TOWER HAMLETS

Appendix A

Budget Monitoring Provisional Outturn Report 2022/23 as at 31st March 2023

Circulated to	CPAP
Date	12 July 2023
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)	John Harrison, Interim Director of Finance, Procurement and Audit Ahsan Khan, Head of Strategic Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

General Fund (GF) provisional outturn £0.6m underspend before transfer to reserve

Dedicated Schools Grant (DSG) provisional outturn £0.9m underspend before transfer to reserve

Housing Revenue Account (HRA) provisional outturn £6.6m overspend before transfer from reserve

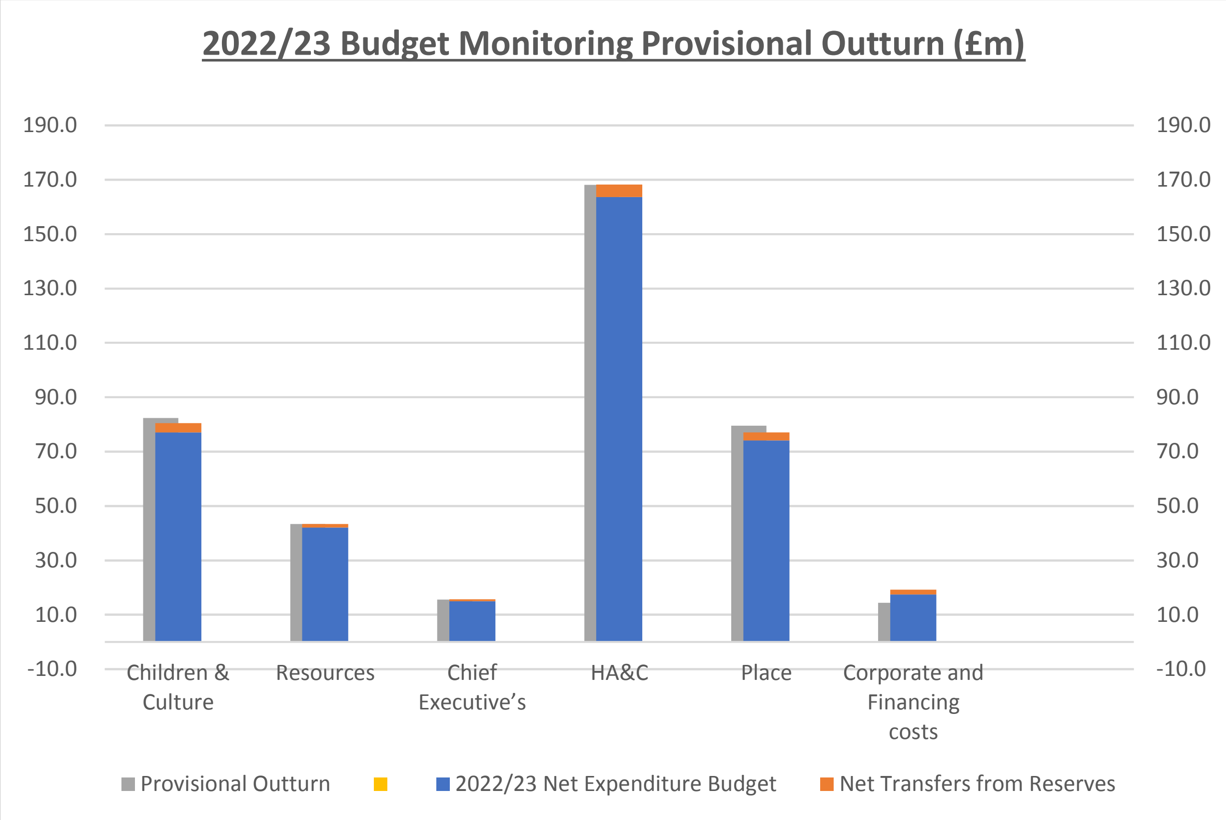
Provisional Outturn as Overspend/(Underspend) (£m)					
	2022/23 Net expenditure budget	Provisional outturn	Gross over / (under) spend	Transfer to / (from) reserves	Net variance over / (under) spend (impact on GF / DSG / HRA)
	A	B	C = B - A	D	= C + D
Children & Culture	77.1	82.4	5.3	(3.4)	1.9
Resources	42.1	43.4	1.3	(1.3)	0.0
Chief Executive's	15.0	15.6	0.6	(0.7)	(0.1)
HA&C	163.7	168.1	4.4	(4.6)	(0.2)
Place	74.1	79.6	5.5	(2.9)	2.6
Sub-total GF services	**372.0**	**389.1**	**17.1**	**(12.9)**	**4.2**
Corporate and Financing costs	17.5	14.4	(3.1)	(1.7)	(4.8)
Total General Fund	**389.5**	**403.5**	**14.0**	**(14.6)**	**(0.6)**
Ringfenced Items					
DSG Grant	0.0	(0.9)	(0.9)	0.0	(0.9)
HRA	(1.5)	5.1	6.6	0.0	6.6

General Fund

The total council approved revenue net expenditure budget for 2022/23 is £389.5m. The 2022/23 provisional outturn position is £403.5m, resulting in an underlying gross overspend of £14.0m. The position after the proposed net drawdown of earmarked reserves totalling £(14.6)m, is an overall £0.6m net underspend (*see figure 1.1 below*). The detailed directorate monitoring, setting out the provisional outturn against revised budgets and the reasons for the variances are detailed within the body of this Appendix.

Significant savings are still to be delivered within a continuing challenging environment for the council. Any underspend at the year-end will be transferred to reserves.

Figure 1.1



General Fund and Earmarked Reserves

The provisional outturn is reporting a reduction in the year-end reserves position, this is summarised in the table below:

All in figures in £m	Draft outturn 31 March 2022	Provisional Outturn in-year increase / (decrease)	Provisional Outturn 31 March 2023
General Fund balance	23.6	0.6	24.2
Earmarked Reserves without restrictions	87.4	6.9	94.3
Sub-total	**111.0**	**7.5**	118.5
Earmarked Reserves restricted	129.9	(28.1)	101.8
Total	**240.9**	**(20.6)**	**220.3**

Some reserve movements do not show on the provisional outturn summary 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	**(14.6)**
Contribution to General Fund reserves from the in-year underspend	0.6
Smoothing reserve Collection Fund reserve drawdown	(5.0)
New Town Hall capital reserve transfer contribution	(1.6)
Total General Fund and Earmarked Reserves movement	**(20.6)**

General Fund balances and Earmarked Reserves without restrictions have increased by £7.5m, from £111.0m to £118.5m 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 and is able to utilise those reserves already identified in the agreed MTFS.

