

Appendix A

Budget Monitoring Report 2021-22 as at 31st March (Period 12 Provisional Outturn)

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Circulated to	Cabinet
Date	11 July 2022
Classification	Unrestricted
Report of	Interim Corporate Director of Resources
Lead Member	Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	Ahsan Khan, Head of Strategic Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

Provisional Outturn Overall General Fund (GF) £0.2m underspend

Provisional Outturn Public Health GF £3.6m underspend before transfer to reserve

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

Provisional Outturn Housing Revenue Account (HRA) £0.2m underspend before transfer to reserve

Period 12 Provisional Outturn as Overspend/(Underspend) (£m)

	2021/22 Net expenditure budget	Provisional Outturn (exc. reserve transfers)	Gross over / (under) spend	Transfer to / (from) reserves	Net variance (impact on GF / DSG / HRA)	Increase / (decrease) overspend from Period 9
	A	B	C = B - A	D	E = C + D	
Children & Culture Resources	83.6	86.4	2.8	(1.6)	1.2	(0.4)
Chief Executive's	42.5	42.2	(0.3)	0.1	(0.2)	(0.5)
HA&C	17.9	17.6	(0.3)	0.1	(0.2)	(0.2)
Place	131.0	112.4	(18.6)	18.3	(0.3)	(2.2)
	73.9	67.8	(6.1)	5.3	(0.8)	1.7
Sub-total GF services	348.9	326.4	(22.5)	22.2	(0.3)	(1.6)
Corporate and Financing costs	15.2	8.9	(6.3)	6.4	0.1	1.3
Total General Fund	364.1	335.3	(28.8)	28.6	(0.2)	(0.3)
<u>Ringfenced Items</u>						
DSG Grant			(1.0)	1.0	0.0	0.0
HRA			(0.2)	0.2	0.0	0.0

Status of Outturn

This is a provisional outturn statement which is subject to the final closure of the council's ledger and completion of internal review (including the review of earmarked reserve transfers requests subject to the S151 officer's approval - which is currently in progress at the time of writing), and the external Audit of the Statement of Accounts.

General Fund

The gross 2021/22 Period 12 Provisional Outturn after the utilisation of Covid-19 grants and reimbursements on loss of sales, fees and charges (totalling £34.0m in 2021/22) is an underlying underspend of (£28.8m). The position after the net transfer to earmarked revenue reserves (£28.6m directly relating to the General Fund) is a forecast net underspend of £0.2m. This is following an unprecedented year in relation to the on-going COVID-19 pandemic, which has continued to create uncertainties for the council in 2021/22. Significant savings planned for 2021/22 are still to be delivered within a continuing challenging environment for the council. Any under/over spend at the year-end will be transferred to/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

Directorate	Forecast Gross Expenditure (£m)	Ringfenced COVID-19 Funding (£m)	Non-ringfenced COVID-19 Grant Funding (£m)	Sales, Fees and Charges re-imbursments (£m)	Net variance (impact on GF / DSG / HRA) (£m)
	(A)	(B)	(C)	(D)	= A - B - C - D
Children & Culture	3.5	0.0	1.7	0.6	1.2
Resources	0.8	0.9	0.0	0.1	(0.2)
Chief Executive's Office	0.0	0.2	0.0	0.0	(0.2)
HA&C	14.9	14.5	0.0	0.7	(0.3)
Place	13.5	9.2	4.6	0.5	(0.8)
Corporate	1.1	0.0	1.0	0.0	0.1
Total	33.8	24.8	7.3	1.9	(0.2)
Total COVID-19 Funding Applied in 2021/22 = B + C + D					34.0

The Council has continued to face COVID-19 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-19 grant funding of £38.1m of which £3.5m was carried forward into the current financial year. A further tranche of COVID-19 funding amounting to £13.0m was received this year. It is currently forecast that the Council will have non-ringfenced COVID-19 funding of £9.3m, and ringfenced COVID-19 grants of £4.4m to carry forward into the next financial year (2022/23). The council will need to continue to monitor this position in light of any further potential Covid-19 pressures that may arise in future years.

Please refer to 'Appendix C – Covid-19 Provisional Outturn 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 2021-22, we have collected £386m of £409m billed (94.4% in-year collection rate) compared to 94.8% for 2020-21, which is a slight deterioration on 2020 however some businesses will have delayed payment against accounts awaiting the allocation of Covid Additional Relief Fund (CARF) reliefs. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Debt collection is temporarily on hold while the CARF fund is allocated to business rates accounts and re-billing takes place.

For council tax, to the end of 2021-22 we collected £144m of the £157m Council Tax bills raised (92% in-year collection rate) compared to 90% for the same period in 2020-21, which is an improvement on 2020-21 but lower than pre-pandemic collection levels. As debt enforcement processes have recommenced, the collection of debt arrears for previous years has improved (£8.6m collected in 2021-22 relating to previous years). Future years' collection rates could be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on employment, energy and food costs).

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 a favourable variance of (£0.2m) when compared with budget. This underspend will be transferred to HRA general reserves at year end. This largely due to favourable variances forecast within HRA Non delegated budgets of (£3.3m), offset by adverse variances forecast within HRA delegated budgets £2.5m and the THH Management Fee £0.6m. Further details of these variances are provided within section 4 of this report.

General Fund and Earmarked Revenue Reserves

There is a provisional outturn increase in the year-end reserves position, this is summarised in the table below:

All in figures in £m	Draft Accounts outturn 2020/21	Provisional Outturn 2021/22	Increase/(decrease)
General Fund Balance	24.8	23.8	(1.0)
Reserves without restrictions	77.2	86.5	9.3
Total	102.0	110.3	8.3
Restricted Reserves	110.2	120.7	10.5

Reserves (excluding restricted reserves) are forecast to increase by £8.3m. 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.

Provisional Outturn overspend of £1.2m

Provisional Outturn DSG underspend (£1.0m)

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Supporting Families	66.9	65.9	(1.0)
Commissioning and Culture	6.6	6.7	0.1
Education	8.9	9.7	0.8
Children's Resources	1.2	2.1	0.9
Education Impact of School Closures and Amalgamations	0.0	0.4	0.4
Total	83.6	84.8	1.2

The general fund provisional Gross outturn is an overspend of **£3.2m**. This forecast has taken account of the application of additional funding to support the impact of Covid-19 of 2.4m. There is a Contribution from an earmarked reserve of £2m for the cost of providing free school meals for all Children in Tower Hamlets Primary Schools, giving a net GF position of a **£1.2m overspend**. The Supporting Families service is showing an underspend of £1.0m, Commissioning, and Culture an overspend of £0.1m, Children's Resources £0.9m overspend (including redundancy costs from school closures) and Education £1.2m overspend (including 343k one off pressure from school closures).

For context - the 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: - (£1m) underspend

Whilst the current outturn in supporting families is significantly positive, there are a number of underlying offsets. We would expect much of this to have been addressed in the comprehensive realignment work that has been completed this year which will be place for the 2022/23 budget primarily we have seen that the placements costs are lower than budgeted whilst the staffing costs are considerably above the previous budget. The drivers are as below.

Children's Placements (£1.3m underspend) - The number of Looked After Children has remained low as we have come out of the Pandemic, and therefore placements costs are showing a significant underspend. At the same time the number of Children in Need has increased which could lead to increases in care numbers and placements for the next Financial Year. We continue to see a specific increased financial pressure on the placements' budget with the unexpected demand to accommodate a new cohort of asylum seekers, placed in local hotels by the Home Office.

Children's Centres/Early Help (£1.3m underspend) - The Children & Family Centres underspend has continued, in part due to a period of reduced services due to Covid restrictions and the movement of services to other areas of early help. The service has had a significant reorganisation and redesign which has been developed over this financial year. Within that reorganisation there were a number of posts that have taken longer than initially forecast to recruit which has meant a significant increase in the staffing underspend than in previous forecasts as well as other areas of spend that were slower to put in place. The budget has been realigned as part of the full budget realignment program to ensure budgets and costs are more accurately reflected in the 2022/23 budget year.

Social Worker Staffing £1.6m overspend - Whilst there has been considerable work done to get social workers into permanent contract and we have managed to maintain good retention with existing social workers, there are still a number of areas that continue to be reliant of temporary staff. This is particularly the case in the front-line assessment teams. Our proportion of locum Social Workers is now significantly better than the London average and our long term trajectory remains a positive one in large part due to the success of our Social Work Academy. Additional Costs are also incurred through the support needed for large numbers of newly qualified social workers working through the Social Work Academy.

Commissioning and Culture Gross £0.1m overspend

Most areas of this division have been significantly influenced by the effects of the pandemic and the final outturn is shown after the application of Covid support funding to reflect a revised budget position. After Covid relief there are only a small number of variations that are of significant note.

Commissioning Services 0.3m overspend - There is an overspend on commissioning staff which relates to the increased capacity built into the system which will be corrected through the budget realignment exercise for the 2022/23 budget year.

Sport and Leisure (0.2m underspend) - The Sports and physical activity cost centre have shown a significant increase in activity and shown an early recovery from Covid as people have been able to engage in outside sporting activity for the whole of the financial year.

Education £1.1m overspend

Education Psychology £0.4m overspend - There has been a significant reduction in income from schools, and savings which have yet to come to fruition – whilst the need to drive improvement in the timely completion of Education, Health and Care Plan assessments in line with our SEND Improvement Plan and following our recent inspection has led to increased locum costs. Increasing capacity here has been essential to meet our statutory duty.

Services to Schools £0.2m overspend - There have been a number of areas of services to schools that have not claimed additional support through Covid funding as Schools have remained open for all this year, but schools have been less likely to buy additional services whilst they slowly return to normal ways of working. It is expected that these service areas will revert back to previous levels of service buyback in 2022/23.

Central SEN Costs £0.3m overspend - Additional resource is being recruited to support the additional EHCP support work identified within the SEN review. Whilst a growth bid has been approved for 2022/23 to cover the staffing cost, staff were recruited early in order to drive our improvement, and a number of higher cost interims employed which has caused an overspend in the later part of this financial year.

School Closures £0.3m overspend - 3 Schools have closed this year due to reduced numbers, with the balance on their accounts being transferred to the LA. The three Schools concerned were Cherry Trees, Shapla and St Matthias. However, the redistribution of pupils to neighbouring Schools has led to those Schools having a longer-term sustainable budget.

Education Resources £0.9m overspend

The significant variance in Education resources relates to a number of redundancy costs that have gone through during the year. This has included staff previously employed at the three closing Schools, as well as support for schools going through significant reorganisation to prevent the school from going into a future deficit.

Provisional Outturn (£0.2m) underspend

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Customer Services	5.7	5.7	0.0
Revenue and Benefits Service	1.6	1.4	(0.2)
Finance, Procurement & Audit	8.3	8.1	(0.2)
Workforce, OD and Business Support Service	11.5	11.1	(0.4)
ICT	15.4	15.3	(0.1)
Resources Covid-19 Response	0.0	0.7	0.7
Total	42.5	42.3	(0.2)

The Resources directorate provisional outturn is an underspend of (£0.2m). This position is following staffing costs allocated to the Covid Outbreak Management Fund (COMF) grant of £0.3m and after the net contribution to reserves.

The reserve movements include the proposed transfer into earmarked reserves for the Residents Hub (£0.55m) and a drawdown from the ICT Transformation Reserve for CRM development (£0.25m).

Please also note that there will be a drawdown of £0.2m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.1m.

Customer Services – Provisional Outturn Breakeven

A breakeven provisional outturn position for the Customer Services division, after a proposed transfer into earmarked reserves of £0.55m to be utilised in 2022-23 towards the new Customer Services Residents Hub in the Civic Centre.

