	391,362.60	454,981.00	441,485.73	- 13,495.27
	33035 E-Market Place Running Costs Total	52,102.08	-	34,128.00	34,128.00
	85651 EHCM Running Costs Total	177,286.71	-	31,141.00	31,141.00
<b>A47 Access to Resources Total</b>		<b>668,362.01</b>	<b>454,981.00</b>	<b>506,754.73</b>	<b>51,773.73</b>
	30071 Carers & Cross Cutting Issues Total	883,681.81	1,622,417.00	1,109,702.27	- 512,714.73
	30106 Carers Total	191,598.15	1,000.00	186,150.38	- 185,150.38
<b>A48 Carers &amp; Cross Cutting Issues Total</b>		<b>692,083.66</b>	<b>1,621,417.00</b>	<b>923,551.89</b>	<b>- 697,865.11</b>
	10242 Ageing Well Total	891,329.26	1,467,350.00	1,155,394.04	- 311,955.96
	10600 Supporting People Services Total	4,627,051.71	4,884,758.00	4,553,606.67	- 331,151.33
	34011 Service User Liaison Team Total	496,632.79	-	50.00	50.00
<b>A50 Ageing Well Total</b>		<b>6,015,013.76</b>	<b>6,352,108.00</b>	<b>5,709,050.71</b>	<b>- 643,057.29</b>
	34010 Commissioning & Strategy M&A Total	589,320.61	271,549.00	73,778.97	- 197,770.03
	38210 BCF-Care Act Implementation Total	775,502.00	12,853.00	601,707.51	- 614,560.51
	38221 BCF-SPP Support to Integration Total	73,352.00	-	74,346.00	- 74,346.00
<b>A53 Commissioning &amp; Health Total</b>		<b>259,533.39</b>	<b>284,402.00</b>	<b>602,274.54</b>	<b>- 886,676.54</b>
<b>Integrated Commissioning Total</b>		<b>7,474,823.62</b>	<b>9,124,339.00</b>	<b>6,917,306.73</b>	<b>- 2,207,032.27</b>

## Community Safety

Community Safety is projecting a provisional outturn underspend position of £323k in 2020-21. The underspend is mainly related to lower activity in Drug and Alcohol Action Team (DAAT) which contributed to £220k of the overall underspend in the general fund, one off income from Transport for London of £54k and staff vacancies. The service was required to deliver a recovery plan during the year due to a shortfall in the overall budget largely relating to the costs of CCTV – this has been delivered in full and a small underspend achieved overall.

There is inherit a shortfall for costs related to prescribing in drug and alcohol services. Whilst this shortfall has been mitigated this year, there are ongoing discussions with the CCG to ensure that these costs can be recouped from the NHS going forward. Prescribing costs in this area are difficult to forecast and 'demand led' with an interface between primary care/GP services and the specialist substance misuse services commissioned by the Council. A new agreement with the CCG needs to be put in place to ensure that costs are appropriately covered, and risks managed.

Table 6: Community Safety Provisional Outturn Summary 2020-21

Vote & Descriptions	Code and Descriptions	Outturn 2019/20	Budget 2020/21	Outturn_2020_21 (ledger balance)	Adjustments/ accruals	Reserves	Provisional Outturn 2020/21	Variance 2020/21
	<b>21510 Community Safety SH Total</b>	1,142,607.95	283,603.00	295,094.10	-	-	295,094.10	11,491.10
E80 Safer Communities Management Total		1,142,607.95	283,603.00	295,094.10	-	-	295,094.10	11,491.10
E81 Community Safety Partnership, Domestic Violence & Hate Crime Total		1,614,925.83	1,614,889.00	1,653,037.26	-	159,281.65	1,493,755.61	121,133.39
	<b>21529 Drugs Intervention Programme Total</b>	6,905.78	20,810.00	80.00	-	-	80.00	20,730.00
E84 Drug and Alcohol Action Team (DAAT) Total		6,905.78	20,810.00	80.00	-	-	80.00	20,730.00
	<b>21404 Civil Protection Total</b>	179,865.55	241,513.00	200,339.39	-	-	200,339.39	41,173.61
	<b>55002 Emergency Call Out Team (Civil Protection) Total</b>	23,383.10	39,075.00	59,276.85	-	-	59,276.85	20,201.85
E89 Business Continuity/Civil Protection Total		203,248.65	280,588.00	259,616.24	-	-	259,616.24	20,971.76
	<b>21414 Operating Costs Total</b>	77,391.11	226,292.00	31,111.00	30,851.00	-	260.00	226,552.00
	<b>21530 Residential Treatment (Drug and Alcohol) Total</b>	35,000.05	-	-	-	-	-	-
	<b>21533 Contracted Services (Drug and Alcohol) Total</b>	86,415.48	-	-	-	-	-	-
E91 Drug and Alcohol Action Team (DAAT) – Treatment Total		198,806.64	226,292.00	31,111.00	30,851.00	-	260.00	226,552.00
	<b>21010 CSS Surveill &amp; Itelligenc Team Total</b>	961.96	-	-	-	-	-	-
	<b>21011 TH Enforcement Officers Total</b>	1,250,830.37	1,714,377.00	1,661,415.81	-	-	1,661,415.81	52,961.19
	<b>21012 ASB Investigation Officers Total</b>	342,245.68	459,584.00	389,414.35	-	-	389,414.35	70,169.65
	<b>21013 CCTV Minor Works Total</b>	124,504.44	-	32,927.11	-	-	32,927.11	32,927.11
	<b>21014 Partnership Task Force (PTF) - Met Patrol Plus Total</b>	621,961.44	852,510.00	652,509.67	-	200,000.00	852,509.67	0.33
	<b>21015 Neighbourhood Management Total</b>	150,910.55	203,214.00	187,978.42	-	-	187,978.42	15,235.58
	<b>53388 CCTV Total</b>	1,005,516.00	722,071.00	881,484.44	-	-	881,484.44	159,413.44
E92 Safer Neighbourhood Operations Total		3,496,930.44	3,951,756.00	3,805,729.80	-	200,000.00	4,005,729.80	53,973.80
<b>Community Safety DAAT and ASB Total</b>		<b>6,663,425.29</b>	<b>6,377,938.00</b>	<b>5,982,446.40</b>	<b>30,851.00</b>	<b>40,718.35</b>	<b>6,054,015.75</b>	<b>323,922.25</b>

## Public Health

The Public Health underspend is projected at £2.382m for 2020-21 of which £73k related to specific PrEP grant. These amounts will be transferred to ring-fenced Public Health reserves for use in 2021-22 and beyond. This is an increase in underspend of £1.3m mainly as a result of underspends in Sexual health and weight management schemes, both of which are demand-led services and subject to forecast data provided by Newham Council, which is the hosting borough sexual health services. There has also been additional £395k grant provided by Public Health England to cover the costs of PrEP, previously paid to the NHS but now a grant that is being paid directly to Local Authorities. This has also contributed to the overall underspend in sexual health budget. The sexual health spend is based on demand and usage and continues to be the main risk in the budget. There has been an increase this year on the use of digital platforms whilst a fluctuation in face-to-face treatments, as a direct result of the pandemic. This year is seen as an exceptional year and expected to return to pre-pandemic levels once normal services resume.

Where possible, and eligible to do so, public health costs have been recharged to the Covid-19 ring-fenced grants: Test & Trace Grant, Contain Outbreak Management Fund (COMF), and Community Covid Testing Fund, to fund cost pressures and expenditure relating to meeting the delivery of the Covid-19 workstreams and these are reflected within the outturn.

Table 7: Public Health Provisional Outturn Summary 2020-21

Vote & Descriptions	Code and Descriptions	Outturn 2019/20	Budget 2020/21	Reserves	Provisional Outturn 2020/21	Variance 2020/21
	<b>21019 Local Outbreak Management Total</b>	-	-	-	4,104.64	4,104.64
	<b>21020 Clinically Extremely Vulnerable Total</b>	-	-	-	-	-
	<b>37001 Public Health - Director Total</b>	1,952,657.12	2,883,973.00	2,308,349.64	5,303,198.63	2,419,225.63
	<b>37005 Public Health – Healthy Environments Total</b>	408,017.88	449,600.00	-	418,006.95	31,593.05
	<b>37006 Public Health – Healthy Communities Total</b>	1,412,651.37	1,436,100.00	-	1,206,098.12	230,001.88
	<b>37007 Public Health – Healthy 0-5 year olds Total</b>	11,322,798.77	11,363,400.00	-	11,147,698.23	215,701.77
	<b>37008 Public Health – Healthy Children &amp; Adolescents Total</b>	4,038,937.81	4,036,700.00	-	3,989,916.06	46,783.94
	<b>37009 Public Health – Healthy Young Adults Total</b>	13,703,144.77	13,700,400.00	73,790.00	12,145,555.44	1,554,844.56
	<b>37010 Public Health – Healthy Middle Age &amp; Older People. Total</b>	1,993,256.79	1,325,200.00	-	977,436.80	347,763.20
	<b>37014 Public Health-LSCPT Project Total</b>	5,942.80	-	-	1,398.79	1,398.79
	<b>37017 Community Test Fund Total</b>	-	-	-	1,959.34	1,959.34
<b>A51 Public Health Total</b>		<b>34,837,407.31</b>	<b>35,195,373.00</b>	<b>2,382,139.64</b>	<b>35,195,373.00</b>	<b>0.00</b>
<b>Public Health Total</b>		<b>34,837,407.31</b>	<b>35,195,373.00</b>	<b>2,382,139.64</b>	<b>35,195,373.00</b>	<b>0.00</b>