Earmarked Reserves restricted have decreased by £(28.1)m, from £129.9m to £101.8m 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)**	**Specific ringfenced COVID-19 Grant Funding (£m)**	**Gross over / (under) spend (£m)**	**Non - ringfenced COVID-19 Funding (transfer from reserves) (£m)**	**Forecast Gross over / (under) spend** ***POST Covid-19 funding application*** **(£m)**
	(A)	(B)	C = (A) – (B)	(D)	E = (C) – (D)
Children & Culture	5.3	0.0	5.3	2.3	3.0
Resources	1.7	0.4	1.3	0.2	1.1
Chief Executive's Office	0.6	0.0	0.6	0.0	0.6
HA&C	8.7	4.3	4.4	0.5	3.9
Place	6.4	0.9	5.5	0.7	4.8
Corporate	(3.1)	0.0	(3.1)	0.7	(3.8)
Total	**19.6**	**5.6**	**14.0**	**4.4**	**9.6**
	Total COVID-19 Funding Applied in 2022/23 = B + D				**10.0**

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. Within the provisional outturn, the council will need to utilise £4.4m of this non-ringfenced COVID-19 funding to mitigate against in-year COVID-19 pressures which continue to persist, leaving £4.0m not yet allocated. The council will continue to monitor this position in light of any continuing or further potential pressures that may arise.

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 experienced further COVID-19 pressures within Resources relating to Additional Burdens Funding (£0.4m) for administration of Covid-19 grants and pressures within Place relating to rough sleeping (£0.9m), which will be funded from specific related COVID-19 ringfenced grants the council received in-year.

Please refer to 'Appendix C – Covid-19 Provisional 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, we have collected £407m of £428m billed (95.3% in-year collection rate) compared to 92.6% for 2021-22. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

For Council Tax, we collected £157m of the £165m Council Tax bills raised (95.2% in-year collection rate) compared to 91.2% for the same period in 2021-22, which is an improvement on last year but lower than pre-pandemic collection levels. Future years' collection rates could continue to 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 provisional outturn within the Dedicated Schools budget is a small underspend of £0.9m in 2022/23. This budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements. 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 and the current DSG statutory override expires in 2025/26.

HRA

The in-year Housing Revenue Account is reporting a provisional outturn adverse variance of £6.6m when compared with budget. It is assumed that this balance will be transferred from HRA balances at year-end.

Provisional outturn variances in the HRA relate to delegated budget, which is reporting a provisional outturn adverse variance of £2.8m, the THH management fee is reporting a provisional outturn nil variance, the non-delegated budget is reporting a provisional outturn adverse variance of £7.3m and technical adjustments is reporting a provisional outturn variable variance of £3.5m. Further details are provided in section 4 of this appendix.

C&C provisional outturn £1.9m overspend

DSG provisional outturn underspend of £0.9m before contribution to reserve

Service	2022/23 Net expenditure budget £m	Provisional outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Net variance over / (under) spend £m
	A	B	C = B - A	D	= C + D
Supporting Families	58.7	56.3	(2.4)	1.3	**(1.1)**
Commissioning and Culture	7.0	7.1	0.1	(0.3)	**(0.2)**
Education	9.5	15.7	6.2	(3.2)	**3.0**
Education Resources	1.9	3.3	1.4	(1.2)	**0.2**
Education Impact of School Closures and Amalgamations	0	0	0	0	**0.0**
Total	**77.1**	**82.4**	**5.3**	**(3.4)**	**1.9**

The Children and Culture Directorate is reporting a net overspend of £1.9m. The Supporting Families service is showing an underspend of £1.1m, Commissioning and Culture an underspend of £0.2m, Education Resources a net overspend of £0.2m, and Education a net overspend of £3.0m. This is in the context of the Directorate delivering £1.5m of savings in 22/23 as part of the Council's MTFS.

The primary pressures are about demand and the increased levels of need for children and families as a consequence of both Covid and the cost-of-living crisis. The budget position reflects that Supporting Families is managing these pressures well to date supported significantly by additional funding for family hubs work being agreed late in the year as well as the increased social care grant and the focus that there has been upon delivering a stronger early help offer together with strengthened partnership working.

SEND pressures are the greatest concern and continue to increase with a clear link to the impact of the pandemic upon children's development, with unprecedented increases in the number of referrals for Education Health and Care Plans in particular for the youngest children whose development was most impacted by Covid. SEND costs have significantly increased with the need for additional staff in Education Psychology and SEN casework if we are to meet our statutory responsibilities – in the context that in recent years there had not been increased capacity to keep pace with increased demand. There have also been large increases in the Costs of SEN transport costs, both with increased volumes of Children accessing transport and the large increase in fuel costs and London ULEZ surcharges. This has further been exacerbated by the reductions in use of internal transport in adult services, meaning a larger proportion of costs are being met from Childrens Service budgets, which will need to be reviewed as part of any future efficiencies within the directorate. Plans have been taken forward to ensure that the increased level of staffing need in SEN and Education Psychology are addressed through approved growth bids for 2023/24. The SEND Transport Demand Board has been reconstituted in order to manage those pressures.

The General Fund gross outturn is an overspend of £5.3m. This is before taking account of the application of Covid reserve funding. There has also been a significant contribution from Covid reserves towards the continuing pressure on SEN transport costs where we have seen a number of Children and young people not able to progress to independent travel as well as the need for more individualised transport arrangements then had been planned in the previous SEN travel review. Whilst this has supported the transport costs in this financial year, there will be a significant budget shortfall in the 2023/24 budget if transport rates continue at the current volumes.

There is a Contribution from an earmarked reserve of £2.2m, being £1.2m from General fund reserve and £1m of Public Health reserve for the cost of providing universal free school meals for all Children in Tower Hamlets Primary Schools. This treatment was originally 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 would normally make an annual £1m contribution but this year have contributed the additional £1m from that reserve.

Funding bought forward from the prior year supporting families funding of £0.4k, has been offset with a further contribution to reserves of £0.8m to be drawn down in 2023/24.

Provisional outturn on the spend within the Dedicated Schools Grant budget is an underspend of £0.9m. This budget is exceptionally volatile with the main variable related to spend on individual High Needs arrangements. It should be noted that whilst we are showing an underspend in this area, we do continue to have a small overspend in High Needs which has been offset with School and Early Years underspends.

Supporting Families: - £1.1m underspend
The considerable work in realigning budgets plus the additional resource that has been made available through the higher social care grant as well as well as additional funding through Government funded Family hubs income that arrived late in the financial year has meant that the Supporting Families directorate has a larger than forecast underspend, notwithstanding underspent grant income being carried forward to next year, which have been reflected in the above figures, in order to manage pressures such as the increased costs of children in care.

Commissioning and Culture - £0.2m underspend
A slight improvement on period 9 outturn relates to improved income receipts.

Education - £3.0m Overspend
Movements from period 9 included additional increases to Education psychology and case management, which have been included as growth items for 2023/24. The impact of SEN Transport costs continue to be the overriding pressure on the budget and have been supported by the use of £2m of Covid reserves which will not be available in the 2023/24 Financial year, this will need urgent consideration to ensure that a similar overspend is not incurred going forward.

Service	2022/23 Net expenditure budget £m	Provisional outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Net variance over / (under) spend £m
	A	B	C = B - A	D	= C + D
Customer Services	6.5	6.5	6.5	0.0	**(0.1)**
Finance, Procurement & Audit	8.8	11.6	11.6	2.8	**0.2**
ICT	12.7	12.4	12.4	(0.3)	**0.0**
Revenue and Benefits Service	2.0	1.3	1.3	(0.7)	**0.0**
Workforce, OD and Business Support	12.1	11.6	11.6	(0.5)	**(0.1)**
Total	**42.1**	**43.4**	**43.4**	**1.3**	**0.0**

The Resources directorate forecast is a breakeven position after movements from reserves of £1.3m.