The provisional outturn for the **Customer Contact Centre and Central Customer Services** is an overspend of £0.2m following a proposed transfer into earmarked reserves for the Residents Hub pilot (£0.550m), the drawdown from the ICT transformation reserve for Customer Relationship Management (CRM) developments (£0.253m) and following CCG funding towards the contact centre for Covid-19 work (£0.306m).

The provisional outturn for **Idea Stores** is an overspend of £0.4m. This is demonstrated by £0.6m unachievable savings and £0.3m savings slippage, reduced by (£0.3m) of staffing allocated to the Covid Outbreak Management Fund grant and a reduction in running costs of (£0.2m) due to periods of lockdown closures. The unachievable savings (£0.6m of the total £1.6m savings target) relate to the Local Presence and Idea Store Asset Strategy agreed at Cabinet in March 2021 and were agreed to be written off in the 2022-23 budget.

The provisional outturn for **Idea Stores Learning** is an underspend of (£0.3m) due to the allocation of staffing costs against adult community learning grants (including the Innovation Fund grant). The

Council received Sales, Fees and Charges income compensation from MHCLG of £49k for the period April to June 2021 for reduced income from adult community learning classes due to the pandemic.

The provisional outturn for **Registrars Services** is an underspend of (£0.2m) due to increased fees & charges income. The service has moved into St George Town Hall and this has increased income maximisation from events such as weddings.

The provisional outturn for **Information Governance** is an underspend of (£0.1m) due to periods of staffing vacancies.

Revenues and Benefits Service – Provisional Outturn (£0.2m) Underspend

Provisional outturn of (£0.2m) underspend, being a (£1.4m) underspend in Housing Benefits due to high levels of collection of overpayment debts, partially offset by underachievement in income £0.6m, overspend costs of extra administration staffing £0.4m and transaction fees of £0.2m.

Covid-19 had a significant impact on the staffing levels required in Revenues Services for administering Business Rates, Council Tax, Housing Benefits and Council Tax reduction claims. There was a 2021-22 extra cost of £963k demonstrated by an £873k overspend on direct staffing costs and a £90k overspend on the commissioned contract for external processing support, towards which the government provided Additional Burdens Funding of £605k for administration of Covid-19 business grants and the Council Tax Hardship Fund.

There has also been extra staffing required to facilitate Covid-19 grant payments and rates reliefs for businesses. The government has recently announced additional grants schemes and the Covid Additional Relief Fund for Business Rates and the Energy Rebate Scheme for council taxpayers all of which will continue to place a significant administrative burden on the Revenues team in 2022-23.

The long-term staffing requirement from the pandemic and increased properties for Council Tax will need to be considered as part of future updates to the MTFs. Investment will be needed to help recover collection rates and to maximise income collection for both Council Tax and Business rates.

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. With new grants now announced for business rates, all enforcement action is now suspended, and with council tax still taking a softer approach to enforcement this means income from court costs has remained £0.3m below budget in 2021-22, although has improved significantly on 2020-21 levels.

As well as the main Housing Benefits Administration Grant, the Benefits Service has also historically received ad hoc 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 this resulted in income of £0.3m below budget for 2021-22. This pattern is expected to continue next year, as will the reduction in administration grant funding for Council Tax Support and Housing Benefits.

Work levels however do remain high for Council Tax Support claims and the move to Universal Credit remains very slow meaning Housing Benefit caseloads are not reducing quickly enough to consider reducing staffing levels at this time.

There was an overspend pressure 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.

Workforce, OD and Business Support Service – Provisional Outturn (£0.4m) Underspend

The provisional outturn for the Workforce, OD and Business Support Service is an underspend of (£0.4m). The position includes an underspend in Learning, Organisational and Cultural Development of (£0.8m) in the areas of corporate training and events due to pandemic restrictions, and the graduate development programme. This underspend is partially offset by an overspend in Business Support of £0.4m due to centralisation savings still to occur and funding pressures from pay inflation and changes to terms and conditions. Business Support has achieved the £0.8m 2021-22 new savings targets as planned. Remaining centralisation savings will be considered as part of potential future structure reviews and centralisations.

The service is expected to request a drawdown from transformation reserves in 2022-23 to support an HR improvement plan and a report is anticipated in future outlining funding required for systems and operational improvements.

Finance, Procurement and Audit – Provisional Outturn (£0.2m) Underspend

A provisional outturn underspend of (£0.2m) due to the timing of self-insurance payments and the insurance recharges to directorates on a three-year averaged basis.

The council has committed to continue with its improvement journey following issues highlighted in the audits of the council's accounts for 2018-19 and 2019-20. CLT has approved a further extension of the Finance Improvement Programme into the beginning of 2022-23 and £0.4m will be drawn down from the Transformation Reserve in 2022-23 for this extension. This sum has been taken into account in the forecast council reserve levels going forward.

The finance staffing budgets include an historic assumption that £0.1m of costs will be capitalised annually. This is under review (together with capitalisation across other directorates) and may require a future growth bid to resolve corporately.

Information Technology – Provisional Outturn (£0.1m) Underspend

A provisional outturn underspend in 2021-22 of (£0.1m) due to periods of staffing vacancies, however the IT service is experiencing inflationary pressures on contract renewals which will impact 2022-23.

Please also note that there will be a drawdown of £0.2m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.1m.

Resources Covid-19 Response – Provisional Outturn £0.7m

Provisional outturn expenditure of £0.7m, being £0.5m for extra IT equipment costs to support remote working and hybrid meetings, £0.1m for BECC staffing and £0.1m for additional Registrars staffing for the backlog of registrations.

Provisional Outturn (£0.2m) underspend

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Communications and Marketing	2.1	1.9	(0.2)
Strategy, Improvement and Transformation	9.3	9.2	(0.1)
Legal, Monitoring Officer, Democratic and Electoral Services	5.5	5.5	0.0
Corporate Management and Mayor's Office	1.0	0.9	(0.1)
Chief Executive's Office Covid-19 Response	0.0	0.2	0.2
Total	17.9	17.7	(0.2)

The Chief Executive's Office provisional outturn is a £0.2m underspend. This position is following allocation of costs to the Covid Outbreak Management Fund grant of £0.2m and after the net contribution to reserves totalling £0.1m.

The reserve movements include contribution to the Local Election Reserve (£150k), creation of a VCS projects reserve (£116k), and drawdowns from the Covid Recovery Fund Reserve (£110k), Local Community Fund reserve (£30k) and ESOL for Integration Fund reserve (£7k).

Communications and Marketing – Provisional Outturn (0.2m) Underspend

Provisional outturn underspend of £0.2m in corporate campaigns, after funding from the Contain Outbreak Management Fund (COMF) grant for pandemic related external communications (£0.1m).

Strategy, Improvement and Transformation – Provisional Outturn (0.1m) Underspend

A provisional outturn underspend of £0.1m after reserve movements and the funding of staffing costs by the Contain Outbreak Management Fund (£0.1m).

Reserve movements have related to:

- the creation of a VCS projects reserve (£116k) relating to the Innovation Fund, Equalities Contracts Review Mitigation and Emergency Fund
- drawdown from the Covid Recovery Fund of £110k for community-led recovery, health and economic recovery, and supporting children and young people
- drawdown from the Local Community Fund (LCF) reserve of £30k for expenditure incurred (the remaining £30k will be spent in 2022-23)
- net drawdown from the ESOL for Integration Fund reserve of £7k (drawdown of £156k for expenditure incurred in 2021-22 and addition into reserve of £149k relating to grant monies that will be spent in 2022-23)

Legal, Monitoring Officer, Democratic and Electoral Services – Provisional Outturn Breakeven

The provisional outturn is a breakeven position, aided through an underspend in pay and non-pay expenditure for Democratic Services, however legal services is a demand led service and the level of

work will need to be monitored throughout 2022-23 to identify any potential overspend pressures as the backlog of cases from the pandemic now work their way through the courts.

The governance referendum of the Mayoral system was carried out in May 2021 as well as the London Assembly elections. The London elections were funded through the GLA. A contribution of £150k has been added to the Local Elections Reserve for the cost of local elections in 2022-23.

Corporate Management and Mayor's Office – Provisional Outturn (0.1m) Underspend

A provisional outturn underspend of £0.1m in Corporate Management non-pay expenditure and Mayor's Office staffing expenditure.

Chief Executive's Office Covid-19 Response – Provisional Outturn £0.2m

Covid-19 related spend of £208k, being £195k for Electoral Services costs (extra social distancing and cleaning costs for the governance referendum and London Assembly elections in May 2021) and £13k for Covid information booklets and resident engagement on the poverty impact of Covid.

Provisional Outturn underspend of (£0.3m)

Provisional Outturn Public Health (PH) (£3.6m) underspend before transfer to reserve

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Adult Social Care	82.1	83.4	1.3
Community Safety	5.8	5.7	(0.1)
Integrated Commissioning	10.2	8.7	(1.5)
Public Health	32.9	32.9	0.0
Total	131.0	130.7	(0.3)

The Health, Adults and Community Directorate's provisional outturn for 2021-22 is a £0.314m underspend against a revised budget of £131.0m (after net transfers to reserves of £18.3m). This represents a reduction from the projected variance at period 9 by £2.232m.

Utilisation of further Covid and related grant monies has significantly reduced the forecast overspend on Adult Social Care by £1.2m. This has led to a much-improved outturn position and a broadly balanced end of year position for the directorate. However, this is a one-off situation with most grants now having ceased. Therefore, the underlying, significant budget pressure in adult social care continues to be a significant risk to the budget. The Adult Social Care Improvement Programme has been put in place to reduce costs in the medium to long-term.

During 2021/22, a total of £3.948m has been claimed from the Clinical Commissioning Group (CCG) under the NHS Hospital Discharge and Community Support Funding for all eligible discharges from hospital. This funding stream has now ceased and this presents a further ongoing risk to the adult social care budget.

Transfers to and from Reserves at financial year-end

Costs during 2021/22 associated with projects with agreed funding via the Mayor's Covid Recovery Fund will also be drawn down from reserves at financial year-end and are included within the provisional outturn. The total amount approved for HA&C projects is £0.578m of which a total cost of £0.367m has been incurred in 2021/22 and will be drawn down from reserves. The draw-down was reduced by £0.022m of expenditure charged against available eligible Covid Grants that were utilised in place of a draw-down from the Mayor's Covid Recovery Fund. The balance of costs for projects agreed from this funding will be drawn down in 2022/23.

Joint Funding agreements have been signed with the CCG for funding to be received in the current financial year for costs to be incurred from April 2022 to 31st March 2024. The Tower Hamlets Place Investment Fund Agreement (s256 agreement) and the Integrated Discharge Hub Agreement (s75 agreement), total £12.427m and funding will be transferred to reserves. This funding will be utilised for priorities across health and social care and will support pressures in the system including discharge from hospital, via a process through Tower Hamlets Together Partnership Board to agree allocation and approval of funding.

It has been agreed with the CCG that underspends against the Joint Funded Better Care Fund (BCF) Local Incentive Scheme Projects for 2021/22 will be transferred to reserves for use in 2022/23 totalling £0.833m. Further, an underspend relating to the Community Equipment Service during 2021/22, in the amount of £0.337m will be transferred to this BCF reserve.

The allocated inflationary uplift budget for HA&C for 2021/22, in the amount of £1.487m, has not been used during the financial year, however, inflationary uplifts for providers have now been agreed and will be paid in 2022/23. This budget will be transferred to reserves and used in 2022/23 to meet the committed and agreed costs of inflation that are outstanding for 2021/22.