## Projected £0.4m underspend on the General Fund after approved reserve adjustments

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Place	(0.4)	(1.0)	0.6

The provisional outturn for the Place Directorate is a £1.0m underspend against budget before any reserve drawdowns and top ups. After reserve top ups and drawdowns totalling £0.6m the underspend for the Place Directorate reduces to £0.4m. Details of the reserve top ups are provided below:

Fly Tipping reserve to fund Ailsa Wharf	£475k
Rough Sleepers Initiative Grant	£79k
Support to Domestic Abuse Grant	£47k
Street Trading reserve	£181k
Building Control traded reserve	£228k
Transport Workshop	£123k
Barkentine PFI	(£25k)
S106 drawdown Growth & Economic Development*	(£486k)

\* Please note the s106 drawdown is from 11 separate pots ringfenced for Economic Development related activity.

A corporate decision has been taken not to drawdown on any reserves within the Place Directorate, reducing the underspend from that forecast previously by £3.8m. A further £1.8m of CIL, LIF and s106 funding was planned and again will not be utilised in year, reducing the outturn position further.

Significant underspends against budgeted have provisionally been reported within Public Realm. These have been offset by an overspend in Property & Major Programmes and adverse variances resulting from the funding decisions outlined above within Growth & Economic Development, Planning & Building Control and Housing & Regeneration. The table below provides detail at a divisional level.

	Net Budget	Outturn before drawdowns	Variance before drawdowns	Reserve (drawdowns) / Top Ups	Variance after Reserve movements
	£m	£m	£m	£m	£m
Property & Major Projects	18.2	19.7	1.5	0.0	1.5
Public Realm	46.2	42.6	(3.6)	0.8	(2.8)
Growth & Economic Development	5.3	5.7	0.4	(0.5)	(0.1)
Planning & Building Control	2.4	1.8	(0.6)	0.2	(0.4)
Housing & Regeneration	-0.7	-0.7	0.0	0.1	0.1
Resources	0.3	1.6	1.3	0.0	1.3
<b>Total</b>	<b>71.7</b>	<b>70.7</b>	<b>(1.0)</b>	<b>0.6</b>	<b>(0.4)</b>

The Planning surplus could be moved to reserve to cover future costs associated with updating the Local Plan. This would mitigate or reduce the need for a growth bid in future years. These decisions will need to be taken in light of the wider Council outturn position.

The provisional outturn of £0.4m underspend represents an adverse movement of £7.0m when compared with the forecast of £7.4m underspend previously reported. The majority of this movement relates to decisions taken around funding, with drawdowns on s106 and LIF funding and a greater use of CIL income being forecast previously.



The Directorate has £3.1m of savings targets in 2020/21. Of these savings, £2.4m has been delivered or mitigated within existing budgets, £0.6m of savings have slipped into the next financial year and £0.1m is undeliverable as the saving was predicated on THH being in-sourced.

The Place Directorate has been significantly impacted on by the Covid-19 pandemic. Direct costs and income loss attributable to COVID-19 across the Place Directorate total £18.4m of which £5m was offset by specific ring fenced grant, £4.8m from the sales, fees and charges recompense scheme for lost income and the remaining £8.6m from the general Covid-19 grant.

## **Property & Major Programmes**

### Provisional Outturn

The provisional outturn for the Property & Major Programmes division is an overspend of £1.5m. This represents an adverse movement of £0.5m when compared with previous forecasts. There are a number of factors contributing to this overspend which are detailed below.

### Corporate Property

The provisional outturn for the Corporate Property service is an overspend against budget of £0.2m. This represents an adverse movement of £0.1m against previous forecasts. The main reasons for this variance are as follows,

Bromley Hall School transferred to Facilities Management with no budget as it was previously funded from Basic Needs grant within Children's services. Security costs totalling £0.1m have been incurred, creating a pressure. There are further unbudgeted security costs of £0.4m relating to the William Brinson building which is vacant. These costs have remained in the general fund as this asset is yet to be appropriated to the HRA. Total overspend is £0.5m

This pressure has been partly offset by the additional capitalisation of relevant officer time and an over recovery from HRA recharges owing to an increase in allocation of time spent on the HRA portfolio. The underspend is £0.3m

### Capital Delivery

The capital delivery service is forecasting a provisional overspend of £0.4m. This represents an adverse movement of £0.2m when compared with previous forecasts.

The Architects team budget to recharge their costs on a cost-plus basis. However, the income target assigned to the team is unachievable as a result of the majority of their work relating to the internal capital programme where time is recharged at cost. This budget anomaly has been mitigated in 2021/22.

The costs capitalised by the capital delivery team are £0.2m lower than was budgeted for. Work is ongoing to identify alternative sources of funding, for example s106 income and if identified will mitigate this pressure and reduce the overspend.

### Facilities Management

The provisional outturn position for the Facilities Management service is an underspend of £0.9m against budget. This represents a favourable movement of £0.4m when compared with previously reported forecasts. The main factors causing the underspend are detailed below.

The new Town Hall revenue budget is forecasting an underspend of £0.1m. The budget has been set aside for security costs as required and very little spend was incurred in 2020/21. This forecast is in line with that previously reported.

During the pandemic FM staff have been redeployed onto specific Covid-19 related work associated with making the Council buildings safe and compliant ahead of the planned return to the office. These costs have been charged against the general Covid-19 grant, resulting in an underspend of £0.3m within the general fund.

The FM team has completed a greater amount of capital related work in year than was budgeted for. These costs have therefore been capitalised, generating a revenue underspend of £0.2m.

An underspend of £0.3m relating to vacant posts within the FM service, some of which were held to deliver 2021-22 savings.

### Corporate Landlord Model

The provisional outturn for the CLM is a £1.3m overspend, this represents an adverse movement of £0.7m when compared with previous forecasts.

The lease for Mulberry Place has increased from £2.8m to £4m per annum as of July 2020. No growth bid was included as part of the 2020/21 budget setting process, creating a pressure. This pressure has been partly

mitigated through other savings and corporately. A detailed review has identified other leased-in buildings for which there are no expenditure budgets. Overall, the provisional overspend is £0.4m, which represents an adverse movement of £0.1m from previous reports.

Inflationary increases to business rates are not included as budget growth, creating a cost pressure. A further pressure of £0.2m was identified at year end relating to a business rates revaluation of Southern Grove, backdated to 2017. The cross-rail multiplier does not form part of the base budget build. Overall, the provisional overspend is £0.7m, which represents an adverse movement of £0.4m when compared with previous forecasts.

There is a budget shortfall of £0.1m for service charges, with current budget provision being inadequate. This shortfall has been addressed in 2021/22.

A budget pressure of £0.2m within energy costs as a result of the year on year inflationary increases not being reflected in the budget provision.

There is provisional underspend of £0.2m relating to cleaning budgets where costs offices have been empty during lockdown and cleaning costs have been offset against the Covid-19 grant.

There is a £0.1m underspend resulting from lower than budgeted insurance recharges.

Despite there being a forward maintenance plan in place, there is a £0.2m overspend for remedial works resulting from a failure of plant and equipment

#### Non-Operational Investment Estate

The Non-Operational Investment Estate is forecasting to overspend by £0.5m. This represents a favourable movement of £0.1m when compared with previous reports. The overspend relates to loss of rents at Jack Dash House following the lease agreement with THH expiring and not being renewed. The rental loss from THH is £1m. This pressure is being partly mitigated by a combination of unbudgeted commercial rental income previously charged to the HRA in error and new income streams.

### **Resources**

#### Provisional Outturn

The provisional outturn for the Resources area is a £1.3m adverse variance against budget. £0.4m relates to a decision to fund the Regeneration Team costs from general fund balances rather than through a budgeted LIF drawdown. The remaining £0.9m represents an increase in the bad debt provision for general AR debt within the Place Directorate. This increase is likely to have been impacted by Covid-19 with the Directorate's ability to chase outstanding debts being reduced.

### **Growth & Economic Development**

#### Provisional Outturn

The provisional outturn for Growth & Economic Development before any drawdowns for s106 funding or reserves is an adverse variance of £0.4m. Further costs have been incurred totalling £3.4m directly attributable to the Covid-19 pandemic through additional work undertaken by the tackling poverty and growth teams. These costs will be met primarily from specific grants received for this Covid-19 related activity and not impact on the outturn position.