The reserve movements consist of requested drawdowns from the Insurance Reserve for insurance team staffing (£0.3m) and settlements (£1.9m); Transformation Reserve for finance improvements (£0.4m) and Customer Services (£0.1m); and the Covid non-ringfenced grant reserve (£0.3m).

Proposed movements to reserves include £0.1m for IT Security, £0.2m to the ICT transformation Reserve, £0.2m to the Revenue and Benefits New Burdens reserve, £0.7m to the Collection Fund Smoothing Reserve and £0.4m to support Procurement activity.

<u>Customer Services – £0.1m underspend after reserves movements</u>
A small underspend is reported for the Customer Services division, following a drawdown of £0.1m from the Transformation Reserve and Residents Hub reserve. The planned drawdown from the ICT transformation reserve for Customer Relationship Management (CRM) developments will now be needed in 2023/24.

<u>Finance, Procurement and Audit – £0.2m overspend</u>
A drawdown from the Insurance Reserve of £2.2m is required in 2022/23. This covers the annual drawdown of £0.3m for Insurance Team staffing costs and a drawdown in respect of two significant claims that were settled in year.

£0.4m was drawn from the Transformation Reserve 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.

There is an overspend in staffing for the Procurement Team (£0.5m) 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 fill posts covered by agency workers however it has been proving difficult to recruit in the current market. The overspend in the Procurement Team is largely offset by underspends elsewhere in the service, principally in Finance Team staffing due to periods of vacancy while the new structure is being recruited into.

Information Technology – breakeven forecast position after reserves

A forecast breakeven position, following the drawdown from the Covid non-ringfenced grant reserve for IT equipment to support hybrid working; the carry forward of Cyber Security Grant required in 2023-24; and a top-up of the ICT Transformation Reserve.

The IT service is experiencing inflationary pressures which could impact the 2023-24 position as contracts are renewed during the year.

Please also note that there will also be a drawdown from the ICT Transformation Reserve towards the funding of the ICT capital infrastructure improvements - total to be determined.

Revenues and Benefits Service – forecast breakeven after reserves

There is an underlying budget pressure in the service through administration staffing and underachievement in income partially offset through an underspend in Housing Benefits due to high levels of collection of overpayment debts.

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 on direct staffing costs, towards which the government has provided Additional Burdens Funding. It is also requested to drawdown £0.3m from the Covid non-ringfenced grant reserve.

The long-term staffing requirement from the pandemic and increased properties for council tax will need to be considered in the future, 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. Income from court costs is forecast to be £0.3m 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 were not available in full and this pattern has continued in 2022-23 resulting in forecast income of £0.4m below budget for 2022-23.

Work levels remain high for Council Tax Support claims and the move to Universal Credit remains 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. A growth bid is included in the MTFS to fund this pressure from 2023-24.

Workforce, OD and Business Support Service – £0.1m underspend after movements to reserves

There is an underspend of £0.5m principally in Learning, Organisational and Cultural Development due to filling of vacant posts.

Service	2022/23 Net expenditure budget £m	Provisional outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Net variance over / (under) spend £m
	A	B	C = B - A	D	= C + D
Communications and Marketing	2.2	2.1	(0.1)	0.1	**0.0**
Strategy, Improvement and Transformation	6.5	5.9	(0.6)	0.1	**(0.5)**
Legal, Monitoring Officer, Democratic and Electoral Services	5.2	5.7	0.5	(0.4)	**0.1**
Corporate Management	0.4	0.6	0.2	0.0	**0.2**
Mayor's Office	0.7	1.3	0.6	(0.5)	**0.1**
Total	**15.0**	**15.6**	**0.6**	**(0.7)**	**(0.1)**

The Chief Executive's Office outturn indicates a small underspend of £0.1m following drawdowns from reserves totalling £1.2m, the creation of a Communications Reserve £0.1m and the carry forward of grant funding for use in future years of £0.4m.

The reserve drawdowns consist of the Local Election Reserve (£376k), Mayor's Priority Investment reserve for Mayor's Office staffing (£500k), Covid Recovery Fund Reserve (£185k), ESOL for Integration Fund reserve (£149k) and the Local Community Fund reserve (£30k).

<u>Communications and Marketing – Breakeven after reserves creation</u>
Forecast breakeven position following the creation of a £0.1m Communications Reserve to support costs in 2023-24 relating to the insourcing of Tower Hamlets Homes and leisure services.

<u>Strategy, Improvement and Transformation – £0.5m underspend after reserves</u>
The variance is due to periods of staffing vacancy while the new Enabled Functions structure has been recruited into. The voluntary and community sector budgets is breakeven after the following reserve movements:

- 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

<u>Legal, Monitoring Officer, Democratic and Electoral Services – £0.1m overspend after movements to reserves</u>
As reported at Period 9 there was an overspend on Legal services of £0.3m due to difficulties in permanent recruitment resulting in over-reliance on agency staff and a reduction in court costs awarded income. The overspend has been offset from underspends in democratic and electoral services after the drawdown from the Local Elections Reserve of £0.4m for the costs of the local elections in May 2022.

Corporate Management – overspend £0.2m

The overspend on corporate management of £0.2m arose principally from severance costs which have been offset by savings elsewhere within the directorate.

Mayor's Office – overspend of £0.1m

The outturn position is after the drawdown from the Mayor's Priority Investment reserve of £0.5m for additional staffing in the Mayor's Office. The extra staff are to support additional casework (including supporting the work from twice weekly surgeries run by the Mayor), cabinet and executive support, and the engagement of Mayor's Advisors to contribute to the delivery of strategic priorities and the Mayor's manifesto commitments.

HA&C provisional outturn £0.2m underspend

Public Health provisional outturn nil variance

Service	2022/23 Net expenditure budget £m	Provisional outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Net variance over / (under) spend £m
	A	B	C = B - A	D	= C + D
Adult Social Care	104.3	111.1	6.8	(4.6)	2.2
Community Safety	6.5	6.2	(0.3)	0.0	(0.3)
Integrated Commissioning	15.7	14.5	(1.2)	(0.9)	(2.1)
Public Health	37.2	36.2	(1.0)	1.0	0.0
Total	**163.7**	**168.1**	**4.4**	**(4.6)**	**(0.2)**

The Health, Adults and Community Directorate's provisional outturn is a £0.2m underspend position against a budget of £163.7m, representing a £1.9m decrease on the Period 9 position. The pressures in Adult Social Care reflect a continuation of increasing costs and complexity of care packages for disabled and older people, provided under the Care Act, offset by a significant use of additional funding in the financial year for meeting the costs of care packages on discharge of clients from hospital (Discharge to Assess pathway D2A).

The Directorate has delivered its programmed savings in 2022/23, with the exception of a planned £0.1m saving in client transport which has been offset by increased TSU (Transport Services Unit) Recharges for external routes and increasing fuel costs, which have resulted in an overspend position of £0.62m against existing transport budgets which are being charged to revenue.

The Adult Social Care Transformation Programme was put in place to reduce costs in the medium to long-term and has started to achieve some quality benefits for service delivery models. Business cases for technology enabled care and increasing housing with support options will come through in the new financial year with no impact on the outturn position.

