Appendix A

Budget Monitoring Report 2022-23 as at 30th June (Period 3)

Circulated to	MAB
Date	31 August 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

Forecast General Fund (GF) £2.8m overspend

Forecast Dedicated Schools Grant (DSG) Nil variance

Forecast Public Health (GF) £0.4m underspend before transfer to reserve

Forecast Housing Revenue Account (HRA) £0.5m overspend before transfer from reserve

Period 3 Forecast Outturn as Overspend/(Underspend) (£m)

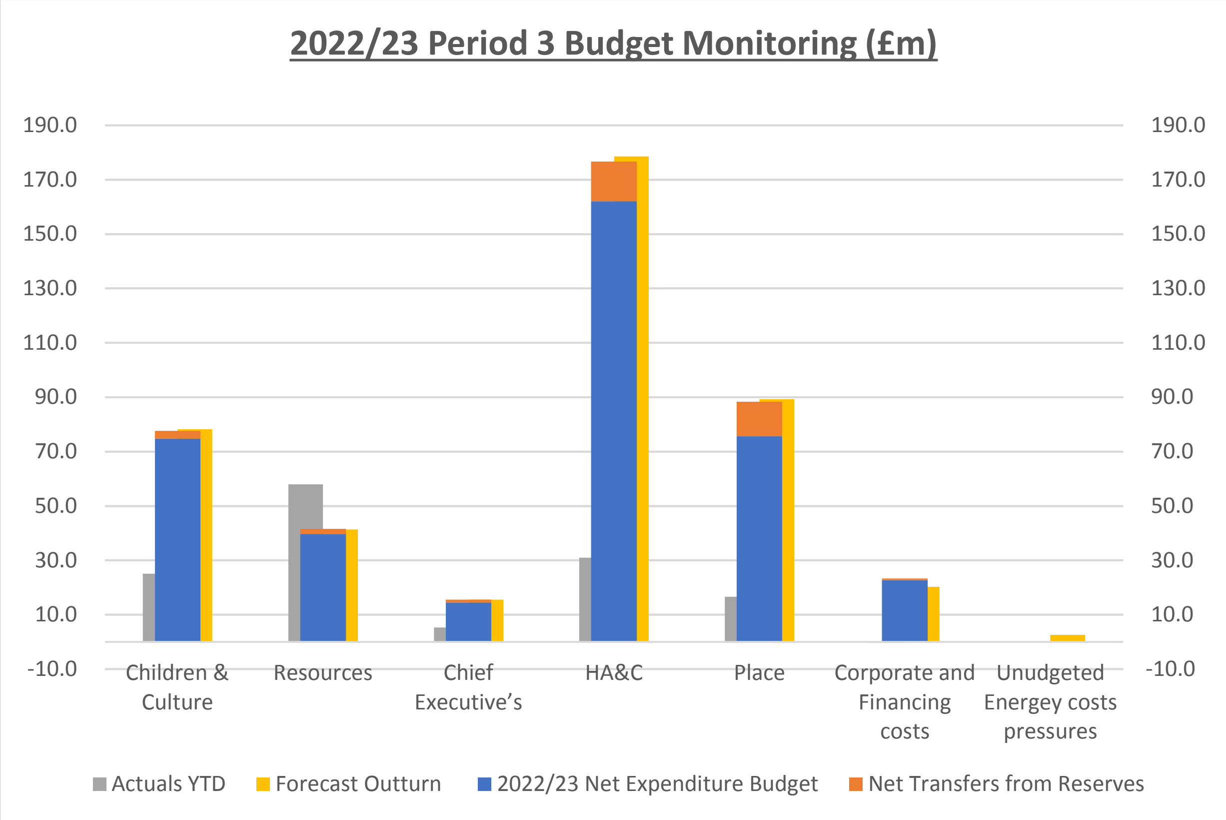
	2022/23 Net expenditure budget	Actuals	Forecast outturn	Gross over / (under) spend	Transfer to / (from) reserves	Net variance over / (under) spend (impact on GF / DSG / HRA)
	A		B	C = B - A	D	= C + D
Children & Culture	74.8	25.1	78.2	3.4	(2.8)	0.6
Resources	39.7	58.0	41.3	1.6	(1.9)	(0.3)
Chief Executive's	14.5	5.3	15.5	1.0	(1.0)	0.0
HA&C	162.2	31.0	178.7	16.5	(14.6)	1.9
Place	75.6	16.6	89.3	13.7	(12.7)	1.0
Sub-total GF services	**366.8**	**136.0**	**403.0**	**36.2**	**(33.0)**	**3.2**
Corporate and Financing costs	22.7	(0.4)	20.3	(2.4)	(0.6)	(3.0)
Unbudgeted Energy Cost Pressures	0.0	0.0	2.6	2.6	0.0	2.6
Total General Fund	**389.5**	**135.6**	**425.9**	**36.4**	**(33.6)**	**2.8**
<u>Ringfenced Items</u>						
DSG Grant				0.0	0.0	0.0
HRA				0.5	(0.5)	0.0

General Fund

The total council approved revenue net expenditure budget for 2022/23 is £389.5m. 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 (subject to the approval of the CFO at year-end), totalling £(33.6)m, is an overall forecast overspend of £2.8m (*see figure 1.1 below*). The detailed directorate monitoring, setting out the period 3 forecast outturn against revised budgets and the reasons for the variances are detailed within the body of this Appendix. There is an exceptional item of note where the General Fund is forecasting unbudgeted energy cost pressures totalling £2.6m across all Directorates. This figure excludes street lighting, which has been forecast within Public Realm (Place), schools and HRA communal sites. There are in-year unit cost increases of 68% for metered electricity and 160-200% for gas depending on the site. Further unit price increases are forecast at 58% for electricity and 79% for gas in 2023/24 which will increase the pressure on the General Fund to £5.6m.

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.

Figure 1.1



General Fund and Earmarked Reserves

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

All in figures in £m	Provisional outturn 31 March 2022	Forecast in-year increase / (decrease)	Forecast 31 March 2023
General Fund balance	23.8	(2.8)	21.0
Reserves without restrictions	86.0	(1.0)	85.0
Sub-total	**109.8**	**(3.8)**	**106.0**
General Fund Restricted Reserves	**119.0**	**(43.5)**	**75.5**
Total	**228.8**	**(47.3)**	**181.5**

Some reserve movements do not show on the Period 3 Forecast Outturn table due to the way they are accounted for – their balance movements do not directly impact service Directorates. A reconciliation between the above table and the services outturn table is below:

	£m
Directorates movement in reserves	**(33.6)**
ICT capital infrastructure improvements reserve transfer contribution	(0.9)
Period 3 overall forecast overspend reserve transfer contribution	(2.8)
Smoothing reserve Collection Fund reserve transfer contribution	(10.0)
Total General Fund and Earmarked Reserves movement	**(47.3)**

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.

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.

Covid-19

Directorate	**Forecast Gross over / (under) spend** ***PRE Covid-19 funding application*** **(£m)**	**Non-ringfenced COVID-19 Funding (£m)**	**Specific ringfenced COVID-19 Grant Funding (£m)**	**Forecast Gross over / (under) spend** ***POST Covid-19 funding application*** **(£m)**
	(A)	(B)	(C)	= A – B – C
Children & Culture	3.7	0.3	0.0	3.4
Resources	1.9	0.3	0.0	1.6
Chief Executive's Office	1.0	0.0	0.0	1.0
HA&C	21.4	0.0	4.9	16.5
Place	21.3	0.7	6.9	13.7
Corporate	(1.8)	0.6	0.0	(2.4)
Unbudgeted Energy Cost Pressures	2.6	0.0	0.0	2.6
Total	50.1	1.9	11.8	36.4
Total COVID-19 Funding Applied in 2022/23 = B + C				**13.7**

Over the last two financial years during the COVID-19 pandemic, the Government provided total non-ringfenced COVID-19 grant funding of £51.1m, of which £8.4m was carried forward into the current financial year. Latest forecasts indicate that the council will need to utilise £1.9m of this non-ringfenced COVID-19 funding to mitigate against in-year COVID-19 pressures which continue to persist, leaving £6.5m not yet allocated in forecasts for this year. The council will continue to monitor this position in light of any further potential pressures that may arise from now to year-end.

Also during the pandemic, the Government provided COVID-19 ringfenced grants to help mitigate against specific pressures faced by the council. The council carried forward £4.4m of this funding into the current financial year, of which £3.5m related to Contain Outbreak Management Fund (COMF), which is forecast to be fully utilised in-year to mitigate related pressures within Health Adults and Communities (HA&C). In 2022/23, the council is forecasting further COVID-19 pressures within HA&C relating to Vaccinations (£0.5m) and Place relating to household support (£6.0m) and rough sleeping (£0.9m), which are forecast to be funded from specific related COVID-19 ringfenced grants the council will receive in-year.

Please refer to 'Appendix C – Covid-19 Forecast Outturn Summary 2022-23' for an analysis of the non-ringfenced and specific ringfenced Covid-19 grants and estimated overall Covid related spend and reduced income.

Collection Fund

For Business Rates, to the end of period 3, the council has collected £129m of £448m billed (28.8% in-year collection rate) compared to 28.1% for 2021-22, which is a slight improvement on 2021. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Some businesses have delayed payment against accounts awaiting the allocation of Covid-19 Additional Relief Fund (CARF) reliefs. 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 period 3, the council has collected £41m of the £165m Council Tax bills raised (24.9% in-year collection rate) compared to 24.6% for the same period in 2021-22, which is a slight improvement on 2021 but lower than pre-pandemic collection levels. 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 Grant (DSG) Budget

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.

HRA

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. Further details are provided in section 4 of this appendix.

C&C forecast overspend of £0.6m

DSG forecast nil variance

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Supporting Families	57.5	14.5	57.8	0.3	(0.4)	(0.1)
Commissioning and Culture	6.4	2.0	6.7	0.3	(0.3)	0.0
Education	9.1	2.9	9.9	0.8	(0.1)	0.7
Children's Resources	1.8	5.7	3.8	2.0	(2.0)	0.0
Education Impact of School Closures and Amalgamations	0.0	0.0	0.0	0.0	0.0	0.0
Total	**74.8**	**25.1**	**78.2**	**3.4**	**(2.8)**	**0.6**

The General Fund provisional gross outturn is an overspend of **£3.4m**. This forecast is before taking account of the application of Covid reserve funding to support the non-achievable savings target of £250k that was a £500k saving allocated for 2022/23 but in 2019/20 savings proposals split 50/50 between both the Place and Children and Culture directorate. This saving related to increased income from rental of Council assets. In the much-changed rental market these savings are no longer achievable.

There is a Contribution from an earmarked reserve of £2m for the cost of providing universal free school meals for all Children in Tower Hamlets Primary Schools, this is an allocation of funding to cover 3 years, this being the second year, to support the cost which is jointly funded with Public Health who make an annual £1m contribution.

Other use of reserves relates to carry forwards of funding from 2021/22 of £400k for Supporting Families from specific grants to support the additional cost of staffing and £80k for Healthy lives which was unspent in 2021/22.

Overall this gives a net overspend across the Directorate of **£0.6m**. The Supporting Families service is showing an underspend of £0.1m, Commissioning and Culture on target, Children's Resources on target, and Education £0.7m overspend.

Supporting Families - £(0.1)m underspend

The considerable work in realigning budgets plus the additional resource that has been made available through the higher social care grant has meant that the supporting Families directorate is currently forecasting in a slight favourable position against budget.