The provisional transfer to the ring-fenced Public Health Grant reserve for 2021/22 will be £3.584m. An additional grant of £0.074m in relation to PrEP (pre-exposure prophylaxis – drugs to protect from HIV) grant for 20/21 that remains unused, will be transferred from reserves.

Adult Social Care – Provisional Outturn £1.348m Overspend

The provisional outturn for Adult Social Care is reporting an outturn variance position of £1.348m overspend, which represents a reduction of £2.863m from the period 9 position.

This movement in forecast has been due mainly to the materialisation of deemed suspensions of care packages £0.773m, increase in the direct payments claw-back of £0.213m, reduction in the estimated loss provision £0.294m and unfilled staff vacancies £0.175m. In addition to this, the availability of additional covid funding has offset the position after the period 9 forecast in the amount of £0.631m to offset staffing costs, £0.093m for Extra Care Sheltered Housing and a balance of £0.451m across other Adult Social Care services.

(i) Employee Costs – Provisional Outturn £2.330m Underspend

At outturn, there is a full-year underspend in staffing costs of £2.330m. This has been mainly due to the ongoing difficulty in recruiting into permanent posts and unfilled vacancies, as well as well as deliberate action to reduce agency costs, where possible. In addition, there has been one-off Covid workforce and recruitment grant funding that has been used to contribute towards some staffing overtime and sickness costs in the amount of £0.631m. Furthermore, whilst there has been a reduction in agency costs, in anticipation of the national OT recruitment issues, some additional budget was realigned to staffing.

(ii) Care Package Costs – Provisional Outturn £4.380m Overspend

Care package costs are projected to overspend by £4.380m against a total budget of £91.081m in 2021/22. This represents a decrease of £1.088m on the period 9 forecast. The pressures from extended Home Care needs and Residential placements have continued to fuel the overspend. However, there has been the additional work to claw back unutilised direct payments. This has moved the total clawback figure at year-end to £1.4m, an increase of £0.213m since period 9. In addition, there has been the net reduced impact of suspended packages on outturn of £0.733m. With all the work carried out on Homecare placement contracts and payments during the financial year, the outturn has stayed largely in line with the forecasted pressure of £3.275m, an increase of only £0.049m on the period 9 forecast.

(iii) Other – Provisional Outturn £1.811m Overspend

Other costs relate to Supplies and Services, premises related expenditure and other contributions to provisions. The provisional outturn projects a £1.811m overspend, representing a decrease of £0.033m on the period 9 forecast, primarily due to the reduction in the loss allowance provision for Adult Social Care at outturn than previously projected.

(iv) Income – Provisional Outturn £2.513m Underspend

Income budgets are projecting an underspend position of £2.513m overbudget at outturn. At outturn income forecasts have reflected the work carried by the Mental Health team on the S117 income and is expected to be £0.565m over budget based on invoices now agreed and issued. A lot of work has been undertaken in services to ensure income from health for joint funding agreements for service users has been received and this is expected to be £0.225m over budget. Income from client contributions, at outturn, is £0.349m over budget. In addition, there has been some added government grants including covid: Community Discharge Grant, and Empowering Voices and Quality checkers (£0.922m). The Better Care Fund (BCF) budgets were rebased at period 12, and actuals posted onto the general ledger into the various ASC service budgets to offset costs.

Integrated Commissioning – Provisional Outturn £1.524m Underspend

The Integrated Commissioning Budget is forecast to underspend by £1.524m at outturn. This represents a decrease in the underspend position by £0.635m on the period 9 position. The reduction in the underspend position is mainly related to budget realignment between ASC and Integrated Commissioning. The overall underspend for the financial year arose as a result of:

1. **Client Transport** recharges underspent by £0.255m mainly due to the impact of Covid, which resulted in fewer routes operating as not all day services were operating at full capacity resulting in less transport requirements.
2. **Carers & Cross Cutting services** underspent by £0.292m. This is mainly as a result of contract underspends – for example the Carers Emergency service and the Carers Link Service contracts, which underspent by £0.067m. The emergency service is a spot contract and the take up of the service was lower, due to the pandemic. The Carers Link Service is a 5-year contract with varying annual values, which increase up to year 5. The Information and Advice contract started mid-way in the year resulting in a part-year effect, and the Advocacy contract has a spot element which was not spent, in total resulted in an underspend of £0.100m. There is also an underspend due to staff vacancies, which were posts held on account of the Enabling Functions Review, and lower software recharges for the digital portal than there will be in future years, both totalling an underspend of £0.125m.
3. **Day Centres** underspent by £0.211m. This a budget recently set up following the closure of day centres and was set up to fund additional recruitment and running costs that did not materialise at the end of the financial year.
4. **Ageing Well and Supporting people** underspent by £0.550m. This is mainly as a result of early delivery of savings from Hostel closures where savings were to be taken in 2022-23 in the amount of £0.350m. Further underspends related to a one-off refund for void costs in Hostels of £0.100m, clearance of balance sheet income £0.047m, savings arising from held vacancies of £0.070m and lower contract costs of the handy person service following the recommissioning of services.
5. **There were further underspends in the Integrated Commissioning budget of £0.168m** due to underspends across various budget areas.

Community Safety – Provisional Outturn £0.139m Underspend

Community Safety is projected to underspend by £0.139m at outturn broadly in line with the month 9 forecast.

This is due to the conclusion of the Community Safety Reorganisation and lower recharges. The use of the ADDER grant to fund the new Adder Community Navigator service model and associated staffing costs has also assisted in mitigating redundancies. The Service secured additional grant monies from the new ADDER (Addiction, Diversion, Disruption, Enforcement and Recovery) Programme. This followed the announcement from the Government in January 2021 of an additional £80 million nationally to enhance drug treatment, focused on reducing drug-related crime and the rise in drug-related deaths.

All planned MTFs savings have now been mitigated within revenue budgets.

Public Health – Forecast Breakeven

Public Health will break-even at outturn due to the balance being transferred to the ring-fenced Public Health Grant Reserve, after all expenditure has been met.

The projected transfer to Public Health reserve for 2021/22 is £3.584m from an overall Public Health Grant allocation in 2021/22 of £36.351m.

The underspend is due to three main factors:

1. Substance misuse (£0.733m)
 - a. Due to the impact of COVID-19 on services;
2. Sexual health (£1.2m)
 - a. Due to the impact of COVID-19 on demand for sexual health services;
 - b. Due to deferred payment pay increments in commissioned sexual health service staff (London-wide issue);
3. Recharge of salary costs for time spent on COVID to the Contain Outbreak Management Fund in line with grant conditions (£1.1m).

The Public Health Grant reserve balance at the end of 2020/21 was £3.322m. At the end of 2021/22 the balance in the reserve will be £6.980m.

Commitments against this reserve include:

1. £2.5m of the Public Health Grant reserve is ring-fenced for the Community First Programme Healthy Borough Programme aiming to address increased health need and health inequalities following COVID including the Black, Asian & Minority Ethnic Commission health recommendations, disparities outreach, anti-racism strategy work, Health Family Parent Ambassadors, Eat Healthy Food Vouchers, Community First Health Ambassadors, and Community First Primary Care Networks to address health inequalities.
2. £1m of the Public Health Grant Reserve is being held for potential further Covid variants and surge pressures.

3. £1m is retained to manage any risks to the Public Health budget each year, in particular risks around demand-led budgets such as sexual health.

Covid-19 Grants 2021/22

During 2021/22 there was continuation of some Covid-19 grants for services within the directorate and some new grants. The receipt of Covid-19 grants has continued to offset some of the financial pressures in the directorate and in particular in adult social care. Several of the grants have arrived with a very short time period to use the funding which has proved a significant challenge.

The Adult Social Care Infection Control and Testing Fund continued into 2021/22 with further rounds of funding. In total, during 2021/22 Tower Hamlets received a grant allocation of £2.749m and spent a total of £2.482m, which was passported to care providers to reduce the rate of Covid-19 transmission. Funding for providers included allocations for infection, prevention and control measures, vaccines funding and testing funding, and all providers were required to evidence expenditure that they actually incurred.

The government introduced an Adult Social Care Workforce Recruitment and Retention Grant in 2021/22, which was a continuation of the Workforce Capacity Grant from 2020/21. The main purpose of this grant was to support local authorities address adult social care workforce pressures and support providers to deliver more hours of care. Total grant income allocated to Tower Hamlets for 2021/22 totalled £2.823m, against which £2.127m was spent. The Government only released the grant conditions for Round 1 of the grant on November 2021 and Round 2 of the grant in December 2021. Both had the requirement for full utilisation of the grant by 31st March 2022. Due to the short timescales to spend the grant, it was difficult to recruit locum staff on short term contracts to expand the Adult Social Care workforce. The balance of £0.696m will need to be repaid to the DHSC in July 2022. A range of initiatives were implemented using this funding, including bonus payments to Adult Social Care Staff, wellbeing sessions, recruitment of additional temporary Senior Practitioner and Social Worker posts, funding to the Carers Centre and Tower Hamlets Connects, as well as payments to care providers in the amount of £1.242m.

The grant allocation for the Adult Social Care Omicron Support Fund for Tower Hamlets was £0.366m. The full allocation was distributed to care providers.

The carry-forward from 2020/21 in relation to the Contain Outbreak Management Grant (COMF) was £8.958m. A further £3.389m COMF Grant was received for 2021/22, making a total available grant of £12.347m to use in 2021/22. With balancing other Covid-19 related grants and expenditure into the COMF grant for 2021/22, including Community Covid Testing Fund, will result in a final carry-forward of COMF to 2022/23, which has been confirmed is allowed by the UKHSA, of £3.494m.

Provisional Outturn underspend of (£0.8m)

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Property & Major Programmes	16.5	19.2	2.7
Resources	1.1	1.4	0.3
Public Realm	40.9	38.9	(2.0)
Growth & Economic Development	4.2	3.7	(0.5)
Planning & Building Control	2.7	1.3	(1.4)
Housing & Regeneration	8.5	8.6	0.1
Total	73.9	73.1	(0.8)

Forecast Outturn Position

The Place Directorate has a favourable variance of £6.1m before any reserve adjustments. The Directorate is proposing a number of drawdowns and top ups which were planned as part of its business-as-usual activities. These adjustments net to a £5.3m top up of reserves, resulting in a favourable outturn variance of £0.8m against a budget of £73.9m.

Significant favourable variances have occurred within Public Realm and Planning & Building Control, which are partially offset by budget pressures within Property & Major Programmes. The outturn position represents a favourable movement of £2.5m from that reported to Cabinet in period 9. The main reason for this movement is additional income being received from demand driven services as we come out of the pandemic and additional grants received late in the year that have been used to fund expenditure.

The s151 officer has taken the decision to further top up reserves from the Place Directorate favourable variance by £4.8m, this is made up of £2.8m to the Parking reserve, representing the underspend on the Parking Control Account and £2.0m towards the parallel running costs of the New Town Hall and Mulberry Place in the first year of transition. After adjusting for these reserve movements, the Place Directorate is reporting a favourable variance of £0.8m.

Savings Targets

The Directorate has £3.9m of savings targets in 2021/22. Of these savings, £2.8m have been delivered, £1m of savings have slipped into the next financial year and £0.1m has not been delivered.

The slippage relates to savings targets within the Property division relating to better use of the Council owned assets. Although a work plan has been developed to deliver the saving, the current Covid-19 environment is making it increasingly difficult 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.

The £0.1m undeliverable saving is predicated on efficiencies from insourcing THH. A decision was taken to continue with the ALMO, making the saving undeliverable. An alternative saving is currently being sought to mitigate this pressure.