Public Health forecasts a breakeven position after transfers to the ring-fenced Public Health Grant Reserve, whilst Community Safety is forecasting a small underspend at outturn. The Integrated Commissioning outturn is forecast as a £2.1m underspend, primarily due to funding for community equipment for discharged clients (£0.684m) and Tower Hamlets Together Partnership Investment Funding (£0.746m), that has offset costs in this area.

Transfers to and (from) Reserves (£4.157m)

Use of reserves relates largely to partnership funding held in pooled budgets for use across health and social care.

- Costs of care provision for clients discharged from hospital for the first 4 weeks following discharge, and community equipment issued to clients on discharge, are accounted for separately and funded from s75 Integrated Discharge Hub funding agreed with the ICB held in a specific reserve. For the financial year, a total of £4.375m has been funded in total for 2,731 care packages, from the £5.660m funding received, leaving a balance of £1.285m to use for discharge costs in 2023/24.

- The Public Health Grant Reserve at the start of the financial year 2022/23 was £6.9m. After an agreed transfer for to the Children and Culture Directorate to fund free Secondary School Meals from the Public Health Grant Reserve in the amount of £1.0m, and a final transfer to the Public Health Grant Reserve for 2022/23 of £1.2m, the reserve balance at the end of the financial year will stand at £7.2m.
- Expenditure incurred in relation to the ASC Transformation Programme in 2022/23 in the amount of £0.11m will be transferred, as approved, to the Council's Transformation Reserve.
- Covid related expenditure, that is not applicable to be charged to any Covid Grants in Public Health in 2022/23, are being charged to the Covid non-ringfence grant, with the drawdown totalling £0.46m for the HA&C Directorate.

Other Funding in HA&C used to contribute to the outturn position in 2022/23

- The allocated inflationary uplift budget for HA&C in 2022/23 in the amount of £3.175m was used to award inflationary uplifts to care providers, based on approved contract awards, and totalled £2.435m.
- As part of the MTFS 2021/22 a demographic growth budget of £4.225m was approved for Adult Social Care and based on actual increases in new clients in services, £3.753m has been utilised in 2022/23, leaving a balance of £0.472m.
- The Government awarded all Local Authorities a Market Sustainability and Fair Cost of Care Grant for 2022/23 in the amount of £0.989m. At outturn we have utilised £0.806m of this funding by passing the grant onto care providers to move them towards a 'fairer' cost of care rate.
- In addition to the Local Authority allocation of the Adult Social Care Discharge Fund in the amount of £1.22m, we utilised the Tower Hamlets share of the ICB allocation of £1.01m. Against total funding of £2.23m spend totalled £2.18m to offset care package costs on discharge of clients. The balance of funding will be used in 2023/24.

Adult Social Care – Outturn £2.2m overspend

Adult Social Care is overspent by £2.2m against a budget of £104.3m. This represents a decrease in projected expenditure against budget from Period 9 by £0.302m.

(i) **Employee Costs – Forecast (£1.4m) underspend**

The outturn position for employee costs is a £1.4m underspend position against a budget of £22.6m, primarily due to vacancies during permanent recruitment to posts and a 2% vacancy factor being maintained. There has been deliberate action to reduce agency costs where possible and there are some remaining vacancies with difficulties recruiting.

(ii) Care Package Costs and other Service Costs – outturn £8.4m overspend

Direct costs associated with care packages overspent by £8.4m against a budget of £99.2m of which £4.4m is funded from NHS Joint Funding and £2.2m via ASC Discharge grant.

Care and Support Plan Assurance Meetings (CSPAM) data clearly demonstrates 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 March 2023 shows that the Panel process has approved 1,010 packages of care with increasing needs, representing a further £5.72m full-year cost, and a further 139 new packages of care, adding a further £1.65m full-year cost. Against this, 375 cases assessed to date, resulted in a reduction or cessation in care package, amounting to a £2.79m reduction in full-year costs. 264 packages assessed resulted in no change in the level of care provided. The impact of these changes to date is a net increase of £4.58m (1,788 total packages reviewed).

The demographic growth budget is held centrally and then allocated to the appropriate budgets on a quarterly basis, based on a calculation of the costs of new clients into a service area. Of the £4.225m demographic growth budget for 2022/23, £3.753m was allocated by the end of the financial year, leaving a balance of £0.472m.

Other Service Costs are in relation to a provision for bad debts, and other supplies and services costs relating to Adult Social Service clients. The outturn position is £3.3m against a budget of £0.70m. This includes a provision for bad debts of £1.4m (i.e., irrecoverable income against historic invoices raised for residential and non-residential income).

(iii) Income – £7.4m over achievement of income over budget

Income has exceeded the budget by £7.4m at outturn due to additional funding received which includes Discharge to Assess and joint health funding of £6.6m, government funding of £577k, client contributions of £945k, and £692k other contributions to services. This reflects the work carried out by the Mental Health team on the Section 117 income from the NHS.

<u>Integrated Commissioning – Outturn (£2.1m) underspend</u>

Integrated Commissioning budget has an underspend of £2.1m at outturn, against a revised budget of £15.66m. This represents a decrease in the underspend position by £1.6m from Period 9 position, after reserve transfers.

The underspend 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.

The other underspend in Integrated Commissioning is related to Living Well commissioned services due to the partnership agreement in the amount of £0.374m.

One area of budget pressure within Integrated Commissioning is from recharges via the Transport Services Unit (TSU) for Client Transport for Adult Social Care clients attending day centres and care homes. Against a budget of £2.12m, the actual outturn for 2022/23 is £2.74m, an overspend of £0.62m. This budget pressure area will continue into 2023/24 as fuel price pressures continue to add to transport cost recharges.

<u>Community Safety – Outturn £0.3m underspend</u>

Community Safety has an underspend by £0.3m at outturn against a budget of £6.5m.

The Division has been successful in attracting significant grant funding. This is through the London Crime Prevention Fund (MOPAC), Addiction, Diversion, Disruption, Enforcement, Recovery (ADDER) and the Home Office (Prevent) grant. The grant funding is for specific projects, programmes, and funds posts. All the grant funding streams aim to deliver additionality and compliment partner resources, address gaps in service provision to tackle crime and anti-social behaviour and improve safety in the Borough. The short term and specific nature of the funding presents a strategic risk when funding ceases.

<u>Public Health – Outturn 2022/23 Breakeven</u>

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

The projected transfer to the Public Health Grant reserve for 2022/23 is £1.18m from an overall Public Health Grant allocation in 2022/23 of £37.214m

The Public Health Grant allocation for 2023/24 is £38.591m

The Public Health Grant reserve balance at the end of 2021/22 was £6.980m. At the end of 2022/23 the balance in the reserve will be £7.16m, and this will be utilised to fund revenue pressures in other services areas in 2023/24 by substituting expenditure that meets Public Health Outcome criteria.

Covid Grants 2022/23
The Contain Outbreak Management Fund (COMF) grant carry-forward from 2021/22 was a balance of £3.523m. The full allocation remaining has been fully utilised in 2022/23 on the Community Vaccination programme, funding to support the Healthy Borough Programme, community engagement commissions, Covid hub staffing, vaccine hesitancy insight and Find and Treat (London wide service focussing on outbreak management and uptake of vaccination in high-risk groups e.g., homeless and hostels), Outbreak management software and communication campaigns.

