TOWER HAMLETS

Appendix A
Budget Monitoring Report 2021-22 as at 30th September (Period 6)

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Circulated to	Cabinet
Date	24 November 2021
Classification	Unrestricted
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

Forecast General Fund (GF) £0.4m overspend before transfer to reserve and £0.3m overspend after transfer to reserve

Forecast Dedicated Schools Grant (DSG) £1.0m underspend before transfer to reserve

Forecast to budget Public Health (GF)

Forecast Housing Revenue Account (HRA) £1.4m overspend before transfer from reserve

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	Net impact on General Fund GF/DSG/HRA
Children & Culture	5.0	(1.4)	3.6	(2.0)	**1.6**
Resources and Governance	6.4	(3.0)	3.4	(2.4)	**1.0**
HA&C	4.2	(1.9)	2.3	0.0	**2.3**
Place	12.9	(6.5)	6.4	(7.9)	**(1.5)**
Sub-total GF Services	**28.5**	**(12.8)**	**15.7**	**(12.3)**	**3.4**
Corporate and Financing costs	(8.5)	(1.0)	(9.5)	6.4	(3.1)
Covid relief	0.0	(5.8)	(5.8)	5.8	**0.0**
Total General Fund	**20.0**	**(19.6)**	**0.4**	**(0.1)**	**0.3**
Ringfenced Items					
Dedicated Schools Grant			(1.0)	1.0	**0.0**
Public Health GF			0.0	0.0	**0.0**
HRA			1.4	(1.4)	**0.0**
Overall Position			**0.8**	**(0.5)**	**0.3**

**The contributions from reserves pertain to specific grant funding utilised to match expenditure in year. The underspend in the Directorate is due to service activity detailed within the Place section of this report.*

General Fund

The gross month 6 (30th September) 2021-22 financial forecast before Covid-19 non-ring fenced grants is an underlying overspend of £20.0m. The position after the application of Covid-19 non-ring grants, and contributions from reserves, is a forecast net overspend of £0.3m, a £0.2m deterioration on the P3 forecast. This is a relatively small variance for the council following an unprecedented year in relation to the on-going COVID-19 pandemic, which continues to create uncertainties for the council in 2021-22. Significant savings are still to be delivered in 2021-22 within a continuing very challenging environment for the council. Any overspend at the year-end will be funded from reserves and it should be noted that the overall reserves position remains uncertain pending the delayed closure and audit of the Council's accounts for the period 2016 – 2021.

Covid-19

The Council has continued to face COVID related pressures on its finances pertaining to supporting local businesses, reopening the economy, loss of income due to reduced economic activity and dealing with continued pressures related to hospital discharges within Health and Social Care and infection control.

In 2019/20 and 2020/21 the Government provided total non-ringfenced COVID grant funding of £38.1m of which £3.5m was carried forward into the current financial year. A further tranche of COVID funding amounting to £13.0m was received this year. It is currently forecast that the Council will have COVID funding of £5.8m to carry forward into the next financial year, however the council will continue to monitor this position in light of any further potential pressures that may arise from now to year end.

Please refer to 'Appendix C – Covid-19 Financial Forecast Summary 2021-22' for an analysis of the non ring-fenced and ring-fenced Covid-19 grants and estimated overall Covid related spend and reduced income.

Collection Fund

For business rates, to the end of September, we have collected £219.8m of £414.5m billed (53.0% in-year collection rate) compared to 56.1% for 2020, which is a reduction on 2020 as well as lower than pre-pandemic collection levels. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

For council tax, to the end of September we have collected £72m of the £157m Council Tax bills raised (45.8% in-year collection rate) compared to 46.5% for the same period in 2020, which is a reduction on 2020 as well as lower than pre-pandemic collection levels.

Dedicated Schools Budget

The forecast underspend is £1.0m. The allocation of the DSG for High Needs Block was increased by 8%, this has meant significant increases in budgets for 2021/22. This will go towards addressing the brought forward cumulative deficit of £11.6m, reducing it to **£10.6m** at year end. The Council continues to work with schools to ensure a recovery plan is progressed to reduce the deficit in future.

HRA

The Housing Revenue Account is forecasting an adverse variance of £1.4m when compared with budget. This overspend results from pressures which include residual costs relating to the fire at Hadley House (£0.2m) which are unlikely to be covered by the Council's insurance policy, additional one-off ICT costs relating to the recent upgrades at THH (£0.5m), redundancy costs following a restructure of the capital delivery team (£0.3m) and loss of rents relating to a number of parking spaces that have been decommissioned as a result of developments (£0.1m) and unbudgeted security costs of (£0.3m) relating to the William Brinson building.

General Fund and Earmarked Reserves

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

All in figures in £m	**Provisional outturn 2020-21**	**Forecast 2021-22**	**Increase/(decrease)**
General Balance	20.0	20.0	-
Reserves without restrictions	75.1	70.1	(5.0)
Total	**95.1**	**90.1**	**(5.0)**
Restricted Reserves	97.9	97.0	(0.9)

Reserves (excluding restricted reserves) are forecast to decrease by £5.0m. We are in a hugely unpredictable environment and we are facing significant challenges over the medium-term 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 going forward.

Children and Culture

Forecast overspend of £1.6m on General Fund, after reserve movements

Forecast DSG underspend of £1.0m before transfer to reserves

	Forecast Variance		
£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Children and Culture (GF)	1.6	3.6	(2.0)
Children and Culture (DSG)	-	(1.0)	1.0

The general fund is projected to be overspent by a £1.6m, after the application of £1.4m un-ringfenced COVID funding and £0.5m of specific COVID grants to the directorate. There **is** a contribution from reserves of £2m for the cost of providing free school meals for all Children in Tower Hamlets Primary Schools. The gross overspend is as follows: Supporting Families £0.6m, Commissioning Leisure and Culture £1.6m, Children's Resources £2.2m and Education £1.1m. The net positions after Covid relief and reserves are Supporting Families £0.1m, Commissioning Leisure and Culture £0.2m, Children's Resources £0.2m and Education £1.1m (including 700k one off pressure from school closures).

The improving Covid-19 position has meant that many services are returning to similar operational levels as pre pandemic however there remains uncertainty in a number of areas where there are possible residual elements needing to be identified, this is particularly the case with increasing numbers of Social care referrals. Work continues to review all the spend and lost income due to Covid-19 in order to ensure that a true base budget is reflected.

Total MTFS savings which have been applied to the budget for the Directorate in 2021/22 stand at £3.295m with three major elements in respect of the revised Early Help and Youth offer (c£1m), the ending of growth that invested in Children's Social Care and the Social Work Academy (800k), and Education savings including upon SEND School Travel (c£1m).

Supporting Families £0.6m

(i) Staffing £0.4m

The division continues to work to reduce the use of agency staff and there is a continuing momentum of improvement. However there is still a significant reliance on agency in certain areas particularly in the Assessment and Intervention teams.

(ii) Leaving Care £0.2m

The Costs of placements for leaving care are currently showing a significant overspend for the costs of supported Accommodation. Work continues to maintain a tight grip on this spend whilst ensuring that our young people's needs are met.

Commissioning and Culture £1.6m

(i) Contract Services £0.7m

The School Catering service has been affected by Covid with closure of schools, bubbling of classes and reduced numbers overall which has impacted school meal take up. The start of the autumn term has seen increased additional staff costs to provide cover for higher than normal levels of sickness.

(ii) Leisure, Parks and Events Income £0.6

There are a number of income losses, GLL income loss is £471k. Outdoor Education income loss is £81k. Barts & Royal London Cardiac rehab programme income loss is £30k. Whilst Events have restarted, the income from these has reduced and the number available progressing has also reduced on the pre covid rates

(iii) PDC Income £0.3m

Covid has significantly impacted upon normal income streams generated from room hire. The PDC is therefore incurring day to day fixed costs without obtaining the usual operational levels of revenue. The final outturn position will ultimately be linked to the rate at which business as usual returns with an opening economy.

Education £1.1m

(i) Closure of Shapla, St Mathias and Cherry Tree Schools £0.7m

The Cost of closing the three schools this year has yet to be finalised, however all Schools have closed with a budget deficit and will be charged with a number of redundancies. Where possible the use of full year budgets and DSG contingencies will be used to support the closing costs.

(ii) Reduced income for SLAs with Schools and Early Years £0.4m

There are number of areas where services are seeing reduced income from Schools due to a slow or reduced uptake of services post covid. These include Educational psychology, parental engagement and governor services

Resources £2.2m

(i) Contribution from reserves in relation to providing KS2 Free School Meals £2m

This is an agreed use of Reserves, £6m agreed over 3 years at £2m per year to support the cost of providing all Children in Tower Hamlets with a free School meal regardless of their income-based eligibility

Resources and Governance

2.2

Forecast overspend of £1.0m, after reserves movements

£m	Forecast Variance: Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Resources and Governance	1.0	3.4	(2.4)

The Resources and Governance directorate forecast impact on the general fund is an overspend of £1.0m. This position is following Covid-19 funding of £3.1m, Covid Outbreak Management Fund grant of £0.3m and after the drawdown of reserves totalling £2.4m.