The Growth & Economic Development service is budgeted to be funded from a number of sources including s106 and Mayoral Priority reserves. S106 drawdowns totalling £0.486m have been agreed, resulting in a favourable outturn variance of £0.1m. However, after reviewing the overall financial position of the Authority a decision has been taken not to utilise Mayoral Priority reserves to further fund the service, with no drawdowns being approved in this area. These drawdowns had previously been projected.

This variance is made up of the following:

£0.4m favourable variance relating to the apprenticeship scheme (PAS). This scheme places local residents in apprenticeship placements outside of the Council and the Council make a contribution to the cost. There has been no spend in this area and it represents a priority for review in 2021/22.

There is a further £0.1m underspend on salaries across the division, with vacancies within Enterprise Support and Performance and Value teams during the year. These underspends have been offset by an unbudgeted business rates charge of £0.1m relating to 56 Upper Bank Street (Skillsmatch).

The provisional outturn position shows a small adverse variance of £0.2m when compared with that forecast previously. The underspend within salaries is £0.1m less than projected as a result of an unfunded recharge of two posts from SPP. It was assumed these costs would be met from s106 contributions but no s106 has been set aside to fund this cost. The business rate charge detailed above did not come to light until year end and had not been forecast in previous months.

## **Planning & Building Control**

### *Provisional Outturn*

The provisional outturn for the Planning & Building Control service before any reserve movements is a £1.6m underspend inclusive of the building control trading account. However, this includes £0.3m of unapplied MCIL funding and £0.7m of unapplied THCIL. After adjusting for these amounts, the underspend reduces to £0.6m. The building control trading account is underspent by a further £0.2m. This amount will be transferred to the Building Control trading account reserve, reducing the underspend to £0.4m after reserve adjustments.

In total LBTH received £2.131m of THCIL admin fee income and a further £1.048m of MCIL. These amounts can be applied to CIL generating activity across the Council in the year in which they were received. After a detailed analysis of all CIL related activity, a total £2.2m has been applied in year. The balance of unapplied THCIL (£0.686m) will be transferred out of revenue to the CIL pot to fund the capital programme. The MCIL that has not been applied (£0.360m) must be paid back to the GLA.

The main reason for the adverse movement in provisional outturn is the application of MCIL and THCIL across the Division. During 2020/21 significantly more CIL was received by the Council than had been budgeted for and as a result the level of admin fee that can be applied to revenue activity was greater. In the period 11 forecast, it was assumed that this CIL would be utilised in full to fund revenue activity within Planning & Building Control.

Below is an analysis of spend against budget showing how the £0.2m underspend is derived.

Salary costs have underspent by £0.8m as a result of vacancies throughout the year within Building Control, Development Management, Application Support, Local Land Charges and Infrastructure Planning.

Additional unbudgeted costs have been incurred throughout the year for appeals where the Secretary of State has called in planning decisions at Westferry Printworks, the Bell Foundry on Whitechapel estate and the Chest Hospital. Work on SPD's was due to be funded by LIF but a decision not to draw down on LIF reserves due to the underspend position has resulted in combined additional costs of £0.6m.

Income over-recovered by £0.2m with additional planning performance agreement fees and pre-planning agreements overachieving budgeted targets with demand for these services being high post lockdown.

### *Local Plan*

The Planning & Building Control division must review and update the local plan at least every five years. This review comes at a significant additional cost that is not in the base budget of the Council. To date these costs have been met through one-off funding following growth bids. An alternative would be to consider setting up a reserve from which this activity is funded, where any surpluses are transferred to the reserve at year end. .

### *Building Control Trading Account*

The provisional outturn for the Building Control Trading Account is a £0.2m underspend. This underspend will be transferred to the reserve, resulting in a net nil revenue position, as forecast in period 11. The favourable variance is primarily the result of underspends against salaries where vacancies have arisen and posts have been difficult to recruit too and smaller general underspends against other expenditure budgets.

## **Public Realm**

### Provisional Outturn

The provisional outturn for Public Realm is an underspend of £3.6m before any reserve movements. A decision has been taken to not drawdown on any reserve balances to meet costs within the service area. However, reserve top ups totalling £0.8m have been approved for Ailsa Wharf fly tipping, Street Trading and Transport workshops. The impact of these reserve movements is a favourable provisional outturn variance of £2.8m (it would have been £3.4m if reserve drawdowns had been approved). The provisional outturn represents a favourable movement of £1.1m when compared with that previously reported. Details of the variances are outlined below:

### Public Realm Management

There is an adverse variance of £0.1m in Public Realm Management. A £0.3m underspend against the relating to staffing and supplies / third party underspends. Staffing budgets were held to fund new posts in 2021-22. No variance was reported in previously. This is being offset by an adverse variance of £0.4m as a result of a corporate funding decision not to utilise transformation reserves to fund the legacy costs of the waste mobilisation project, as had been budgeted (there would have been a £0.3m underspend if this decision had not been taken).

### Highways & Traffic Management

Highways & Traffic Management has underspent against budget by £0.5m. This represents an adverse movement of £0.1m when compared with the previous forecasts. There are a number of factors making up this outturn position.

Within Advertising income there is a one-off over recovery of income due to invoices raised for previous year income that had not been billed, resulting in an underspend of £0.2m against budget

There is a £0.2m underspend within street lighting as a result of introducing LED bulbs which has resulted in lower energy charges. Repairs and maintenance costs have also been lower than budget.

A drawdown from reserves of £0.3m for rechargeable works income that is over six years old. It is LBTH policy for any amounts held in reserve for longer than six years to be utilised within the general fund if not claimed back.

These underspends are being partially offset by a cost pressure of £0.2m resulting from a lower than budgeted recharge of staff time to capital.

### Waste Services

The Waste Collection service is overspent by £0.2m. This represents an adverse variance when compared with previous forecasts which were in line with budget. The service had two savings targets in year, one for £1.8m relating to the procurement of fleet when the service was in-sourced. This saving was delivered in full and a second saving of £0.2m has slipped and will be delivered in 2021/22.

The overspend is made up of various under and overspends, including lower than expected fuel costs due to favourable prices, but higher maintenance and fleet management costs and unbudgeted short-term vehicle rental costs whilst the new fleet was being delivered. This is partially offset by lower than budgeted supplies and third-party costs, including no spend on mobile lane closure vehicle hire for the cleansing of Blackwall Tunnel, which did not take place due to covid-19 restrictions.

### Operational Services

Operational services are forecasting a provisional outturn of £1.3m underspend. This represents a £1.1m favourable movement when compared with previously reported forecasts. The underspend being forecast is made up of a number of factors that are detailed below.

A £0.6m underspend is being forecast for waste disposal and recycling. This is mostly related to underspends against the disposal contract due to reduced tonnages and from unbudgeted income received from the sale of recyclable materials.

The Council has a statutory responsibility to clear fly tipped materials from around the Ailsa Wharf site which has recently been sold to Country Gardens. The clearing of the site has been outsourced at a cost of £0.5m.

Although the work was not completed until the current financial year, a reserve has been requested with a view to funding this work from underspend in the current year.

The Contracts Development Team has underspent by £0.4m. Growth for graffiti removal has not been spent, with the cost of the works being absorbed within existing budgetary provision.

There is a projected underspend of £0.7m for commercial waste income with significant amounts being reclaimed through the MHCLG Sales, Fees & Charges Losses scheme

Riverside walk has overspent by £0.1m. There is a historical income target relating to the Travelodge site. The site was sold and a capital receipt realised. However, the site was generating an income and this lost income is resulting in a pressure.

The Green Team and Arboriculture service is underspent by £0.2m. This underspend primarily relates to vacancies, two of which were held to deliver agreed savings in 2021-22, and delays in recruitment to other posts. This underspend is partly offset by unbudgeted costs for pollarding trees.

#### Parking Services

Parking services are underspent against budget by £0.8m. This is in line with previous forecasts. There are a number of factors making up this underspend.

The Enforcement service was suspended for April and May with commencement of a reduced service in early June. As a result, there was a loss of income to the end of May where 15k fewer tickets were issued when compared with the previous year. Since June the enforcement service has been in operation and PCN income has been increasing. This income loss is being reclaimed through the income recompense scheme and will have no impact on the outturn position.

During the year the Council has opened the Wapping Bus Gate which is generating 3,500 additional tickets per month. This combined with income from the mobile cameras is resulting in £1.5m over achievement of the budgeted income target.

Bay suspension income is forecasting to over recover by £0.9 with demand for the service continuing to be high. In previous years a number of large multiple year suspensions has resulted in significantly more income being collected. Covid-19 has prevented this happening in the current year, making the level of additional income modest when compared with previous years.

There is an under recovery of £0.6m against permit income. This relates to a reduction in the income received from visitor vouchers which are now sold individually rather than in books, a reduced demand post lockdown for business and public service permits and relaxing enforcement during lockdown resulting in fewer resident permit renewals.