Service	2022/23 Net expenditure budget £m	Provisional outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Net variance over / (under) spend £m
	A	B	C = B - A	D	= C + D
Property & Major Programmes	19.2	21.0	1.8	(2.1)	(0.3)
Resources	1.7	1.4	(0.3)	(0.1)	(0.4)
Public Realm	34.7	35.9	1.2	1.3	2.5
Growth & Economic Development	4.4	6.5	2.1	(1.9)	0.2
Planning & Building Control	2.1	2.9	0.8	(0.6)	0.2
Housing & Regeneration	12.0	11.9	(0.1)	0.5	0.4
Total	**74.1**	**79.6**	**5.5**	**(2.9)**	**2.6**

Draft Outturn Position

The Place Directorate has draft outturn position with an adverse variance of 2.6m after reserve adjustments. This represents an adverse movement of £0.1m when compared with the Q3 budget monitor.

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 £2.9m drawdown from reserves. This reserve figure includes £1.8m of additional reserve drawdowns from the Mayors Priority Investment reserve to fund new mayoral pledges in year (cost of living crisis); £0.8m from the Covid General reserve to meet the ongoing impact of the pandemic on service provision and a one-off reserve drawdown of a further £1.1m to meet the cost of the New Town Hall. The Directorate has also topped up a number of reserves with unspent ringfenced grant and the Parking Control Account surplus (£3.3m).

The main adverse variance is within the Public Realm division, with smaller pressures across Planning & Building Control, Housing and Growth & Economic Development. The majority of these variances relate to external factors outside of the control of the Place Directorate, for example challenges resulting from the pandemic and cost of living crisis increasing demand for services with Housing and Growth & Economic Development, reduced developer income within Planning & Building Control, abortive costs and reduced capitalisation of salaries relating to the capital programme (including the TFL programme) and assets deemed surplus to requirement transferring to the Directorate without budgetary provision. These unavoidable factors have placed pressure on service delivery or reduced the amount of income collected.

Savings Targets

The Directorate had a £1.6m savings targets in 2022/23. Of these savings, £0.6m has been delivered, £0.3m of savings have slipped into the next financial year but remain deliverable and the remaining £0.7m were undeliverable.

The £0.7m undeliverable savings relate to a number of projects to make better use of Council assets. Although a work plan has been developed to deliver the saving, the impact of the pandemic and cost of living crisis has made it increasingly difficult to either let or dispose of property. The Director of Finance agreed that these savings will be mitigated through a drawdown against the Covid general grant reserve in year to prevent a budget pressure. The savings were taken to Cabinet on 25th January and approved for write off for future years.

<u>Property & Major Programmes – Forecast £0.3m Favourable.</u>

The Property & Major Programmes division is forecasting to outturn with a £0.3m favourable variance after reserve adjustments. This represents a favourable movement of £0.4m from that previously reported.

<u>Corporate Property – £0.6m Adverse Variance</u>

An over-recovery of HRA recharge income totalling £0.2m as a result of additional resource working on the HRA portfolio and additional time spent on HRA related work by the remainder of the team.

Five schools have been declared surplus to requirements (Cherry Trees, Guardian Angels, St Mathias, Shapla and Bromley Hall school). These schools were previously funded from Basic Needs grant. Vacant property costs including security, insurance, utilities, rates and general maintenance are being incurred, creating a budget pressure of £0.8m without any financial provision being made as part of the decision-making process when declaring the buildings as surplus. There have been delays in procuring guardians at these sites to replace security. Bromley Hall School was due to be sold in June, but this was put on hold whilst the new administration reviewed potential sales, resulting in further revenue cost at this site.

<u>Capital Delivery - £0.3m Adverse Variance</u>

Shortfall in capitalisation against budget with the team spending a higher proportion of their time on feasibility work.

<u>Facilities Management – (£0.8m) Favourable Variance</u>

A £0.6m favourable variance against employee related budgets resulting from vacancies that have not been filled.

Favourable variance of £0.1m relating to an underspend on supplies and services budgets within the New Town Hall team.

A £0.1m favourable variance relating to the centralised stationery budget.

<u>New Town Hall – Nil Variance</u>

There is an estimated revenue running cost for the New Town Hall from January 2023 and one-off costs associated with the office move totalling £1.1m. There is no budget provision for this cost whilst the Council continued 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. A drawdown of £1.1m from this reserve will be made to mitigate this cost pressure.

<u>Corporate Landlord Model (CLM) – (£0.5m) Favourable Variance</u>

A £0.3m favourable variance on service charges relating to buildings the Council leases. The number of leased buildings is lower than budgeted, resulting in reduced costs.

A favourable variance of £0.2m for business rates relating to John Onslow House and Rushmead, both of which are budgeted for in the general fund but are HRA assets.

An adverse variance of £0.2m relating to energy costs as a result of price increases above budgeted levels.

A £0.1m favourable variance against cleaning with Albert Jacob House and John Onslow House cleaning costs being charged to the HRA.

The amount recharged for insurance costs is £0.1m lower than budgeted.

The outturn for repairs & maintenance is in line with budget. This is due to slippage of remedial works. Costs for materials and labour have risen following Brexit and the Covid pandemic and new contracts are at additional cost. This is therefore likely to result in a cost pressure in the new financial year.

Non-Operational Investment Estate – £0.1m Adverse Variance
Unachievable savings targets totalling £0.8m relating to the better use of assets. This income shortfall will be charged against the Covid grant reserve, mitigating the pressure.

Void units resulting from capital works at the Montefiore building has resulted in an adverse variance of £0.2m.

The release of historic commercial rent deposit balances to the general fund has resulted in a favourable variance of £0.1m.

Resources – £0.4m Favourable Variance
The revenue costs relating to the Regeneration team total £1.1m in year, with £0.6m funded from LIF, £0.3m costs were capitalised, and the remaining £0.2m from revenue as it relates to abortive costs for Mayer Parry and Poplar Reach bridges which were ceased by the new administration. There is no general fund base budget for this team, with the abortive costs resulting in a £0.2m adverse variance.

The Strategy, Policy & Improvement team are forecasting an adverse variance of £0.1m with the recharge budgets being higher than the actual level of work charged to the other divisions within the Place Directorate and the HRA.

A £0.4m favourable variance within the Service Design & Improvement team resulting from vacant posts and part-year recruitment to fill vacancies.

Unbudgeted employee costs have resulted in a £0.2m adverse variance within the Place Director cost centre.

A reduction in AR Bad Debt provision across the Place Directorate resulting in a £0.5m favourable variance.

Public Realm – £2.5m Adverse Variance
Public Realm is forecasting an adverse variance of £2.5m against budget. This figure is inclusive of a proposed reserve movements netting to a £1.3m top up. Included within this top up amount is the Parking surplus which has to be used to top up the Parking reserve and therefore not mitigate the adverse variance position. This position represents an favourable movement of £0.2m on that previously reported.

Public Realm Management – (£0.2m) Favourable Variance
Favourable variance resulting from underspend on employee related expenditure.

Highways and Traffic Management – Nil Variance
A £0.1m favourable variance relating to lamp column maintenance. Recent capital investment has resulted in lower maintenance costs.

Underspends across a number of budget lines including public notices and insurance claims has resulted in a £0.1m favourable variance. These costs are demand driven.

A £0.3m favourable variance relating to additional network management income. Increased development within the Borough has resulted in greater levels of road closures relating to the Council's footway and carriageway capital programme and issuing scaffolding and hoarding permits.