The reserve movements include drawdown from the Transformation Reserve for the Finance Improvement Programme (circa £1m) and HR Improvement Plan (£0.14m), Local Election Reserve for the governance referendum (circa £0.5m), Insurance Reserve for the Insurance Team (£0.35m), Covid Recovery Fund Reserve (£175k), the ESOL for Integration Fund reserve (£156k), and the Local Community Fund reserve (£60k).

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

	£m	Forecast variance commentary
Communications and Marketing	-	Forecast breakeven position, after expected funding from the Contain Outbreak Management Fund (COMF) grant for pandemic related work.
Strategy, Improvement and Transformation	0.2	The £0.2m overspend forecast position is demonstrated through the part-year delay in the Enabled Functions restructure. There will be a drawdown from the Covid Recovery Fund of £175k for community-led recovery, health and economic recovery, and supporting children and young people. Two reserves will be drawn down in 2021-22, being the ESOL for Integration Fund reserve (£156k) and the Local Community Fund reserve (£60k), which were created in 2020-21 for projects that spanned across 2020-21 and 2021-22.
Customer Services	0.2	The forecast overspend for the Customer Services division is £0.2m. This is due to Local Presence unachievable and delayed savings of £0.9m, reduced by an underspend in Idea Stores Learning (£0.3m), Idea Stores staffing costs allocated to the Covid Outbreak Management Fund grant (£0.2m) and over-achievement in Registrars Services income (£0.2m). The unachievable and delayed savings relate to the Local Presence and Idea Store Asset Strategy agreed at Cabinet in March 2021 and the

		unachievable savings will need to be considered for cancellation in the 2022-25 MTFS. Lost income relating to room hire in Idea Stores is funded through Covid-19 non-ringfenced grant (£27k). The forecast for **Idea Stores Learning** is a £300k underspend due to the allocation of staffing costs against adult community learning grants (including the Innovation Fund grant). Idea Stores Learning is forecasting reduced income of £138k for adult community learning classes due to the pandemic. The Council is expected to receive Sales, Fees and Charges income compensation from MHCLG of £98k and the remaining £40k of reduced income will be funded from the non-ringfenced Covid emergency grant. The forecast for **Registrars Services** is an underspend of £200k, due to fees & charges income, after allocation of Covid non-ringfenced emergency grant for extra staffing to process the backlog of registrations from the pandemic. The Registrars Service has moved into St George Town Hall and this has increased income maximisation from events such as weddings.
Legal, Monitoring Officer, Democratic and Electoral Services	-	The forecast is a breakeven position, however legal services is a demand led service and the level of work will need to be monitored throughout 2021-22 to identify any potential overspend pressures. There will be an increase in court proceedings as the backlog of cases from the pandemic now work their way through the courts and therefore £150k of counsel fees will be funded through the Covid non-ringfenced emergency grant. The governance referendum of the Mayoral system was carried out in May 2021 as well as the London Assembly elections. The London elections will be funded through the GLA, however a drawdown will be required from the Local Elections Reserve to fund the costs of the governance referendum (circa £0.5m). The extra Covid social distancing and cleaning costs for venues of £0.15m is to be funded through the Covid non-ringfenced emergency grant.
Revenues and Benefits Service	0.2	A forecast overspend of £0.2m due to increased bank transaction fees for card payments online and by touchtone phone, as the Council has increased the use of self-service options for the payment of bills by residents. Savings totalling £0.9m are expected to be fully achieved in 2021-22. 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 is an expected 2021-22 extra cost of £821k demonstrated by £671k direct staffing costs and a £150k commissioned contract for external processing support. The government has provided Additional Burdens Funding of £300k for administration of Covid-19 business grants and the Council Tax Hardship Fund, and the remaining cost of £521k will be funded by the non-ringfenced Covid-19 emergency grant. There has also been extra staffing required to facilitate Covid-19 grant payments and rates reliefs for businesses and this cost of £0.85m will be funded through the Covid-19 emergency grant.

		The long term staffing requirement from the pandemic and increased properties for Council Tax will need to be considered as part of the 2022-25 MTFS refresh. Enforcement activity to recover debts through the courts was suspended during the pandemic and this created an under-achievement in court costs awarded income in 2020-21, however it is forecast that this will be returning to pre-pandemic levels in 2021-22. 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 full and it is expected that this will result in an income pressure of £0.4m for 2021-22 which will be funded by the Covid-19 emergency grant.
Human Resources and Business Support	0.4	The forecast for HR and Business Support is an overspend of £0.4m, due to centralisation savings still to occur in Business Support and funding pressures from pay inflation and changes to terms and conditions. Covid-19 emergency grant funding of £72k is requested 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. Business Support is forecast to achieve the £0.8m 2021-22 new savings targets as planned. The £0.4m forecast overspend is due to centralisation savings still to occur and funding pressures from pay inflation and changes to terms and conditions. This will be considered as part of potential future structure reviews and centralisations.
Finance, Procurement and Audit	-	A forecast breakeven position. This is subject to a drawdown of circa £1m from the Transformation Reserve for the Finance Improvement Programme and £0.35m from the Insurance Reserve for the Insurance Team. 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 will need to be drawn down from the Transformation Reserve in 2021-22 to fund the improvements.
Information Technology	-	A forecast breakeven position, after funding of £0.5m from the Covid non-ringfenced emergency grant for extra IT equipment costs to support remote working and hybrid meetings.
Corporate Management, Mayor's Office and Central Resources	-	A forecast breakeven position in the areas of the Chief Executive's Office, Mayor's Office and central Resources and Governance. Covid-19 related costs of £175k are requested to be funded by the non-

	ringfenced Covid grant for BECC staffing, communications, and additional cleaning and security at Registrars and Idea Stores buildings.

Health, Adults & Community

2.3

Forecast overspend of £2.3m on the General Fund

Forecast to budget Public Health position

£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to / (from) Reserves
	Forecast Variance		
HA&C	2.3	2.3	-
Public Health	-	-	-

The Health, Adults and Community Directorate's forecast outturn at Period 6 for 2021-22 is a £2.3m overspend against a revised budget of £148.921m.

Delivery of savings is on track with minimal slippage into next year anticipated.

Since Period 3, there has been a change in the forecast outturn largely because the level of expected growth in care packages (new packages and increased care packaged due to complexity) is significantly higher than the level of capped demography included within the budget. However, this forecast has improved over the last month.

It is relevant to note that a significant budget realignment exercise is underway and should be concluded for adult social care by the end of November 2021. Data quality remains a key concern and risk and the adult social care improvement programme is scoping an in-depth piece of work to cleanse data on the social care IT system, Mosaic. Work with budget managers and Finance on forecasting is also ongoing. The combination of these factors mean that forecasting the adult social care budget remains volatile albeit progress is being made.

A total of £1.376m has been claimed from the CCG under the NHS Hospital Discharge and Community Support Funding to the period ending September 2021 for all eligible discharges from hospital. The Government has now extended funding from 1st October 2021, via the NHS, for up to four weeks of care for new or additional needs of an individual on discharge from hospital, where care is delivered up to and including 31st March 2022, within a cap allocated to each Integrated Care System. It has been projected that at least a further £2m for the period October to March will be claimed from the CCG via this funding, depending on the level of discharges during this period and the care packages, and costs of these packages, that will be required based on assessments of need. There is an underlying pressure of an additional £4m in 2022/23 on the cessation of the NHS discharge funding if the current level of discharges, and services delivered based on complexities of care, continues into the next financial year.

	£m	Revenue Forecast variance commentary
Adult Social Care	**£3.76m**	
(i) Care Package Costs £2.91m		Care package costs are projected to overspend by £2.91m against a total budget of £92.86m (an increase of £1.53m on the period 5 forecast). Care and Support Plan Assurance Meetings (CSPAM) data clearly

demonstrate the increasing needs and complexities of clients, with additional 1-1 support and 24-hour homecare packages being required to meet growing demand. Data from the 1st April to the end of September shows that the Panel process has approved 385 packages of care with increasing needs, representing a further £2.829m full-year cost and 206 of the 1,032 cases assessed to date, resulted in a reduction in care package, amounting to a £3.804m reduction in full year estimated costs. 208 packages assessed resulted in no change in the level of care provided. The net impact of CSPAM to date is a reduction of £0.975m indicting the value of the CSPAM oversight.

There have been 233 new packages of care totalling £1.979m in full year costs. The number of packages that have ceased during the same period is not yet available.

(ii) Other £1.95m

With the cessation of NHS Discharge Funding and other Covid grant funding to the Local Authority at the end of this financial year, financial pressures on Adult Social Care budgets are growing at an immense rate. In addition, the costs of long-covid implications on additional social care needs have yet to be quantified.