Commissioning and Culture - £0.0m

With the lifting of Covid restrictions, areas within Culture and Leisure have started to show significant recovery with increased sport and leisure uptake and refreshed income generation.
One area that is still showing a shortfall is the Professional Development Centre (PDC) which has seen a significant reduction over the last two years in lettings as more meetings have taken place virtually rather than in person. Whilst restrictions have lifted this now appears to be a permanent change that has left much of the facility unlet. The final outturn is shown after the application of Covid support funding to reflect a revised budget position. After Covid relief, Commissioning and Culture are on target. There are only a small number of budget variations none of which at this stage are of significant note.

Education - £0.7m overspend

Education Psychology £0.4m

There has been a significant reduction in income from schools as the team become more stretched and are unable to deliver non-statutory services. 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 inspection has led to increased locum costs to support the extended workload which is expected to be an ongoing pressure for the year as the we work to achieve target completion dates.

SEN Costs £0.3m

Additional SEN transport continues to be a pressure on budgets. Some assistance last year from Covid support funding allowed for additional routes and escorts and whilst Covid restrictions are no longer in place there is still a need to optimise some routes. Exceptional increases in fuel costs and levies related to the ULEZ in London have also contributed to additional costs and the saving attributed to the budget of £500k is no longer achievable.

Safeguarding £0.1m

Additional_Income targets were bult into the budget for this year which the services are currently forecasting as being unachievable, no charges have yet gone through so this will be subject to further review.

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Customer Services	6.0	2.3	6.5	0.5	(0.8)	(0.3)
Finance, Procurement & Audit	8.1	7.7*	8.5	0.4	(0.4)	0.0
ICT	12.5	6.1	12.5	0.0	0.0	0.0
Revenue and Benefits Service	1.6	39.2*	1.9	0.3	(0.3)	0.0
Workforce, OD and Business Support Service	11.5	2.7	11.5	0.0	0.0	0.0
Total	**39.7**	**58.0**	**40.9**	**1.2**	**(1.5)**	**(0.3)**

*High actuals to date in Finance, Procurement and Audit due to Insurance Trading Account recharges to be processed and in Revenue and Benefits Service due to Housing Benefit income to come from government for reimbursement of costs.

The Resources directorate forecast is an underspend of £0.3m. This position is following requested drawdowns from reserves totalling £1.9m and staffing costs allocated to the Covid Outbreak Management Fund (COMF) grant of £0.1m.

The reserve movements consist of requested drawdowns from the Residents Hub earmarked reserve (£0.550m), Insurance Reserve for insurance team staffing (£0.4m), Transformation Reserve for finance improvements (£0.4m), the Covid non-ringfenced grant reserve (£0.3m) and ICT Transformation Reserve for CRM development (£0.25m).

Please also note that there will be a drawdown of £0.9m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.8m.

<u>Customer Services – forecast underspend of £0.3m after reserves movements</u>

A Period 3 forecast underspend of £0.3m for the Customer Services division, after drawdowns from the Residents Hub reserve (£0.5m) and ICT transformation reserve (£0.3m).

The Period 3 forecast for the **Customer Contact Centre and Central Customer Services** is a breakeven position, following a drawdown of £0.3m from the Residents Hub earmarked reserve for the Residents Hub currently being piloted at Mulberry Place (and will transfer into the new Town Hall) and £0.3m from the ICT transformation reserve for Customer Relationship Management (CRM) developments.

The Period 3 forecast for **Idea Stores** is a breakeven position, following the drawdown of £0.2m from the Residents Hub earmarked reserve for the Idea Store that will be in the new Whitechapel Town Hall and the charging of £0.1m staffing to the Covid Outbreak Management Fund (COMF) grant.

The Period 3 forecast for **Idea Stores Learning** is an underspend of £0.2m due to increases in adult community learning grants and the allocation of staffing costs against the Innovation Fund.

The Period 3 forecast for **Registrars Services** is an underspend of £0.1m due to increased fees & charges income. The service moved into St George Town Hall in 2021 and this has increased income maximisation from events such as weddings.

The Period 3 forecast for **Information Governance** is a breakeven position.

<u>Finance, Procurement and Audit – Breakeven forecast after reserves movements</u>

A forecast breakeven position, following the annual drawdown from the Insurance Reserve of £0.4m for Insurance Team staffing costs and a drawdown from the Transformation Reserve of £0.4m for the Finance Improvement Programme to continue with its improvement journey following issues highlighted in the audits of the council's accounts for 2018-19 and 2019-20.

The finance staffing budgets include an historic assumption that £0.1m of costs will be capitalised annually. This has been reviewed (together with capitalisation across other directorates) and a growth bid will be submitted to remove this assumption through the 2023-26 MTFS.

There is a potential financial risk in staffing for the Procurement Team due to the high number of procurements occurring at the moment including social care homecare contracts and a high level of agency staff usage. Permanent recruitment is underway to try to fill posts covered by agency workers however it has been proving difficult to recruit in the current market.

<u>Information Technology – breakeven forecast position</u>

A Period 3 forecast breakeven position, however the IT service is experiencing inflationary pressures which could impact the 2022-23 position as contracts are renewed during the year.

Please also note that there will be a drawdown of £0.8m from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements totalling £1.8m.

<u>Revenues and Benefits Service – Breakeven forecast after reserves movement</u>

Period 3 forecast breakeven position, following the requested drawdown of £0.3m from the Covid non-ringfenced grant reserve. The forecast overspend pressure before reserves of £0.3m is demonstrated through administration staffing £0.7m, underachievement in income £0.5m and an overspend in transaction fees £0.2m; partially offset through a forecast underspend in Housing Benefits due to high levels of collection of overpayment debts (£1.1m).

Covid-19 has 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 is also extra staffing required to facilitate Covid-19 grant payments, rates reliefs for businesses, the Covid Additional Relief Fund for business rates and the Energy Rebate Scheme for council taxpayers.

In 2022-23 there is a forecast overspend of £1.3m on direct staffing costs, towards which the government is expected to provide Additional Burdens Funding of circa £0.6m for administration of Covid-19 business grants and the Council Tax Hardship Fund. It is requested to drawdown £0.3m from the Covid non-ringfenced grant reserve, which will leave a forecast staffing overspend pressure of £0.4m.

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. With grants continuing for business rates, the related enforcement action continues to be suspended, and with council tax still taking a softer approach to enforcement this means income from court costs is forecast to be £0.2m below budget in 2022-23, although this demonstrates an improvement from 2020-21 and 2021-22.

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 forecast to continue in 2022-23, 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 is a forecast 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 – Breakeven forecast

The Period 3 forecast for the Workforce, OD and Business Support Service is a breakeven position. The position includes an underspend in the Occupational Health and HR business partner service (£0.2m) and an underspend in Learning, Organisational and Cultural Development (£0.1m), which offset a potential overspend in Business Support of £0.1m (pending a review of the structure) and short-term costs to support an HR improvement plan for systems and operational improvements of £0.2m.

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Communications and Marketing	2.1	0.5	2.1	0.0	0.0	0.0
Strategy, Improvement and Transformation	6.4	1.7	6.9	0.5	(0.5)	0.0
Legal, Monitoring Officer, Democratic and Electoral Services	5.0	2.8	5.5	0.5	(0.5)	0.0
Corporate Management and Mayor's Office	1.0	0.3	1.0	0.0	0.0	0.0
Total	**14.5**	**5.3**	**15.5**	**1.0**	**(1.0)**	**0.0**

The Chief Executive's Office Period 3 forecast is a breakeven position, following an estimated drawdown from reserves totalling £1.0m.

The reserve movements include drawdowns from the Local Election Reserve (c£500k), VCS projects reserve (£116k), Covid Recovery Fund Reserve (£185k), ESOL for Integration Fund reserve (£149k) and the Local Community Fund reserve (£30k).

Communications and Marketing – Breakeven forecast

Strategy, Improvement and Transformation – Breakeven forecast after reserves

The Period 3 forecast is a breakeven position after reserve movements.

Expected reserve movements are:

- drawdown of the VCS projects reserve of £116k, created in 2021-22 for spend in 2022-23, relating to the Innovation Fund, Equalities Contracts Review Mitigation and Emergency Fund
- drawdown from the Covid Recovery Fund of £185k for community-led recovery, health and economic recovery, and supporting children and young people
- drawdown from the ESOL for Integration Fund reserve of £149k for expenditure incurred
- drawdown from the Local Community Fund (LCF) reserve of £30k for expenditure incurred

Legal, Monitoring Officer, Democratic and Electoral Services – Breakeven forecast after reserves

The Period 3 forecast is a breakeven position, following the drawdown from the Local Elections Reserve of circa £0.5m for the elections in May 2022.

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.

Corporate Management and Mayor’s Office – Breakeven forecast

HA&C forecast overspend of £1.9m

Public Health forecast underspend of £0.4m before contribution to reserve

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Adult Social Care	107.4	25.1	124.6	17.2	(14.7)	2.5
Community Safety	6.2	1.7	6.1	(0.1)	0.0	(0.1)
Integrated Commissioning	11.5	2.7	11.3	(0.2)	(0.3)	(0.5)
Public Health	37.1	1.5	36.7	(0.4)	0.4	0.0
Total	**162.2**	**31.0**	**178.7**	**16.5**	**(14.6)**	**1.9**

The Health, Adults and Community Directorate's projected outturn at period 3 is a £1.848m overspend position against a budget of £162.205m. This reflects a continuation of the pressures in Adult Social Care on care packages for disabled and older people provided under the Care Act.

Whilst the outturn position for 2021/22 was a £0.197m underspend against a £146.699m budget[1], this was due to substantial funding that was met from specific one-off Covid grants (now ended) and NHS Hospital Discharge and Community Support Funding, available for all eligible discharges from hospital. As explained in the 2021/22 outturn report, these funding sources had a positive impact on outturn however masked the ongoing pressures within the service. It should be noted that these pressures are being experienced across local authorities regionally and nationally.

The Adult Social Care Improvement Programme has been put in place to reduce costs in the medium to long-term and achieve a more sustainable financial position for the service.
Public Health forecasts a breakeven position at period 3 whilst Integrated Commissioning and Community Safety are both forecasting underspends at this stage.

<u>Transfers to and from Reserves</u>

- Costs of placements for clients discharged from hospital and community equipment issued to clients on discharge are accounted for separately and not included in the financial pressures outlined above for this financial year. For the first quarter, April to June 2022, a total of £0.901m has been funded in total for 904 clients. The total projected funding from the s75 funding for 2022/23 at period 3, based on current client discharge data, which alleviates the financial pressure on the HA&C budget, is £3.608m.
- The allocated inflationary uplift budget transferred to reserves has been committed and is forecast to be spent in 2022/23.

[1] Excluding HA&C Covid Grants and S75/S256 Funding 2021/22

- In agreement with the CCG, underspends against the Joint Funded Better Care Fund (BCF) for the Local Incentive Scheme Projects and Community Equipment Service that were transferred to Reserves are fully committed in 2022/23.

Adult Social Care – Forecast £2.490m overspend at Period 3

At Period 3 Adult Social Care is forecasting an overspend position of £2.490m against a budget of £107.415m. The budget has increased from 2021/22 by £12.972m due to demographic growth and inflationary uplifts. The provisional outturn position for 2021/22 shows an overspend position for Adult Social Care of £1.325m against a budget of £94.442m, excluding funding from Covid Grants and CCG Funding for NHS discharges, which has offset the overspend in 2021/22.

(i) **Employee Costs – Forecast (£0.936m) underspend**

The period 3 forecast for employee costs is an £0.936m underspend position against a budget of £21.703m, primarily due to vacancies during permanent recruitment to posts. There has been deliberate action to reduce agency costs where possible and there are some remaining vacancies with difficulties recruiting.