Capitalisation shortfall of £0.9m is being offset by a corresponding underspend of £0.9m on salaries resulting from posts being held vacant.

Despite consumption levels reducing following the capital investment to implement low energy light bulbs, energy prices have risen resulting in an £0.1m adverse variance for on street lighting electricity charges.

Unbudgeted costs of £0.1m for repairs to the Foot tunnel lifts at Greenwich. This represents LBTH's contribution to the cost of these works.

A £0.1m under recovery of advertising income resulting from the 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.

A budget shortfall of £0.5m relating to sunk costs that cannot be capitalised resulting from the TFL capital programme not progressing. The budgets reflect funding assumptions at the pre-Covid level from TFL of £2.2m. TFL withheld funding in the current year following uncertainty around the Liveable Streets programme.

Unbudgeted abortive costs for the Liveable Streets programme has resulted in an adverse variance of £0.2m.

Additional spend totalling £0.1m on TFL funded revenue projects. This will be funded through a drawdown from reserve (TFL Revenue Funded Projects reserve) and not impact on the outturn.

Balances relating to historic temporary structure income and s278 rechargeable works (which relate to unclaimed amounts of over six years old that cannot be reclaimed) have been drawn down into revenue resulting in a net favourable variance of £0.5m, which is being used to mitigate overspend across the Highways and Traffic Management service.

A £0.6m contribution towards the cost of Highways and Traffic Management from the Parking surplus (drawdown from the Parking Control reserve). This drawdown is budgeted, resulting in a nil variance.

Operational Services - £0.9 Favourable
Favourable variance of £0.2m from unbudgeted income relating to the sale of recyclable materials.

Backdated rental income for Northumberland Wharf following a rent review giving a favourable variance of £0.1m.

Underspends against tools and equipment budgets within environmental services has resulted in a £0.1m favourable variance.

Vacant posts within this Arboriculture service has resulted in a £0.1m favourable variance.

Temporary MTFS growth of £0.4m for environmental enforcement activities has partially been spent. Delays in the recruitment process has resulted in a £0.2m favourable variance.

A £0.6m favourable variance for the excess revenue electricity share resulting from the creation of electricity from the residual waste. The higher selling price to the National Grid has resulted in a larger income share for the Council.

A £0.2m adverse variance relating to demographic growth and customer behaviour post pandemic which is generating more household waste.

Unachievable income target of £0.1m relating to charging for bulky waste collections. This income target formed part of a historic greater commercialisation saving allocated to Place in 2021/22. The saving requires review as bulky waste collections are currently non-chargeable service.

A £0.1m adverse variance relating to increased costs of repairs and maintenance to machinery within the green team service.

The Green team spent an additional £0.1m on replacement trees. This is funded from CAVAT developer income received in previous years (reserve drawdown) and has no impact on the outturn position.

Environmental Services Improvement – (£0.1m) Favourable Variance
A favourable variance of £0.1m resulting from vacant posts and secondments away from the team.

Waste Operations (Environmental Services) – £2.6m Adverse Variance
A favourable variance of £0.1m arising from reduced cleaning costs associated with the Blackwall tunnel.

Cleaning related to external events and the late-night economy generated additional income of £0.1m.

A favourable variance of £1m against salaries relating to vacant posts. This is being offset by additional costs of £2.2m for agency and overtime covering these vacancies, long-term sickness, additional public holidays, and catch-up rounds following snow. This resulted in an adverse variance for employee related costs of £1.2m.

A £0.4m adverse variance relating to equipment such as residential refuse bins and recycling sacks. These costs are being charged to revenue.

Unscheduled vehicle repairs, increased costs for scheduled maintenance and an increase in the cost of diesel has resulted in an adverse variance of £1.1m.

The high turnover of staff and providing operatives with a choice around their uniforms has resulted in increased costs and an adverse budget variance of £0.1m.

The service has received £0.3m Mayoral Covid-19 recovery funding for use on enhanced street cleansing. A total of £0.1m has been spent and drawn down from reserves to meet this additional cost.

Commercial Waste - £0.6m Adverse Variance
There is an under recovery of income totalling £0.6m for commercial waste. The service has lost customers during the pandemic.

Fleet & Passenger Transport Service - £0.2m Adverse Variance
A 0.1m adverse variance resulting from invoices raised in error in the previous year and cancelled in the current year.

A further £0.1m income shortfall relating to vehicle MOT's. The MOT station is currently closed due to technical issues relating to the DVSA servers, which is currently being resolved, but the income target remains. These adverse variances have been partially mitigated through a drawdown from the transport services review reserve.

Passenger transport has a £0.1m adverse variance relating to additional agency expenditure that could not be recharged to other Directorates.

The majority of fleet costs are recharged to other services. There has been a significant increase in these costs, in particular fuel and repairs & maintenance which have been passed on to other Directorates where the pressure is being reported.

Concessionary Fares – (£0.3m) Favourable Variance
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 – Nil Variance
Parking services has a favourable variance of £3.3m against budget. This amount will be transferred to the Parking Control reserve and partly reallocated (£0.6m) to fund other highways and transport related services.

The Enforcement service (PCN related income) has exceeded budgeted levels because 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 £3m.

However, this is being offset by pressures on the Parking debt budget where there is an under recovery against the income target of £1.4m. This target relates to aged debt cases where the central debt collection team did not achieve the targeted debt recovery levels as some have been deemed irrecoverable.

Vacant posts within the Enforcement service resulting in a favourable variance of £0.4m. Staff retention is challenging and when vacant these posts are difficult to fill.

Delays in the procurement of the Parking Enforcement Plan has resulted in a favourable variance of £0.2m.

Bay suspension income is over-recovering by £0.9m with demand for the service continuing to be high.

Casual parking income has exceeded budget by £0.3m with demand being higher than that budgeted.

Parking permits has an adverse variance of £0.1m. Detailed work was undertaken to calculate the receipt in advance accrual, resulting in a higher amount of income being deferred to the following financial year.

Environmental & Regulatory services – £0.3m Adverse Variance
The Environmental & Regulatory services have vacant posts across the Health & Safety, Pest Control, Mortuary and Housing Enforcement services resulting in a £0.2m favourable variance against employee related budgets.

A £0.2m favourable variance relating to additional mandatory HMO licenses issued and rechargeable income from THH for private sector enforcement services.

Unbudgeted contract costs relating to the Coroner's, Undertaker and Pathology services has resulted in a £0.3m adverse variance.

Landlord licensing has an adverse variance of £0.4m where there is no reserve to offset the costs incurred providing the service. This represents an accounting error where the reserve was taken several years ago and not the result of service provision.

Expenditure totalling £0.3m has been incurred to fund the additional HMO licensing scheme. These costs will be met from the Additional HMO licensing reserve, resulting in a nil variance.

Street Trading – £0.3m Adverse Variance
The Street Trading account is a ringfenced account and is forecasting a £0.3m 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 not being implemented and passed on to the traders in 2022/23. Income budgets have been increased to reflect these new charges, resulting in a forecast £0.3m income shortfall.