Covid-19 Response

The Place Directorate is continuing with its response to the Covid-19 pandemic. Costs incurred and income loss attributable to Covid-19 across the Directorate totals £14.3m in 2021/22, of which £9.2m is offset by specific ring-fenced grant, £0.5m from the sales, fees and charges recompense scheme for lost income and £4.6m from general Covid-19 grant.

A further £1.2m was assigned to the Place Directorate from the Mayor's Covid-19 Recovery fund reserve for specific projects. Spend against this fund totals £0.4m

Property & Major Programmes – £2.7m Adverse

The Property & Major Programmes division has incurred expenditure of £19.2m against a budget of £16.5m inclusive of transfers to reserves. This represents an adverse variance of £0.7m from business-as-usual activity, with this variance increasing to £2.7m following a s151 officer decision to top up reserves by £2m to fund future revenue costs of the new town hall. This compares to a forecast adverse variance of £1.8m that was previously reported. Favourable movements within Facilities Management, Corporate Landlord Model and Corporate Property have contributed to this improved position.

Corporate Property – £0.3m Adverse

Four schools were declared surplus to requirements at the end of October. These schools were previously funded from Basic Needs grant. Vacant property costs including security, insurance, utilities and general maintenance are being incurred, creating a part-year budget pressure of £0.4m without any financial provision being made as part of the decision-making process for declaring the buildings surplus to requirements.

This adverse variance has been partially offset by vacant posts, in particular the Divisional Director post. This post forms part of the saving relating to the review of the senior management structure, but the budget was not taken in year.

Corporate Landlord Model (CLM) – (£0.7m) Favourable

A £0.2m favourable variance on service charges relating to buildings the Council leases. The number of leased buildings has reduced during the year, resulting in reduced costs. Running costs amounting to £0.6m for sites being used as Covid-19 test and vaccine centres are being recharged to the COMF Covid-19 grant and NHS and a further £0.2m against the non-ringfenced Covid grant for Albert Jacob House, resulting in a one-off underspend within the general fund.

The Cleaning budget has a favourable variance of £0.2m with some of the costs being attributable to Covid and charged against the general Covid grant. The CLM rates budget is forecasting an adverse variance of £0.1m due to the cross-rail multiplier not forming part of the base budget for business rates. A £0.1m adverse variance relating to insurance costs at Mulberry Place.

The energy budget is forecasting an adverse variance of £0.2m with unit costs increasing above budgeted rates. There is a risk that further increases in electricity costs as they are variable and global prices are rising. Reactive repairs & maintenance budgets have an adverse variance of £0.1m with the cost of materials and labour rising following Brexit and the Covid pandemic.

Capital Delivery – £0.1m Adverse

Budget shortfall of £0.1m against the capitalisation of salaries

Facilities Management – (£0.6m) Favourable

A £0.5m favourable variance on salaries resulting from vacancies that were not filled in year. These posts will be filled in the next financial year once the team moves to the new town hall. 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 a projected underspend of £0.1m within the general fund.

Non-Operational Investment Estate – £1.6m Adverse

Adverse variance relating to slipped savings relating to the better use of Council assets with rent holidays being given to new Organisations leasing Council properties where it is increasingly difficult and time consuming to secure new tenants in a post pandemic environment.

New Town Hall – £2m Adverse

The adverse variance relates to the decision to create a new reserve to contribute towards the future running costs of the New Town Hall and Mulberry Place in the first year of transition. This contribution is being funded from the overall favourable variance within the Place Directorate.

Resources – £0.3m Adverse

The Resources Division has an adverse variance of £0.3m where one month of employee costs for the newly formed Enabling Functions service has been charged to this division. The budgets have remained in the other divisions where this adverse variance nets off. The budgets for these officers have transferred to this division for 2022/23.

Public Realm – (£2.0m) Favourable

The Public Realm division has incurred expenditure of £38.9m against a budget of £40.9m inclusive of transfers to reserves. This represents a favourable variance of £4.8m from business-as-usual activity, with this variance reducing to £2m following a s151 officer decision to top up the Parking reserve by £2.8m, this amount being the favourable variance for the Parking Control account at outturn.

Public Realm was previously reporting a favourable variance of £3.5m, the movement resulting from improved positions within Highways & Traffic Management and the Street Trading Account (Markets) being offset by the increase in transfer to reserves from the Parking Control account.

Public Realm Management - (£0.2m) Favourable

Vacant posts within the management team.

Highways and Traffic Management – (£0.7m) Favourable

Over recovery of network management income by £0.3m. This has resulted from an increased demand for road closures, fees for digging up roads and pavements, traffic management orders, licenses and permits. The Borough has seen significant increases in development activity requiring such activities post pandemic. A further £0.1m favourable variance across the non-employee related expenditure budgets. Street and Traffic enhancement budgets have a favourable variance of £0.5m. These budgets are demand driven and have historically been used to fund Councillor and other (members of the public, Council departments such as ASB, Schools etc) requests for highway alterations that are usually minor in nature, for example pedestrian crossings, traffic calming, addressing pavement parking etc. In 2021/22 there were very few requests, possibly a function of the sizeable highway improvement programme being progressed in year. For 2022/23 officers are devising a strategy to ensure these funds are fully spent.

A £0.1m favourable variance against the lamp column maintenance budget within Public Lighting. The reduced maintenance costs result from recent capital investment in the columns and their good condition.

Insurance recharges has a £0.1m favourable variance with the service experiencing a reduction in the number of claims.

A £0.1m adverse variance on employee related costs. Capitalisation shortfall of £1.1m which is being offset by a corresponding underspend of £1m on salaries resulting from posts being held vacant and difficulties in recruitment following a service restructure.

The Council has incurred unbudgeted costs totalling £0.2m against the Flood & Gulley Waste budget relating to emergency deep drainage works at Learmouth Road. This works are revenue in nature and result from the illegal capping of the drainage network. Although the Council is trying to recover its costs from the developer, it is deemed unlikely and has resulted in a budget pressure.

Income from outdoor advertising has under recovered by £0.1m due to some advertising boards being inactive. The contracts for these sites will be re-procured as digital units and will be in place during the next financial year

Operational services - £0.1m Adverse

Favourable variance of £0.2m from unbudgeted income relating to the sale of recyclable materials.

A £0.1m adverse variance relating to the purchase and repair of refuse and recycling bins with a significant number of bins being old and in poor condition. An income assumption has been made within commercial waste relating to internal waste collection services. This has already been accounted for within waste services and therefore duplicated, resulting in an adverse impact of £0.2m on the general fund position.

There is an under recovery of income totalling £0.4m for commercial waste due to the pandemic. This loss will be partly reclaimed from the MHCLG Sales, Fees & Charges Losses scheme and the remainder from Covid non-ringfenced grant and therefore has 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 been sold to Country Gardens. The clearing of the site was 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 the general fund outturn position.

The Green team are forecasting to spend an additional £0.1m on replacement trees. This will be funded from CAVAT developer income received in previous years and will have no impact on the outturn position.

Waste Operations (Environmental Services) – £0.5m Adverse.

A favourable variance of £0.1m relating to third party expenditure resulting from reduced cleaning of Blackwall tunnel during the pandemic. An adverse variance of £0.4m relating to the running costs of the fleet due to unscheduled maintenance during the year. Additional costs of £0.3m 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.

An adverse variance of £0.1m relating to increased costs of fuel. The service has received £0.3m from the Mayor's Covid-19 recovery fund for use on enhanced street cleansing. This work is in its infancy and there has been no significant spend.

Environmental Service Improvement – (£0.1m) Favourable

Delays in recruiting to posts following reorganisation.

Passenger transport – £0.1m Adverse

Unachievable income target relating to support service recharges. It is proposed to mitigate this pressure in future years as part of the budget realignment work on passenger transport involving Place, HAC and Children's services but remains a pressure in year.

Concessionary Fares – (£1.3m) Favourable

Concessionary Fares is projecting a favourable variance 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 – (£2.8m) Favourable

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 the overall environmental impact and increase road user safety, which has resulted in an increase in CCTV tickets issued across the borough and additional income of £3.6m.

However, this is being offset by pressures on the Parking debt budget with 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 £1.5m with demand for the service continuing to be high. Income is being forecast to over recover by £1.3m from direct suspensions, with the remaining £0.2m representing income foregone from the re-opening of high streets programme where bays were suspended to enable businesses to use outdoor space free of charge. This income loss will be met from the Covid-19 general grant.

Casual Parking income is forecasting to over recover by £0.9m. This is mainly due to the introduction of the diesel levy in May 2020 and its full year impact where 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.

Permit related income spans more than one financial year. A decision has been taken to accrue the income that was received in advance in year, resulting in an adverse variance of £1.1m. An increased contribution towards the running costs of Highways & Traffic Management of £0.7m.

Parking Reserve Top Up – £2.8m Adverse

A decision has been taken to top up the Parking reserve by £2.8m, representing the surplus on the Parking Control Account detailed above.

Environmental & Regulatory services – (£0.4m) Favourable

Vacant posts 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 a favourable variance of £0.1m.

A further £0.1m of costs have been incurred for the mortality wave 2 payment. This cost has been offset against the general COVID-19 grant and no impact on the forecast outturn position. Works undertaken by COVID Marshalls cost £0.2m during the year. These costs are being met from COMF grant and has no impact on the outturn position.

Street Trading – Nil Variance

The Street Trading account is projecting to outturn to budget, after offsetting a forecast income shortfall of £0.5m against the Covid-19 general grant and Sales, Fees & Charges reclaim for quarter 1. This represents a £0.4m favourable movement on that previously reported, resulting from new burdens money that was received late in the year, back dated rebates for business rates payments and a small upturn in the income received from traders.

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 trader numbers since pre-covid levels and the Markets have lost income as a result. This lost income is being reclaimed through Covid grant and the Sales, Fees & Charges recompense scheme.

The previously reported £0.4m adverse variance primarily relate to abortive costs resulting from the PSI capital project that is no longer taking place. These costs have been absorbed within the final outturn position because of one-off new burdens monies and business rate rebates. The Markets service

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. This project is yet to commence and no spend has been incurred.

Growth & Economic Development – (£0.5m) Favourable

The Growth & Economic Development division has a favourable variance of £0.5m against a net budget of £4.2m after reserve transfers. This outturn position assumes s106 drawdowns from reserves totalling £1.7m for core activities and approved projects across the division and a proposed reserve top up of £1.6m from the unspent Residents Support budget. There is also a budgeted drawdown of £0.8m from the Mayoral Priority Reserve to fund the Tackling Poverty team. This drawdown has not been requested due to the high level of Covid grant received in year, which has instead been used to fund the team costs as their work has focused on assisting vulnerable residents negatively impacted by the pandemic. This outturn position represents a £0.3m improvement on the position previously reported.

Employment & Skills – (£0.1m) Favourable

Employment & Skills is forecasting to outturn with a favourable variance of £0.1m after s106 drawdowns totalling £0.9m for projects across the service. Previously it was forecast to be in line with budget. There are a number of favourable and adverse variances making up this forecast.

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 kickstart trainees 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 placement and £1,600 when directly employed. The number of placements has exceeded budgeted levels, resulting in a favourable variance against budget of £0.1m.

The Employment and Skills service has an adverse variance of £0.1m as a result of delays in a service restructure preventing savings being made and reduced s106 funding. This pressure has been offset by a compensating favourable variance within Careers Young Work Path service resulting from vacancies.