Casual Parking income has under recovered by £0.2 as a result of the income target being increased to fund the pay award and the additional income not being realised. Uptake on casual parking was gradual post lockdown, impacting on the income received.

The Parking debt team has under recovered their income target against budget by £0.5m. This is a result of Covid-19 regulations preventing enforcement activity and delays in getting court dates once lockdown was lifted.

There has been a higher than budgeted corporate support service and cashier's recharges to Parking which has resulted in a budget pressure of £0.2m

The service has incurred unbudgeted secondment costs of £0.1m to support implementation of new parking system

### Concessionary Fares

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.

### Environmental & Regulatory Services

Environmental & Regulatory services has underspent against budget by £0.7m. This represents a favourable movement of £0.3m from that previously reported. There are a number of factors contributing to this underspend position.

Vacancies held within the out of hours noise service, pest control, traveller's liaison, licensing administration and food safety services. These vacancies have saved £0.3m in year. These posts have been very difficult to fill and staff retention is a problem within this area.

Re-deployment of officers on to Covid-19 work during lockdown has resulted in an underspend of £0.1m, with these costs being reclaimed from Covid-19 grants rather than being paid for by general fund resources.

Compliance & Enforcement grant funding was received in year and used to fund existing expenditure, reducing the cost to the base budget. A further underspend was realised against the noise contract as it commenced part way through the year. Overall, the saving against the Compliance & Enforcement budget is £0.3m

### Street Trading Account (Markets)

There is a shortfall of £0.3m against the street trading account, which represents a favourable movement of £0.1m when compared with previous forecasts. The street trading reserve has been used in full and cannot run into deficit. Therefore, this cost pressure will be met from the general fund.

All markets were closed from April until the middle of June, with a phased re-opening of some markets from 15<sup>th</sup> June. The majority of the markets closed again during November and December as a result of the second lockdown.

Markets continued to struggle after the phased re-opening. Significant levels of invoices have been cancelled where traders have ceased to operate, permanent traders have not returned to pre-COVID levels, there are fewer casual traders and the tightening of Government restrictions around groups of people meeting and the need to space pitches has impacted on the footfall through the markets.

Increased levels of income from footway licensing in recent months has helped to mitigate this pressure with more traders looking at outdoor seating rather than indoors.

In the previous financial year, the Markets service had a budget shortfall of £0.2m. This was transferred to the balance sheet, putting the reserve into deficit. A decision has been taken to write this amount back to revenue, contributing towards the in-year pressure.

## **Housing & Regeneration**

### Provisional Outturn

The provisional outturn for the Housing & Regeneration division before any reserve drawdowns or top ups is in line with budget, with no material adverse or favourable variances.

The Homelessness service had budgeted to drawdown £2m from a number of ringfenced reserves to fund specific activities and to top up reserves by £0.1m with unspent grant income that does not have conditions attached to it. This would have resulted in a provisional outturn after reserve movements of a £1.9m underspend. However, a s151 officer decision has been taken not to drawdown against these reserves as there is already an underspend. The reserve top up has been approved, resulting in an adverse variance of £0.1m.

However, this underspend position excludes the impact of the Housing Benefit Subsidy loss of £4.6m which is reported within the Resources Directorate. Including this cost within Housing & Regeneration would result in an overall overspend position of £4.7m (excluding reserve drawdowns).

Homelessness numbers appear to have plateaued but remain high, placing pressure on the use of expensive nightly booked and bed & breakfast accommodation at additional cost. However, additional rental income relating to 400 property acquisitions as part of the buyback programme is mitigating this cost pressure by generating additional rental income over that budgeted and reducing the reliance expensive nightly booked and private licensed accommodation. Repairs costs on these buyback properties in the early year of the programme are very low, with each property being brought up to habitable standard as part of the initial capital investment. This further increases the surplus being generated by the rents on these properties and reduces the pressure from increasing demand and an outturn adverse variance of £0.3m.

The transformation project to deliver £2m savings is underway, with key officers in post and policies and initiatives going live or programmed. A cabinet report in September will highlight the key elements of the transformation project and main changes.

A £0.2m underspend relates to the Housing Options Lettings service as a result of vacant posts and income from Registered Social Landlords (RSL's) exceeding budgeted targets. RSL's use the Council's common housing register above budgeted levels and as a result the charge made to them for this service is higher.

The provisional outturn position of £0.1m adverse variance (£1.9m underspend including reserve drawdowns) represents an adverse movement of £1.8m when compared with the previously reported forecast. This is due to the increase in the bad debt provision as a result from delays in processing and receiving housing benefit income. A proportion of this should be recovered in the future. Since the pandemic there has also been an increase in the number of clients housed in T.A. with no recourse to public funds, so again LBTH are not receiving any compensating income to cover the cost of rents.



Provisional outturn £3.2m underspend after creation of reserves

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Governance	(3.2)	(4.2)	1.0

The Governance directorate provisional outturn impact on the general fund is an underspend of £3.2m. This position is following Covid-19 funding of £4.4m and after the creation of reserves totalling £1m.

The reserve movements include creation of an ESOL for Integration Fund reserve (£156k), a Local Community Fund reserve (£60k) and a Local Elections Reserve (£800k) for the Mayoral governance referendum costs in 2021-22 and in preparation for the Local Elections in 2022-23.

Details of the areas of overspending and mitigations are summarised below.

£m	Forecast variance commentary
<b>Communications</b> (0.2)	The provisional outturn is a £0.2m underspend position. This is due to staffing costs (£190k) relating to Covid being allocated to the Covid Outbreak Management Fund grant.
<b>Information Governance</b> 0.1	An overspend due to i-casework software costs (£39k) and independent investigators for statutory complaints (£20k). The Council's corporate information governance software (i-casework) is currently unfunded however it is planned for this system to become part of the Council's customer relationship management (CRM) system in the future.
<b>Strategy, Policy &amp; Performance (SPP)</b> (3.3)	<p>The £3.3m underspend forecast position for SPP is demonstrated through the allocation of costs to the non-ringfenced Covid emergency grant (£3.5m) and staffing costs allocated to the Contain Outbreak Management Fund (£0.2m).</p> <p>The costs funded from the Covid emergency grant were for volunteering and data analysis/reporting to support Covid-19 planning and monitoring. In addition to offset the delay from Covid-19 on the enabling functions review of SPP functions across the Council.</p> <p>A ESOL for Integration Fund reserve (£156k) has been created to complete the programme in 2021-22 and a Local Community Fund reserve (£60k) has been created to fund projects in 2021-23 that have been delayed due to the pandemic.</p> <p>The Council successfully bid to receive a grant of £260k as part of the ESOL for Integration Fund (EFIF) from MHCLG. Three providers have been commissioned and the project will seek to boost language skills, build confidence, reduce isolation and ensure everyone can participate in their local community.</p>
<b>Democratic Services and Mayor's Office</b> (0.1)	A provisional outturn underspend of £0.1m in staffing costs and non-pay expenditure.
<b>Legal Services</b> 0.1	Provisional outturn overspend of £0.1m in staffing costs.

Reduced court costs awarded income for the Enforcement and Civil Litigation Team due to Covid of £139k was funded from the Covid non-ringfenced emergency grant.

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<b>Registrars Services</b>	(0.1)	<p>Provisional outturn underspend in contracted staff overtime and casual staffing costs due to reduced services during the pandemic.</p> <p>There was a reduction in income of £283k due to not delivering all services, including wedding ceremony fees, birth and notice of marriage and other certificates including immigration services. The Council has received Sales, Fees and Charges income compensation from MHCLG of £180k and the remaining £103k of reduced income has been funded from the non-ringfenced Covid emergency grant.</p>
<b>Corporate Management</b>	-	<p>Provisional outturn breakeven position in the areas of the Chief Executive's Office, Corporate Director of Governance and Monitoring Officer duties, Investors In People (IIP) assessment and staff conferences/events.</p> <p>Covid-19 related costs of £97k were funded by the non-ringfenced Covid grant for communications and additional cleaning and security at Registrars buildings.</p>
<b>Electoral Services</b>	0.3	<p>Provisional outturn overspend of £0.3m after the creation of a Local Elections Reserve of £0.8m for the Mayoral governance referendum costs in 2021-22 and in preparation for the Local Elections in 2022-23.</p> <p>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, with surpluses being assessed by government with no guarantee.</p> <p>The 2020-21 position included a £122k assumption of income accrued for previous year elections, of which £92k has been reimbursed by the Elections Claims Unit as settlement for the 2019 European Parliamentary elections. The remaining accrued income of £30k should be achieved through Parliamentary Constituency Claims yet to be settled.</p>

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## Provisional outturn £1.6m underspend after movements in provisions and reserves

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Corporate and financing costs	(1.6)	2.1	(3.7)

The corporate and financing costs provisional outturn is a £1.6m underspend, following Covid-19 funding, the planned MTFs drawdown from reserves of £3.730m as a contribution to non-recurrent expenditure, and other movements in provisions and reserves.