Growth & Economic Development – Forecast £0.2m Adverse
Growth & Economic Development has an adverse variance of £0.2m against budget. This outturn position assumes approved s106 drawdown from reserves totalling £1.5m for core activities and approved projects across the division. There are further reserve drawdowns totalling £0.5m to fund the Tackling Poverty team and £0.3m from a number of earmarked reserves for specific activities and projects, for example the Kickstart programme and BAME Action Fund. A number of new reserves and reserve top ups are also proposed in year totalling £0.5m, primarily for grant ringfenced funding relating to ESF Connecting Communities programme and 50+empoloyment.

The outturn position represents an adverse movement of £0.3m from that previously reported.

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 be met from reserves.

The Growth & Economic Development division has received £3m of grant funding for specific projects across the Growth and Tackling Poverty teams including Holiday Activity Fund (£1.7m), Education & Skills programme (£0.4m) and DWP Kickstart programme (£0.9m). A further £6m in Household Support grant was received for the ongoing Covid response programme and a further £2.3m for Energy Support grants to support residents with the cost of rising energy bills.

Employment & Skills – £0.2m Adverse Variance
A £0.1m favourable variance from vacant posts within the Employment & Skills team.

The ITRES service has moved to be managed through Matrix, this movement means there is an unachievable income target where previously the E&S team would recharge their costs to the service receiving the ITRES agency staff. This income target remains but there is no recharge, resulting in a £0.2m adverse variance. Work is ongoing to mitigate this pressure in the new year.

A further pressure of £0.1m relating to post regrading following a restructure and formal regrading of posts within the Supported Employment team.

The E&S service operates a number of externally funded programmes that complement the mainstream service provision and provide additional services that support residents without adding additional pressure on the General Fund, some of these schemes include ESF funded employment support; GLA funded LIFT Digital (tech) Hub; DWP Kickstart programme; DWP Local Supported Employment programme.

Growth – (£0.2m) Favourable
The Growth service has a favourable variance of £0.2m after reserve drawdowns. There are a number of projects being undertaken within the service, primarily around thriving high streets and creative enterprise zones and grant funding has been received to support this work.

The £0.2m favourable variance is within the Business Growth team and relates to a number of vacancies and some posts being budgeted at top of scale but recruited at lower grades.

Tackling Poverty – Nil Variance
Tackling Poverty received £6m in household support grant in 2022/23. This grant was 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 a drawdown of £0.5m from the Mayor's Tackling Poverty reserve has been made to meet this cost.

The Tackling Poverty team received growth in year of £0.2m for the resident's support scheme. This growth provided additional support with energy bills for vulnerable residents. A further £0.4m growth has funded the food distribution hub. This growth was sent in full.

Supporting residents through the cost-of-living crisis is a Mayoral priority pledge and Cabinet approved additional spend totalling £1.8m to support vulnerable residents by way of small direct grants. This has been spent in full and funded from reserves.

The service also received £1.8m for the Holiday Activity Fund. This funds two posts to run the HAF scheme as well as funding other running costs, food and activities for children throughout the year.

A total of £2.3m has been received for the Energy Bills Support scheme. Vulnerable residents can apply for £400 grants towards the cost of their energy bills. Spend against this grant has to be committed by 31st May 2023. At the 31st March 2023 payments totalling £0.3m had been made and will be funded from this grant allocation.

Economic Development Management - £0.2m Adverse variance
Unbudgeted recharge for works undertaken by the Strategy, Policy & Improvement team.

Continuing Covid-19 and Cost-of-Living response.
The Tackling Poverty and Crisis Support team continued to undertake significant work in helping residents to recover from the pandemic and help them through the cost-of-living crisis, with rules around the resident support scheme being relaxed and some payments increased, and through the ongoing management of a food hub. Food vouchers have also been distributed to residents and eligible residents were also supported through the test and trace system. This scheme has now finished.

In 2022/23 the Tackling Poverty team received £6m in Household Support grant which funded individual grants to residents and organisations supporting vulnerable residents, the residents support scheme and admin costs.

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, schemes to help small and micro businesses and other small grants to voluntary bodies and food pantries. This funding has been spent in full.

Planning & Building Control – £0.2m Adverse Variance

The Planning & Building Control service is forecasting to outturn with an adverse variance of £0.2m from its general fund activities. This represents an adverse movement of £0.3m when compared with previous forecasts, largely the result of an underachievement of the CIL admin fee income, statutory planning fees and local land charges as a result of a downturn in both developments and the housing market. It is worth noting that this is the first year that Planning & Building Control has had an adverse outturn position. Development in 2022/23 has slowed down for a number of reasons, including the state of the economy - the level of inflation and interest rates in particular impacting the housing market. This turbulence in the economy impacts all of Planning & Building Control income streams as the service covers the whole development pipeline. In addition, the proposed amendments to building regulations to require two staircases for residential buildings above 30m has caused a number of schemes to stall and reassess proposals, again reducing the number of applications and start on sites, impacting both DM and CIL income.

This position includes a drawdown of s106 funding totalling £0.4m to fund posts and activities within the Infrastructure Planning team; £0.8m to fund specific LIF projects again within Infrastructure Planning; £0.7m from the Local Land Charge reserve and £0.3m from the Building Control Trading Account reserve to mitigate income shortfalls within the ringfenced traded activities.

The Planning & Building Control service also utilises both Mayoral (MCIL) and Tower Hamlets (THCIL) CIL revenue funding. In 2022/23 the Council utilised MCIL and THCIL funding of £0.5m. This represents a £0.4m shortfall against budgeted levels.

Development Management - £0.4m Adverse 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 resulting in a favourable variance of £0.3m. Consultant's fees have not been spent in full giving a further favourable variance of £0.1m. However, this is being offset by a £0.8m shortfall against the planning income target for statutory fees where the volume of planning applications was less then budgeted levels and those experienced in previous years. All P&BC income sources fluctuate over time given that they are impacted by fluctuations in the development industry.

Digital & Commercial Innovation Team – (£0.2m) Favourable Variance

This favourable variance is the result of vacancies within the newly restructured team.

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

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 full but following a successful recruitment campaign, most of the posts were filled at lower grades resulting in the favourable variance.

Spatial Data Team – Nil Variance

A downturn in the property market due to the cost-of-living crisis and high interest rates has resulted in an adverse variance of £0.2m against the Local Land Charge income budget and a further £0.1m adverse variance in income for Street Naming & Numbering. These shortfalls will be mitigated through a drawdown against the Local Land Charge reserve, as they are traded services.

Strategic Planning – Nil Variance

The Plan Making team received growth of £0.4m in 2022/23 towards the cost of producing the new local plan. Total spend in year was £0.2m, with the balance being transferred to reserves to fund further work on the local plan in the new financial year.

Infrastructure Planning - £0.1m Adverse Variance

There is budgeted use of CIL revenue funding of £0.9m; £0.4m from LIF and s106 reserve drawdowns of £0.4m towards the running costs of the Infrastructure Planning team. Actual funding for CIL is £0.5m, representing a shortfall against budget of £0.4m. This has been partially mitigated through additional LIF funding, resulting in an adverse variance of £0.1m.

This is the first time the service has experienced a funding shortfall, with previous years seeing significant surpluses that have benefitted other P&BC and Place Directorate services. Development forecasts show a likely return to surplus in future years. It is a regulatory requirement that CIL admin income is only used in the year it is received.