(ii) Care Package Costs & Other – Forecast £3.580m overspend

Care package costs are projected to overspend by £2.657m at period 3 against a budget of £103.362m for 2022/23. The pressures from extended Home Care needs and Care Home placements have continued to fuel the overspend and place significant pressure. Further work is progressing as part of the Adult Social Care Transformation programme on data accuracy in Mosaic.

Care and Support Plan Assurance Meetings (CSPAM) data clearly demonstrate the increasing needs and complexities of clients, with additional packages being required to meet growing demand. Data from the 1st of April 2022 to the end of June 2022 (quarter one data) shows that the Panel process has approved 257 packages of care with increasing needs, representing a further £2.653m full-year cost, and a further 61 new packages of care, adding a further £0.879m full-year cost. Against this, 72 cases assessed to date, resulted in a reduction or cessation in care package, amounting to a £0.873m reduction in full-year costs. 79 packages assessed resulted in no change in the level of care provided. The net impact of CSPAM to date is a net increase of £2.660m. For the first quarter there were 42 deceased clients.

Other costs relate to Supplies and Services, premises related expenditure and other contributions to provisions. At period 3 this is forecast to be £0.923m overspent against a budget of £0.958m. We believe that miscoded expenditure is contributing to the overspend position and will rectify this position.

(iii) Income – Forecast £0.155m over achievement of income over budget

Income budgets are projecting an additional £0.155m in income at Period 3. This reflects the work carried out by the Mental Health team on the Section 117 income from the NHS. Work is still to be undertaken in services to ensure income from health for joint funding agreements for service users is confirmed and this may reflect an update to the forecast position in future periods.

Integrated Commissioning – Forecast (£0.514m) underspend at Period 3

Integrated Commissioning is forecast to underspend by £0.514m at period 3, against a budget of £11.451m for 2022/23.

The provisional outturn for 2021/22 shows an underspend position of £1.487m against a budget of £10.178m.

The underspend at period 3 for Integrated Commissioning is due to Community Equipment costs for discharged clients being funded via agreed s75 funding (partnership funding across the Council and NHS) for 2022/23, and therefore creating an underspend in costs for this area.

An area of substantial risk in Integrated Commissioning is the Transport Services Unit (TSU) recharge, which has a budget of £1.982m for 2022/23. Currently costs that will be recharged to from the Place directorate to Health, Adults & Community are yet to be confirmed, and due to current pressures in the fuel market, these costs may be at risk of being higher than budgeted. The forecast will be updated as soon as confirmed figures are available.

Community Safety – Forecast (£0.127m) Underspend

Community Safety is projected to underspend by £0.0.127m at period 3 against a budget of £6.209m. The provisional outturn position for Community Safety presents an underspend variance of £0.035m against a budget of £5.728m.

The period 3 forecast underspend is due to delays in recruitment, and the receipt of Local Infrastructure Funds, growth, and one-off grants, which have offset costs that would otherwise have resulted in budget pressures in the division.

Public Health – Forecast Breakeven

Public Health is forecast to break-even at period 3 against a Public Health Grant allocation of £37.131m for 2022/23.

Covid Grants 2022/23

The Contain Outbreak Management Fund (COMF) grant carry-forward from 2021/22 was a balance of £3.523m. It has been estimated that the full allocation will be committed in 2022/23 on the Community Vaccination programme, funding to support the Healthy Borough Programme, community engagement commissions, the Covid Ambassadors Team, Public Health staffing and insights, and communication campaigns.

The DHLUC Community Vaccines Champions Grant, in the amount of £0.485m, will be used to deliver increased vaccination rates in targeted and hard to reach communities using Community Vaccine Champions. The grant has been fully committed during 2022/23, with expected additional costs to be funded via the COMF grant.

Sexual Health Services

As a demand-led service, sexual health remains the main risk to the Public Health budget. The position is very volatile and likely to change. However, this the risk is managed through contract and financial monitoring, and the maintaining of a reserve to address any pressure in this area.

Forecast overspend of £1.0m

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Property & Major Programmes	18.8	3.6	22.7	3.9	(2.8)	1.1
Resources	1.6	1.7	2.4	0.8	(0.8)	0.0
Public Realm	33	3.5	35.1	2.1	(1.6)	0.5
Growth & Economic Development	4.2	1.6	9.6	5.4	(5.4)	0.0
Planning & Building Control	1.7	(0.8)	2.6	0.9	(1.2)	(0.3)
Housing & Regeneration	16.3	7	16.9	0.6	(0.9)	(0.3)
Total	**75.6**	**16.6**	**89.3**	**13.7**	**(12.7)**	**1.0**

Forecast Outturn Position

The Place Directorate is forecasting an adverse variance of £1.0m after 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 £12.7m drawdown from reserves. This includes £2m of additional reserve drawdowns to fund new mayoral pledges in year and a one-off reserve drawdown of a further £2m to meet the cost of New Town Hall.

Significant adverse variances have occurred within Property & Major Programmes and Public Realm, which are partially offset by favourable variances within Planning & Building Control and Housing. The main reasons for the adverse variances are the reduced capitalisation of salaries, commercial waste income, the impact of rising property costs and the unbudgeted cost of maintaining void properties.

Savings Targets

The Directorate has £1.6m of savings targets in 2022/23. Of these savings, £0.4m is forecast to be delivered, £1m of savings are slipping into the next financial year and the remaining £0.2m is undeliverable.

The slippage relates partly 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. Savings relating to the transformation of homelessness and efficiencies from insourcing THH are also slipping.

The £0.2m undeliverable saving relates to the New Town Hall where savings to the running costs of Albert Jacob House would be identified following its disposal. Albert Jacob House is a HRA asset and therefore any efficiencies would benefit the HRA and not the General Fund.

Covid-19 Response

The Place Directorate is continuing with its response to the Covid-19 pandemic and has received ring fenced grants for Household Support (£6m) and for continued support of the rough sleeping Everyone In campaign at Luke House (£0.9m).

Property & Major Programmes – Forecast £1.1m Adverse

The Property & Major Programmes division is forecasting to outturn with a £1.1m adverse variance against a budget of £21.5m after reserve adjustments.

Corporate Property – Forecast £0.8m Adverse

A £0.3m forecast adverse variance resulting from the use of agency staff, acting up honoraria and retention supplements. There are currently no vacant posts to mitigate these costs.

Five schools have been declared surplus to requirements (Cherry Trees, Guardian Angels, St Matthias, Shapla and Bromley Hall School). These schools were previously funded from Basic Needs grant. Vacant property costs including security, insurance, utilities and general maintenance are being incurred, creating a budget pressure of £0.5m without any financial provision being made as part of the decision-making process when declaring the buildings surplus to requirements. There are delays in procuring guardians at these sites to replace security due to a lack of legal resource. Bromley Hall School was due to be sold in June but this was put on hold whilst the new administration review potential sales, resulting in further revenue cost at this site.

Corporate Landlord Model (CLM) – Forecast £0.1m Adverse

A £0.1m favourable variance on service charges relating to buildings the Council leases. The number of leased buildings is lower than budgeted, resulting in reduced costs.

Reactive repairs & maintenance budgets have an adverse variance of £0.2m with the cost of materials and labour rising following Brexit and the Covid pandemic and new contracts in place at additional cost.

The energy budget has been increased by £0.5m. To date there has been no energy recharges posted and as a result there is no indication whether this is sufficient to meet the increasing utility costs. Therefore, energy costs have been forecast in line with budget at this stage but will be monitored closely going forward and given energy price increases, may be a pressure reflected in future budget monitors.

Capital Delivery – Forecast £0.1m Adverse

The Capital Delivery team are reliant on agency staff. Based on current estimates taken from the timesheets submitted the team are forecasting an adverse variance of £1.2m. However, it should be noted that some timesheets are missing or are partially incomplete and this position is therefore likely to improve. As a result, a £0.1m adverse variance has been forecast in line with the outturn in the previous financial year.

Facilities Management – Forecast (£0.2m) Favourable

A £0.2m favourable variance on salaries resulting from vacancies that have not been filled. These posts will be filled during the year as the team moves to the new town hall.

Non-Operational Investment Estate – Forecast Nil Variance

A £0.8m adverse variance of which £0.5m relates 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. The remaining £0.3m relates to a legacy unachievable lease income target. It is proposed that this variance of £0.8m is charged against the Covid grant reserve.

<u>New Town Hall – Forecast £0.3m Adverse</u>

There is an estimated revenue running cost for the New Town Hall from October 2022 and one-off costs associated with the office move totalling £2.3m. There is no budget provision for this cost whilst the Council continues to lease its existing office at Mulberry Place. To mitigate this budget pressure a New Town Hall reserve was created in 2021/22 and £2m set aside to meet these costs. It is assumed that this reserve will be drawn down in year resulting in an adverse variance of £0.3m.

<u>Resources – Forecast Nil Variance</u>

The Resources Division is made up of a number of areas including the Place related Enabling Function budgets, Regeneration projects and the Director's budget. Immaterial variances are being forecast against these budgets at Q1.

The revenue costs relating to the Regeneration team are budgeted to be funded from LIF and s106. The LIF drawdown is forecast at £0.7m for the year and s106 drawdown £0.1m. These drawdowns will be completed at year end.

<u>Public Realm – Forecast £0.5m Adverse</u>

Public Realm is forecasting an adverse variance of £0.5m against budget. This figure is inclusive of a proposed reserve drawdowns totalling £1.6m. An assumption has been made that the Parking surplus will remain in revenue and there will not be a top up of the Parking reserve.

<u>Highways and Traffic Management – Forecast £0.5m Adverse</u>

A £0.1m adverse variance on employee related costs. Capitalisation shortfall of £1.1m 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.

A £0.1m adverse variance relating to on street lighting electricity charges as a result of significant increases in the cost of electricity and these costs rising above budgeted levels.

Unbudgeted costs of £0.1m for repairs to the Foot tunnel lifts at Greenwich. This represents LBTH contribution to the cost of these works which will be completed in the current financial year.

A £0.1m under recovery of advertising income resulting from delays in awarding contracts at new sites and a renegotiation of the main contract for the large panels resulting in a reduction in income. In the future it is forecast that this will be mitigated by the digitisation of other sites.

Under recovery of network management income by £0.1m. Current demand for road closures, fees for digging up roads and pavements, traffic management orders, licenses and permits is lower than budgeted. However, this income fluctuates throughout the year and will be monitored in future reports.

Balances of £0.1m for rechargeable works relating to historic temporary structures income that is over six years old that has past the statute limitations period and historic balances of £0.7m relating to s278 highways rechargeable works were moved to reserves at the end of the previous financial year. It is assumed these amounts will be drawn down and spent in full in 2022/23 on highways related activity.

Further amounts of £0.9m for s278 rechargeable works and £0.2m for temporary structures that were received in 2015/16 and have not been claimed back can also be spent on highways related activities in year.

Operational Services - Forecast £0.1m Favourable
Favourable variance of £0.1m from unbudgeted income relating to the sale of recyclable materials.

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) – Forecast £1.8m Adverse.
A favourable variance of £0.1m relating to third party expenditure resulting from reduced cleaning of Blackwall tunnel. TFL has not instructed for this work to take place post pandemic.

Forecast additional costs of £0.3m for agency and overtime cover during the year within the day to day running of the service. This results from high absence levels within the permanent establishment.

There is an under recovery of income totalling £1.2m for commercial waste. The service has lost a significant number of customers during the pandemic and are having difficulties recruiting to key posts within the management and sales teams which is hampering the generation of new business.