The planned drawdown from reserves consists of the £2m short-term funding of Free School Meals from the Free School Meals Reserve and £1.730m short-term funding of the Programme Management Office from the Transformation Reserve.

There is an extraordinary item of a £1.6m credit in relation to the release of the provision made in 2019-20 for the outcome of a court case for an accident in Mile End Park against the lower in-year settlement of the case. There has been a drawdown of £6.8m from the Covid-19 Emergency Grant Reserve, alongside grant allocations received in 2020-21, to fund Covid expenditure and reduced income. This leaves a reserve balance of £3.5m which will be required to fund pandemic related additional expenditure and reduced income in 2021-22.

Prior year accumulated Collection Fund deficits to the end of 2019-20 will require drawdowns of reserves from the Collection Fund Smoothing Reserve (£6.5m) and other available reserves. The final loss allowance (bad debt provision) positions for Council Tax and Business Rates are being finalised.

The 2021-24 Council budget in March 2021 agreed the following Collection Fund reserves movements, which transfer grant monies received in 2020-21 into the smoothing reserve, to fund Collection Fund deficits which impact the Council in 2021-24:

Description	2020-21 Transfer to Reserves £m
Collection Fund Smoothing Reserve (1) – Business Rates Reliefs S31 Grant	28.400
Collection Fund Smoothing Reserve (2) – Local Council Tax Support Grant	4.025
Collection Fund Smoothing Reserve (3) – Lower Tier Services Grant	1.404

The 2020-21 NNDR council share of the Collection Fund **deficit is now expected to be £79.4m** due to the pandemic, of which £42.5m is funded through Section 31 grant for business rates reliefs provided by central government. The increased deficit funding will result in the Council making a higher contribution to reserves at year-end than had originally been forecast. We will now transfer an estimated £47.7m into the earmarked Collection Fund Smoothing Reserve which is more than the original forecast of £28.4m highlighted in the March 2021 budget report.

The Local Council Tax Support Grant (£4.0m) and the Lower Tier Services Grant (£1.4m) are now expected to be received in 2021-22, so will no longer be required to be placed in the Collection Fund Smoothing Reserve at the end of 2020-21.

Details of the variances are summarised below:

	£m	Forecast variance commentary
<b>Cross-Directorate Savings</b> Slippage in savings achievement	3.7	<p>Slippage in cross-directorate savings held centrally of £4.45m, being £1.6m Debt Management &amp; Income Optimisation, £1.35m Review of Printing/Scanning/Use of Multi-Functional Devices (MFD's), £1.15m Local Presence savings, £0.25m Income Through Housing Companies and £0.1m THH - Potential support service savings.</p> <p>The Covid-19 pandemic has delayed achievement of the £1.6m Debt Management &amp; Income Optimisation saving and therefore replacement funding for 2020-21 has been provided through the Covid-19 emergency grant.</p> <p>Unachievable saving held centrally of £0.8m Appropriation of Housing Revenue Account (HRA) Shops to General Fund (GF) which has been agreed to be written off through the 2021-24 MTFS budget setting process.</p> <p>The TOWER Rewards terms and conditions saving of £2m has been offset against the £2m central budget originally held to fund spinal point increases which directorates will now manage within their overall budgets.</p>
<b>Social Care Grant and Winter Pressures Grant</b>	4.0	Removal of double counted income between Core Funding and the HA&C and C&C directorates.
<b>Central Support Costs</b> Unallocated support costs	3.7	Forecast of overhead costs that are funded centrally (not apportioned out to directorates).
<b>Redundancy, Severance and Early Retirement</b>	1.0	Provisional outturn overspend of £1.0m for redundancy and severance costs, early retirement pension strain and compensation payments. The corporate budget only funds redundancy costs where these relate to achieving savings agreed in the medium term financial strategy (MTFS).
<b>Central costs</b>	-	The Council's contribution to the London Resilience Fund of £30k has been funded through the non-ringfenced Covid emergency grant.
<b>Pension Fund deficit repayment</b> Underspend against budget	(1.0)	Forecast underspend against the budget allowed (£12.8m) for the payment to the Pension Fund to meet deficit estimated by the actuary.
<b>Corporate contingency</b> Budget to cover unforeseen circumstances	(3.1)	There were no commitments against the contingency budget of £3.1m.
<b>Treasury Management</b> Underspend on borrowing costs budget	(8.3)	<p>A provisional outturn underspend on the borrowing costs budget due to slippage in the capital programme. Minimum Revenue Provision (MRP) internal borrowing costs of £4.6m were funded by the rental income earned through the property buyback programme in Place directorate.</p> <p>The provisional outturn interest and dividend income in 2020-21 was £2.4m. This is significantly lower than the 2019-20 achievement of £5.4m, due to the Covid-19 impact on the economy and the Bank of England subsequently reducing its base rate to 0.1%. Reduction in income of £2.8m has been funded through the non-ringfenced Covid-19 emergency grant.</p>

Provisional outturn underspend of £4.1m before contribution of reserve

£m	Forecast Variance		
	Estimated impact on HRA	Variance before reserve adjustments	Contribution to /(from) Reserves
HRA	(4.1)	(4.1)	-

The provisional outturn for the Housing Revenue Account is £4.1m underspent when compared with budget. This underspend will be transferred to the HRA general reserve, resulting in an outturn position in line with budget (nil variance). This is not an unusual position with an underspend of £6.3m in 2018/19 and £1m in 2019/20.

The impact of this movement will be to increase reserve balances within the HRA to a greater level than originally projected.

There are a number of favourable and adverse variances that make up the £4.1m underspend, details of which are provided below.

### Income

There has been a £2m favourable movement in the dwelling (tenant's) rents and service charges collected. £1.5m of this relates to historic TMO rent rebates (Housing Benefit payments). These were identified within the rent control account as part of the year end reconciliation process and transferred to revenue. The remaining £0.5m is the result of a better than budgeted collection rate for rents. A prudent forecast had been taken throughout the year as a result of the impact of the pandemic on collection rates, with the final figure exceeding that previously forecast

Leaseholder service charges have over-recovered against the income target by £0.3m. There has been a significant increase of repairs undertaken on leasehold properties which has resulted in an increase in the charge and therefore income collected.

Leaseholder Enfranchisement income has exceeded budget by £0.2m with a number of large leases being extended during the year.

### Expenditure

Repairs & Maintenance costs have overspent by £0.7m. Contracted repairs & maintenance costs are £0.4m lower than budget with less responsive repairs on internal decorations, internal repairs and play areas, reduced works on passenger lifts and repairs to communal areas. Access to properties has been limited due to Covid-19 and there has been no asbestos work due to COVID restrictions. This underspend has been offset by a £1.1m overspend relating to security costs incurred at void properties. Void turnaround times increased as a result of Covid-19 protocols, resulting in additional cost.

Special Services has underspent by £0.8m. The underspend relates to the communal energy costs as a result of savings from the contract being re-procured. This is being partially offset by additional Concierge and Cleaning costs resulting from Covid-19.

Anti-social behaviour works on estates has underspent by £0.4m.

Supervision and management costs have overspent by £1.2m. There are a number of factors making up this overspend, the main ones being an overspend against the management fee which relates to the annual pay award, THH capital programme costs that cannot be capitalised as they relate to feasibility works, leaseholder major works income not being collected as the original charges to leaseholders had been over-estimated and reduced following the actualisation process and an increase support service recharges. These adverse variances

are partially offset by underspends relating to the residual pension costs where the new valuation is lower and the community investment budget where Covid-19 restrictions has reduced activity.

Rents, Rates and Taxes are overspent against budget by £0.2m as a result of higher than budgeted insurance recharges to the HRA.

Bad debt provision is £0.3m lower than budgeted, with better than anticipated collection rates for tenants and leaseholders. This is partially offset by an increase in general AR loss allowance provision of £0.2m, net position £0.1m favourable variance.

Amortised premiums and discounts have underspent by £0.5m when compared with budget. The underspend relates to the MRP charge. The Capital Financing requirement has increased by £25.6m but the majority of this borrowing relates to Assets Under Construction for which there is no MRP charge in year.

The asset depreciation and impairment charge is £0.5m lower than budget.

Interest and investment income (Item 8) is £1.4m lower than budget. The budget is historic and requires revising down as it includes the impact of the high interest LOBO's that were paid off in the previous year, resulting in a reduced Item 8 charge.

The table shows how the provisional outturn on General Fund balances are under pressure and how this might be managed by means of utilising earmarked reserves. Note the reserves position of the Council is uncertain pending the formal closure of statement of accounts for the period 2016 – 2020.