(iii) Income £1.26m

Some of the current variances are artificial and offset by the current underspend in Integrated Commissioning budgets. The current budget realignment exercise, which is underway and due to conclude by the end of November 2021, will ensure that all budgets are analysed for current care package data and to align budgets accurately based on forecast spend by service area and care type.

Other costs relate to Supplies and Service and premises expenditure which are projected to overspend by £1.95m at period 6. This overspend is only due to budgets not being correct aligned and sufficiently allocated based on expenditure being incurred and will be rebased as part of budget realignment.

Currently income budgets are projecting an overspend position of £1.26m. Apart from the Better Care Fund (BCF) budgets, that have now been rebased, all other income budgets need to be accurately analysed as part of the budget realignment exercise.

Integrated Commissioning (£1.59m)

(i) Summary

The Integrated Commissioning Budget is forecast to underspend by £1.59m at period 6. The budget realignment exercise currently underway will align this underspend position with the overspend position currently being projected in Adult Social Care.

(ii) Community Equipment £0.20m

Community Equipment is currently projected to overspend by £0.20m at period 6. This budget pressure remains after further realignment of BCF funding to the Community Equipment budget and is based on the latest level of invoices being received. This is a pooled budget and analysis shows the demand to be a broadly 50/50 split across social care and the NHS. Negotiations are underway to address this overspend with our

NHS partners and our expectation is that the Clinical Commissioning Group (CCG) will meet the costs of 50% of the pressure in line with the BCF Section 75 partnership agreement.

(iii) Savings

The underspend position also reflects an early delivery of the Hostels Saving of £350k that was to be delivered in 2022-23 (Hackney Road Project) as this service is now funded via an Department of Levelling Up, Housing & Communities grant. Savings have been achieved in 2021-22 in line with the MTFS in relation to the Tenant Activity Pot (£299K), Hostels (£343k), Restructure of Integrated Commissioning (£202k) and £260k relating to Information, Advice & Advocacy and Direct Payments contracts.

Community Safety £0.09m

(i) Summary

Community Safety is projected to overspend by £0.09m at period 6.

This further increase is due to slippage on two reorganisations as part of the Community Safety and Enabling Functions restructures.

(ii) DAAT

There is a forecast underspend position of £168k within the Drugs & Alcohol Action Team due to lower than budgeted prescribing costs and resolution of backdated claims (£58k 2019/20 & £67k 2020/21) with the CCG. It is anticipated that a similar amount will be claimed from the CCG in 2021-22.

(iii) Savings

The community safety budget was adjusted by £1.392k in 2021-22 for savings of which £840k related to the General Fund and £552k Public Health grant.
The service is working hard to mitigate slippage in its planned savings due to restructures taking longer than anticipated in order to bring the forecast outturn back in line.

Public Health £0.0m

(i) Summary

Public Health is currently projecting a break-even position at period 6.

(ii) Sexual Health

As a demand-led budget, sexual health remains the main risk to the Public Health Grant. There has been a revised forecast for sexual health related expenditure mainly for PrEP[1]. The budget allocation for PrEP is £979,519 however based on the latest usage between April to July the forecast is estimated circa £557,224. There is a high level of uncertainty around activity since COVID restrictions have only been lifted recently and the ongoing challenges with providers in terms of submitting delayed invoices.

The forecast is currently based on data provided by Newham, who are the lead commissioners on behalf of Tower Hamlets, Waltham Forest

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[1] PrEP – pre-exposure prophylaxis – drugs to protect from HIV

and Newham. Currently the forecast is based on baseline data from recent demand, predicted agenda for change uplifts and additional costs for transformational elements of the programme for the local provider (Barts) and it remains unclear about the impact of sexual health tariff changes as this information has not been released on a London level for 2021.

The current reserve balance (including the 2020-21 underspend) is £3,321,792 and a plan for investment of this reserve is being drawn up.

Place 2.4

Forecast £1.5m underspend on the General Fund after requested transfers from reserves

	Forecast Variance		
£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Place	(1.5)	6.4	(7.9)

The Place Directorate is forecasting an underspend of £1.5m after £7.9m of reserve drawdowns made up of specific grants and other earmarked funding sources to cover identified in-year expenditure. These reserves also include the £1.2m from the Mayors Covid-19 recovery fund and £1.7m from s106 drawdowns.

The reserves that are planned to be used form part of the Directorate's budget and are not being used to offset general overspend. The majority of the reserves relate to unspent grant that has been carried forward from previous years that is ringfenced for specific pieces of work. Some of these reserves are funding core services such as the Tackling Poverty team where a corporate decision was taken to remove general fund budget, specific posts and the rent increase within Temporary Accommodation to prevent an adverse impact on the Housing Benefit subsidy position. Other reserves are funding transformational and approved projects such as clearing fly tipped materials at Ailsa Wharf, replacing trees or upgrades to the vehicle workshop to allow more income to be generated and homelessness transformation.

Details of the reserve drawdowns are provided below:

Reserve	Division	Amount £m
Fly Tipping reserve to fund Ailsa Wha	Public Realm	0.5
Transport workshop reserve	Public Realm	0.1
Rechargeable Works > 6 years old	Public Realm	0.3
S278 Highways Rechargeable Works	Public Realm	0.6
MPG Tackling Poverty Fund	G&ED	0.9
S106 Reserves	G&ED	1.7
FHSG – Transformation of Homelessn	Housing	0.4
FHSG – Homelessness service	Housing	1.6
Rough Sleepers Initiative	Housing	0.2
PRS Access Grant	Housing	0.1
External Wall Surveys	Housing	0.3
Homeless Prevention Grant (Top Up)	Housing	-0.4
LIF Regeneration Funding	Resources	0.4
Mayors Covid Recovery Fund	Cross Division	1.2
Total		**7.9**

The table below provides a summary of this forecast at a divisional level. Significant underspends have been forecast within Public Realm, which are partially offset by budget pressures within Property & Major Programmes.

	Net Budget	Outturn before drawdowns	Variance before drawdowns	Reserve (drawdowns) / Top Ups	Variance after Reserve movements
	£m	£m	£m	£m	£m
Property & Major Projects	17.8	20.0	2.2	0.0	2.2
Public Realm	33.8	32.6	-1.2	-1.9	-3.1
Growth & Economic Development	3.1	6.1	3.0	-3.2	-0.2
Planning & Building Control	1.6	1.5	-0.1	0.0	-0.1
Housing	8.9	11.0	2.1	-2.4	-0.3
Resources	0.1	0.5	0.4	-0.4	0.0
Total	**65.3**	**71.7**	**6.4**	**-7.9**	**-1.5**

The Directorate has £3.9m of savings targets in 2020/21. Of these savings, £2.8m are forecast to be delivered, £1m of savings are forecast to slip into the next financial year and £0.1m is undeliverable.

The slippage relates to savings targets within the Property division where £1m of savings are due in year relating to better use of the Council's property portfolio. Although a work plan has been developed to deliver the saving, the current Covid-19 environment is making it increasingly difficult and a slow process to either let or dispose of property. Incentives are having to be offered when letting properties, for example rent holidays, to secure tenants, resulting in delays to the delivery of the savings. Delivery of these savings is further hampered by an inherent budget pressure relating to loss of rent at Jack Dash House following THH vacating the premise but the budget pressure remaining with Property. The budget realignment work has commenced within the Place Directorate with a view to managing this pressure in the future.

The Place Directorate has been significantly impacted on by the Covid-19 pandemic. Forecast costs and income loss attributable to COVID-19 across the Place Directorate total £12.9m in 2021/22, of which £5.2m is planned to be offset by specific ring fenced grant, £0.5m from the sales, fees and charges recompense scheme for lost income, £6m from general Covid-19 grant and the remaining £1.2m from the Mayor's Covid-19 Recovery fund.