A £0.4m adverse variance relating to additional and unbudgeted vehicle repairs and increase in the cost of diesel.

The service has received £0.3m from the Mayors Covid-19 recovery fund for use on enhanced street cleansing. It is forecast that this will be drawn down from reserves in year to meet the additional cost.

Passenger transport – Forecast £0.1m Adverse
Unachievable income target relating to support service recharges. Discussions are ongoing to resolve this pressure with HAC and Children's services but currently remains a pressure.

Concessionary Fares – Forecast (£0.3m) 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 although budget was taken, the final settlement was lower than estimated.

Parking services – Forecast (£1.6m) Favourable
The Enforcement service (PCN related income) is expected to exceed budgeted levels as a result of moving traffic cameras, which includes school street cameras. These cameras reduce the overall environmental impact along these roads and increase road user safety and wellbeing. This has resulted in an increase in tickets issued across the borough, generating additional income of £2m.

However, this is being offset by pressures on the Parking debt budget where an under recovery against the income target of £1.5m 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.

Vacant posts within the Enforcement service resulting in an underspend of £0.3m. Staff retention is challenging and when vacant these posts are difficult to fill.

Bay suspension income is forecasting to over recover by £0.8m with demand for the service continuing to be high.

Environmental & Regulatory services – Forecast (£0.1m) Favourable

Vacant posts within Environmental Protection, Pest Control, Food Safety, Trading Standards and Health and Safety. These vacancies are currently being recruited too but are forecasting a £0.1m favourable variance.

A reserve drawdown of £0.1m is forecast for the year to expand the noise service to meet the mayoral pledge.

Street Trading – Forecast £0.2m adverse

The Street Trading account is a ringfenced account and is forecasting a £0.2m adverse variance against budget. This variance will need to be met from the General Fund as the street trading reserve has previously been drawn down in full to cover losses in previous years.

During the pandemic the Markets service lost a significant number of permanent and casual traders. Since full reopening, Markets have started to see a slight bounce back in trader numbers, but this has not made up for those lost during the pandemic with lower income levels as a result.

New fees and charges are yet to be implemented and passed on to the traders in 2022/23 whilst lead member approval is sought. Income budgets have been increased to reflect these new charges, resulting in a forecast £0.2m income shortfall.

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. It is assumed this will be spent in year and a drawdown from reserves to meet this cost.

Growth & Economic Development – Forecast Nil Variance

The Growth & Economic Development division is forecasting to outturn to budget. This outturn position assumes s106 drawdowns from reserves totalling £2.2m for core activities and approved projects across the division. There is also a budgeted drawdown of £0.6m from the Mayoral Priority Tackling Poverty Reserve to fund the Tackling Poverty team and £0.7m from a number of earmarked reserves for specific activities e.g. Kickstart programme, Residents Support Scheme and ESF Connecting Communities programme.

The cost-of-living crisis is a mayoral priority, and the new administration has approved additional spending of £1.8m at Cabinet. This additional expenditure will also be met from reserves. A further reserve drawdown totalling £0.1m will be made in year to meet the cost of the mayoral pledge to create additional jobs in the Borough.

Employment & Skills – Forecast £0.1m Adverse

Employment & Skills is forecasting to outturn with an adverse variance of £0.1m after s106 drawdowns totalling £1.5m. The ITRES service has moved to be managed through Matrix. There is an income target where previously the Employment & Skills service would recharge their costs to the service receiving the ITRES agency staff. This income target remains but there is no recharge. Work is ongoing to mitigate this budget pressure.

Growth – Forecast Nil Variance

The Growth service is forecasting to budget after s106 drawdowns totalling £0.7m. There are a number of projects being undertaken within the service, primarily around thriving highstreets and creative enterprise zones and grant funding will be received in year to support some of this work.

Economic Development Management – Forecast (£0.1m) Favourable
A favourable variance resulting from a number of small expenditure budgets that are forecast not to be spent in full.

Tackling Poverty – Forecast Nil Variance
Tackling Poverty will receive £6m in Covid household support grant in 2022/23. It is forecast that this grant will be spent in full on specific activities on top of the team's core work. There is no general fund budget for the Tackling Poverty team and as a result it is forecast to draw down £0.6m from the Mayor's Tackling Poverty reserve to meet this cost.

The Tackling Poverty team received growth in year of £0.2m towards supporting vulnerable residents with energy bills and £0.4m for food distribution hubs. This growth is being administered through the resident's support scheme and forecast to be spent in full.

The cost-of-living crisis is a mayoral priority pledge and Cabinet has approved spend totalling £1.8m to support vulnerable residents. This will be funded from reserves and is forecast to be spent in full providing additional support through food hubs, energy bills etc.

The service will also receive £1.7m for the Holiday Activity Fund following the Marcus Rashford campaign. This funding will be used to provide holiday activities and food for children throughout the year.

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 2022/23 the Tackling Poverty team will receive £6m in Household Support grant to fund Food Hubs, Residents Support Scheme, Energy & Food Vouchers and Admin.

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 the unspent balance of £50k will be spent in year, support to advice agencies (£0.1m to increase their capacity to support clients) of which the remaining £75k will be spent in year and £52k for food pantries.

Planning & Building Control – Forecast (£0.3m) Favourable
The Planning & Building Control service is forecasting to outturn with a favourable variance of £0.3m from its general fund activities. This projection includes a drawdown of s106 funding totalling £0.5m to fund posts and activities across the Digital & Commercial Innovation team, Management team and Infrastructure Planning and £0.7m to fund specific LIF projects. 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 2022/23 the Council is planning to use £0.4m MCIL and £0.7m THCIL which will primarily fund the Infrastructure Planning service. Early forecasts indicate that LBTH will receive enough CIL income to use at these levels.

Building Control Revenue – Forecast Nil Variance

The service has a number of vacant posts which are currently being advertised. The underspend resulting from these vacancies is being offset by a projected under recovery in income against budget.

Development Management – Forecast Nil Variance

There is no net General Fund budget within Development Management, with the service being entirely income funded. The service has a number of vacant posts which will result in a favourable variance of £0.2m. However, this is being offset by cost pressures of £0.1m relating to EIA and Sunlight and other technical reviews where the service assumes only 75% of its costs will be recovered and a projected £0.1m shortfall in its planning income target.

Digital & Commercial Innovation - Forecast (£0.1m) Favourable

This favourable variance is the result of vacancies within the newly restructured Digital & Commercial Innovation Unit. It is anticipated that these posts will be filled in August, and this represents the part year saving. The service is forecasting to use £48k of s106 funding to meet its costs, this is in line with the budgets.

Planning & Building Control Support Team – Forecast (£0.1m) Favourable

This is a new team created following a service redesign in the previous financial year. These new posts were budgeted at top of scale as they were deemed hard to fill but following a successful recruitment campaign, most of the posts were filled at lower grades resulting in the favourable variance.

Spatial Data Team – Forecast (£0.1m) Favourable

Income from local land charges is over-achieving against budget with demand for the service being high with the housing market being buoyant.

Strategic Planning – Forecast Nil Variance

The Plan Making team received growth of £0.4m in 2022/23 towards the cost of producing the new local plan. It is assumed that this growth will be spent in full during the year and the strategic planning service is forecasting to outturn in line with budget.

Wentworth Street High Street Heritage Action Zone – Forecast Nil Variance

The Council received £0.8m grant funding towards the HSHAZ, of which £0.6m remained within Planning & Building Control and the remaining £0.2m was used on projects led by Growth & Economic Development. The grant was received in the previous financial year and the Planning element was only partly spent at year end, with £356k available to spend in year. It is projected that this reserve will be drawn down in year and spent in full.

A further grant (Cultural Consortia grant) of £90k will be received and spent in year on the Wentworth Street High Street Heritage Action Zone.

Infrastructure Planning – Forecast Nil Variance

There is budgeted use of CIL revenue funding of £1.1m and s106 reserve drawdowns of £0.4m towards the running costs of the Infrastructure Planning team. Actual funding is projected to be in line with these budgeted levels. The service are also undertaking specific LIF funded project work, with the projected drawdown of £0.7m from the LIF reserve to meet these costs.

Building Control Trading Account – Forecast Nil Variance

This building control traded account has a favourable variance of £0.1m before reserve drawdowns. This results from vacant posts within the service. A recruitment campaign has taken place but the vacancies are proving difficult to fill. Current projections for income suggest that it is in line with budget. As the Building Control Trading Account is ring fenced it is proposed that this surplus will be transferred to the trading account reserve at year end, resulting in nil variance.

All P&BC income sources fluctuate throughout the year given they are impacted by the fluctuations in the development industry and will be monitored and updated in future reports.

Housing & Regeneration – Forecast £0.3m Favourable

The Housing & Regeneration division is forecasting a favourable variance of £0.3m. This position includes a number of reserve movements, resulting in an overall drawdown from reserves of £0.9m.

Housing Options – Forecast Nil Variance

The Housing Options (Homelessness and Rough Sleeping) service is forecasting a breakeven position. This position includes the use of £6.8m of grants (homeless prevention grant £5.9m; Rough Sleeping Initiative £0.9m) and drawing down £0.8m from reserve balances to fund specific activities such as rent incentives, 2017/18 Private Licensed Accommodation rent increase that was not passed on to clients due to its impact on the Housing Benefit subsidy position. Without the use of grant and reserves the Housing Options service would be forecasting a significant overspend.

Homelessness numbers remain high and have remained static during Q1. Current numbers in Temporary Accommodation are 2,568 (2,069 households with children and 499 households without). This compares with 2,563 households (2,075 with children and 488 without) at the beginning of the financial year. Numbers have remained static 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, the cost-of-living crisis resulting in more families and individuals contacting the service and a reduction in the numbers of private rented sector properties coming to market as a move on option.

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. During Q1 there was an increase in the use of B&B accommodation from 292 rooms to 323. 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.

Early indicators showed that this process was starting to have an effect, with numbers in T.A. reducing, increases in discharges of duty into Private Licensed Accommodation and a reduction in the business-as-usual use of bed & breakfast accommodation. However, the cost-of-living crisis is increasing demand for the service and negating some of these benefits, but this work has prevented numbers increasing significantly despite the increase in demand. 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.

The Homelessness service is forecasting an unbudgeted Housing Benefit Subsidy loss of £0.6m 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. The service is forecasting £34m of housing benefit was paid out and £26.4m claimed back, resulting in a deficit of £7.6m against a £7m budget. This deficit is being managed from grant income and reserves.

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. This saving is spread over two years with £250k assigned to 2022/23. Early indications suggest that although the transformation work is progressing the saving will slip as a result of additional pressures on the service from the cost-of-living crisis. This pressure will be mitigated in year through the use of grant income and reserves.

<u>Lettings – Forecast (£0.2m) Favourable</u>
Forecast favourable variance of £0.2m resulting from vacant posts.

<u>Energy & Sustainability – Forecast Nil Variance</u>
The Energy & Sustainability service is forecasting an adverse variance of £0.1m before any reserve adjustments. This variance relates to the Barkentine PFI scheme and this variance will be met from the PFI smoothing reserve.

The Energy & Sustainability team will be recruiting an additional post in year to undertake work on new manifesto pledges around energy efficiency and sustainability. The part year cost of this post is estimated at £40k and will be met from reserves.

<u>Housing Supply – Forecast £0.1m Favourable</u>
Housing Supply is forecasting a favourable variance of £0.1m after proposed reserve drawdowns.