	Balances at 31 March 2020 as per draft 2019/20 Accounts	Assumed Contribution to / (from) Reserve	<i>Potential adjustment to maintain GF balances</i>	Provisional outturn balance 31 March 2021
£m	£m	£m		£m
<b>GF balances (general reserve)</b>	<b>19.1</b>	2.1	0.5	<b>21.7</b>
Budgeted drawdown in MTFs	<b>0.0</b>	(1.7)	0.0	<b>(1.7)</b>
	<b>19.1</b>	<b>0.4</b>	<b>0.5</b>	<b>20.0</b>
<b>Earmarked reserves consist of:</b>				
<b>Earmarked reserves with restrictions</b>				
Insurance	8.7	1.3	0.0	10.0
New Civic Centre*	17.0	(17.0)	0.0	0.0
Parking Control	3.3	0.0	0.0	3.3
Collection Fund Smoothing**	11.4	43.1	0.0	54.5
Free School Meals Reserve	2.0	4.0	0.0	6.0
Public Health Reserve	1.0	2.3	0.0	3.3
Revenue Grants Unused	8.5	0.2	0.0	8.7
COVID 19 grant	10.3	(6.8)	0.0	3.5
Local Elections	0.0	0.8	0.0	0.8
CIL	7.8	0.0	0.0	7.8
<b>Earmarked reserves with restrictions – Subtotal</b>	<b>70.0</b>	<b>27.9</b>	<b>0.0</b>	<b>97.9</b>
<b>Earmarked reserves without restrictions</b>				
Risk Reserve*	7.4	(0.9)	0.0	6.5
Transformation Reserve	5.3	(1.7)	0.0	3.6
ICT Reserve	14.5	(4.9)	0.0	9.6
Mayor's Tackling Poverty Reserve	3.4	0.0	0.0	3.4
Mayor's Priority Investment Reserve	5.4	0.0	0.0	5.4
New Homes Bonus	30.6	10.0	(0.5)	40.1
Services Reserve	4.8	1.7	0.0	6.5
<b>Earmarked reserves without restrictions - Subtotal</b>	<b>71.4</b>	<b>4.2</b>	<b>(0.5)</b>	<b>75.1</b>
<b>Total Earmarked Reserves</b>	<b>141.4</b>	<b>32.1</b>	<b>(0.5)</b>	<b>173.0</b>
<b>Total GF and Earmarked reserves</b>	<b>160.5</b>	<b>32.5</b>	<b>0.0</b>	<b>193.0</b>

\*The Civic Centre will now be funded by borrowing, and the balance of this reserve will be used to fund the Business Rates Collection Fund Deficit together with £0.9m from the Risk Reserve.

\*\* The Collection Fund Smoothing Reserve is restricted in its use as it is solely intended to deal with surpluses and deficits that arise on an annual basis in the collection fund. The reserve figure above excludes the Local Council Tax Support Grant (£4.0m) and the Lower Tier Services Grant (£1.4m) which are expected to be received and utilised in 2021-22. The significant increase in this reserve was explained in the Corporate Costs section (3) above.

The table shows the 2020-21 provisional outturn position for the Housing Revenue Account, and for Dedicated Schools Grant.

<b>HRA and DSG reserves</b>	<b>balances at 31 March 2020 as per draft 2019/20 Accounts £m</b>	<b>Movement £m</b>	<b>Projected Balance 31 March 2021 £m</b>
<b>Housing Revenue Account (HRA)</b>	<b>48.2</b>	4.1	<b>52.3</b>
<b>Dedicated Schools Grant (DSG)</b>	<b>(11.1)</b>	(0.5)	<b>(11.6)</b>
<b>Total Other Reserves</b>	<b>37.1</b>	<b>3.6</b>	<b>40.7</b>



**Overall Position**

**We have £274m of investments and £72m borrowing.**

At the end of 2020-21 our portfolio totalled £274m, and we are currently receiving an average income return of 0.89% and total return (including capital gains/losses) of 3.47%.

**Income Position**

**Provisional outturn investment income of £2.4m is above the budget of £2.3m.**

The 2020-21 revised budget for investment income is £2.3m. The provisional outturn is investment income of £2.4m. This is above the budget due to higher-than-expected dividends on pooled funds (£1.7m) but significantly lower than the 2019-20 achievement of £5.4m, mainly due to the Covid-19 impact on the economy and the subsequent reduction in base rate to 0.1% by the Bank of England.

**Benchmarking**

**We compare favourably for the return we get from our investments.**

According to the Quarter 4 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 0.89% is outperforming a group of fifteen London councils (0.76% average income return) and almost at par with a group of 128 national local authorities (0.90% average income return).

We are continuing to look at alternatives that retain and protect the capital value of our investments while maximising income return.

**Liquidity**

30% of funds are available within 7 days.  
53% of funds are available within 100 days.

**Inflation**

**Monies invested are holding value against current inflation.**

As at March 2021, the Consumer Prices Index (CPI) inflation was 0.7%, up from 0.4% in February 2021. The Council's average income return of 0.89% is higher which demonstrates that the future value of the funds invested today will be more.

The income return is positively impacted by dividends received from investments in externally managed pooled funds. The capital values of these funds were negatively affected by the economic impact of Covid-19. These have however regained their value and are now at par at 31 March 2021 (£76m) with the purchase price (£76m).

**Borrowing**

**Provisional outturn interest payable cost on external borrowing is £2.25m.**

The Council has Public Works Loan Board (PWLB) loans totalling £54.0m and fixed rate bank loans totalling £17.5m.

There is a provisional outturn underspend on the borrowing costs budget due to slippage in the capital programme.

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 government and the GLA.

Due to the effect of the Covid-19 pandemic on the Collection Fund deficits for 2020-21, the government announced that 2020-21 deficits can be repaid over the three year period 2021-24. This is a further spread of the impact over more years than the normal requirements for repayment periods. The Spending Review 2020 and subsequent provisional LGFS stated that the government will cover 75% of components of the 2020-21 Collection Fund deficits for Business Rates and Council Tax.

To date, the government has provided £4.4m funding through the Council Tax Hardship Fund of which £1.8m has been used for £150 hardship payments to Council Tax support claimants, and the remaining balance could support the increase in costs of the overall Local Council Tax Reduction Scheme.

The business rates position could be significantly affected by valuation appeals (especially for office accommodation and retail, hospitality and leisure sectors) which could be submitted to the Valuation Office Agency for consideration. For 2020-21 the appeals provision takes account of potentially successful Material Change of Circumstances (MCC) appeals.

**NNDR (Business Rates)**

**We are expected to collect £353m in total for 2020-21.**

**Collection levels have been impacted by the Covid-19 pandemic.**

There is an accumulated Business Rates Collection Fund deficit to the end of 2019-20, of which the Council share is £22.5m, and the Council will repay this in 2020-21.

The Council share of the 2020-21 Business Rates deficit is currently forecast to be £79.4m, of which £42.5m is funded through expanded retail and nursery scheme relief grants. The estimated 2020-21 deficit balance for the Council of £36.9m would need to be repaid over the three year period 2021-24 and the government will fund 75% of components of this deficit. However the final 2020-21 deficit will change based on the final calculation of the bad debt provision and appeals provision.

The Covid-19 pandemic has significantly impacted the 2020-21 business rates income through revaluations, other changes to the rating list and a reduction in collection rates. The level of the deficit will continue to be affected by changes in the pandemic and its economic impacts and is therefore being monitored closely.

For the total Business Rates income (retained by the Council and passported to the GLA and central government), the original estimate for Business Rates net rates payable for 2020-21 was £472m. This has reduced to £353m after the introduction of the Extended Retail Relief Scheme and Section 31 grant was provided to offset this reduction and the effect of rateable value changes in the valuation list.

To the end of March, we have collected £338.6m (95.9% in-year collection rate) compared to 99.5% for 2019-20. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

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**Council Tax**

**We were expected to collect £142m in total for 2020-21.**

**Collection levels have been impacted by the Covid-19 pandemic.**

**Council Tax income is split between the Council (77%) and the GLA (23%).**

There is an accumulated Council Tax Collection Fund deficit to the end of 2019-20, of which the Council share is circa £7.9m, and the Council will repay this in 2021-22 (£6.5m will be funded through the Council's smoothing reserve).

The Council share of the 2020-21 Council Tax deficit is currently forecast to be circa £4.4m, which will be repaid over the three year period 2021-24 and the government will fund 75% of components of the deficit. The deficit may change based on the final calculation of the increase in bad debt provision required which is currently calculated to be an increase of £5.4m (Council share) from £11.9m (2019-20) to £17.3m (2020-21) due to the impact of the pandemic.

The Covid-19 pandemic has reduced the collection rate and it has increased significantly those claiming benefits including through the Local Council Tax Reduction Scheme (LCTRS). The cost of the LCTRS scheme has risen from £26.7m in 2019-20 to £31.6m in 2020-21.

For total Council Tax income (both retained by the Council and passported to the GLA) the collectable budget for 2020-21 is £142m.

To the end of March we have collected £126.8m of the £140.3m Council Tax bills raised (90.4% in-year collection rate) compared to 94.5% for the same period in 2019.