	£m	Forecast variance commentary
Property & Major Programmes	£2.2m	The Property & Major Programmes division is forecasting an overspend of £2.2m against budget inclusive of s106 drawdowns with a forecast outturn of £20m against a budget of £17.8m. There are five schools that have transferred or are transferring to Corporate Property. These schools are vacant properties declared surplus to requirements and transferred with no budget as they were previously funded from Basic Needs grant within Children's services. Vacant property costs including security, insurance, utilities and general maintenance including compliance are being incurred, creating a part-year budget pressure of £0.5m. **Corporate Landlord Model (CLM)** is forecasting an adverse variance of £0.9m against budget. This is made up of the following: The CLM rates budget is forecasting to overspend by £0.4m. The cross-rail multiplier relating to Southern Grove does not form part of the base budget for business rates. Work is ongoing to mitigate this pressure Service charge budget is forecasting to overspend by £0.3m due to unbudgeted insurance costs relating to Mulberry Place. The energy budget is forecasting to overspend by £0.4m with unit costs increasing. There is a risk that further increases in electricity costs could be incurred as they are variable and not fixed and global prices are rising. LBTH entered into a new contract on 1st October and costs will be closely monitored and reported in future months. The Cleaning budget is forecast to overspend by £0.1m resulting from MTFS savings that are slipping. Running costs amounting to £0.3m for sites being used as Covid-19 test centres are being recharged to the general Covid-19 grant, resulting in a one-off underspend within the general fund. **Non-Operational Investment Estate** is forecasting an adverse variance of 1.5m against budget. There are £0.9m savings relating to better use of Council assets attributed to this area, as well as £1m ongoing budget pressure relating to the rent and service charge income loss from Jack Dash House which was vacated by THH on the expiry of their previous lease agreement resulting in a budget shortfall. Proposals have been drawn up to deliver and mitigate this combined saving and pressure of £1.9m, but a significant proportion of this is not profiled to be achieved in the current year or is yet to be identified which is partly contributing to this overspend; £1m, and of the opportunities profiled to be achieved in the current year, £0.5m is either slipping or not achievable. This is primarily the result of rent holidays being given to new Organisations leasing Council properties where it is increasingly difficult and time consuming to secure new tenants in a Covid-19 environment.

Public Realm	(£3.1m)	Public Realm is forecasting a favourable variance of £3.1m against budget. This figure is inclusive of budgeted and approved reserve drawdowns for specific work totalling £1.5m.

Operational services are forecasting an adverse variance of £0.2m against budget.

An overspend of £0.1m within waste disposal based on current tonnages. The increased tonnages result from changes in behaviour as a result of Covid-19, with more online shopping creating household waste and greater working from home. As a result, this cost will be charged against the general Covid grant and have no impact on the General Fund position.

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 this work was completed in this year it is being funded from reserves and will have no impact on outturn.

There is a projected under recovery of income totalling £1.6m for commercial waste income partly as a result of the pandemic. (£1.4m). There will be reclaim of £1.4m though both the MHCLG Sales, Fees & Charges Losses scheme and non-ringfenced grant.

Environmental services are projecting an overspend of £0.3m against budget.

There is a £0.2m savings target within waste services, this is being met in-year through additional one-off income relating primarily to uncollected income for cleansing at Chrisp Street market. Although there is a mitigation in year, this will be a cost pressure in future years if the saving is not delivered.

The Waste service continues to incur costs directly related to COVID-19, with additional costs of £0.3m forecast for agency and overtime cover during the year. Costs totalling £0.2m will be offset against the general COVID-19 grant and not impact on the outturn position. The remaining amount relates to unbudgeted staff costs associated with the day to day running of the service, resulting in a £0.1m adverse variance.

The service has received a further £0.3m from the Mayors Covid-19 recovery fund for use on enhanced street cleansing. It is assumed this will be spent in full.

Concessionary Fares is projecting an underspend of £1.3m for Freedom Passes as a result of fewer TFL journeys being undertaken during the pandemic. The current years calculation is based on the previous two year’s average journeys where travel was restricted due to lockdown. This is a one-off saving and budget has not been reduced to reflect the lower charge

Parking services are forecasting a favourable variance against budget of £2.1m. This represents a favourable movement of £0.8m when compared with the previous forecast. There are a number of factors making up this underspend.

The Enforcement service (PCN related income) is currently operating at pre covid-19 levels with tickets being issued in line with budgeted levels. The team have worked with highways to introduce new moving traffic cameras, including school street cameras to reduce overall environmental impact and user road safety, which are forecast to result in an increase in CCTV tickets issued across the borough and additional income estimated at £2m. However, this is part being offset by pressures on the Parking debt budget where an under recovery against the income target of £1.4m is forecast. This target relates to Aged debt cases where the central debt collection team are falling short of the targeted debt recovery levels that they felt were recoverable and therefore budgeted.

Bay suspension income is forecasting to over recover by £1m with demand for the service continuing to be high. This income level is in line with the outturn position from the previous year. Income is being forecast to over recover by £0.8m from direct suspensions, with the remaining £0.2m representing income foregone from the re-opening of high streets programme where businesses used outdoor space to enable social distancing. These parking bays were suspended free of charge. This cost will be met from the Covid-19 general grant and not impact on the forecast position.

Casual Parking income is forecasting to over recover by £0.6. This is mainly due to the introduction of the diesel levy in May 2020 and its full year impact. Drivers of higher polluting diesel vehicles pay a surcharge to park within the Borough. The impact of the diesel levy was not included in the budget.

The **Street Trading** account is projecting to outturn in line with budget, after offsetting a forecast income shortfall of £0.7m against the Covid-19 general grant and Sales, Fees & Charges reclaim for quarter 1. This represents a favourable movement of £0.3m when compared with the previously reported projection.

Since full reopening, Markets have started to see a slight bounce back in Casual traders, but this has not made up for those lost during the pandemic. There has been an overall reduction in market traders since pre-covid levels and the Markets have lost income as a result.

The Government has introduced the Business & Planning Act 2000 which provides guidance around the reopening of highstreets. This will result in an annual reduction of £0.1m for ongoing fees for table and chair licenses. The Government capped the fee that could be charged for such licenses at a level below that approved at budget setting through the Fees & Charges and prevented charging by the square metre for pavement licenses.

Income losses of £0.3m have been forecast that are directly attributable to Covid-19. This results from a phased programme to re-open the markets and greater spacing between pitches, reducing the capacity for casual traders within the markets. This income loss will be reclaimed through a combination of the sales, fees and charges recompense scheme. A further income loss of £0.3m has been forecast where a reduced number of traders have returned to the markets following the lockdown periods. Again, this will be reclaimed against the general

		Covid-19 grant and resulting in no impact on the General Fund. The Markets service has successfully bid for £0.1m funding from the Mayor's Covid Recovery fund for use in developing and training market traders to use an online trading platform. It is forecast that this funding will be spent in full. **Environmental & Regulatory services** is projecting a favourable variance of £0.4m against budget. There are a number of factors contributing to this underspend position. The service vacancies within Environmental Protection, Pest Control, Food Safety, Trading Standards and Health and Safety. These vacancies are currently being recruited too but have saved £0.3m in year. Re-deployment of Environmental Health 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. A further £0.5m of costs are due to be incurred for the mortality wave 2 payment. This cost will be offset against the general COVID-19 grant. There is no impact on the forecast outturn position. Works undertaken by COVID Marshalls is continuing and costs are forecast at £0.2m. Additional officers were employed to undertake this work and their costs will be met from the COMF grant administered by HAC and has no impact on the outturn position.
Growth & Economic Development	(£0.2m)	The Growth & Economic Development division has a net budget of £3.1m and is forecasting to outturn with expenditure totalling £2.9m, representing a favourable variance of £0.2m and a favourable movement of £0.2m from that previously reported. This outturn position assumes budgeted drawdowns from reserves totalling £3.2m, with £0.9m assumed drawdown from Mayoral Priority Reserve to fund the Tackling Poverty team and £1.7m from the s106 reserve for core activities and approved projects across the division. The remaining £0.6m is projected to be drawn down from the Mayors Covid Recovery reserve for approved projects. The Supported Employment service focuses on the Kickstart project, getting 16–25-year-olds into employment. It is funded from a combination of grant and s106 income. The grant covers the salaries of the apprentices being placed and the s106 income the salaries and costs of the officers providing this service. The Council receives an admin fee of £300 for every apprentice placed and £1,600 for each apprentice directly employed. The number of placements is forecast to exceed budgeted levels, resulting in a favourable variance against budget of £0.3m. **Continuing Covid-19 response** - The Tackling Poverty & Crisis Support team continues to undertake significant additional work in response to the Covid-19 pandemic, with rules around the resident support scheme being relaxed and through the opening of a food bank and food deliveries to vulnerable and shielding residents. Food vouchers have also been distributed to vulnerable residents and a track

		and trace system implemented. In total spend in 2021/22 is estimated at £3.4m, which will be met from ringfenced grant, £1.6m from the Covid Local Support Grant to fund holiday vouchers (£0.7m), Residents Support Scheme (£0.5m), food hubs (£0.4m) and £1.8m from Test and Trace grant funding. There is no forecast use of the general Covid grant. The Growth service has received £0.4m of Welcome Back grant funding which has replaced the previous reopening high streets grant. This grant funding is being used for marshalling and security within the high streets as part of their reopening. It is forecast that the grant will be spent in full in 2021/22. On top of this funding the directorate has been successful in securing funding from the Mayor's Outbreak Recovery fund for specific projects. In total Growth & Economic Development has received approval for £571k of spend across a number of activities including business adaptation grants (£350k for schemes to help small and micro businesses), support to advice agencies (£121k to increase their capacity to support clients) and £100k for food pantries. These amounts are forecast to be spent in full.
Planning & Building Control	£0.04m	The Planning & Building Control service is forecasting to outturn broadly in line with a budget, with a immaterial adverse variance of £40k being forecast. This position includes the use of CIL admin and s106 drawdown in line with budget. **Building Control Revenue** is forecasting to outturn in line with budget. The service has a number of vacant posts which are currently being advertised. The underspend resulting from these vacancies is being offset by a pressure within the income budgets, where the income target is historical and unachievable. This will be addressed as part of the budget realignment work. **Development Management** is forecasting an adverse variance of £0.2m. There is no General Fund budget within Development Management, with the service being income funded. There are a number of vacant posts within the team which results in a £0.3m underspend against budget but this is being offset by a number of unbudgeted recharges totalling £0.4m where services are being received from Noise officers, Highways and other teams within Planning when assessing planning applications. **Application Support** is projecting a favourable variance of £0.2m against budget. This has resulted from vacancies within the newly restructured Divisional Support and Digital & Commercial Innovation Unit which will replace Application Support. Here it has taken longer to recruit to some posts than had been planned. These roles have now been advertised and recruitment is underway. **Building Control Trading Account** is projecting a favourable variance of £0.1m against budget. This results from vacancies within the service which are difficult to recruit too as a result of competition from the private sector and other Boroughs. Income is currently being forecast in line with budget.