<u>S&I Management</u>
The S&I Management Team received growth in year to fund its fire safety team who are undertaking and documenting the results of fire risk surveys on the external walls of privately owned high-rise properties. Delays to recruitment mean that £0.3m of this additional funding is forecast not to be spent in year. It is assumed that this amount will be transferred to reserves at year end for use in 2023/24 and as a result the service is forecasting in line with budget.

<u>Harford Street</u>
A £0.1m 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.

<u>Ongoing Covid-19 Response</u>
Homelessness and Rough Sleeping are continuing their ongoing Covid-19 response at Luke House. Luke House is B&B accommodation that is being used to house rough sleepers brough from the streets as part of the Government's Everyone In campaign. DLUCH have provided funding for this scheme in 2022/23 with LBTH receiving a total of £887k (£377k accommodation costs, £462k support services, £49k

staffing) towards its costs as part of the Rough Sleeping Initiative grant settlement. There will be no funding beyond 2022/23 and it is forecast that this funding will be spent in full during the year.

Protect & Vaccinate funding totalling £336k was received in 2021/22 of which £237k was carried forward to 2022/23 as it was unspent in the previous financial year. Forecasts are that this will be spent in full during this year.

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 to date.

Corporate Costs

Forecast £3.0m underspend

Service	2022/23 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Corporate Costs	22.7	(0.4)	20.3	(2.4)	(0.6)	(3.0)
Total	**22.7**	**(0.4)**	**20.3**	**(2.4)**	**(0.6)**	**(3.0)**

A forecast underspend of £3.0m for Corporate costs is reported for this period, following a requested drawdown from the Covid non-ringfenced grant reserve of £0.6m for cross-directorate savings achievement impacted by the pandemic.

Please note that the Collection Fund (Business Rates and Council Tax income) for 2021-22 is still to be finalised and audited. It is estimated that c£10m will be requested for drawn down from the Collection Fund Smoothing Reserve in 2022-23 to fund deficits including through the government's Tax Income Guarantee (TIG) compensation scheme and business rates relief grants. A reserves movement, approved by the CFO, will be processed in 2022-23 to transfer £13m from the Collection Fund Smoothing Reserve to the Risk Reserve, following changes in 2020-21 and 2021-22 including the removal of the Material Changes in Circumstances (MCC) appeals provision for business rates in 2020-21 (following the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill which prevents MCC appeals based on the impact of the Coronavirus pandemic).

Pay inflation budget held centrally – forecast £5.5m adverse

A pay inflation budget of £4m is held centrally for the 2022-23 pay award increase yet to be agreed. The National Joint Council (NJC) is still negotiating the 2022-23 pay award and the forecast pressure may still increase depending on the final agreed pay award. The MTFS will need to provide extra budget in 2023-24 for the value of the final cost above the current £4m budget.

Cross-Directorate Savings – forecast £2.9m Adverse

Cross-directorate savings of £3.553m are held corporately.

Covid non-ringfenced grant reserve is requested to fund Covid related savings slippage and underachievement of £0.559m, being Greater Commercialisation (£0.281m) and Review of Printing/ Scanning/ Use of Multi-Functional Devices (£0.278m).

The third year of the previously re-profiled contract efficiency savings are considered to now be unachievable due to inflationary pressures on contract negotiations and procurements and therefore £1.950m is requested to be written off in the 2023-26 MTFS.

There are "Change of working hours and use of Flexible Retirement schemes" savings of £0.490m in 2022-23 which are at risk of non-delivery following the achievement of £0.110m savings through the application by staff to take up the offer of flexible partial retirement.

There are "Local Presence/Contact Centre Review" savings of £0.461m remaining from the work to shift customer access to 'digital by default' to reduce demand and consolidation of high volume telephone contact into the contact centre. Pest control services have achieved £0.007m savings through the Customer Relationship Management (CRM) being implemented which has given customers the ability to book pest control appointments online, freeing up time for the officers to maximise income generation. Further savings were aimed to be achieved in Housing Options Service through a new homelessness self-referral form that went live in May, however the volume of applications and related eligibility checks has increased. The cost of living crisis has increased demand and therefore £0.454m of savings are not achievable and are requested to be written off in the 2023-26 MTFS.

There are "Review of Printing/ Scanning/ Use of Multi-Functional Devices (MFD's)" savings of £0.371m which are aimed to be achieved through a hybrid mail solution for outward mail. Work is underway to confirm the level of cashable savings that will be achieved from the Royal Mail contract, One Source, franking machines and some of the mail room staffing costs. Slippage in 2022-23 of £0.278m from the part year effect of contract and staffing changes being effected during the year is requested to be offset through the Covid non-ringfenced grant reserve.

There are "Greater Commercialisation" savings of £0.281m to be achieved through increased venue hire, including in facilities management, Idea Stores, Community Hubs and at arts and parks centres and sports pitches. Improvements have been made to the venues and events website (Tower venues) and a new payment and booking system is being implemented to improve customer experience and increase bookings in future years. This saving has been impacted by the pandemic and therefore £0.141m of the remaining saving is viewed as unachievable and is requested to be written off in the 2023-26 MTFS (together with the £1m planned further saving in 2024-25). The 2022-23 savings slippage and unachievable savings of £0.281m are requested to be offset through the Covid non-ringfenced grant reserve.

<u>Recharges to ringfenced funding areas review carried out in 2021-22 – forecast £1.7m Adverse</u>

An overspend 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. This pressure will be considered for budget correction as part of the MTFS refresh for 2023-26.

<u>Redundancy, Severance and Early Retirement – forecast breakeven against budget</u>

There was an overspend in 2021-22 of £0.7m against the budget of £2.45m for redundancy, severance and early retirement pension strain costs. It is currently forecast that costs in 2022-23 will be contained within the £2.45m budget. The corporate budget only funds redundancy costs where these relate to achieving savings agreed in the medium term financial strategy (MTFS).

Corporate income – forecast (£1.0m) Underspend

Forecast overachievement of income of £1.0m against Corporate income budgets including allocated miscellaneous income from cash suspense.

Pension Fund deficit repayment – forecast (£1.0m) Underspend

Forecast 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 – forecast (£3.1m) Underspend

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

Treasury Management – forecast (£8.0m) Underspend

A forecast underspend on the borrowing costs budget due to significant slippage in the capital programme and a short-term benefit in 2022-23 from the internal borrowing cost for the new Town Hall not taking effect in the accounts until 2023-24. The Minimum Revenue Provision (MRP) internal borrowing cost for 2022-23 is estimated at £7.4m (excluding PFI and finance lease adjustments) and circa £4.9m will be funded by the rental income earned through the property buyback programme in Place directorate.

The forecast interest and dividend income in 2022-23 is £2.5m, which is above the budget of £2.3m but continues to be lower than pre-pandemic levels.

Housing Revenue Account (HRA)

Forecast overspend of £0.5m before contribution from reserve

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(3.5)	(33.6)	(3.0)	0.5
Total	**(3.5)**	**(33.6)**	**(3.0)**	**0.5**

The Housing Revenue Account is forecasting a favourable variance of £1.9m when compared with budget. It is assumed that this balance will be transferred to general HRA balances, resulting in no variance.

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.

Delegated Budgets – Forecast £0.7m Favourable

The Delegated budgets cover income and expenditure where LBTH retain ownership of the budgets but delegate management responsibility to THH. The net Delegated budgets for 2022/23 is an income of £64.8m.

The delegated budget for period 3 is forecasting a year end favourable variance of £0.7m against this budget.

Income

Leaseholder Service Charges are forecasting a £0.9m favourable variance. Currently income is projected to exceed the budget due to an increase in the cost of energy, with this additional charge being passed on to Leaseholders. Although the budget was inflated, recent price increases have exceeded the level of inflation applied.

Expenditure

The NNDR budget is projecting a favourable variance of £0.1m against budget. This is based on the outturn position over the past three years and will be monitored in future months as actual costs become known.

The Repairs budget is forecasting an adverse variance of £0.1m. There is a year-to-date underspend of £1.1m but this relates partly to timing differences on invoices due but not yet paid, the mobilisation of the new contractors is underway, and the contractors are working with finance to put through invoices due. A number of new contracts have started in this financial year and are at various stages of inception. In several cases the contractor is still integrating their systems with those of the Council systems and costs incurred are unavailable. A 5% inflation was applied to the budget to take account of the impact of Brexit and Ukraine conflict on costs of labour and materials. This forecast will therefore be refined in future months against this budget as more data is made available.

The concierge service is forecasting an adverse variance of £0.1m against budget. This is attributable to additional salary costs incurred for 24/7 waking watch (fire patrols) coverage at Latham House due to fire safety concerns.

Dame Collet / Poplar Bath PFI costs are forecasting an adverse variance of £0.1m as a result of the BCI inflation rate applied to the maintenance costs of the buildings being greater than the inflation built into the budget.

There are no other material variances on the other budget headings delegated to THH to manage.

Management Fee – Forecast £0.4m Adverse

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

Non delegated budgets – Forecast £1.6m Favourable

The Leaseholder Enfranchisements income is forecasting to exceed budget by £0.5m. The number of applications to extend leases is expected to be significantly higher than budgeted.

Non-Dwelling rental income (shops, community buildings and other operational buildings) is forecasting to exceed budgeted levels by £0.3m. A conservative budget was set to reflect the cost of living crisis with fewer void properties and higher income collection rates being forecast.

A £1.2m favourable variance for residual pension costs where there is a historic budget allocation.

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 forecast at £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.

Shop repairs & maintenance has an adverse variance of £1m, with no budget for this expenditure.

A forecast adverse variance of £0.7m for insurance recharges following a major fire at Hadleigh House.

There are a number of other budgets against which forecasts cannot be made at this stage. These include support service recharges, salary capitalisation, depreciation charges, item 8 calculation and Minimum Revenue Provision. Actual costs are posted later in the year and assumptions have been made that the actuals will outturn broadly in line with budget. These forecasts will be refined in future reports.

General Fund (GF) Balances and Earmarked Reserves

The table shows forecast pressures on 2022/23 General Fund and Earmarked Reserves balances and how this might be managed by means of utilising earmarked reserves.

£m	Balances as per updated outturn 31 March 2022* £m	Forecast contribution to / (from) Reserve £m	Forecast balance 31 March 2023 £m
GF balances (general reserve)	**23.8**	(2.8)	**21.0**
	23.8	**(2.8)**	**21.0**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
Insurance	**10.2**	(0.4)	**9.9**
Parking Control	**6.1**	0.0	**6.1**
Collection Fund Smoothing**	**51.0**	(23.0)	**28.0**
Free School Meals Reserve	**4.0**	(2.0)	**2.0**
Public Health Reserve	**7.0**	0.4	**7.4**
Revenue Grants Unused	**10.1**	(1.7)	**8.5**
COVID 19 grant	**8.4**	(1.9)	**6.5**
Local Elections	**0.9**	(0.5)	**0.4**
CIL***	**5.8**	(1.4)	**4.4**
BAME Inequalities Commission	**1.0**	0.0	**1.0**
Covid Recovery Fund	**2.1**	(0.6)	**1.5**
HA&C Joint Funding Agreements	**12.4**	(12.4)	**0.0**
Earmarked reserves with restrictions – Subtotal	**119.0**	**(43.5)**	**75.5**
Earmarked reserves without restrictions			
Risk Reserve	**2.2**	13.0	**15.2**
Transformation Reserve	**3.6**	(0.4)	**3.2**
ICT Reserve	**9.1**	(1.1)	**8.1**
Mayor's Tackling Poverty Reserve	**3.4**	(0.6)	**2.8**
Mayor's Priority Investment Reserve	**5.0**	0.0	**5.0**
New Homes Bonus	**44.2**	(2.0)	**42.2**
Services Reserve	**18.5**	(9.9)	**8.6**
Earmarked reserves without restrictions - Subtotal	**86.0**	**(1.0)**	**85.0**
Total Earmarked Reserves	**205.0**	**(44.5)**	**160.5**
Total GF and Earmarked reserves	**228.8**	**(47.3)**	**181.5**

* updated 31 March 2022 position from provisional outturn 2021/22

**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

The table shows the 2022/23 forecast outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves.