Growth – (£0.3m) Favourable

The Business Partnerships team has a favourable variance of £0.3m after s106 drawdowns of £0.8m resulting from the unbudgeted capitalisation of staff costs within the High Streets team (£0.1m), vacant posts within Business Support & Growth (£0.1m) and delays to the restructure within Enterprise Support (£0.1m).

Economic Development Management – (£0.1m) Favourable

A favourable variance from recharging part of the cost of the Divisional Director to Property & Major Programmes following a senior management restructure.

Tackling Poverty – Nil Variance

Tackling Poverty service has received £7.6m in Covid grant during the year. As a result, the majority of its expenditure in year has been against these grants. This has resulted in the team being entirely funded from Covid grant rather than drawing down from the Mayors Tackling Poverty reserve and the Resident Support Service budget not being spent in full, resulting in a favourable variance of £0.6m. The Tackling Poverty team has requested a reserve is set up to allow this to be used in the following

financial year as part of the Council's cost of living crisis response. If this reserve contribution is approved the Tackling Poverty service will outturn in line with budget.

Continuing Covid-19 response

The Tackling Poverty & Crisis Support team continues to undertake significant 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, Tackling Poverty Covid related spend in 2021/22 is estimated at £7.6m, which will be met from ringfenced grant, £3m from Household Support Grant to fund Food Hubs (£0.2m), Residents Support Scheme (£0.6m), Energy & Food Vouchers (£1.8m) and Admin (£0.4m); £1.8m from the Covid Local Support Grant to fund holiday vouchers (£1.2m), Food Hubs (£0.3m), Small Grants (£0.1m) and Admin (£0.2m); £1.8m from Test and Trace grant funding, £0.2m from COMF grant and £0.8m grant funding towards free school meals. There is no forecast use of the general Covid grant.

The Growth service has spent £0.8m on projects related to the reopening of high streets as the Country comes out of the pandemic. Grant funding of £0.4m relating to Welcome Back programme was received. This grant funding has been used for marshalling and security within the high streets as part of their reopening. This grant has been spent in full. The service has also spent £0.2m of Heritage Action Zone funding (part of £0.5m funding received, the remainder being spent within the Plan Making team within Planning & Building Control). The remaining £0.2m was planned to be drawn down from the general Covid grant but is not required due to the favourable budget position and instead has been included as part of the general fund expenditure within the Growth service.

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 £0.6m of spend across a number of activities including business adaptation grants (£0.4m for schemes to help small and micro businesses) of which £350k has been spent, support to advice agencies (£0.1m to increase their capacity to support clients) of which £25k has been spent in year and £0.1m for food pantries of which 48k was spent in year.

Planning & Building Control – (£1.4m) Favourable

The Planning & Building Control service is forecasting to outturn with a favourable variance of £1.4m against a net budget of £2.7m after reserve movements. This projection includes a drawdown of s106 funding totalling £0.3m to fund posts and activities across the Divisional Support & Technical Services team, Management Team and Infrastructure Planning, £0.5m to fund LIF projects and £0.2m from the Building Control Trading reserve to meet the services adverse variance. These drawdowns are in line with that budgeted.

The Planning & Building Control service also utilises both Mayoral (MCIL) and Tower Hamlets (THCIL) CIL revenue funding. In 2021/22 the Council received £0.4m THCIL and £0.5m MCIL which has primarily funded the Infrastructure Planning service. This funding is also in line with budgets. This favourable variance represents an improved position of £0.7m compared with that previously reported, primarily the result of higher income levels within development management (planning fees) and local land charges.

Building Control Revenue – (£0.1m) Favourable

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 – (£0.4m) Favourable

There is no net General Fund budget within Development Management, with the service being income funded. The service has overachieved its income target by £0.7m with demand for planning being high post pandemic. This favourable variance is being partially offset by recharges that are not fully budgeted where services are being received from Noise officers, Highways and other teams within Planning when assessing planning applications.

Divisional Digital & Support Services – (£0.5m) Favourable

This favourable variance is the result of vacancies within the newly restructured Divisional Support and Digital & Commercial Innovation Unit (£0.2m). It has taken longer to recruit to some posts than had been planned. These roles have now been advertised and recruitment is underway. Local Land Charge income has exceeded its budgeted target by £0.3m with demand for the service being high in a housing market that is buoyant after the pandemic.

Strategic Planning – (£0.3m) Favourable

Unspent consultancy budget within the Plan Making team along with the successful bid for Neighbourhood Planning grant are contributing to the favourable variance. It was previously assumed the Neighbourhood Planning costs would be met from general fund budget provision.

Wentworth Street High Street Heritage Action Zone – Nil Variance

The Council received £0.5m grant funding towards the HSHAZ. This grant has been spent in full, £0.3m within Strategic Planning on projects unlocking the potential of the high streets with the aim of fuelling their economic, social and cultural recovery. The remaining £0.2m has been used on projects led by the Growth team within Growth & Economic Development.

Infrastructure Planning – (£0.1m) Favourable

There is budgeted use of CIL revenue funding of £0.9m and s106 reserve drawdowns of £0.3m towards the running costs of the Infrastructure Planning team. Actual funding is in line with these budgeted levels. The favourable variance has arisen from unbudgeted work completed within the team providing TH viability advice and reduced legal costs.

Building Control Trading Account – Nil Variance

This building control traded account has an adverse variance of £0.2m before reserve drawdowns. This results from income projections being lower than budgeted levels. It is proposed that this shortfall will be offset against the trading account reserve, resulting in nil variance for the general fund.

Housing & Regeneration – £0.1m Adverse

The Housing & Regeneration division has an adverse variance of £0.1m against a budget of £8.5m after reserve movements. This compares to a favourable variance against budget of £0.1m previously

reported, an adverse movement of £0.2m. This position includes a number of reserve movements, resulting in an overall top up to reserves of £1.6m. The Housing & Regeneration division has received grant in year totalling £9.3m. This includes a number of additional unbudgeted grants that were received during the year which resulted in the request to top up reserves where grant has not been spent in full.

The main reason for the adverse variance relates to Place Limited being dissolved. The Council is a shareholder of this company and the lead authority. As a result, LBTH has incurred costs on behalf of Place Limited and there is uncertainty whether these costs will be recovered from Place Limited or the other partner shareholder authorities. An unbudgeted provision has therefore been made for this cost, resulting in an adverse variance. This pressure was not previously reported as Place Limited had not been dissolved at this time.

Housing Options – Nil Variance

The Housing Options (Homelessness and Rough Sleeping) service has a breakeven outturn position. This is in line with previous forecasts. However, the service had budgeted to drawdown £2.1m of reserves for specific activities to reach this position but during the year has received significantly more Government grant funding, mainly in the form of Homelessness Prevention Grant and winter top up grant than it had budgeted. These grants result in Housing Options no longer requiring this reserve drawdown to meet its costs. Instead, Housing Options are proposing to top up reserves by £1.4m when arriving at a nil variance outturn position.

Homelessness numbers remain high, but the service has seen a small decrease over the year. Current numbers in Temporary Accommodation are 2,563 (2,063 households with children and 488 households without). This compares with 2,638 households (2,136 with children and 502 without) at the beginning of the financial year, a reduction of 75 households. This decrease has been achieved despite the lifting of the evictions ban that has been in place since the onset of the pandemic and the service experiencing an increase in the numbers of private evictions.

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 but are reducing with T.A. clients being moved on in shorter timescales.

The service is embarking on an ambitious transformation programme with the aim of reducing both numbers and costs in Temporary Accommodation. Service redesign is underway to enable more work to be undertaken upstream to prevent homelessness occurring, bringing homeless people into employment and moving them into cheaper accommodation to reduce the impact on the housing benefit subsidy loss. 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 business-as-usual use of bed & breakfast accommodation. 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 single people.

Housing Options had budgeted for a significant increase in its bad debt provision due to a backlog of cases requiring assessment and delays in getting clients on to Housing Benefits, along with a significant number of benefit-capped households with large arrears. In recent months this backlog has been cleared and the benefit capped clients prioritised within the transformation project, all of which has reduced the contribution to the bad debt provision.

The Homelessness service incurred an unbudgeted Housing Benefit Subsidy loss of £2.8m during the year. The Council can claim back Housing Benefit costs incurred up to 90% 2011 LHA rates. Rents within Tower Hamlets are normally higher than this rate, resulting in the Housing Benefit payment made being higher than the amount claimed back. In 2021/22, £33.9m of housing benefit was paid out and £27.1m claimed back, resulting in a deficit of £6.8m against a £4m budget. This £2.8m pressure is being funded from Covid general grant in the current financial year and the service has received growth within its budget to meet the cost in 2022/23.

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 this transformation work have been met from base budget and grant in year rather than reserves.

Lettings – (£0.2m) Favourable

Vacant posts totalling £0.1m and additional income from RSL recharges of another £0.1m for use of the Council's housing register. This favourable variance is in line with that previously reported.

Energy & Sustainability – (£0.2m) Favourable

The Energy & Sustainability service has a £0.1m favourable variance against budget before any reserve adjustments. After drawing down against the Barkentine PFI smoothing reserve this favourable variance increases to £0.2m. This favourable variance relates to the energy procurement team where additional commission income has been received over that budgeted. The commission is based on energy consumption with a percentage charge being made to schools and suppliers.

Housing Supply – £0.5m Adverse

The outturn position for Housing Supply is a £0.5m adverse variance after proposed reserve drawdowns totalling £0.2m. This represents an adverse movement of £0.4m when compared with previous forecasts. The main reason for this adverse movement is Place Limited being dissolved as a company and the Council needing to increase its bad debt provision for the costs it has incurred and may not be able to recover. Place Limited remained a going concern when previously forecast.

S&I Management

The S&I Management Team is incurring unbudgeted costs of £0.1m 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 it is proposed that 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.

Shared Use of Amenities

The General Fund makes a recharge to the HRA for its contribution towards the cost of shared use of amenities. This may be a park or a community building for example that is on HRA land and benefits both tenants and the wider public. This contribution is unbudgeted and represents a pressure of £0.1m. This budget pressure has been addressed as part of the budget realignment work.

ALMO Client Team

The ALMO client team has an adverse variance of £0.2m. There is a £0.1m unachievable savings target relating to the insourcing of THH which has not been mitigated and a further pressure of £0.1m relating to a historical and 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.

Harford Street

A £0.3m favourable variance 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.

Affordable Housing

A £0.1m favourable variance resulting from a post being recharged to the Regeneration Vision team. The cost of this post will be met from LIF funding.

Regeneration & New Build Service

The Regeneration & New Build service has a favourable variance of £0.2m as a result of additional CPO income collected in year that is unbudgeted and vacancies within the service.

Housing Development

An adverse variance of £0.8m within the Housing Development service relating to an increase in the bad debt provision following the winding up of Place Limited. This provision represents the costs that the Council, as lead Authority has incurred and may not be able to recover from either the other shareholder Authorities or Place Limited themselves.

Covid-19 Response

Homelessness and Rough Sleeping have spent £1.4m on ongoing Covid-19 related activity with accommodation costs forecast at £0.7m, support packages totalling £0.6m and staffing costs of £0.1m. This is being funded from DLUHC 2021/22 Rough Sleepers Initiative grant of £1.1m (a £0.5m one off uplift for additional support and move on costs and a second tranche of £0.6m for an extension of covid safe emergency and intermediate accommodation and on-site support). A further £0.1m will be met from the Protect and Vaccinate grant. A total of £0.1m will be met from a combination of public health COMF grant and winter pressures funding, with the remaining £0.1m from Covid general grant. A further £2.9m relating to the Housing Benefit Subsidy loss has been charged to Covid general 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. There has been no spend against this fund in year.