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Target for year £20.9m

£12.3m savings to be delivered

£m	20-21 Target	Prior Year Slippage	Saving Target	Forecast Savings	Slippage	Under Recovery	Over recovery
	A	B	C = A + B				
HA&C	1.3	0.8	2.1	1.7	0.4	0.0	0.0
Children and Culture	1.5	1.0	2.5	2.0	0.6	0.0	0.0
Place	2.8	0.3	3.1	2.4	0.7	0.0	0.0
Governance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resources	2.2	1.7	3.9	1.3	2.6	0.0	0.0
All	2.4	6.9	9.3	4.8	2.0	2.4	0.0
<b>Total</b>	<b>10.2</b>	<b>10.7</b>	<b>20.9</b>	<b>12.3</b>	<b>6.2</b>	<b>2.4</b>	<b>0.0</b>

Total savings target for 2020-21 is £20.9m (£10.2m relates to approved savings as part of the 2020-21 budget setting process, and £10.7m as a result of previous years' savings not delivered, which have been re-evaluated since the last report).

- £12.3m is identified as being on track to deliver savings;
- A net position of £6.2m is forecast to slip into future years due to timing issues;
- £2.4m has been identified as unachievable

Please refer to 'Appendix B – 2020-21 Provisional Outturn MTFS Savings Tracker 2020-23' for a detailed breakdown and latest updates on savings programme.

Total provisional outturn impact of Covid £41.7m

Provisional outturn income forecast to reimbursed (as per MHCLG return) £7.3m

£m	Total Covid expenditure claimed against non-ringfenced grant	Reduced income not relating to sales fees and charges and claimed against non-ring fenced grant	Sales fees and charges income expected to be reimbursed	Sales fees and charges income not being reimbursed claimed from non ring-fenced grant	Total
Children and Culture	3.6	0.4	1.5	0.0	5.5
Resources	6.4	2.1	0.2	0.1	8.8
HA&C	5.0	0.0	0.6	0.0	5.6
Place	5.4	0.1	4.8	3.1	13.4
Governance	3.6	0.1	0.2	0.1	4.0
Corporate and financing costs	1.6	2.8	0.0	0.0	4.4
<b>Total</b>	<b>25.6</b>	<b>5.5</b>	<b>7.3</b>	<b>3.3</b>	<b>41.7</b>

As a consequence of Covid, the total provisional outturn additional expenditure impact (excluding ring-fenced grants spend) on General Fund services in 2020-21 is forecast at £41.7m. The council is forecasting foregone income of £7.3m as a consequence of Covid will be reimbursed by Central Government.

The total impacts of pressures from Covid in 2020-21 on non-ring fenced Covid grants have increased by £1.6m from the previously reported P11 position. This is largely due to increases specifically within Place, amounting to £1.5m, offset by reductions within other directorates.

Please refer to 'Appendix C – 2020-21 Provisional Outturn Covid-19 Financial Summary' for an analysis of the non ring-fenced and ring-fenced Covid-19 grants and estimated overall Covid related spend and reduced income. It should be noted that Appendix C also highlights Covid grants that relate to financial year 2021/22 and beyond.

Provisional underspend of £24.5m for General Fund against revised budgets

**General Fund provisional outturn:**

Theme	Directorate	Original Budget 2020-21 £m	Revised Budget 2020-21 £m	Provisional outturn 20-21 £m	Variance Revised Budget Vs Prov Outturn £m	Variance Revised Budget Vs Prov Outturn %	Slippage / (acceleration)*	2021-22 Budget £m	2022-23 Budget £m	2023-24 Budget £m	3 Yr Total Budget £m	Slippage plus 3 Yr Revised Total Budget £m	
		(1)	(2)	(3)	(3) - (2)	(3) - (2)		£m	£m	£m	£m	£m	
Approved Programme	Children	7.7	10.4	5.0	(5.5)	48%		5.4	27.6	52.8	38.5	119.0	124.4
	HAC	12.2	6.7	3.8	(2.9)	57%		2.7	18.0	3.2	0.0	21.2	24.0
	Place	88.5	59.2	54.3	(4.9)	92%		4.1	106.1	37.2	6.7	150.0	154.1
	Resources	3.9	9.8	6.7	(3.1)	68%		3.1	0.3	0.0	0.0	0.3	3.4
	<b>Total Approved Programme</b>	<b>112.3</b>	<b>86.1</b>	<b>69.8</b>	<b>(16.3)</b>	<b>81%</b>		<b>15.3</b>	<b>152.1</b>	<b>93.3</b>	<b>45.2</b>	<b>290.5</b>	<b>305.9</b>
Annual Rolling Programme	Children	4.0	3.2	2.7	(0.5)	85%		0.0	3.0	2.8	3.0	8.8	8.8
	HAC	0.3	0.0	0.0	0.0	0%		0.0	0.3	0.3	0.3	0.9	0.9
	Place	12.3	8.6	7.8	(0.9)	90%		0.0	18.6	22.4	19.1	60.1	60.1
	<b>Total ARP</b>	<b>16.6</b>	<b>11.8</b>	<b>10.5</b>	<b>(1.3)</b>	<b>89%</b>		<b>0.0</b>	<b>21.9</b>	<b>25.5</b>	<b>22.4</b>	<b>69.8</b>	<b>69.8</b>
Invest to Save	Place	36.5	21.5	14.5	(6.9)	68%		6.9	20.8	8.6	0.0	29.4	36.3
	Resources	3.5	0.0	0.0	0.0	0%		0.0	3.5	0.3	0.0	3.8	3.8
	<b>Total Invest to Save</b>	<b>40.0</b>	<b>21.5</b>	<b>14.5</b>	<b>(6.9)</b>	<b>68%</b>		<b>6.9</b>	<b>24.3</b>	<b>8.9</b>	<b>0.0</b>	<b>33.2</b>	<b>40.1</b>
Completed	All Directorates	0.5	0.0	0.1	0.1	338%	(0.1)	1.0	1.0	0.0	2.0	1.9	
	<b>Total Revised Capital Programme</b>	<b>169.3</b>	<b>119.4</b>	<b>94.9</b>	<b>(24.5)</b>	<b>79%</b>		<b>22.2</b>	<b>199.2</b>	<b>128.7</b>	<b>67.6</b>	<b>395.5</b>	<b>417.7</b>

\* Slippage / acceleration is derived from in year monitoring with budget holders.

These provisional outturn figures are subject to the closure of the council's ledger and conclusion of the closure of accounts process, which is currently in progress. The figures are also subject to internal review and audit.

The total revised General Fund capital programme budget for 2020/21, as detailed in the table, above was reported to full council on 4<sup>th</sup> March 2021 totalling £119.4m. The total General Fund provisional outturn capital expenditure for the year is £94.9m, which represents 79% of the 2020/21 revised budget. The underspend at year end is £24.5m, of which £22.2m is anticipated to slip into future years. This slippage will be profiled into specific future periods after consultation with services and presented in the next capital monitoring report to cabinet.

The Capital Strategy Board oversees the governance and administration of the capital programme and reviews spend, slippage, acceleration and trends in delivery.

Despite the disruption caused by the pandemic, this is a marked improvement for the capital programme as compared to previous years.

The detailed capital programme level General Fund provisional outturn breakdown is provided within 'Appendix D – 2020-21 Provisional Outturn Capital Programme Monitor'.

The major variances are described below:

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## Approved Programme:

### *Children and Culture*

**Revised Budget £10.4m**  
**Outturn: £5.0m**  
**Variance: (£5.5m) underspend**  
**Slippage: £5.4m**

The majority of the Children's services programme is the Basic Need and Expansion for schools, within this programme there are several large schemes currently under way and some in the early stages. The overall underspend position has resulted from delays in the design process, completion of works and contractor appointments. The delayed key projects (circa £4m) that contributed to the underspends are London Dock expansion, Beatrice Tate School, Bow Site SEN provision and George's Green sixth form expansion works. There is a potential claim due to delay in the completion of works at Bow Site SEN provision, but this will not be known until later in 2021/22.

### *Health, Adults and Communities*

**Revised Budget £6.7m**  
**Outturn: £3.8m**  
**Variance: (£2.9m) underspend**  
**Slippage: £2.7m**

The key underspends are due to delays in various Public Health projects namely Aberfeldy Practice and improvements to health infrastructure at Sutton Wharf and Goodman's Fields. These projects are being delivered by the NHS, therefore the spend shown here has been dependent on the NHS's capacity to deliver given the priority and focus on tackling Covid-19 pandemic.

### *Place*

**Revised Budget £59.2m**  
**Outturn: £54.3m**  
**Variance: (£4.9m) underspend**  
**Slippage: £4.1m**

The key projects that have largely contributed to the provisional outturn underspend variance of £4.9m are London South Dock Bridge (£1.3m), Culture (£1.7m), Section 106 (£2.5m) and Public Realm Improvements Projects (£1.8m). Offset by overspends within TFL schemes (£1.3m) and acceleration of spend on the New Town Hall (£0.8m).