HRA and DSG reserves	Balances as per updated outturn 31 March 2022*	Forecast contribution to / (from) reserves	Forecast balance 31 March 2023
	£m	£m	£m
Housing Revenue Account (HRA)	**52.5**	(0.5)	**52.0**
Dedicated Schools Grant (DSG)*	**(14.7)**	0.0	**(14.7)**
Capital Grants Unapplied	**195.0**	(32.4)	**162.6**
Capital Receipts Reserve	**129.6**	(16.8)	**112.8**
Major Repairs Reserve (MRR)	**5.1**	0.9	**6.0**
Total Other Reserves	**367.5**	**(48.8)**	**318.7**

* updated 31 March 2022 position from provisional outturn 2021/22

The **Housing Revenue Account (HRA)** is not a separate fund but a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund.

The **Dedicated Schools Grant (DSG)** is a ring-fenced specific grant that supports local authorities' Schools budget. Funding is allocated through four funding blocks, the Schools Block, the High Needs Block, the Early Years Block and the Central Schools Services Block.

The **Capital Grants Unapplied** reserve includes grants, S106 monies and Community Infrastructure Levy (CIL) payments received by the council with varying degrees of conditions on spend, which are utilised to fund capital projects and where expenditure is capital by nature and these reserves have been allocated where possible as part of the current 2022-25 General Fund and HRA approved capital programmes.

The **Capital Receipts** reserve includes capital receipts generated by the council (including HRA Right-to-Buy receipts) which are also utilised to fund capital projects and where expenditure is capital by nature and these reserves have also been allocated as part of the current 2022-25 General Fund and HRA approved capital programmes.

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 are expected to collect £433m in 2022-23 for total Business Rates income (30% retained by the Council and 37% passported to the GLA and 33% central government), excluding business rates supplement. Collection levels continue to be impacted by the Covid-19 pandemic and could be further impacted by cost of living pressures.

There is an accumulated Business Rates Collection Fund deficit to the end of 2021-22, of which the estimated Council share is £35m (partially funded through government grants for business rates reliefs). 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 accumulated deficit continues to include a significant loss allowance (bad debt provision) for potential non-payment of debts to the Council at £7.7m, to allow for the potential impacts of cost of living pressures and the pandemic.

To the end of Period 3, we have collected £129m of £448m billed (28.8% in-year collection rate) compared to 28.1% for 2021-22, which is a slight improvement on 2021. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Some businesses have delayed payment against accounts awaiting the allocation of Covid-19 Additional Relief Fund (CARF) reliefs. Debt collection is temporarily on hold while the CARF fund is allocated to business rates accounts and re-billing takes place.

Council Tax

We are expected to collect £164m in 2022-23 (both GLA 26% and Council 74% shares). Collection levels continue to be impacted by the Covid-19 pandemic.

There is an accumulated Council Tax Collection Fund deficit to the end of 2021-22, of which the estimated Council share is £2.4m. There is a loss allowance (bad debt provision) of £13.9m to allow for the potential impacts of cost of living pressures and the pandemic.

The Covid-19 pandemic reduced the collection rate and 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). The 2022-23 forecast at Period 3 is £32.3m. The level of claimants has reduced from 29,989 (end of 2021-22) to 29,698 (end of Period 3).

For total Council Tax income (both retained by the Council and passported to the GLA) the collectable budget for 2022-23 is £164m.

To the end of Period 3 we collected £41m of the £165m Council Tax bills raised (24.9% in-year collection rate) compared to 24.6% for the same period in 2021-22, which is a slight improvement on 2021 but lower than pre-pandemic collection levels. 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, administering the paying of £150 to all Council Tax payers.

Overall Position

The Council's investment at the end of June 2022 was £276.4m (a decrease of 42.2m from March 2022) and a decrease of 19.2m from previous month). Capital loss from strategic and cash pooled funds was £2.6m. External borrowing was £69.872m and no new borrowing is forecast in 2022/23.

The 2022-23 budget for investment income is £2.27m and the forecast all through the year was £2.5m based on expected cash levels throughout the year and expected dividends from pooled funds. This return is higher than 2020-21, mainly due to the continued rise in interest rates by Bank of England. However, a further fall in capital value of strategic and cash pooled fund is expected due to the impact of inflation and continued Ukraine/Russia conflict impacting global markets.

Income Position
Yield on the internal portfolio was 0.98%. Investments in local authorities contributed an average yield of 1.01% while average across London Boroughs in the Arlingclose pool of clients was 0.92%. The income only return on the entire portfolio, including the Council's external investments was 1.29% whilst the total return on the entire portfolio was 0.15% due to strategic pooled fund capital losses of -2.24% for Cash Plus Funds and -5.81% for Strategic Funds.

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 Russia/Ukraine war and global inflation and economic issues. Most of the funds have since regained their total value but there remains a £2.6m capital loss and are now at £73.4m (£75.7m as of 31 March 2022) with the purchase price (£76m).

Benchmarking
According to the 2022-23 Quarter 1 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 1.29% outperformed a group of seventeen London councils (1.22%) average income return) but underperformed against 115 national local authorities (1.387% average income return).

The Council's return on internally managed treasury investments of 0.98% performed slightly below a group of seventeen London councils by 0.03% and performed better by a group of 115 national by 0.07%. 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 Q14 of 2021-22 due to Bank of England recent increase in rates helping new investments.

Liquidity
35% of funds are available within 7 days ensuring adequate cash is available to meet expenditure payments. 68.1% of funds are available within 100 days of maturity.

Inflation
Consumer Prices Index (CPI) rose by 9.4% in the 12 months to June 2022, up from 9.1% in May. On a monthly basis, CPI increased by 0.8% in June 2022, compared with a rise of 0.5% in June 2021. Rising prices for motor fuels and food resulted in the largest upward contributions to the monthly rates in June 2022. In June 2021, the main upward contribution to the monthly rates came from transport overall.

The Bank of England raised interest rates in August. The MPC voted 8-1 in favour of a 0.50% rise in the base rate to 1.75%. The Bank now expects inflation to top at 13% by the end of the year, up from the previous estimate of 11%. The BoE warned that Britain was facing a recession with a 'peak-to-trough fall in output' of 2.1%, similar to a slump in the 1990s but far less than the hit from COVID-19 and the downturn caused by the 2008-09 global financial crisis, lasting around 5 quarters.

The Bank of England announced that it intends to start active government bond sales worth around £10bn a quarter, starting next month, subject to a final go-ahead from policymakers. The BoE stopped reinvesting gilts that matured from its £875bn government bond stockpile in February, and the size of its quantitative easing programme has since dropped to £844bn.

UK house prices have fallen for the first time in a year as rising interest rates and soaring inflation finally brought the property boom to an end. Prices fell 0.1% in July, the first drop since June 2021, according to figures from Halifax. The average value of a home stood at £293,221 – still 11.8% higher than a year ago.
According to Capital Economics, their forecast warning for some time that CPI inflation would rise further than most people expect, triggering a recession continues. The prospect of even bigger rises in utility prices on 1st October and in the first half of 2023 than pencilled in suggests that the risks to forecast for CPI inflation to rise from June's 40-year high of 9.4% to 12.5% in October are now skewed to the upside. That increases the risk of bigger, longer-lasting second-round inflation effects. Worryingly domestic inflationary pressures, such as those in the services sector, are still rising, as they tend to last longer. As a result, Capital Economics are of the opinion that that the Bank of England will raise interest rates from 1.75% to 3.00% even when the economy is in recession.

A rise in Bank Rate to a peak of 3.00% wouldn't dent real consumer spending anywhere near as much as the drag from surging inflation over the coming quarters. That said, it would only compound the downward impact on spending, which reinforces our view that the economy is forecast to fall into a recession.

Security
Weighted Average credit rating across the portfolio of investments managed internally at the end of June 2022 has remained at AA-. The portfolio's bail-in risk has decreased by11% to 48%. 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 30 June 22 remains at 31 against a local authority average of 15 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 is a forecast underspend on the borrowing costs budget due to funding of capital program with existing cash resources.

Target for year £11.8m

£5.8m savings to be delivered

Services	2022/23 Target	Prior Year Slippage	Saving Target	Forecast Savings	Slippage	Under Recovery
	£m					
	A	B	C = A + B			
HA&C	1.3	0.2	1.5	1.5	0.0	0.0
Children and Culture	1.6	0.4	2.0	1.4	0.1	0.5
Place	1.0	0.6	1.6	0.4	1.0	0.2
Resources	0.2	0.4	0.6	0.5	0.1	0.0
Chief Executive's Office	0.0	0.1	0.1	0.0	0.0	0.0
All	2.9	3.1	6.0	2.0	0.4	3.5
Total	**7.0**	**4.8**	**11.8**	**5.8**	**1.7**	**4.3**

Total savings target for 2022/23 is £11.8m (£7.0m relates to approved savings as part of the 2022/23 budget setting process, and £4.8m as a result of previous years' savings not delivered, which have been re-evaluated since the last report).

- £5.8m is identified as being on track to deliver savings;
- A net position of £1.7m is forecast to slip into future years due to timing issues;
- £4.3m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2022-23' for a detailed breakdown and latest updates on savings programme.

General Fund (GF) Capital Forecast Report

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount £'m	Forecast Outturn £'m	Forecast vs Revised Budget Variance £'m
Approved Programme	Children & Culture	48.2	3.8	46.1	(2.1)
	Health, Adults & Community	14.2	0.3	11.6	(2.6)
	Place	59.0	8.5	50.3	(8.7)
	Resources	7.3	0.0	3.0	(4.3)
Approved Programme Total		**128.7**	**12.6**	**111.0**	**(17.7)**
Approved Rolling Programme	Children & Culture	6.3	0.0	4.0	(2.3)
	Health, Adults & Community	0.3	0.0	0.0	(0.3)
	Place	9.4	0.1	9.4	0.0
	Resources	3.5	0.1	3.7	0.2
Approved Rolling Programme Total		**19.5**	**0.2**	**17.1**	**(2.4)**
Invest to Save Programme	Place	15.0	2.5	15.1	0.1
Invest to Save Programme Total		**15.0**	**2.5**	**15.1**	**0.1**
LIF Programme	Place	8.5	0.0	2.9	(5.6)
LIF Programme Total		**8.5**	**0.0**	**2.9**	**(5.6)**
Grand Total		**171.7**	**15.4**	**146.1**	**(25.6)**

Introduction

On 2nd March 2022, Full Council approved a total capital programme for 2022/23 to 2024/25 totalling £759.2m, of which £347.3m was General Fund programme and the original budget for the 2022/23 financial year was approved at £189.6m. Further, on 11th July 2022, Cabinet approved the net slippage from the 2021/22 provisional outturn position for capital, resulting in a revised total capital programme for 2022/23 to 2024/25 totalling £818.5m, of which £392.8m related to the General Fund programme. This revised the General Fund capital budget for the 2022/23 financial year to £171.7m.

