

Cabinet 28 September 2022	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director Resources	Classification: Unrestricted
Budget Monitoring 2022/23 Quarter 1 including Capital	

Lead Member	CIlr Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	Ahsan Khan – Head of Strategic Finance (Chief Accountant) Nisar Visram – Director of Finance, Procurement and Audit
Wards affected	All wards
Key Decision?	No
Forward Plan Notice Published	N/A
Reason for Key Decision	N/A
Strategic Plan Priority / Outcome	All Strategic Plan 2022-26 priorities

Executive Summary

This report presents the forecast outturn compared to the budget report 2022/23 as at 30th June 2022 (Period 3) for the General Fund, Dedicated Schools Grant (DSG) Budget, Housing Revenue Account (HRA), progress made against savings targets and the council's capital programme. It also provides projections on General Fund earmarked reserves and the forecast impacts of Covid on the councils finances in 2022-23.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the council's forecast outturn position against General Fund, Dedicated Schools Budget, Housing Revenue Account and earmarked reserves for 2022-23, based on forecasts as at 30th June 2022;
2. Note the progress made against the 2022-23 savings targets, based on forecasts as at 30th June 2022;
3. Note the council's forecast outturn position against General Fund and

Housing Revenue Account capital programme approved budgets for 2022-23, based on forecasts as at 30th June 2022;

4. Note that there are no equalities implications directly resulting from this report, as set out in Section 4.

1 REASONS FOR THE DECISIONS

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

2 ALTERNATIVE OPTIONS

- 2.1 The regular reporting of Revenue and Capital Budget Monitoring information through the year and the preparation of the provisional outturn position after the year end provides detailed financial information to Members, senior officers and other interested parties on the financial performance of the council. It sets out the key variances being reported by budget holders and the management action being implemented to address the identified issues.
- 2.2 Further information across the council's key financial activities is also included to ensure that CLT and Members have a full picture to inform their consideration of any financial decisions set out in this report and also their broader understanding of the council's financial context when considering reports at the various council Committees.
- 2.3 Set alongside relevant performance information it also informs decision making to ensure that Members' priorities are delivered within the agreed budget provision.
- 2.4 It is important that issues are addressed to remain within the approved budget provision or where they cannot be contained by individual service management action, alternative proposals are developed and solutions proposed which address the financial impact; CLT and Members have a key role in approving such actions as they represent changes to the budget originally set and approved by them.

3 DETAILS OF THE REPORT

- 3.1 On 2 March 2022, the council considered and agreed the Revenue Budget and Council Tax for 2022/23. The council also agreed Dedicated Schools Grant (DSG) Budget and the Housing Revenue Account (HRA) budget for 2022/23, which includes rent setting and other charges.
- 3.2 The net budget requirement for 2022-23 has been set at £389.5m and includes delivering savings of £11.8m (£7.0m for 2022/23, and £4.8m slippage from previous years).
- 3.3 The year to date actuals to period 3 (30th June) amount to £135.6m. The period 3, 2022/23 financial forecast is an underlying gross overspend of £36.4m. The position after the proposed net drawdown of earmarked reserves, totalling £(33.6)m, is an overall forecast overspend of £2.8m. Significant savings are still to be delivered in 2022/23 within a continuing challenging environment for the council. Any under/over spend at the year-end will be transferred to/funded from reserves.
- 3.4 Given the period 3 forecast outturn position, General Fund and earmarked reserves are consequently forecast to reduce from £228.8m at the start of this financial year to £181.5m by the end (a decrease of £47.3m).
- 3.5 General Fund balances and reserves without restrictions are forecast to decrease by £(3.8)m, from £109.8m to £106.0m in 2022/23. 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.
- 3.6 General Fund Restricted reserves are forecast to decrease by £(43.5)m, from £119.0m to £75.5m in 2022/23, this includes funds that are to be utilised for specific purposes, including grants received in advance pertaining to the Collection Fund, the council's self-insurance reserve, Public Health and other various revenue grants the council has received, which include conditions on the spend.
- 3.7 The updated 2021/22 outturn position on the DSG is a deficit of £3.1m, compared to the £1.0m surplus reported as part of provisional outturn to Cabinet in July 2022. This is largely due to pressures relating to the High Needs block, resulting in a updated 2022/23 brought forward deficit on the DSG of £14.6m. The Deficit in the DSG has been built up over the last 4 years with increased demand for individual support for Children through Education Health and Care Plans. The DfE have recognised that levels of funding were not adequate to cover demand and the majority of Local Authorities are now in an accrued deficit position. In 2022/23, the council is forecasting a nil variance for DSG budgets as funding levels for High needs have increased by £6m in 2022/23 and funding is now at a level more representative of cost. The prior years' deficit would be expected to be paid back over the longer term to ensure that provision for young people can be maintained.

- 3.8 The Housing Revenue Account is forecasting an adverse variance of £0.5m when compared with budget. It is assumed that this balance will be transferred from general HRA balances at year-end. The HRA is forecasting an unbudgeted energy cost pressure totalling £2.4m for gas and electricity in 2022/23. These costs are partly recoverable from leaseholders where they relate to communal areas and this additional income has been reflected separately in this forecast. Further cost increases in 2023/24 will result in an unbudgeted cost pressure of £8m which will need to be met from existing HRA income streams. Other variances in the HRA relate to delegated budget, which is forecasting a year-end favourable variance of £0.7m, the management fee is forecasting a year-end adverse variance of £0.4m and the non-delegated budget is forecasting a year-end favourable variance of £1.6m.
- 3.9 The detailed monitoring report, setting out the period 3 forecast outturn against revised budgets and the reasons for the variances, along with the financial implications of the currently reported financial position, is attached as Appendix A to this report.
- 3.10 Detailed progress made against savings targets are contained in Appendix B.
- 3.11 A summary of the non-ringfenced and specific ringfenced Covid-19 grants and forecast outturn Covid spend and reduced income is detailed within Appendix C.
- 3.12 Further details of the period 3 forecast outturn capital monitoring position at programme level is provided in Appendix A, section 10 as well as Appendix D and Appendix E (for the GF and HRA respectively).

4 EQUALITIES IMPLICATIONS

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

5 OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.
- 5.2 There are no other statutory implications contained in this report.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

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

7 COMMENTS OF LEGAL SERVICES

- 7.1 The council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The council's chief finance officer has established financial procedures to ensure the council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report
- 7.2 The monitoring of financial information is also a significant contributor to meeting the council's Best Value legal duty and therefore this report complies with that legal duty.
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Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix A: Budget monitoring report 2022-23 as at 30th June (Period 3)
- Appendix B: Summary MTFS Savings Tracker 2022-25
- Appendix C: Covid-19 Forecast Outturn Summary 2022-23
- Appendix D: 2022-23 Period 3 Forecast Outturn General Fund Capital Programme Monitor
- Appendix E: 2022-23 Period 3 Forecast Outturn Housing Revenue Account Capital Programme Monitor

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

- None

Officer contact details for documents: N/A