Corporate Costs

3

Provisional Outturn £0.1m overspend

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Corporate Costs	15.2	15.3	0.1
Total	15.2	15.3	0.1

Provisional outturn position for Corporate of £0.1m overspend, following the net contribution to reserves of £6.4m. The reserves movements include the budgeted contribution to New Homes Bonus reserve of £7.6m and the budgeted use of reserves to balance the 2021-22 budget of £1.2m.

Please note that the Collection Fund (Business Rates and Council Tax income) is still to be finalised and audited, and the Collection Fund Smoothing Reserve will be utilised to fund deficits including through the government's Tax Income Guarantee (TIG) compensation scheme and business rates relief grants.

Pay inflation budget held centrally – Provisional Outturn £2.2m Adverse

Pay inflation budget of £1.056m remained centrally towards the 2021-22 pay award increase. £2.044m of the 2021-22 £3.1m budget had 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).

The 2021-22 pay award has now been agreed at 1.75% for most officers (2.75% for officers on the lowest spinal point and 1.5% for Chief Officer grades), this represents an overspend of circa £2.240m across the Council's General Fund areas above the central budget held of £1.056m. This overspend is one-off in 2021-22 because the MTFs includes this extra £2.240m pay inflation budget in 2022-23 to be allocated to directorates.

Cross-Directorate Savings – Provisional Outturn £2.1m Adverse

Cross-directorate savings of £3.809m are held corporately. The Reduction in Enabling and Support Services Costs restructure saving of £1.5m was implemented during 2021-22, achieving in-year savings of £0.75m, with the other £0.75m slipping into 2022-23 when the full-year effect will be achieved.

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 were identified as unachievable following a review supported by the Programme Management Office and have been agreed to be written-off in the 2022-23 budget.

Covid non-ringfenced emergency grant has been allocated 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 carried out in 2021-22 – Provisional Outturn £1.7m Adverse

A provisional outturn pressure of £1.7m for the General Fund has arisen from a review of recharges, from directorates and corporate support recharges, to ringfenced funding areas and trading accounts and to Community Infrastructure Levy (CIL) and Section 106 funding due to reduced income receipts for the Council.

Redundancy, Severance and Early Retirement – Provisional Outturn £0.7m Adverse

Provisional outturn overspend of £0.7m against budget of £2.45m for redundancy, severance and early retirement pension strain costs. The corporate budget only funds redundancy costs where these relate to achieving savings agreed in the medium term financial strategy (MTFS).

Corporate income – Provisional Outturn (£0.9m) Underspend

Provisional outturn overachievement of income of £0.9m against Corporate income budgets including allocated miscellaneous income from cash suspense.

Pension Fund deficit repayment – Provisional Outturn (£1.0m) Underspend

Provisional outturn underspend against the budget allowed of £12.8m for the payment to the Pension Fund to meet the deficit estimated by the actuary.

Corporate contingency budget to cover unforeseen circumstances – Provisional Outturn (£3.1m) Underspend

There were no commitments against the contingency budget of £3.1m.

Treasury Management – Provisional Outturn (£8.0m) Underspend

A provisional outturn underspend on the borrowing costs budget due to slippage in the capital programme. Minimum Revenue Provision (MRP) internal borrowing costs of £4.8m have been funded by the rental income earned through the property buyback programme in Place directorate.

The provisional outturn interest and dividend income in 2021-22 was £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 subsequently reducing its base rate to 0.1% from 19 March 2020 (recently increased to 0.25% on 16 December 2021, further to 0.50% on 3 February 2022 and further to 0.75% on 17 March 2022).

Housing Revenue Account (HRA)

4

Provisional Outturn underspend of (£0.2m) before transfer to reserve

Service	Budget £m	Provisional Outturn £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(2.3)	(2.5)	(0.2)
Total	(2.3)	(2.5)	(0.2)

The Housing Revenue Account has a favourable variance of £0.2m when compared with budget. This balance will be transferred to the HRA general reserve, giving a balanced position at year-end. This compares with a Favourable variance of £0.9m previously reported.

Delegated Budgets – £2.5m Adverse

Income

Income from Dwelling Rents has exceeded budgeted levels by £0.6m. £0.1m results from additional income being claimed back from a contractor due to delays in completing the Barchester development, £0.2m relates to Housing Benefit income for Tenant Management Organisations and Discretionary Housing Payment income both of which were not reflected in the budget and £0.3m from the write off of Housing Benefit Overpayments against the bad debt provision.

Leaseholder Service Charges have a £0.2m adverse variance as service charge actuals are lower than budgeted. Many of the services were impacted by Covid, reducing the amounts recovered. Garage rents have a £0.3m adverse variance following the decommissioning of parking bays on development sites.

Tenants Service Charges have a £0.1m adverse variance relating to delays in new properties being handed over to the HRA and their occupation. This has resulted in lower than budgeted service charge income.

A £0.5m adverse variance for Major Works income for leaseholders due to delays in completing the works programmed during the pandemic.

Expenditure

A £0.3m adverse variance against the Repairs & Maintenance budget resulting from increased labour and material costs post pandemic and Brexit. A £0.2m favourable variance for Mayoral ASB due to reduced costs with the Police. Business Rates has a favourable variance of £0.1m based on actual expenditure. The budget is historic and overstated. Community Investment - £0.3m favourable variance resulting from lower than budgeted project activity as a result of the pandemic.

Recharges to Capital are £1.7m lower than budgeted. Delays in procurement and start on site across the capital programme have resulted in less costs being capitalised. The Building Insurance budget has a £0.3m adverse variance based on actuals posted and claims history. Energy costs have an adverse variance of £0.2m primarily due to recent market increases in unit cost. Concierge - £0.1m adverse variance arising from additional fire patrols at Brewster & Maltings following commencement of structural works on the building. Payments totalling £6.5m have been made in year for the Thames Water Recompense Scheme. These costs will be met in full from a provision within the HRA and will not impact on the revenue position.

Management Fee – £0.6m Adverse

This adverse variance relates to the pay award for 2021/22 which is not built into the base budget for the management fee.

Non delegated budgets – Forecast £3.3m Favourable

The Leaseholder Enfranchisements income has exceeded budgets by £0.5m. 93 applications were received to extend leases which is significantly higher than budgeted. Shop Income has over recovered its income target by £0.2m with a number of shops vacant post pandemic. A £1m favourable variance relating to depreciation charges based on the actual costs posted. A £1.2m favourable variance for residual pension costs where there is a historic budget allocation. The most recent triennial review has resulted in a lower charge to the HRA. A favourable variance of £0.1m against the Apprenticeship Levy. The HRA has incurred the charge as part of the salary oncosts and this budget is surplus to requirements.

Debt Management costs have a £0.3m favourable variance. The charge for the year is £0.1m against a £0.4m budget and relates to the financing charge on outstanding HRA debt and is calculated on a formulaic basis with a fixed and variable element. Historic budgets relating to the running costs of Dame Collet and Poplar Baths resulting in a £0.8m favourable variance. A reduction in the contribution to the bad debt provision of £1.1m by using Thames Water refunds due to reduce debt where accounts are in arrears. A £0.4m favourable variance against the Capital Feasibility budget with more works progressing to a capital scheme and their costs have been capitalised.

Shop repairs & maintenance has an adverse variance of £0.5m, with no budget for this expenditure. A £0.3m adverse variance on Support Services Recharges which relates to a higher than budgeted recharge from asset management for time spent managing the shops portfolio. There is a £1.4m adverse variance for Item 8 Adjustment with a larger than budgeted capital financing requirement to meet the new build housing programme. A £0.1m adverse variance for insurance recharges due to higher than budgeted premium.

General Fund Balances and Earmarked Reserves

5

The table shows provisional outturn 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.

£m	Balances as per draft	Forecast contribution to	Forecast balance
	accounts 2020/21	/ (from) Reserve	31 March 2022
	£m	£m	£m
GF balances (general reserve)	24.8	0.2	25.0
Budgeted drawdown in MTFS	0.0	(1.2)	(1.2)
	24.8	(1.0)	23.8
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
Insurance	10.0	0.0	10.0
New Civic Centre	0.0	0.0	0.0
Parking Control	3.3	2.8	6.1
Collection Fund Smoothing*	66.8	(15.8)	51.0
Free School Meals Reserve	6.0	(2.0)	4.0
Public Health Reserve	3.3	3.6	6.9
Revenue Grants Unused	8.7	1.6	10.3
COVID 19 grant	3.5	5.8	9.3
Local Elections	0.8	0.1	0.9
CIL**	7.8	(1.1)	6.7
BAME Inequalities Commission	0.0	1.0	1.0
Covid Recovery Fund	0.0	2.1	2.1
HA&C Joint Funding Agreements	0.0	12.4	12.4
Earmarked reserves with restrictions – Subtotal	110.2	10.5	120.7
Earmarked reserves without restrictions			
Risk Reserve	6.5	0.0	6.5

Transformation Reserve	3.6	0.0	3.6
ICT Reserve	9.6	(0.4)	9.2
Mayor's Tackling Poverty Reserve	3.4	0.0	3.4
Mayor's Priority Investment Reserve	5.0	0.0	5.0
New Homes Bonus	40.6	3.6	44.2
Services Reserve	8.5	6.1	14.6
Earmarked reserves without restrictions - Subtotal	77.2	9.3	86.5

Total Earmarked Reserves	187.4	19.8	207.2
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Total GF and Earmarked reserves	212.2	18.8	231.0
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*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 CIL (Community Infrastructure Levy) reserve balance only includes revenue related CIL monies held within earmarked reserve and not capital CIL monies

HRA, DSG and Capital Usable Reserves

6

The table shows the 2021/22 Provisional Outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves. Utilisation of these reserves are restricted by statute.

HRA and DSG reserves	Balances as per draft accounts 2020/21	Provisional Outturn contribution to / (from) reserves	Forecast balance 31 March 2022
	£m	£m	£m
Housing Revenue Account (HRA)	52.3	0.2	52.5
Dedicated Schools Grant (DSG)	(11.6)	1.0	(10.6)
Capital Grants Unapplied	200.2	(7.5)	192.7
Capital Receipts Reserve	139.0	(10.7)	128.3
Major Repairs Reserve	0.1	(0.1)	0.0
Total Other Reserves	380.0	(17.1)	362.9

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.

NNDR Business Rates

We were expected to collect £395m in total for 2021-22 (excluding business rates supplement). 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 £55m (primarily funded through government grants for business rates reliefs). The deficit has reduced due to the removal of the provision for Material Change in Circumstances (MCC) appeals, following government legislation which excluded the ability for businesses to request revaluations based on the short term effect of the Covid pandemic. 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 has provided £14m compensation towards funding the 2020-21 deficit (being 75% of specific components of the deficit).

The accumulated deficit includes a significant increase in the 2020-21 loss allowance (bad debt provision) for potential non-payment of debts to the Council, again due to the pandemic (an increase in Council share from £1.9m in 2019-20 to £7.7m in 2020-21).

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 £395m 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.

The net rates payable will reduce further with the allocation of the newly announced Covid Additional Relief Fund (CARF) of £26m to reduce the business rates requirement for businesses outside of the expanded retail relief scheme.

To the end of 2021-22, we have collected £386m of £409m billed (94.4% in-year collection rate) compared to 94.8% for 2020-21, which is a slight deterioration on 2020 however some businesses will have delayed payment against accounts awaiting the allocation of CARF reliefs. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Debt collection is temporarily on hold while the CARF fund is allocated to business rates accounts and re-billing takes place.