The current forecast General Fund capital expenditure for the year is £146.1m, which represents 85% of the revised 2022/23 capital budget. This is as a consequence of forecast net underspends of £2.4m and budget slippages of £23.2m into future years, resulting in a forecast year-end variance of £25.6m. The spend to date is £15.4m, representing 9% of the revised budget. Much of the forecast slippage is due to the council reviewing the Administration's priorities on capital programmes and projects, which will be addressed through rephasing and realigning of capital budgets as part of a capital refresh planned for the autumn.

The details of the programme are set out below –

Approved Programme

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount £'m	Forecast Outturn £'m	Forecast vs Revised Budget Variance £'m
Approved Programme	Children & Culture	48.2	3.8	46.1	(2.1)
	Health, Adults & Community	14.2	0.3	11.6	(2.6)
	Place	59.0	8.5	50.3	(8.7)
	Resources	7.3	0.0	3.0	(4.3)
Approved Programme Total		**128.7**	**12.6**	**111.0**	**(17.7)**

The 2022/23 revised budget for the General Fund Approved programme is £128.7m. The forecast expenditure for the Approved programme is £111.0m, (86% of the revised budget) as a consequence of net slippage of £15.3m and underspends of £2.4m, resulting in a forecast year-end variance of £17.7m. The actual spent to date is £12.6m representing 10% of the revised budget.

Children's and Culture

The 2022/23 revised budget for the Children's and Culture Approved programme is £48.2m. The programme is forecast to spend £46.1m, (96% of the revised budget) as a consequence of forecast net slippages of £1.4m and underspend of £0.7m, resulting in a forecast year-end variance of £2.1m.

The major programme under Children's Directorate is the Schools Basic Need and Expansion programme, with a total revised budget of £40.1m for the year, current forecast against revised budget is spend of £39.4m, as a consequence of anticipated underspend of £0.7m at year-end. Within this programme there are several large schemes currently under way, many of which are in the early stages.

It is forecast that the full 2022/23 £17.0m budget allocation for the London Dock Expansion programme will be spent in-year. Due to increases in inflation, a delayed project start, issues around the lease and source of funding; material, energy, and supply chain price increases coupled with labour shortages, the cost to deliver this project has increased by £2.1m, which is expected to be an overspend in 2023/24, in alignment with the completion date of February '24.

Wood Wharf school project with a budget of £5.5m for 2022/23 is in delivery phase and nearing completion, it is anticipated the contractor will hand over the completed school site back to the council by latest March 2023 and the council expects the budget for this year to be fully spent.

The Raines Foundation school project is complete, the existing remaining budget is anticipated to be assigned to the new Oaklands school project (£4.3m), which is currently at feasibility stage and expected to conclude by latest October 2022. Thereafter, there will be a feasibility options review required (which will need to include a full project cost appraisal) to determine the best course of action moving forward.

The Arnhem Wharf - Damp Permanent Resolution project, with a budget allocation of £3m, is forecast to be fully spent in-year. The project managers have instructed additional water level and soil contamination tests to be carried out which is aimed at further outlining the requirements of remedial works needed. If additional works are required to safeguard the site, costs and budgets may need to be reviewed.

Beatrice Tate Special school expansion project, with a 2022/23 profiled budget of £1.7m, is forecast to be fully spent in-year. Following a recent condition report, it was determined the school's existing heating system should be replaced. Options are expected to be presented by Engineers to the council, a decision will then be taken, and procurement re-commenced. As a result of the above, the actual expansion aspect of the project will be delayed by 8 weeks, however, project managers have forecast that spend will be in line with budget, which includes the summer works to address structural issues.

George Green’s 6th form expansion project is forecast to underspend by £0.7m against a budget allocation of £0.7m. The main 6th form expansion works is now completed. There are final costs expected in 2022/23, which are yet be finalised, related to remedial works required for drainage. Works consist of digging up and reinstalling the drainage pipe into the inspection chamber at a lower level as directed by Thames Water. As the funding is basic need grant, it is anticipated that the underspends will be re-allocated to new/alternative education Basic Need project(s) within the Education capital programme.

The other significant programme within Children's Directorate is the Parks programme, with a total revised budget of £6.2m for the year. Current forecast against revised budget is spend of £4.7m, this would result in a £1.4m slippage at year-end. Within this programme there are several schemes. Quality Parks projects is forecast to slip by £0.5m against a budget of £1.5m based on latest project plans and spend profiles. Quality Parks projects, which were initially planned to end in 2023, have now been extended to 2025, which is now reflected in the forecast spend being reported for the projects. Christ Church gardens is another Park’s programme project with a budget of £0.5m, it is forecast to slip by £0.4m into future years. The original plan was to procure a design team last autumn, with an anticipated completion of works over the year. However, the Community Advisory Group in charge of the project have decided to make more modest changes and to resume the procurement process at a later stage.

The remaining total slippage of £0.5m in the Parks programme is from a number of various other smaller projects within the theme, where spend profiles have been revised based on latest project plans.

Health, Adults and Communities (HA&C)

The 2022/23 revised budget for the Health, Adults and Communities Approved programme is £14.2m. The projected spend for the programme is £11.6m, (83% of the revised budget) as a consequence of anticipated net slippages of £2.6m.

The majority of capital projects in the HA&C Directorate, which had earlier 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.

The key projects that have contributed towards the forecast net slippage are Sewardstone Road (£1.0m) and Norman Grove (£0.4m) which have revised budgets of £1.2m and £1.4m respectively for 2022/23. The contract for the Sewardstone Road project has not formally been awarded due to the reconstitution of the design team, however, the contract award report is in the process of being signed off. Norman Grove (Adult Social Care project) is part of the Housing Norman Grove project which is anticipated to complete in October 2023 and forecast spend profiles have been revised based on latest project plans.

Progress continues with the protective security project with a budget of £0.3m which is forecast to be fully spent in-year. 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.

Transformation of CCTV system project with a budget of £3.4m is on-going and full spend is anticipated in-year against budgets. This includes the relocation of the CCTV control room to the New Town Hall, which is scheduled to complete by March 2023 at the latest.

There were additional capital growth projects which were approved by Full Council on 2nd March 2022, subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources and agree that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the council. The Day Provision – Antill Road project (budget of £0.5m in 2022/23) is currently progressing through the council's capital governance process, hence for period 3 monitoring purposes a nil forecast has been made against this project for 2022/23 as it is not yet live, this will be kept under review throughout the year, and forecasts updated accordingly.

Place

The 2022/23 revised budget for the Place Approved programme is £59.0m. The projected spend for the programme is £50.3m, (85% of the revised budget) due to a net slippage of £9.2m and net overspends of £0.5m, resulting in a forecast year-end variance of £8.7m.

There are many key projects that are driving the net slippages of £9.2m and overspends of £0.5m within Place, these are as follows:

The New Town Hall project is forecasting an overspend of £1.1m at year-end against existing total council approved budgets for the scheme. This forecast factors in an additional required capital budget provision of £1.1m and formally allocates the existing approved contingency of £8.4m contained within the capital programme to the New Town Hall project. The forecast spend on the scheme is £132.9m which includes costs for construction, design, CIL, surveys and professional fees) to cover all of the risks associated with the existing building, BREXIT, inflation, COVID and other matters at a value that is within 10% of the combined original contract sum and the contingency that was approved when the original contract was entered into.

Community Hubs/Buildings project with a budget of £0.4m is forecasting an underspend of £0.4m because the projects are now completed and no further is anticipated. Other smaller projects within the Place Directorate contributed a further net underspend of £0.1m.

High Street and Town Centre programmes which include Middlesex Street, Brick Lane and Roman Road West Regeneration projects and Middlesex Street Art Trail project are forecast to accelerate by £1.8m against a budget of £1.5m in 2022/23, which will be funded by bringing forward future year budgets for these projects into the current year, as the budgets need to be re-profiled.

South Dock Bridge project is forecast to accelerate by £1.3m against a revised budget of £3.0m in 2022/23. The project was delayed last year due to the longer period required to secure planning permission. However, the project is now progressing at pace and therefore there is need to re-profile the budget to reflect the anticipated spend profile.

Waste, Recycling and Fleet programme is forecast to slip by £4.0m and this is mainly due to the Electric Waste Vehicles project budget, which needs to be re-profiled in line with latest plans. The replacement of the vehicles is in phases and procurement for the majority of the fleet will not be completed until 2023/24. There is a risk that vehicle supply could be further delayed due to access to raw materials in the current economic crisis.

TFL Funded Schemes projects are forecast to slip by £2.0m against a budget of £2.1m. The major scheme contributing to this underspend is improving air quality (£2.0m slippage), a project that relates to installing fast electric vehicle charging points which is part funded by Government grant. The bid for this grant is in the process of being submitted in order to secure the funding for the project, which is required for the project to proceed further.

The Asset Maximisation programme within the Place Directorate, is forecasting a net slippage of £1.4m against a budget of £4.5m. The Montefiore Centre Refurbishment project, with a budget of £1.3m in 2022/23, will slip into future years by £0.4m as a result of project delays and will run into the next financial year. The other significant slippage within the programme relates to Indicative Feasibility Schemes - Asset Maximisation, which is forecast to slip by £1.0m into future years against a budget of £1.2m. This is a pool of funds for project feasibility studies across the council and there is a deliberate plan to pursue targeted feasibility studies and in turn reduces the volume of feasibility studies undertaken.

The Public Realm Improvements programme is forecast to slip by £1.6m, against a budget of £7.2m. The Liveable Streets projects are the major scheme contributing towards the overall variance within the programme. The forecast reflects that existing planned projects are still in development phase and are on hold pending review and development of priorities within the programme.

The Registered Provider (RP) Grant Scheme programme is forecast to slip by £1.5m against a budget of £1.5m. This scheme enables the council to contribute towards the delivery of much-needed homes being delivered by RP partners, where they are unable to secure grant funding from alternative sources. During 2021/22, RP's were able to access external funding to deliver the schemes in their programme and did not need to seek funding from the local authority. This situation is expected to continue in 2022/23, and will be kept under review throughout the year and in 2023/24.

There were additional capital growth projects which were approved by Full Council on 2nd March 2022, subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources and agree that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the council. Temporary Coroner's court (£0.3m), Open Spaces Montangue Landscape (£0.4m), and Streets are Spaces (£0.4m), are all capital projects which are currently progressing through the council's capital governance process, hence for period 3 monitoring purposes a nil forecast has been made against these projects for 2022/23 as they are not yet live, this will be kept under review throughout the year, and forecasts updated accordingly.

Resources

The 2022/23 revised budget for the Resources Approved programme is £7.3m. The forecast spend for the programme is £3.0m, (41% of the revised budget) as a consequence of net slippages of £4.0m and underspends of £0.3m, resulting in a forecast year-end variance of £4.3m.

IT Smarter Working, with a budget of £1.9m in 2022/23, is one of the major programmes in the Resources Directorate. The programme is forecast to spend £0.6m which results in an underspend of £1.3m. The IT Smarter Working programme is composed of various specific ICT projects. The key project driving the slippage relates to the ICT Mosaic project. The project has still not started and is unlikely to spend until August due to delays in procurement and legal checks which means that the contract has not yet been sealed. Other ICT projects such as Agresso re-hosting and upgrade, fraud investigation system, Windows virtual desktop and Telecare upgrade have all been completed thus allowing £1.3m to be re-purposed to cover other ICT projects including, New Planning and Building Control Data Management System, Civica APP replacement, New Town Hall IT, EHCM for Home Care & Reablement, Fire Safety Database, IT for Housing Safety, Idea Stores IT Refresh and Upgrade of Telecare Equipment at Service Users Homes. These projects are still in the process of going through the council's internal governance process and are subject to sign-off.