Housing & Regeneration	(£0.3m)	The Housing & Regeneration division is forecasting a favourable variance against budget of £0.3m. This projection includes budgeted reserve drawdowns totalling 2.2m, along with the use of £7.4m of grant received in year. This underspend position excludes the impact of the Housing Benefit Subsidy loss. Growth totalling £4.6m has been added to this budget to mitigate the historic cost pressure. Despite this, forecasts show a further pressure of £3m in year. This forecast overspend is due to temporary accommodation costs, increased demand due to the pandemic and its economic impact on the level of housing benefit claims. It is requested that the non-ringfenced Covid-19 emergency grant funds this £3m pressure due to the increase in costs since 2019-20 caused by the pandemic. **The Housing Benefit subsidy loss will become a cost pressure that will need mitigating in 2022/23 when there is no Covid grant funding. It is anticipated that transformation of the Homelessness service will contribute towards this mitigation, but significant savings are not forecast to be realised until 2023/24.** **Homelessness** is forecasting to outturn with a favourable variance of £0.2m. Homelessness numbers remain high but appear to have plateaued. Current numbers in Temporary Accommodation are 2,682, compared with 2,685 in April 2021. These high numbers place pressure on the use of expensive nightly booked and bed & breakfast accommodation at additional cost. A lack of move on options in affordable housing within London is increasing this pressure, particularly for larger properties, making it very difficult for the Council to discharge its duty. Private License Accommodation costs and Non-Secure Tenancy costs remain high and any reductions in year are likely to be minimal due unbudgeted costs from decanting Vantage House and the potential impact on numbers following the lifting of the eviction ban. The service is embarking on an ambitious transformation programme with the aim of reducing both numbers and costs in Temporary Accommodation. The early indicators are that this process is starting to have an effect, with increases in discharges of duty into Private Licensed Accommodation and a reduction in the use of bed & breakfast accommodation. At the height of the pandemic there were c400 individuals housed in bed & breakfast accommodation and this has now reduced to 260. The budget is currently set on 272 bed & breakfast rooms. Currently 80% of new acceptances are now moved straight to self-contained accommodation rather than using bed & breakfast and five additional families per week are moved out of bed & breakfast within two weeks, along with 20 singles. The budget for non-secure tenancies is based on 668 rooms. There are currently 714 people housed in NST's, including the use of 382 property acquisitions as part of the buyback programme. This is mitigating the use of more expensive nightly booked accommodation and the additional rental income received from these properties is over that budgeted. Repairs costs on these buyback properties in the early years 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 the high demand for the service.

This forecast includes a significant increase in the bad debt provision for current tenant arrears caused by delays in getting clients on to Housing Benefits, a significant number of benefit capped households with large arrears and very few debts being written off. In recent weeks there has been a significant reduction in the backlog and the benefit capped cases are a priority of the transformation project, all of which is hoped will lead to a reduction in this forecast.

The transformation project detailed above is projected to deliver £2m savings. Key officers are in post and policies and initiatives are going live or being programmed. A cabinet report in September highlighted the key elements of the transformation project and main changes. Costs of the transformation will be met in year by Flexible Homelessness Support Grant, with a projected drawdown from the reserve of £0.4m in year.

Housing Supply is projecting to broadly outturn in line with budget. This is in line with previous forecasts in this service area. There are a number of adverse and favourable variances making up this projection

The S&I Management Team is incurring unbudgeted costs of £0.3m relating to the Fire Safety team. The Fire Safety team are undertaking and documenting the results of fire risk surveys on the external walls of privately owned high-rise properties. In 2021/22 this team will be funded from External Walls System grant that has been held in reserve specifically for this project and will therefore not impact on the forecast outturn. The reserve is projected to be used in full. Any work undertaken by this team in future years will need to be funded from core budgets, either through growth or from savings elsewhere within the Division.

Housing Supply are recharged by THH for service charges relating to St Katherine's Dock Wall. There is a £65k budget for the recharge which is inadequate and a small overspend of £25k is forecast for the year. This budget shortfall will be addressed as part of the budget realignment work currently being undertaken.

There is a £0.1m unachievable savings target relating to the insourcing of THH which is resulting in an adverse variance within the ALMO client team. There is a further pressure of £0.1m relating to an unachievable income target from when the client team was larger and there was a higher recharge to the HRA. Again, this budget pressure will be addressed as part of the budget realignment work.

A £0.1m favourable variance is being forecast for the Harford Street community centre and shops. Income from the south side shops had been budgeted to fund contracts with Ocean Regeneration Trust but this is now not happening, with this income being retained.

The Regeneration & New Build service is projecting a favourable variance of £0.1m as a result of additional CPO income forecast to be collected in year.

Covid-19 Response - Homelessness and Rough Sleeping are forecasting ongoing Covid-19 related spend of £1.2m, with accommodation costs forecast at £0.6m, support packages totalling £0.5m and staffing costs of £0.1m. This is being funded from MHCLG 2021/22 Rough Sleepers Initiative grant of £0.9m (a £0.5m one off uplift for additional support and move on costs and a second tranche of £0.4m for an extension of covid safe emergency and intermediate accommodation and on-site support). It is proposed that the remaining £0.3m will be met from the general Covid-19 grant.

Housing have been successful in securing £0.2m of Mayor's Covid recovery funding to fund Health and Wellbeing support workers and to provide services to maintain wellbeing and physical and mental health for households struggling financially with rent payments. It is forecast that this funding will be spent in full.

Corporate Costs

3

Forecast £3.1m underspend, after Covid-19 funding and movements in reserves

	Forecast Variance		
£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Corporate and financing costs	(3.1)	(9.5)	6.4

The corporate and financing costs forecast is a £3.1m underspend, following £1m Covid-19 funding, the planned MTFS drawdown from reserves of £1.254m to balance the 2021-22 budget, and other movements in reserves.

Other movements in reserves include the transfer of the further extension year (2021-22) of New Homes Bonus grant, announced in the Spending Review 2020, of £7.654m into the New Homes Bonus reserve (of which £6m was agreed in the 2021-22 budget to be transferred into the Free School Meals reserve to fund the Key Stage Two extension until the end of 2023-24).

A Covid Recovery Fund of £3m has been created (funded from the New Homes Bonus reserve) as agreed at the Council budget meeting in March 2021. Services will drawdown from the Covid Recovery Fund reserve to fund the projects agreed by Cabinet on 30 June 2021.

The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24. In the 2021-22 budget, Council agreed the use of the one-off Local Council Tax Support Grant (£4.025m) and one-off non-ringfenced Lower Tier Services Grant (£1.404m) to fund extra pressures that could be experienced, above assumptions in the MTFS, in the Local Council Tax Reduction Scheme (LCTRS) and business rates income due to the impact of the pandemic on the economy and unemployment.