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 is £6.5m. The government has compensated £2.0m of this (being 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 £2.9m (Council share) from £11.9m (2019-20) to £14.8m (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 reduced slightly from the increased pandemic level (£32.7m cost in 2021-22 which includes the effect of the annual Council Tax increases). Indications are that the level of claimants will continue to reduce now that pandemic restrictions have been withdrawn by the government.

For total Council Tax income (both retained by the Council and passported to the GLA) the collectable budget for 2021-22 was £151m.

To the end of 2021-22 we collected £144m of the £157m Council Tax bills raised (92% in-year collection rate) compared to 90% for the same period in 2020-21, which is an improvement on 2020-21 but lower than pre-pandemic collection levels. As debt enforcement processes have recommenced, the collection of debt arrears for previous years has improved (£8.6m collected in 2021-22 relating to previous years). Future years' collection rates could be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on employment, energy and food costs).

The Council is actioning the government's energy rebate scheme and has paid out £150 to direct debit payers and will write to other eligible residents to arrange payment through the mandatory and discretionary schemes.

Overall Position

The Council's investment balance at the end of March 2021 was £321.2m (an increase of £4.7m from previous quarter and increase of £23.9m from previous month).

The 2021-22 budget for investment income is £2.3m and the forecast all through the year was £1.6m based on expected cash levels throughout the year and expected dividends from pooled funds. Actual interest was £1.55m. This return is significantly lower than both 2019-20 and 2020-21, mainly due to the continued Covid-19 impact on the economy and recent Ukraine/Russia conflict impacting global markets. A slight increase is expected in 2022/23 on the basis that the expected Bank of England raises interest rates occur. We have £321.2m of investments and £69.9m borrowing.

Income Position

Yield on the internal portfolio was 0.46%. Investments in local authorities contributed an average yield of 0.46% while average across London Boroughs in the Arlingclose pool of clients was 0.49%. The income only return on the entire portfolio, including the Council's external investments was 0.87% whilst the total return on the entire portfolio was 0.90%.

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 and recent Ukraine/Russia on going conflict; however, most of the funds have since regained their total value and are now at £76.2m (£76m as of 31 March 2021) with the purchase price (£76m).

Benchmarking

According to the 2021-22 Quarter 4 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 0.87% outperformed a group of seventeen London councils (0.78% average income return) but underperformed against 127 national local authorities (0.97% average income return).

The Council's return on internally managed treasury investments of 0.46% performed slightly below a group of seventeen London councils by 0.03%.

We are continuing to look at alternatives that retain and protect the capital value of our investments while maximising income return. We compare favourably for the income return we get from our investments in Q4 of 2021-22 due to Bank of England recent increase in rates helping new investments.

Liquidity

39% of funds are available within 7 days ensuring adequate cash is available to meet expenditure payments. 78% of funds are available within 100 days Inflation.

Inflation

Consumer Prices Index (CPI) rose by 7.0% in the 12 months to March 2022, up from 6.2% in February.

On a monthly basis, CPI increased by 1.1% in March 2022, compared with a rise of 0.1% in March 2021 and 0.8% in February 2022.

According to Capital Economics recent quarterly forecast of April 22, even though a further surge in CPI inflation to a 40-year high currently forecast at 10% in October. It is expected that this will take the economy to a brink of recession, the Economist are of the opinion that the Bank of England will rise interest rates from 0.75% now to a peak of 3.00% in 2023 to contain domestic price pressures and stamp out the recent rises in price expectations that risk inflation getting get stuck above the 2% target. Their forecast envisage inflation being higher, GDP growth being lower and interest rates rising further than investors and other analysts expect.

Recent forecasts also concluded that not only did the surge in CPI inflation to 9.0% in April leave inflation in the UK above the rates in both the US and the euro-zone, but inflation in the UK according to their forecast will probably rise further and stay higher for longer which fed into their forecasts that the Bank of England will have to raise rates further than it expects, from 1.00% now to 3.00%.

The recent extra financial support for households announced by the Chancellor on 25th May is expected to help millions of households cope better with the cost-of-living crisis. But it is not expected according to Capital Economics forecast to relieve all the pain and may mean the Bank of England has to pull the interest rate lever harder to reduce inflation.

Security

Weighted Average credit rating across the portfolio of investments managed internally at the end of March 2022 was AA-. The portfolio's bail-in risk has decreased by 9% to 59%. The portion that remains susceptible to bail-in risk includes the 35-day notice account and deposits with Money Market Funds. Number of Counterparties in the portfolio on 31 March 22 was 31 against a local authority average of 14 Counterparties which further supports diversification of investments.

Borrowing

The Council has Public Works Loan Board (PWLB) loans totalling £52.4 and fixed rate bank loans totalling £17.5m.

There was a forecast underspend on the borrowing costs budget due to forecast slippage in the capital programme this meant that the forecast since September 2021 has been £2.2m. This forecast interest payable cost on external borrowing of £2.2m was in line with actual borrowing cost for the year of £2.186m.

Target for year £28.9m

£22.1m savings to be delivered

Services	£m					
	2021/22 Target	Prior Year Slippage	Saving Target	Provisional Outturn Savings	Slippage	Under Recovery
	A	B	C = A + B			
HA&C	5.4	0.3	5.7	5.5	0.2	0.0
Children and Culture	5.1	0.6	5.7	5.2	0.5	0.0
Place	3.2	0.7	3.9	2.8	1.0	0.1
Resources	3.3	1.9	5.2	4.1	0.5	0.6
Chief Executive's Office	0.4	0.0	0.4	0.3	0.1	0.0
All	6.3	1.7	8.0	4.2	3.1	0.7
Total	23.7	5.2	28.9	22.1	5.4	1.4

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).

- £22.1m is identified as being on track to deliver savings;
- A net position of £5.4m is anticipated 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.

Provisional Outturn General Fund (GF) £53.2m underspend, Recommended net Slippage £50.0m

General Fund Provisional Outturn

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme	Children's & Culture	31.5	19.0	(12.5)	11.9	46.2	76.8	48.0	172.0
	Health Adults and Community	13.6	9.0	(4.6)	4.6	14.3	4.2	0.0	18.5
	Place	80.8	58.5	(22.3)	20.7	53.0	25.9	22.8	101.7
	Resources	2.1	0.3	(1.8)	1.8	15.7	3.3	0.2	19.2
Approved Programme Total		128.0	86.8	(41.2)	39.0	129.2	111.2	71.0	311.4
Approved Rolling Programme	Children's & Culture	4.4	2.8	(1.6)	1.2	8.3	4.0	3.0	15.3
	Health Adults and Community	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.9
	Place	10.3	9.5	(0.8)	(0.2)	9.4	9.2	2.1	20.7
	Resources	1.9	0.8	(1.1)	1.1	3.5	3.5	0.0	7.0
Approved Rolling Programme Total		16.7	13.1	(3.5)	2.5	21.5	17.0	5.4	42.9
Invest to Save Programme	Place	11.7	3.1	(8.5)	8.5	12.5	7.0	3.2	22.7
Invest to Save Programme Total		11.7	3.1	(8.5)	8.5	12.5	7.0	3.2	22.7
LIF Programme	Place	0.2	0.2	0.0	0.0	8.5	6.3	0.0	14.8
LIF Programme Total		0.2	0.2	0.0	0.0	8.5	6.3	0.0	14.8
Grand Total		156.5	103.3	(53.2)	50.0	171.7	141.5	79.6	392.8

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 revised General Fund capital programme for 2021/22 and future years 2022/23 - 2024/25 was approved by Council on 2nd March 2022. At that time the revised budget for the 2021/22 General Fund capital programme was approved at £156.5m. The total General Fund provisional outturn expenditure for the year is £103.3m, which represents 66% of the 2021/22 revised budget. The net underspend at year-end is £53.2m, of which £50.0m is recommended for slippage / acceleration into future years. Adjusting for slippage and accelerations, the revised capital programme for the next 3 years 2022/23 - 2024/25, totals £392.8m.

The detailed capital programme for the General Fund provisional outturn is provided within 'Appendix D – 2021/22 Provisional Outturn General Fund (GF) Capital Programme Monitor'.

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

by the pandemic, particularly earlier in the financial year with the challenges faced with exiting lockdown, this is a marked improvement for the capital programme and delivery compared to previous years. The major variances are described below:

Approved Programme

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme	Children's & Culture	31.5	19.0	(12.5)	11.9	46.2	76.8	48.0	172.0
	Health Adults and Community	13.6	9.0	(4.6)	4.6	14.3	4.2	0.0	18.5
	Place	80.8	58.5	(22.3)	20.7	53.0	25.9	22.8	101.7
	Resources	2.1	0.3	(1.8)	1.8	15.7	3.3	0.2	19.2
Approved Programme Total		128.0	86.8	(41.2)	39.0	129.2	111.2	71.0	311.4

The 2021/22 revised budget for General Fund Approved Programme is £128.0m. The provisional year-end outturn is £86.8m, (representing 68% of the revised budget), resulting in a net variance underspend of £41.2m. The recommended net slippage / acceleration for General Fund Approved Programme is £39.0m.

Children's and Culture

The 2021/22 revised budget for the Children's and Culture Approved programme is £31.5m. The provisional year-end outturn is £19.0m, (representing 60% of the revised budget), resulting in a net underspend of £12.5m. Of the net underspend variance, £11.9m net slippage / acceleration is recommended to future years.

The major programme under Children's and Culture 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.

The London Dock Expansion Programme (the creation of a new secondary school on the London Dock site) provisional outturn is an underspend of £5.1m compared to the 2021/22 revised budgets, this spend is anticipated to slip to future years. The slippage is due in part to ensuring due diligence was undertaken in meeting the requirements of the grant funding from the Department of Education (DfE). There are further potential risks in delay from the supply chain from the impacts of the Covid-19 pandemic and Brexit.

Wood Wharf school project budget is underspent by £1.6m as a result of delays in procuring the contractor, this spend is expected to slip to future years. The tender was supposed to be issued in February 2021, but incurred delays until June 2021.

There is an underspend of £2.6m in Beatrice Tate Special school expansion project as a result of needing to extend the brief to include some structural works to the existing building. This will result in a slippage of works, the project completion date estimated for spring' 2023 will have to be revised.

There is a net underspend of £1.1m in the Parks programme, relating to Victoria mini-golf (£0.4m) and Ford square and Cavell Street gardens (£0.7m) project and these capital works are expected to slip into

future years. The remaining net underspend of £2.0m are across several other smaller projects within the programme.

Health, Adults and Communities

The 2021/22 revised budget for the Health, Adults and Communities Approved programme is £13.6m. The provisional year-end outturn is £9.0m, (representing 66% of the revised budget), resulting in a net underspend variance of £4.6m. The net slippage / acceleration recommended is the full £4.6m.

The majority of capital projects in the HA&C Directorate, which had hitherto paused due to the pandemic, have been largely reinstated. 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. The net slippage / acceleration on NHS led projects is £1.5m. This is due to delays in receipt of invoices from the CCG for health-related projects. Some have now been received, and others are being chased in order to keep up with the project spend monitoring.

The CCTV upgrade project has a budget underspend of £2.4m which will be slipped into future years. Over recent months the CCTV Project team have been working to conclude a complex procurement process for multiple, critically inter-dependent work elements which will form the bulk of 2022/23 spend and is currently estimated at a total of circa £2.3m. All contracts will be implemented, and subsequent spend incurred, in 2022/23.

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

The 2021/22 revised budget for the Place Approved programme is £80.8m. The provisional year end outturn is £58.5m (representing 72% of the revised budget), resulting in a net underspend variance of £22.3m. The net slippage / acceleration recommended is £20.7m.