The original budget profile for South Dock Bridge was set at the early feasibility stage and which has been amended as a result of a change of approach to the bridge design and delay in pre-application public consultation. The completion of the detailed design has enabled firmer project cost projections and a revised profile to be established. The projected completion date is Spring 2023.

Within Culture, Leisure Centre improvements works have been due to legal and procurement challenges which have now been resolved, and this resulted in a delay in commencing the programme of works and an underspend of £1.7m.

With the focus of regeneration and high streets work on recovery from the pandemic, some S106 and Public Realm Improvements schemes have been delayed causing in underspends which have been re-profiled for delivery in future years.

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At the beginning of the year, funding from TfL was withdrawn for works related to the Local Implementation Plan (LIP) as such there was no budget for 2020/21. Subsequently during the year, TfL set out criteria for the allocation of funding to address transport and highway-related impacts of the pandemic and emergency funding was made available in the year to deliver projects that assisted with social distancing and those which increased cycling and walking. Hence there was an overspend on the project in 2020/21.

The New Town Hall project overspend is due to re-profiling of the programme works and Covid-19 has prolonged the procurement of works packages, hence, the marginal overspend in 2020/21.

### *Resources*

**Revised Budget £9.8m**  
**Outturn: £6.7m**  
**Variance: (£3.1m) underspend**  
**Slippage: £3.1m**

ICT transformation project is reporting underspend of £3.1m and this will be slipped into future years to allow the project to continue to completion. The underspend was due to delay in the start of the project. The end of the Agilisys contract in April 2021 meant that resources were diverted onto activities that were essential to completing that contract and ensuring that IT service was not affected by the transition. This meant that planned projects were delayed as resources were not available to deliver activities as planned. In addition, technical issues were experienced with AOVPN (the technology that allows people to connect to the office from home as if they were in the office) and this meant resources were diverted to resolving these issues before we could move on with other activities - leading to delays in the projects.

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### **Annual Rolling Programme:**

#### *Place*

**Revised Budget £8.6m**  
**Outturn: £7.8m**  
**Variance: (£0.9m) underspend**

Local Infrastructure Initiatives (funded by the Local Infrastructure Fund) had a revised budget of £0.4m but ended up with a spend of £0.1m, underspend of £0.3m. The LIF programme has got off to a slow start this year and has been under development. A new team is in place within the council and it is forecast to increase spend in 2021/22.

Public Realm Improvements – Capital footway and carriage programme reported underspend of £0.5m. The underspend is due to anticipated costs not materialising in 2020/21.

#### *Children and Culture*

**Revised Budget £3.2m**  
**Outturn: £2.7m**  
**Variance: (£0.5m) underspend**

This is the Conditions and Improvements projects in Schools. The Programme had been delivered in line with available resources. Some residual supplier costs and Technical fees are still outstanding, expected to be settled in 2021/22.



**Invest to Save:**

*Place*

**Revised Budget £21.5m**

**Outturn: £14.5m**

**Variance: (£6.9m) underspend**

**Slippage: £6.9m**

The underspend on the Invest to Save programme is largely relating to the scheme for the purchase of properties for the use of temporary accommodation. The coronavirus pandemic had a number of negative effects on the purchasing of property. The pandemic caused delays in the gaining access and viewing of properties by surveyors and valuers due to guidelines/restrictions and safety reasons, a number of leaseholders had changed their minds, and properties had to be dropped from the programme as leaseholders were unable to gain possession. Underspends have been re-profiled for delivery in future years.

Provisional underspend of £16.9m for Housing Revenue Account against revised budgets

## Housing Revenue Account provisional outturn:

HRA Provisional Capital Outturn Summary

Theme	Directorate	Original Budget 2020-21 £m	Revised Budget 2020-21 £m	Provisional outturn 20-21 £m	Variance Budget Vs Prov Outturn £m	Revised Budget Vs Prov Outturn %	Variance Budget Vs Prov Outturn %	Slippage / (acceleration)*	2021-22 Budget £m	2022-23 Budget £m	2023-24 Budget £m	3 Yr Total Budget £m	Slippage plus 3 Yr Revised Total Budget £m
		(1)	(2)	(3)	(3) - (2)	(3) - (2)							
Annual Rolling Programme	Housing Capital Programme	24.5	24.5	21.2	(3.3)	87%	0.0	23.3	23.7	0.0	47.0	47.0	
	Mayor's Priority - Housing	2.7	2.7	0.5	(2.2)	19%	2.2	0.3	0.0	0.0	0.3	2.5	
Approved Programme	First 1000 homes	50.2	50.2	38.8	(11.4)	77%	11.4	127.9	55.9	0.0	183.8	195.2	
	<b>Total HRA Approved Programme</b>	<b>52.9</b>	<b>52.9</b>	<b>39.3</b>	<b>(13.6)</b>	<b>74%</b>	<b>13.6</b>	<b>128.2</b>	<b>55.9</b>	<b>0.0</b>	<b>184.1</b>	<b>197.7</b>	
	<b>Total HRA Capital Programme</b>	<b>77.4</b>	<b>77.4</b>	<b>60.5</b>	<b>(16.9)</b>	<b>78%</b>	<b>13.6</b>	<b>151.6</b>	<b>79.6</b>	<b>0.0</b>	<b>231.2</b>	<b>244.7</b>	

\* Slippage / acceleration is derived from in year monitoring with budget holders.

These provisional outturn figures are subject to the closure of the council's ledger and conclusion of the closure of accounts process, which is currently in progress. The figures are also subject to internal review and audit.

The approved HRA budget for 2020/21 is £77.4m. The total capital expenditure for HRA for the year is £60.5m, which represents 78% of the budget resulting in underspend of £16.9m. Of the underspend of £16.9m, £13.6m is anticipated to slip into future years. This slippage will be profiled into specific future periods after consultation with services and presented in the next capital monitoring report to cabinet.

The Capital Strategy Board oversees the governance and administration of the capital programme and reviews spend, slippage, acceleration and trends in delivery.

The detailed capital programme level Housing Revenue Account provisional outturn breakdown is provided within 'Appendix D – 2020-21 Provisional Outturn Capital Programme Monitor'.

The major variances are described below:

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**Tower Hamlets Homes (THH) -  
Annual Rolling Programme**

**Budget £24.5m**  
**Outturn: £21.2m**  
**Variance: (£3.3m) underspend**

Of the £24.5m budget, £21.2m has been spent to maintain the council homes managed by THH and an underspend of £3.3m has been reported. This is principally due to an underspend in the mechanical and electrical programmes for council dwellings. The Mechanical & Electrical Programme has perhaps borne the most serious effects of the COVID-19 pandemic. Due to the need to maintain a social distance, and with many residents self-isolating, much of the M&E programme slowed down, as most of the work took place either in enclosed communal spaces or inside residents' homes.

**Approved Programme –  
First 1,000 Homes & Mayor's  
Priority Housing**

**Budget £50.2m**  
**Forecast: £38.8m**  
**Variance:(£11.4m) underspend**  
**Slippage: £11.4m**

In 2020/21, 78 new council homes were delivered at Jubilee Street, Baroness Road, Locksley A and 137a Solander Gardens; work continued on site to deliver 53 new council homes at Barnsley Street and work commenced to deliver a further 112 new council homes on further 8 infill sites. Progress on some sites is on programme, but on others, there have been issues which have caused delays to physical starts on site, many of which have been beyond the council's control such as site closures as a result of the pandemic, delivery of materials and impact on the supply chain, in part due to impact of Brexit, challenges associated with utility providers and agreement of wayleaves and easements with third parties. This has resulted in underspend and 2020/21 targets to be delivered as programmed

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Capital expenditure is financed through a variety of sources, from the sale of capital assets, capital grants, and external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing.

The strategy for financing the capital programme is to utilise grants, before using council receipts and reserves, thereby minimising any requirements for borrowing which will impact on the council's revenue budget.

The council can temporarily utilise other resources in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it merely defers the timing of external borrowing rather than obviating the need.

Financing of 2020-21 capital expenditure is set out below:

**Capital Financing Summary Table**

Sources	General Fund (GF)	Ratio Finance Source to Total	HRA	Ratio Finance Source to Total
	£m	%	£m	%
Government and Capital Grants	9.0	10%	5.0	8%
External Contributions S106	16.0	17%	0.0	0%
External Contributions CIL	5.2	6%	0.0	0%
Capital Receipts	17.2	18%	1.5	3%
RTB Capital Receipts	3.2	3%	9.3	15%
Borrowing	38.9	41%	26.7	44%
Direct Revenue Financing / Reserves	5.2	6%	17.5	29%
External Contributions	0.1	0%	0.0	0%
GLA RTB receipts	0.0	0%	0.6	1%
<b>Total</b>	<b>94.9</b>	<b>100%</b>	<b>60.7</b>	<b>100%</b>