Details of the variances are summarised below:

	£m	Forecast variance commentary
Cross-Directorate Savings Slippage in savings achievement	1.9	Cross-directorate savings of £3.809m are held corporately. There is short-term slippage in the Reduction in Enabling and Support Services Costs restructure saving of £0.75m. For the Local Presence / Contact Centre Review saving of £1.150m, there is slippage of £0.461m and the rest of the savings of £0.689m have been identified as unachievable following a review supported by the Programme Management Office and will be considered for write-off in the refresh of the MTFS. Covid non-ringfenced emergency grant is requested to fund Covid related savings slippage of £1m, being Greater Commercialisation (£0.431m), Review of Printing/ Scanning/ Use of Multi-Functional Devices (£0.371m) and Change of working hours and use of Flexible Retirement schemes (£0.200m). There were two savings identified, through the review of 2021-22 fees & charges, towards the Greater Commercialisation savings target of £0.5m. These were £39k extra income through the introduction of household bulky waste charges after 2 free collections and commercial bulky waste charges, and £30k extra income in Registrars Services. The remaining savings of £431k are being identified through increased venue hire by the Commercialisation Board.
Recharges to ringfenced funding areas Review to be carried out in 2021-22	2.0	Forecast of potential General Fund pressure which could arise from a review of recharges, from directorates and corporate support recharges, to ringfenced funding areas and trading accounts.
Redundancy, Severance and Early Retirement Forecast overspend against budget	1.0	Forecast overspend of £1.0m against budget of £2.45m, estimated based on 2020-21 outturn, 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).
Pay inflation budget Budget held centrally	-	Pay inflation budget of £1.056m is held centrally for potential 2021-22 pay award increase. £2.044m of the 2021-22 £3.1m budget has been allocated to directorates to fund the 2020-21 pay inflation shortfall from the 2.75% national pay award increase (2020-21 General Fund cost increase of £5.144m against the 2020-21 pay inflation budget of £3.1m).
Pension Fund deficit repayment 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.
Corporate contingency Budget to cover unforeseen	(3.1)	There are currently no commitments against the contingency budget of £3.1m.

circumstances		
Treasury Management Forecast underspend on borrowing costs budget	(3.9)	A forecast underspend on the borrowing costs budget due to slippage in the capital programme. Minimum Revenue Provision (MRP) internal borrowing costs of £4.6m are expected to be funded by the rental income earned through the property buyback programme in Place directorate. It is forecast that interest and dividend income in 2021-22 will be £1.6m. This is below the income budget of £2.3m and continues to be significantly lower than the 2019-20 and 2020-21 levels of income, mainly due to the Covid-19 impact on the economy and the Bank of England base rate to 0.1%.

£m		Forecast Variance	
	Estimated impact on HRA	Variance before reserve adjustments	Contribution to /(from) Reserves
HRA	-	1.4	(1.4)

The Housing Revenue Account is forecasting an adverse variance of £1.4m when compared with budget. This overspend results from £1.1m of pressures previously reported which include residual costs relating to the fire at Hadley House (£0.2m) which are unlikely to be covered by the Council's insurance policy, additional one-off ICT costs relating to the recent upgrades at THH (£0.5m), redundancy costs following a restructure of the capital delivery team (£0.3m) and loss of rents relating to a number of parking spaces that have been decommissioned as a result of developments (£0.1m).

There further pressure relating to unbudgeted security costs of £0.3m relating to the William Brinson building has been identified. This building is currently vacant and 24hr security is required to keep it safe. These costs had previously been charged to the General Fund but the asset is in the process of being appropriated into the HRA as it is a site for housing development and a result the costs for securing the building have been transferred. It is hoped that guardians will be in place once leases are signed that will reduce this pressure, but delays are being experienced within legal services.

There are various projected adverse and favourable variances against the delegated budgets and budgets directly managed by THH that net out. Favourable variances in the repairs & maintenance budgets (as a result of poor performance by the current contractor Mears), Anti-Social Behaviour budget (due to a reduced annual contract cost for Policing) and additional rental income from a claim against the contractor for delays on completing the Barchester development are being offset by adverse variances against the concierge budget (additional fire patrols at Brewster & Maltings), reduced parking enforcement income (delays in getting TMO's onto estates) and reduced leaseholder income (a smaller major works programme during Covid and actual costs being less than the estimates billed)

It is anticipated that the HRA will incur additional building safety costs following the introduction of the new bill. These costs will be predominantly staff costs and will be covered in year by a growth bid that was approved as part of previous budget setting. Therefore, there will be no impact on the outturn position as long as the costs are contained within growth levels.

There are a number of technical adjustments and recharges that the HRA incurs which historically have not been calculated or posted until year-end, for example insurance recharges, depreciation and Item 8 calculation. In previous year's this has resulted in underspend and if this trend continues will mitigate the overspend reported above. Work is ongoing to estimate these costs and they will be included in future forecasts.

Any overspend at year end will be met from a drawdown from reserve balances within the HRA.

The table shows forecast pressures on 2021-22 General Fund balances 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 – 2021.

	Balances as per provisional outturn 2020/21	Assumed Contribution to / (from) Reserve	*Potential adjustment to maintain GF balances*	Forecast balance 31 March 2022
£m	£m	£m		£m
GF balances (general reserve)	**20.0**	(0.3)	1.5	**21.2**
Budgeted drawdown in MTFS	**0.0**	(1.2)	0.0	**(1.2)**
	20.0	**(1.5)**	**1.5**	**20.0**
Earmarked reserves consist of:				
Earmarked reserves with restrictions				
Insurance	**10.0**	(0.4)	0.0	**9.6**
New Civic Centre	**0.0**	0.0	0.0	**0.0**
Parking Control	**3.3**	0.0	0.0	**3.3**
Collection Fund Smoothing*	**54.5**	0.0	0.0	**54.5**
Free School Meals Reserve	**6.0**	(2.0)	0.0	**4.0**
Public Health Reserve	**3.3**	0.0	0.0	**3.3**
Revenue Grants Unused	**8.7**	(1.9)	0.0	**6.8**
COVID 19 grant	**3.5**	2.3	0.0	**5.8**
Local Elections	**0.8**	(0.5)	0.0	**0.3**
CIL**	**7.8**	0.0	0.0	**7.8**
Covid Recovery Fund	**0.0**	1.6	0.0	**1.6**
Earmarked reserves with restrictions – Subtotal	**97.9**	**(0.9)**	**0.0**	**97.0**
Earmarked reserves without restrictions				
Risk Reserve	**6.5**	0.0	0.0	**6.5**
Transformation Reserve	**3.6**	(1.1)	0.0	**2.5**
ICT Reserve	**9.6**	(2.0)	0.0	**7.6**
Mayor's Tackling Poverty Reserve	**3.4**	(0.8)	0.0	**2.6**
Mayor's Priority Investment Reserve	**5.4**	0.0	0.0	**5.4**
New Homes Bonus	**40.1**	4.6	(1.5)	**43.2**
Services Reserve	**6.5**	(4.2)	0.0	**2.3**
Earmarked reserves without restrictions - Subtotal	**75.1**	**(3.5)**	**(1.5)**	**70.1**
Total Earmarked Reserves	**173.0**	**(4.4)**	**(1.5)**	**167.1**
Total GF and Earmarked reserves	**193.0**	**(5.9)**	**0.0**	**187.1**

*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 CIL (Community Infrastructure Levy) reserve balance only includes revenue related CIL monies held within earmarked reserve and not capital CIL monies.

The table shows the 2021-22 provisional outturn position for the Housing Revenue Account, and for Dedicated Schools Grant.

HRA and DSG reserves	Balances as per provisional outturn 2020/21 £m	Forecast Movement £m	Forecast balance 31 March 2022 £m
Housing Revenue Account (HRA)	**52.3**	(1.4)	**50.9**
Dedicated Schools Grant (DSG)	**(11.6)**	1.0	**(10.6)**
Total Other Reserves	**40.7**	**(0.4)**	**40.3**

Overall Position

We have £328m of investments and £72m borrowing.

The Council's investment balance at the end of September 2021 was £328.2m (an increase of £23.3m from the previous month).

Income Position

Forecast under-achievement in investment income.

The 2021-22 budget for investment income is £2.3m and the forecast is £1.6m based on expected cash levels throughout the year and expected dividends from pooled funds. This return is significantly lower than both 2019-20 and 2020-21, mainly due to the continued Covid-19 impact on the economy and the subsequent reduction in base rate to 0.1% by the Bank of England.

Yield on the internal portfolio was 0.13%. Investments in local authorities contributed an average yield of 0.36% and the 35-day notice account with Santander contributed 0.25%. The income only return on the entire portfolio, including the Council's external investments was 0.63% whilst the total return on the entire portfolio was 1.70%.

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

Benchmarking

We compare favourably for the return we get from our investments in Q2 of 2021-22.

According to the 2021-22 Quarter 2 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 0.63% outperformed a group of fifteen London councils (0.49% average income return) but underperformed against 129 national local authorities (0.78% average income return).

The Council's return on internally managed treasury investments of 0.13% performed well above a group of fifteen London councils by 0.04%.
We are continuing to look at alternatives that retain and protect the capital value of our investments while maximising income return.

Liquidity

48% of funds are available within 7 days ensuring adequate cash is available to meet expenditure payments.
69% of funds are available within 100 days.

Inflation

Monies invested are holding more value against current inflation.

Consumer Prices Index (CPI) rose by 3.1% in the 12 months to September 2021, down from 3.2% in August:
On a monthly basis, CPI increased by 0.3% in September 2021, compared with a rise of 0.4% in September 2020.