The key projects that are driving the variance of £20.7m within Place are as follows:

The New Town Hall project has a provisional outturn underspend of £12.6m compared to revised budgets. Spend for the year was significantly lower than the anticipated estimates reported by the cost consultants, hence the reason for budget underspends. This was largely due to the claims that required clarification with the contractors. The disputed matters have now been resolved, the remaining spend has now been reprofiled in 2022/23.

Other underspent schemes include Liveable streets £2.0m, which was the result of political decisions to re-profile implementation of some schemes into 2022/23 and further detailed consultation and design development are due to be undertaken for two sizeable schemes (Arnold Circus and Roman Road Market). There were four projects (Preston's Road: vision zero £0.5m, Slow Charging points £0.3m, Improvements to road safety – Crisp Street and Morris Road corridor £0.7m and Poplar High Street public realm and bus service improvements £0.9m) that contributed to the overall underspend by £2.4m. These projects were approved by Cabinet in the 2021/22 financial year, works are still to commence on the schemes and the project budgets have now been re-profiling and slipped to future

years. The remaining net underspends across the department, totalling £3.7m, are from various smaller capital projects within the Place Directorate which have now been largely re-profiled into future years to mirror expected delivery.

Resources

The 2021/22 revised budget for the Resources Approved programme is £2.1m. The provisional year end outturn is £0.3m, (representing 13% of revised budget), resulting in a net underspend of £1.8m. The net slippage / acceleration recommended is £1.8m.

This budget consists of IT transformation and Agresso re-hosting and upgrade, which are coming to an end. The next phase of programmes, including ICT Mosaic Project, Deployment of Firm Step CRM, Fraud Investigation systems and Cyber Security amongst other things are currently in the process of procurement, with work expected to continue into 2022/23 on these projects.

Annual Rolling Programme

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)		Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Rolling Programme	Children's & Culture	4.4	2.8	(1.6)	1.2		8.3	4.0	3.0	15.3
	Health Adults and Community	0.0	0.0	0.0	0.0		0.3	0.3	0.3	0.9
	Place	10.3	9.5	(0.8)	0.2		9.4	9.2	2.1	20.7
	Resources	1.9	0.8	(1.1)	1.1		3.5	3.5	0.0	7.0
Approved Rolling Programme Total		16.7	13.1	(3.5)	2.5		21.5	17.0	5.4	42.9

The 2021/22 revised budget for Annual Rolling programme is £16.7m. The provisional year-end outturn is £13.1m, (representing 79% of the revised budget), resulting in a net variance underspend of £3.5m. The recommended slippage / acceleration is £2.5m.

Children's and Culture

The 2021/22 revised budget for the Children's and Culture Annual Rolling Programme is £4.4m. The provisional year end outturn is £2.8m, (representing 64% of the revised budget), resulting in a net underspend of £1.6m. The main underspend was on the Conditions and Improvement for the Primary schools' programme. The only recommended slippage of £1.2m is to rectify the unrealised forecast accelerated spend reported as part of 2022/23 - 2024/25 budget setting process in future years.

Place

The 2021/22 revised budget for the Place Annual Rolling Programme is £10.3m. The provisional year end outturn is £9.5m, (representing 92% of revised budget), resulting in a net underspend variance of £0.8m. The recommended net slippage / acceleration is £0.2m.

Notable schemes within the Place Annual Rolling Programme include Disabled Facilities Grants (DFG) schemes, Public Realm Carriageways and Footways and Investment Works to Tower Hamlets Assets. All projects within the programme have a provisional outturn in line with budget, with the exception of Investment Works to Tower Hamlets Assets projects, where works will slip by £0.2m.

Resources

The 2021/22 revised budget for the Resources Annual Rolling Programme is £1.9m. The provisional year end outturn is £0.8m, resulting in a net underspend variance of £1.1m, recommended to be slipped to future years.

The IT Rolling programme 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. All projects have commenced and will be fully delivered, albeit some may take longer than first anticipated.

Invest to Save

General Fund Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)		Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Invest to Save Programme	Place	11.7	3.1	(8.5)	8.5		12.5	7.0	3.2	22.7
Invest to Save Programme Total		11.7	3.1	(8.5)	8.5		12.5	7.0	3.2	22.7

The 2021/22 revised budget for Invest to Save programme is £11.7m. The provisional year-end outturn is £3.1m, (representing 26% of revised budget), resulting in a net variance underspend of £8.5m, which is recommended to be fully slipped into future years.

Place

The 2021/22 revised budget for the Place Invest to Save Programme is £11.7m. The provisional year end outturn is £3.1m, (representing 26% of the Revised budget) resulting in a net variance underspend of £8.5m, which is recommended to be fully slipped into future years.

The main underspend, which is recommended to be fully slipped into future years, relates to the Purchase of Temporary Accommodation (TA) programme. The buyback programme did not proceed at the pace expected due to on-going difficulties presented by Covid-19 restrictions, including the halt to possession cases, illness and isolating. There were also staff changes within both the Council (LBTH) and Tower Hamlets Homes (THH) which led to delays in identified purchases, which are now expected to take place in 2022/23.

Provisional Outturn Housing Revenue Account (HRA) underspend £20.9, Recommended net Slippage £13.8m

Housing Revenue Account (HRA) Provisional Outturn

HRA Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme: The First 1000 Homes	Place	47.6	35.3	(12.3)	12.2	106.9	125.2	103.4	335.5
Housing Revenue Accounts (THH Projects)	THH/Place	0.1	0.3	0.2	(0.2)	2.2	0.0	0.0	2.2
HRA Approved Programme Total		47.7	35.6	(12.1)	12.0	109.1	125.2	103.4	337.7
Approved Rolling Programme: THH	THH	25.1	16.7	(8.4)	1.8	28.0	30.0	30.0	88.0
Approved Rolling Programme Total		25.1	16.7	(8.4)	1.8	28.0	30.0	30.0	88.0
HRA Completed & Retentions Projects	THH/Place	0.4	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0
HRA Completed & Retentions Projects Total		0.4	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0
HRA Programme Total		73.2	52.3	(20.9)	13.8	137.1	155.2	133.4	425.7

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 revised Housing Revenue Account (HRA) capital programme for 2021/22 and future years 2022/23 - 2024/25 was approved by Council on 2nd March 2022. At that time the revised budget for the 2021/22 HRA capital programme was approved at £73.2m. The total HRA provisional outturn expenditure for the year is £52.3, which represents 71% of the 2021/22 revised budget. The net underspend at year-end is £20.9m, of which £13.8m is recommended for slippage / acceleration into future years. Adjusting for slippage and accelerations, the revised capital programme for the next 3 years 2022/23 - 2024/25, totals £425.7m

The detailed capital programme for the HRA provisional outturn is provided within 'Appendix E – 2021/22 Provisional Outturn Housing Revenue Account (HRA) Capital Programme Monitor'.

The Capital Strategy Board oversees the governance and administration of the capital programme and reviews spend, slippage, acceleration and trends in delivery. Despite the continued disruptions caused by the pandemic, particularly earlier in the financial year with the challenges faced with exiting lockdown, this is a marked improvement for the capital programme and delivery compared to previous years. The major variances are described below:

Approved Programme

HRA Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Programme: The First 1000 Homes	Place	47.6	35.3	(12.3)	12.2	106.9	125.2	103.4	335.5
Housing Revenue Accounts (THH/Place Projects)	THH/Place	0.1	0.3	0.2	(0.2)	2.2	0.0	0.0	2.2
HRA Approved Programme Total		47.7	35.6	(12.1)	12.0	109.1	125.2	103.4	337.7

The 2021/22 revised budget for the HRA Approved programme is £47.7m. The provisional year-end outturn is £35.6m, (representing 75% of revised budget), resulting in a net variance underspend of £12.1m, where £12.0 is recommended to be slipped into future years.

First 1,000 Homes (Place)

The 2021/22 revised budget for the First 1,000 Homes Approved Programme is £47.6m. The provisional year end outturn is £35.3m, (representing 74% of revised budget), resulting in a net underspend variance of £12.3m, of which £12.2m has been recommended to slip in full into future years to fund approved schemes to completion.

The Housing New Supply scheme programme, funded by Right-to-Buy receipts and HRA borrowing, primarily in the First 1,000 Homes programme, is reporting a net underspend variance of £5.8m. This is due to delays in procurement of contractors for some schemes, despite planning consent being achieved. The New Build programme funded with GLA grant has also experienced delays and has an underspend variance of £2.6m. The net underspend position for the Housing Capital Pipeline programme is £2.0m because revenue funding from the HRA feasibility pot has been used for pipeline projects as an alternative. It is hoped that the creation of the Dynamic Procurement System (DPS) will aid the delivery process moving forward.

In 2021/22, 12 new council homes for social rent were completed and a further 120 new homes will be completed next year. Planning consent has been achieved for the majority of the remaining projects in the First 1,000 homes programme and procurement is underway.

Budgets have now been reprofiled and re-aligned across schemes within the 1st 1000 homes. Any re-profiled/re-aligned schemes will need to go through internal governance process before proceeding.

Tower Hamlets Homes (THH/Place)

The 2021/22 revised budget for the Approved Programme - Tower Hamlets Homes (THH) is £0.1m. The provisional year end is £0.3m, resulting in an accelerated spend of £0.2m.

This programme relates to the Housing Revenue Account (THH projects) Public Realm Improvements scheme relating to introducing new off-street parking arrangements in housing estates due to changes in national legislation.

Annual Rolling Programme

HRA Programme	Directorate	Revised Budget £m	Actual Spend £m	Over / (Under) spend £m	Slippage / Acceleration (£m)		Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)	Revised Budget 2022-23 (£m)
Approved Rolling Programme: THH	THH	25.1	16.7	(8.4)	1.8		28.0	30.0	30.0	88.0
Approved Rolling Programme Total		25.1	16.7	(8.4)	1.8		28.0	30.0	30.0	88.0

Tower Hamlets Homes (THH)

The 2021/22 revised budget for the Annual Rolling Programme - Tower Hamlets Homes (THH) is £25.1m. The provisional year end outturn is £16.7m, (representing 67% of the revised budget) resulting in a net underspend variance of £8.4m, of which £1.8m has been recommended to slip in full into future years

Of this £8.4m underspend variance, the Decent Homes Backlog Funding Better Neighbourhood scheme contributed £2.6m to the underspend. The main schemes responsible for the remaining net underspend of £5.8m within HRA Capital Schemes Housing was underspends on Capitalised void and repairs (£1.3m), Fire safety works (£1m) and Project management fees (£2.2m). The underspends were due to significant delays in the procurement of consultants for design, survey and pricing to allow mini tenders to commence which was as a result of lack of response from the Framework contractor and their risk position on certain elements of design work requested. In addition, the change in Building Safety, and in particular Fire Doors regulations led to a partial reprogramming and realignment of both Fire Safety and Major Works expenditure. The rest of the net budget underspend of £1.3m is across several schemes within this theme.

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.

The capital financing for 2021-22 provisional outturn expenditure for the GF and the HRA is set out below:

	General Fund (GF)	Ratio Finance to Source Total	HRA	Ratio Finance to Source Total
Sources of Funds	£ 'm	%	£ 'm	%
Government and Capital Grants	17.7	17%	0.0	0%
External Contributions S106	16.1	22%	0.0	0%
External Contributions CIL	12.2	6%	0.0	0%
Capital Receipts	4.9	4%	0.0	0%
RTB Capital Receipts	1.1	1%	16.9	32%
Borrowing	51.1	49%	25.4	49%
Direct Revenue Financing / Reserves	0.2	0%	10.0	19%
Total	103.3	100%	52.3	100%