The Customer services capital programme consists of Idea Stores Bow and Idea Stores Whitechapel/Cultural campus. The latter is predicted to overspend by £0.9m against a budget of £1.5m. The project needs additional funds in line with the project plan which includes a major refurbishment and change of layout for library, adult learning and employability training.

There were additional capital growth projects which were approved by Full Council on 2nd March 2022, subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources and agree that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the council. Bancroft library (£3.3m), Brady Centre (£0.2m) and Contingency 15% for uplift in costs (£0.5m) are capital projects which are currently progressing through the council's capital governance process, hence for period 3 monitoring purposes a nil forecast has been made against these projects for 2022/23 as they are not yet live, this will be kept under review throughout the year, and forecasts updated accordingly.

Annual Rolling Programme

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount £'m	Forecast Outturn £'m	Forecast vs Revised Budget Variance £'m
Approved Rolling Programme	Children & Culture	6.3	0.0	4.0	(2.3)
	Health, Adults & Community	0.3	0.0	0.0	(0.3)
	Place	9.4	0.1	9.4	0.0
	Resources	3.5	0.1	3.7	0.2
Approved Rolling Programme Total		**19.5**	**0.2**	**17.1**	**(2.5)**

The 2022/23 revised budget for Annual Rolling programme is £19.5m. The projected spend for Approved Rolling programme is £17.1m, (87% of the revised budget) as a consequence of net slippages of £2.5m. The actual spent to date is £0.2m.

Children's and Culture

The 2022/23 revised budget for the Children's and Culture Annual Rolling Programme is £6.3m. The forecast spend is £4m, (63% of the revised budget) as a consequence of net slippages of £1.6m and underspends of £0.7m, resulting in a forecast year-end variance of £2.3m.

Conditions and Improvement for Primary schools' projects are forecast to slip by £0.6m against a budget of £3.6m. The programme reacts across the maintained school estate on a condition need requirement. As this is a ring-fenced budget, all underspends will be re-allocated within the Conditions and Improvement programme in the following financial year.

The significant forecast underspend within the programme is of £0.7m on St Paul's Way Trust School Expansion, a project with a budget of £0.7m funded from Basic Needs Grant. The project is now complete, and the budget can be released. As the funding for the project is basic need grant, it is anticipated that the underspend will be re-allocated to new/alternative education Basic Need project(s) within the Education capital programme.

There were additional capital growth projects which were approved by Full Council on 2nd March 2022 subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources and agree that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the council. Improvements to Youth Provision (£1.0m) is a capital project which is currently progressing through the council's capital governance process, hence for period 3 monitoring purposes a nil forecast has been made against this project for 2022/23 as it is not yet live, this will be kept under review throughout the year, and forecast updated accordingly.

Health, Adults and Communities (HA&C)
The 2022/23 revised budget for the Health, Adults and Communities Annual Rolling Programme is £0.3m.

There were additional capital growth projects which were approved by Full Council on 2nd March 2022, subject to sign off through the council's capital governance process and agreement to proceed given by the Corporate Director of Place in consultation with the Corporate Director of Resources and agree that schemes funded by future grants, capital receipts, s106 and/or CIL will not go ahead until such funds have been received by the council. The Adult Social Care (DFG) project (budget of £0.3m in 2022/23) is currently progressing through the council's capital governance process, hence for period 3 monitoring purposes a nil forecast has been made against this project for 2022/23 as it is not yet live, this will be kept under review throughout the year, and forecasts updated accordingly.

Place
The 2022/23 revised budget for the Place Annual Rolling Programme is £9.4m and the forecast spend is to budget (£9.4m).

Notable schemes within the Place Annual Rolling Programme include Disabled Facilities Grants (DFG) schemes (£1.7m), Public Ream Carriageways and Footways (£5.0m) and Investment Works to Tower Hamlets assets. All projects within the programme are forecast to budget.

Resources
The 2022/23 revised budget for the Resources Annual Rolling programme is £3.5m. The forecast spend for the programme is £3.7m, (106% of the revised budget) as a consequence of anticipated overspends of £0.2m. The overspend of £0.2m is on IT assets within the 'IT – Smarter Working' programme.

Invest to Save

General Fund Programme	Directorate	Revised Budget £'m	Actual Amount £'m	Forecast Outturn £'m	Forecast vs Revised Budget Variance

					£'m
Invest to Save Programme	Place	15.0	2.5	15.1	0.1
Invest to Save Programme Total		**15.0**	**2.5**	**15.1**	**0.1**

The council's Place Directorate has the only Invest to Save programmes/projects. The 2022/23 revised budget for the Invest to Save programme is £15.0m. The forecast spend for the programme is £15.1m, (101% of the revised budget) as a consequence of a forecast year-end net acceleration of £0.1m. The actual spent to date is £2.5m representing 17% of the revised budget.

Conversion to Temporary Accommodation 1-4-1 receipts programme is predicted to slip by £1.5m (budget of £1.5m in 2022/23). The slippage is because new homes originally envisaged to be delivered through this programme are now being delivered as permanent homes and have been moved into the HRA programme.

Purchase of Accommodation for Temporary Accommodation programme, with a budget of £10.5m in 2022/23, is forecast to accelerate by £1.1m. The council has continued to buy back former council homes to provide temporary accommodation for households facing homelessness. This budget has overspent in quarter 1 of 2022/23 as property prices have increased, but still delivers value for money.

The Street Lighting Replacement programme is forecast to have an accelerated spend of £0.5m against a budget of £2.5m, which means budget will need to be brought forward from future years for this project as the council's plan for the Westferry Circus Lower lighting replacement scheme has been brought forward to commence this year, from future years.

Local Infrastructure Fund (LIF) Programme

General Fund Programme	**Directorate**	**Revised Budget £'m**	**Actual Amount £'m**	**Forecast Outturn £'m**	**Forecast vs Revised Budget Variance £'m**
LIF Programme	Place	8.5	0.0	2.9	(5.6)
LIF Programme Total		**8.5**	**0.0**	**2.9**	**(5.6)**

The LIF programme is resident in Place Directorate. The 2022/23 revised budget for LIF programme is £8.5m. The forecast spend for the programme is £2.9m for the year (34% of the revised budget) as a consequence of forecast net slippages of £5.6m. The entire programme is subject to review and therefore spend in 2022/23 is likely to be reduced.

Latest HRA Capital Provisional Outturn Position

HRA Programme	Directorate	Revised Budget £'m	Actual To Date £'m	Forecast Outturn £'m	Forecast vs Revised Budget Variance £'m
Approved Programme New Council 1,000 Homes	Place	106.9	7.5	56.4	(50.4)
Approved Programme HRA THH Projects	Place	2.3	0.0	0.5	(1.8)
HRA Approved Programme Total		**109.1**	**7.6**	**56.9**	**(52.2)**
Housing Revenue Account (THH Rolling)	THH	28.0	(1.1)	27.9	(0.1)
Housing Revenue Account (THH Rolling) Total		**28.0**	**(1.1)**	**27.9**	**(0.1)**
Grand Total		**137.1**	**6.5**	**84.8**	**(52.3)**

On 2nd March 2022, Full Council approved a total capital programme for 2022/23 to 2024/25 totalling £759.2m, of which £411.9m is for the Housing Revenue Account (HRA) programme and the original budget for the 2022/23 financial year was approved at £157.7m. Further, on 11th July 2022, Cabinet approved the net slippage from the 2021/22 provisional outturn position for capital, resulting in a revised capital programme for 2022/23 to 2024/25 totalling £818.5m, of which £425.7m is for the HRA. This revised the HRA capital budget for the 2022/23 financial year to £137.1m.

The current estimated HRA capital expenditure forecast for the year is £84.8m, which represents 62% of the revised 2022/23 capital budget. The HRA programme forecast is net slippages of £52.2m and underspends of £0.1m, resulting in a forecast year-end variance of £52.3m. The spend to date is £6.5m, represents 5% of the revised budget. Much of the forecast slippage is due to the council reviewing the Administration's priorities on capital programmes and projects, which will be addressed through rephasing and realigning of capital budgets as part of a capital refresh planned for the autumn.

The details of the programme are set out below –

Approved Programme

HRA Programme	Directorate	Revised Budget £'m	Actual To Date £'m	Forecast Outturn £'m	Forecast vs Revised Budget Variance £'m
Approved Programme New Council 1,000 Homes	Place	106.9	7.6	56.4	(50.4)
Approved Programme HRA THH Projects	Place	2.3	0.0	0.5	(1.8)
Approved Programme Total		**109.1**	**7.6**	**56.9**	**(52.2)**

The total HRA Approved capital budget for the current year is £109.1m. The forecast is £56.9m representing 52% of the revised budget and £52.2m budget slippage is predicted. The actual spend to date is £7.6m representing 7% of the revised budget.

Approved Programme - New Council 1,000 Homes

The 2022/23 revised budget for the New Council 1,000 Homes Approved Programme is £106.9m. The forecast spend for the programme is £56.4m, (53% of the revised budget) resulting in a net slippage of £50.4m.

The New Council Homes programme has been subject to delays for a number of reasons including material and labour shortages, supply chain delays, impact of increasing costs and contractor procurement. The entire programme is subject to review by the new council administration and an updated HRA capital programme will be presented to Cabinet in the autumn.

Approved Programme - HRA THH Projects

Approved Programme HRA THH project is a HRA project which is being delivered by the council's Place Directorate. The 2022/23 revised budget for this programme is £2.3m. The forecast spend for the programme is £0.5m, (22% of the revised budget) as a consequence of slippages of £1.8m.

The delivery of the scheme (introducing new off-street parking arrangements in housing estates due to changes in national legislation) is reliant on the completion of a statutory consultation process with residents and is being delivered on a ward-by-ward basis from the west of the borough to the east. Substantial delays in progress occurred during the pandemic when it was not possible to carry out estate-based consultations. In addition, in some areas there was a necessity to invest more time in consulting some residents who had initial reservations about the scheme. With the scheme now running successfully in Wapping, parts of Shadwell, Whitechapel, Spitalfield and Banglatown, it is planned to escalate the rollout in order to ensure completion in 2023/24.

Annual Rolling Programme

HRA Programmes	Directorate	Revised Budget £'m	Actual Amount £'m	Forecast Outturn £'m	Forecast vs Revised Budget Variance £'m
Housing Revenue Account (THH Rolling)	THH	28.0	(1.1)	27.9	(0.1)
Housing Revenue Account (THH Rolling) Total		**28.0**	**(1.1)**	**27.9**	**(0.1)**

Tower Hamlets Homes (THH)
The 2022/23 revised budget for the Annual Rolling Programme - Tower Hamlets Homes (THH) is £28.0m. The forecast spend for the programme is £27.9m, (99.6% of the revised budget) resulting in a net underspend variance of £0.1m.

Most of the workstreams are now in the procurement stage, with a view of work planned to begin in the summer of 2022. Generally, Major Works includes the Better Neighbourhoods (BN) and the Street programme. A mini tender is currently being conducted for the BN works, while the Street programme has already been procured and contracts are being awarded with works due to commence later in the year.

The Mechanical and Electrical (M&E) programme consists of replacing the M&E components of the building, such as Lifts, Door Entry systems, communal heating systems etc. The Lifts programme (£1.0m) is due to be reprocured, therefore works are due to start in the last quarter of the year. Consultation on communal heating works is currently underway, while works on other aspects of the workstream have commenced.

Work on Fire Safety is currently being scoped or procured. It is anticipated that the work on the Fire doors will begin shortly and, the fireworks on the Oceans estate are due to be surveyed followed by a mini tendering procedure. As the scheme progress, professional fees will be incurred.