According to Capital Economics, the dip in CPI inflation in September feels a bit like the lull before the storm as they expect inflation to jump to close to 4.0% in October and to between 4.5% and 5.0% by April next year. As such, they believe that the fall in September probably won't

	deter the Bank of England from raising interest rates from 0.10% in the coming months.
Security	Average credit rating across the portfolio of investments at the end of August 2021 was A+. The portfolio's bail-in risk has increased by 7% to 65%. The portion that remains susceptible to bail-in risk includes the 35-day notice account and deposits with Money Market Funds.
Borrowing Forecast interest payable cost on external borrowing is £2.2m.	The Council has Public Works Loan Board (PWLB) loans totalling £54.0m and fixed rate bank loans totalling £17.5m. There is a forecast underspend on the borrowing costs budget due to forecast 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.

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 included £102m (Council share of £30.6m) to take account of potentially successful Material Change of Circumstances (MCC) appeals relating to the pandemic.

NNDR (Business Rates)

We are expected to collect £401m in total for 2021-22.

Collection levels continue to be impacted by the Covid-19 pandemic.

There is an accumulated Business Rates Collection Fund deficit to the end of 2020-21, of which the Council share is £85.6m and of this circa £54m is funded through expanded retail and nursery scheme relief grants. The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24.

The government will provide compensation funding for 75% of components of the 2020-21 deficit.

The accumulated deficit includes the significant impact of the increased appeals provision which includes allowance for potentially successful Material Change of Circumstances (MCC) appeals relating to the pandemic. The accumulated deficit also includes a significant increase in the loss allowance (bad debt provision) for potential non-payment of debts to the Council, again due to the pandemic.

The Covid-19 pandemic continues to have a significant impact on the 2021-22 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 2021-22 was £458m. This has adjusted to £401m after changes to the Extended Retail Relief Scheme and Section 31 grant will be provided to offset this reduction and the effect of rateable value changes in the valuation list.

To the end of September, we have collected £219.8m of £414.5m billed (53.0% in-year collection rate) compared to 56.1% for 2020, which is a reduction on 2020 as well as lower than pre-pandemic collection levels. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Debt enforcement processes have recommenced and it is expected that the collection rate will improve over the rest of the financial year.

Council Tax We were expected to collect £151m in total for 2021-22. Collection levels continue to be impacted by the Covid-19 pandemic. Council Tax income is split between the Council (circa 75%) and the GLA (circa 25%).	There is an accumulated Council Tax Collection Fund deficit to the end of 2020-21, of which the Council share after compensation from government is £4.4m. The compensation from government is based on 75% of certain components of the 2020-21 gross deficit. The deficit includes the impact of the loss allowance (bad debt provision) which was increased by £3.1m (Council share) from £11.9m (2019-20) to £15.0m (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 rose from £26.7m in 2019-20 to £31.6m in 2020-21. The level of claimants has remained at the increased pandemic level to date (estimated £33.2m cost in 2021-22 which includes the effect of the annual Council Tax increases). The level of claimants could increase following the end of the government's furlough scheme and the £20 per week reduction in universal credit. For total Council Tax income (both retained by the Council and passported to the GLA) the collectable budget for 2021-22 is £151m. To the end of September we have collected £72m of the £157m Council Tax bills raised (45.8% in-year collection rate) compared to 46.5% for the same period in 2020, which is a reduction on 2020 as well as lower than pre-pandemic collection levels. As debt enforcement processes have recommenced, the collection of debt arrears for previous years has improved (£5m collected to end of September relating to previous years). The in-year collection rate could be negatively affected following the end of the government's furlough scheme and wider economic impacts currently being experienced by residents (including inflationary and market pressures on employment, energy and food costs).

Target for year £28.9m

£20.0m savings to be delivered

£m	21-22 Target	Prior Year Slippage	Saving Target	Forecast Savings	Slippage	Under Recovery	Over recovery
	A	B	C = A + B				
HA&C	5.4	0.3	5.8	5.3	0.4	0.0	0.0
Children and Culture	5.1	0.6	5.7	3.3	2.4	0.0	0.0
Place	3.2	0.7	3.9	2.8	1.0	0.1	0.0
Resources and Governance	3.7	1.9	5.5	4.4	0.5	0.6	0.0
All	6.3	1.7	8.0	4.2	3.1	0.7	0.0
Total	**23.7**	**5.2**	**28.9**	**20.0**	**7.5**	**1.4**	**0.0**

Total savings target for 2021-22 is £28.9m (£23.7m relates to approved savings as part of the 2021-22 budget setting process, and £5.2m as a result of previous years' savings not delivered, which have been re-evaluated since the last report).

- £20.0m is identified as being on track to deliver savings;
- A net position of £7.5m is forecast to slip into future years due to timing issues;
- £1.4m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2021-24' for a detailed breakdown and latest updates on savings programme.

General Fund Period 6 Capital Monitoring

General Fund Programme	Directorate	Revised Budget £ 'm	Actual Year End £ 'm	Forecast Year End £ 'm	Variance (Forecast Vs Revised Budget) £ 'm
Approved Programme	Children & Culture	40.0	8.2	28.5	(11.5)
	Health Adults and Community	22.2	0.0	15.2	(7.0)
	Place	107.3	24.1	77.9	(29.4)
	Resources	3.4	0.2	1.6	(1.8)
Approved Programme Total		**172.9**	**32.5**	**123.2**	**(49.7)**
Approved Rolling Programme	Children & Culture	3.7	1.2	3.7	0.0
	Place	9.5	2.2	9.5	0.0
	Resources	3.5	0.4	1.3	(2.2)
Approved Rolling Programme Total		**16.7**	**3.8**	**14.5**	**(2.2)**
Invest to Save	Place	27.7	4.5	19.0	(8.7)
Invest to Save Programme Total		**27.7**	**4.5**	**19.0**	**(8.7)**
LIF Programme	Place	5.8	0.1	5.3	(0.5)
LIF Programme Total		**5.8**	**0.1**	**5.3**	**(0.5)**
Completed and Retentions Projects	Place	0.9	0.0	0.9	0.0
Completed and Retentions Projects Total		**0.9**	**0.0**	**0.9**	**0.0**
General Fund Total		**224.1**	**40.9**	**162.9**	**(61.1)**

The total current General Fund capital programme for 2021/22 of £224.1m consists of £199.2m approved at Full council March 2021, additions of £2.7m approved at Cabinet June 2021 and £22.2m of 2020/21 slippage reported at July 2021 Cabinet as part of the 2020-21 provisional outturn budget monitoring report. The current estimated General Fund capital expenditure for the year is forecast at £162.9m, which represents 73% of the revised 2021/22 capital budget. The spend to date is £40.9m, representing 18% of the revised budget.

Services are projecting £61.1m net slippage against the budget, much of this is anticipated to slip into future years. As part of the 2022/23 to 2024/25 budget setting process, capital budgets will again be reviewed for re-profiling to better reflect the anticipated spend profile on projects, this is due to be initially reported to Cabinet in January 2022, followed by full council.

During 2021-22, the council has implemented a more robust forecasting processes, which includes the requirement for services to both provide forecasts and explanations on variances on a monthly basis. It is anticipated that as the process becomes fully imbedded within the council over the coming months, more accurate and up to date forecasting will be available for reporting purposes.

Based on the spend to date and the continuing effects of the pandemic, services are finding it difficult to forecast accurately and to deliver as programmed. As such, while the current forecast do appear to be ambitious, this will be closely monitored through the year to outturn.

The major variances are described below:

Approved Programme:

Children’s and Culture

Budget £40.0m
Forecast: £28.5m
Variance: (£11.5m) slippage

The major programme under Children's services is the Schools Basic Need and Expansion programme, within this programme there are several large schemes currently under way and in the early stages.

London Dock Expansion is projecting an accelerated spend from future years of £4.0m. This is due to earlier then originally envisaged works underway and estimated to complete by August 2022. A number of risks have been identified which are being costed in addition to existing work package, including drainage works (works being impeded by concrete wall around side), recent closure of Pennington Street which will affect construction traffic, and early order instruction which needs to be instructed. There are further risks in delay in supply chain and increased construction costs due to Covid and Brexit.

George Green school is forecast to slip by £4.6m, the project is at its early stage; the actual build phase is due commence in future years, with a view to complete by 2024.

Wood Wharf school project budget is forecast to slip by (£2.8m). The forecast includes design fees plus early order instruction (for most of the mechanical and engineering materials). The slippage is due to delays in procuring the contractor, the tender was supposed to be issued in Feb 2021 but incurred delays until June 2021.

The Raines Foundation school scheme project is complete, the remaining budget is anticipated to be assigned to the new Oaklands school project (£2.0m) which is in development, currently and being held up by issues relating to land ownership, which is causing delays in the project, hence the spend profile is anticipated to slip.

The current forecast for Beatrice Tate is £1m for the current year (resulting in £2.4m slippage). This £1m forecast represents costs for surveys, consultant fees and completing stage 4 design. Project completion is estimated for spring' 2023.

Work to re-profile the budgets from future years for these schemes to align with current project delivery dates will be undertaken as part of budget setting process for 2022/23 to 2024/25.

Other smaller various individual contributing factors to the forecast slippage within the Children’s and Culture directorate largely relate to scheme budgets which need to be re-profiled in line with the latest up to date spend profiles. The required re-profiling of budgets will also be completed as part of the 2022/23 to 2024/25 budget setting process.

Health, Adults and Communities

Budget £22.2m
Forecast: £15.2m
Variance: (£7.0m) slippage

The majority of capital projects in the HA&C Directorate had paused due to the pandemic and are now being reinstated during 2021/22. Projects in the approved programme are monitored via the HA&C Capital Oversight Group, which meets monthly.

Some key projects are delivered by the NHS and are therefore dependent upon the NHS's capacity to deliver, given the priority and focus on tackling the Covid-19 Pandemic.

In relation to the CCTV project, there was some slippage on the Programme, but this is being risk manage, along with a number of other risks which are being managed in relation to the aging infrastructure and the move to the new Town Hall. This is being addressed as risk mitigation with oversight through the HA&C capital board. Historically there have never been any formal contracts in place in the CCTV suite. In July 2020, in order to reduce risks to the Council, Cabinet approved direct award of three contracts to the organisations in question for one year with an optional one-year extension. Whilst there has not been a competitive tender exercise, negotiation has been undertaken to reduce costs associated with these services in this interim period and an annual saving of at least £150k has been achieved. This work has progressed well, and 3 contacts are now awarded.

Progress continues with the protective security programme. For some schemes it was agreed with the Place Directorate that the best course of action is to carry out the works at the same time as infrastructure projects within the Liveable Streets programme.

Place

Budget £107.3m
Forecast: £77.9m
Variance: (£29.4m) Slippage

The key projects that make up the forecast slippage variance of £29.4m within Place are anticipated slippage of budgets £1.4m in Asset maximisation into future years due to a delay in the procurement of the windows and new lift works going forward for Montefiore Centre.

The high street capital schemes are forecasting a £2.2m slippage. The key reason for this anticipated slippage is due to Covid-19 restrictions and government guidelines on essential work and permitted travel. As a result, work progressed in 2021/22 has been mainly: detailed design development, consultation with stakeholder, resident groups and enterprises on proposals (via Zoom etc) and other technical and development work. This experience and slippage of spend is reflected in most of other capital programmes.

Registered Providers grant scheme 1-4-1 receipts is projecting an underspend of c£7m in 2021-22. This scheme was designed to give grants to Housing Registered Providers to deliver and build housing units for Tower Hamlets residents. However, the council is now anticipating that housing providers can access external funding for much of the delivery of this new supply.

The South Dock Bridge scheme is forecasting slippage of £6.1m. This is due to delay in Stage 4 detailed design appointment and the appointment of property consultants and a media firm to put together a sponsorship package for the bridge.

New infrastructure projects contributed £3.0m to the forecast slippage. This includes £1m forecast slippage in Whitechapel road improvements scheme budgets as the programme delivery is expected to extend across future years and £2m slippage relates to delays in anticipated project timelines for the three new bridges (Poplar Reach, Mayer Parry and Lochnagar).

Transport S106 funded schemes is projecting slippage of £6.0m. This is reliant on third party (TfL) to draw down on s106 funding. There is a possibility of a claim for £900k funding for Braham St park.

Other various smaller individual contributing factors to the forecast slippage within the Place directorate largely relate to scheme budgets which need to be re-profiled in line with the latest up to date spend profiles. The required re-profiling of budgets will be completed as part of the 2022/23 to 2024/25 budget setting process.

Resources

Budget £3.4m
Forecast: £1.6m
Variance: (£1.8m) slippage

This budget consists of IT transformation and Agresso re-hosting and upgrade, which are coming to an end and progressively well respectively. The next phase of programmes, including ICT Mosaic Project, Deployment of FirmStep CRM, fraud investigation systems and cyber security amongst other things are currently going through procurement processes. There is a likelihood that the budget will need to reprofiled into future years which will take place as part of the 2022-23 to 2024-25 budget setting process.

Annual Rolling Programme:

Children's and Culture

Budget £3.7m
Forecast: £3.7m
Variance: Nil Variance

The conditions and improvement programme is anticipated to overspend by £0.7m. This is a mixture of planned and emergency works that need to take place within schools, budgets will be accelerated to accommodate this as required. However, this overspend is absorbed by slippage of £0.7m due to delay experienced in St Paul's Way Trust Expansion project.

Place

Budget £9.5m
Forecast: £9.5m
Variance: Nil variance

Notable schemes within the Place annual rolling programme include, disabled facilities grants schemes, Public Ream carriageways and Footways, investment works to LBTH assets are all forecast on budget.

Resources

Budget £3.5m
Forecast: £1.3m
Variance: (£2.2m) slippage

The IT Rolling programme 2021 was a newly agreed IT programme as part of the 2021-22 to 2023-24 capital budget setting programme, in which some projects commenced in May 2021. The programme has made some very good progress. However, there are some initial delays due to various technical and resource capacity issues. We continue to monitor spend very carefully, and we will re-profile the capital forecasts regularly. We expect all projects to commence before the end of the financial year and we also anticipate that all projects will be delivered, albeit some may take longer than first anticipated.

Invest to Save:

Place

Budget £27.7m
Forecast: £19.0m
Variance: (£8.7m) slippage

The forecast slippage largely relates to purchase of accommodation for temporary accommodation (TA) (£5.4m), where slippage form 2020/21 has now been factored in. There will be a need to review and re-profile the budget in the coming months. Public realm improvements is projected to slip by £2.9m. This is due to delivery and manufacturing difficulties, despite this, 2000 new lamp columns are estimated to be delivered within this year's programme.

HRA Period 6 Capital Monitoring

Housing Revenue Account Programme	Directorate	Revised Budget £'m	Actual YTD £'m	Forecast Year End £'m	Variance (Forecast Vs Revised Budget) £'m
Housing Revenue Account (First 1,000 homes)	HRA	54.4	15.2	45.9	(8.5)
HRA (First 1,000 homes) Total		**54.4**	**15.2**	**45.9**	**(8.5)**
Housing Revenue Account (THH Projects)	HRA	2.6	0.1	0.7	(1.9)
Housing Revenue Account (THH Projects) Total		**2.6**	**0.1**	**0.7**	**(1.9)**
Housing Revenue Account THH Rolling)	HRA	23.3	2.5	23.4	0.1
Housing Revenue Account THH Rolling) Total		**23.3**	**2.5**	**23.4**	**0.1**
HRA Completed and Retentions Projects	HRA	0.4	0.0	0.4	0.0
HRA Completed and Retentions Projects Total		**0.4**	**0.0**	**0.4**	**0.0**
HRA Total		**80.7**	**17.8**	**70.4**	**(10.3)**

The total current Housing Revenue Account capital programme for 2021/22 of £80.7m consists of £151.6m approved at Full council March 2021, less a budget re-alignment of £68.7m relating to the first 1,000 homes to reflect the approval of budget adjustments presented at Cabinet June 2021 (still maintaining the full funding envelope of £232m on the first 1,000 homes) and £2.2m of 2020/21 slippage reported at July 2021 Cabinet as part of the 2020-21 provisional outturn budget monitoring report.

The forecast for the year is £70.4m, which represents 87% of the budget. The spend to date is £17.8m, which is 22% of the revised budget. The HRA capital programme is forecast to slip by £10.3m in 2021/22.

The major variances are described below:

Approved Programme – First 1,000 Homes

Budget £54.4m
Forecast: £45.9m
Variance:(£8.5m) slippage

Housing New Supply scheme is a new budget heading for schemes primarily in the first 1,000 new council homes programme and is projecting slippage of £3.4m. This is due to delays in procurement of contractors for some schemes, despite planning consent being achieved. The creation of the DPS will help to speed up this process moving forward. In 2021/22, 23 new council homes for social rent will be completed as part of this programme; a further 36 new homes will be completed next year, planning consent has been achieved for the majority of the remaining projects and procurement is underway. Progress continues to be made towards

	delivery on the remainder of schemes within this programme. Housing New Supply scheme is new budget heading for schemes for which GLA grant is available and is forecasting slippage of £4.8m. The budget will be re-profiled into future years. The Rooftops scheme is expected to slip by £0.8m as it is still at the design and viability stage and spend in 2021/22 will be limited. The budget will be re-profiled to future years.
Tower Hamlets Homes (THH) - Approved Programme **Budget £2.6m** **Forecast: £0.7m** **Variance: (£1.9m) slippage**	Housing Revenue Account (THH projects) Public Realm Improvements scheme is forecast to slip by £1.9m. This is due to delays caused by opposition to schemes and Covid-19 lockdown impacts.