Building Control Trading Account – Nil Variance

The building control trading account has a £0.1m adverse variance before reserve drawdowns. This results from an income shortfall when compared with budget. The service is carrying a number of vacant posts that are being filled by agency staff whilst a recruitment campaign has been undertaken. As the building control trading account is ringfenced, this adverse variance will be mitigated through the trading account reserve, resulting in a nil variance. There are sufficient funds within the reserve to meet this cost.

Housing & Regeneration – £0.4m Adverse Variance

The Housing & Regeneration division has an adverse variance of £0.4m after reserve movements. This represents an adverse movement of £0.5m when compared with the Q3 budget monitor.

Housing Options – Nil Variance

The Housing Options (Homelessness and Rough Sleeping) service is forecasting to outturn in line with budget. This position includes the use of £8.5m of grants (Homeless Prevention Grant £5.9m; Homeless Prevention Grant Top Up £0.9m; Rough Sleeping Initiative £1.7m). The level of grant funding exceeded that budgeted with the top up grant representing additional funding. This negated the need to draw on reserves to balance the budget position.

Homelessness numbers remain high and have risen since the start of the year. Current numbers in Temporary Accommodation are 2,747 (inclusive of the current backlog of claimants awaiting assessment). This compares with 2,568 households at the start of the financial year. Numbers are rising due to the lifting of the evictions ban that has been in place since the onset of the pandemic resulting in the service experiencing an increase in the numbers of private evictions. The cost-of-living crisis has increased family exclusions and reduced private tenancies. A greater number of individuals have contacted the service since it has been digitalised.

These high numbers place pressure on the use of expensive nightly booked and bed & breakfast accommodation at additional cost. There are currently 356 people in B&B accommodation compared with 323 at the start of the year. The number of room bookings and the cost of B&B accommodation are rising, putting further pressure on the budget. Rooms are now costing £70-£80 per night with current providers who were charging £35 per night during the pandemic and new providers are charging in excess of £100 per night. Competition for rooms with the asylum seeker market is further driving up costs.

In the final quarter of 2022/23, the Council saw a 33% increase in T.A. placements, an increase of 39% on the use of B&B accommodation when compared with the same period in the previous year, a 34% increase in the number of families placed and an overall increase in demand for the service of 30%.

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. From April to October Capital Letters offered 46 private rented properties against an SLA target of 204 units. The lack of move on options is resulting in the service failing to meet its suitability obligations for the first time since 2016 and not moving claimants from B&B accommodation within the six-week statutory target.

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 the lack of move on options available negating these benefits. The high demand for the service is resulting in increasing numbers of households on the transfer list, increased numbers of costly legal challenges, increased usage of commercial hotels and the need to make costly adaptions to self-contained accommodation.

Despite the increase in numbers the transformation work combined with the receipt of additional grant funding above that budgeted is preventing significant overspend against budget.

The Council incurs a Housing Benefit Subsidy loss on every placement in Central London. The Council can claim back Housing Benefit costs incurred up to 90% 2011 LHA rates. Rents within Tower Hamlets and neighbouring Boroughs are higher than this rate, resulting in the Housing Benefit payment made being higher than the amount that can be claimed back. £4m of growth was added to the Housing Benefit Subsidy Loss budget in 2021/22 and despite this, there remains an adverse variance of £0.2m against this budget. This pressure is being managed through the additional grant monies received in year.

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 2022 highlighted the key elements of the transformation project and main changes. Costs of this transformation work have been funded from grant in year rather than reserves. This saving is spread over two years with £250k assigned to 2022/23. Although the transformation work is progressing the saving is likely to slip in the next financial year due to the additional pressures on the service from the cost-of-living crisis as outlined above.

Ongoing Covid-19 Response

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 brought 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 towards its costs as part of the Rough Sleeping Initiative grant settlement. There will be no funding beyond 2022/23. This grant funding has been spent in full during the year providing accommodation and support services at Luke House.

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.

Lettings - £0.4m Adverse Variance

Adverse variance of £0.4m resulting from a reduction of the choice-based letting service recharge to the HRA. The evidence based revised recharge is based on the number of lets to Council owned property, rather than a historic charge against which the budget was set. A growth bid to recover the income shortfall was rejected.

Energy & Sustainability – *(£0.2m) Favourable Variance*

The £0.2m favourable variance relates to additional commissioning income from the energy suppliers contracted to the Council. The commission is based on the unit price of energy and recent increases in the unit price of gas and electricity has increased the commissioning income received.

A £0.1m adverse variance relating to the Barkantine PFI scheme will be mitigated through a drawdown from the smoothing reserve, resulting in nil variance. There is currently a balance of £1.1m in this reserve and is therefore sufficient to cover this cost, but the scheme is due to come to an end shortly and the future options are under review.

Housing Supply – £0.2m Adverse Variance

Housing Supply has an adverse variance of £0.2m after reserve adjustments. The fire safety team received approved growth of £0.5m, delays to recruitment has resulted in £0.4m not being spent in year which will be transferred to reserves. A grant of £0.2m for cladding remediation on high rise buildings was received late in the year and not spent and will be transferred to reserves. The self-build programme will be drawing down a small amount from the custom new build reserve to meet the costs incurred in-year.

The budgeted income target for the shops on Ben Johnson road includes commercial income for both the North and South side properties. The shops on the South side are HRA assets and therefore the income is in the HRA, resulting in a £0.2m shortfall.

Service	2022/23 Net expenditure budget £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	17.5	14.4	(3.1)	(1.7)	**(4.8)**
Total	**17.5**	**14.4**	**(3.1)**	**(1.7)**	**(4.8)**

A favourable variance of £4.8m is reported for Corporate after a requested drawdown from the Covid non-ringfenced grant reserve of £0.6m for cross-directorate savings achievement impacted by the pandemic; £1.4m drawdown from historical income suspense reserve and a £0.3m transfer to reserves in respect of 2022/23 audit fees as the audit has not yet commenced.

Please note that the 2021-22 and 2022-23 Collection Fund (Business Rates and Council Tax income) accounts are still being finalised for audit. It is estimated that c£5m will be requested for drawdown 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).

<u>Pay inflation budget held centrally – forecast £6.4m Adverse</u>

A pay inflation budget of £4m was held centrally for the 2022-23 pay award increase (originally based on a 2% increase). The 2022-23 pay award was subsequently agreed by the National Joint Council (NJC) as a fixed amount increase of £2,355 for each full-time post (gross salary before employer on-costs). This resulted in a cost of £10.4m across the Council's General Fund budgets (including employer on-costs), demonstrating an overspend pressure of £6.4m. The 2023-26 refresh of the MTFS allows for the increased pay inflation budget requirement.

<u>Cross-Directorate Savings – forecast £2.9m Adverse</u>

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 £0.652m, being Greater Commercialisation (£0.281m) and Review of Printing/ Scanning/ Use of Multi-Functional Devices (£0.371m).

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 has been 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 will not be delivered following the achievement of only £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 will achieve £0.007m savings through the Customer Relationship Management (CRM) system which will give customers the ability to book pest control appointments online and this will free 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 were not achievable and have been written off in the previously approved 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 the £0.371m saving while contract and staffing changes are effected, 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 will not be delivered and will 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 remedied through a budget correction as part of the MTFS refresh for 2023-26.

<u>Redundancy, Severance and Early Retirement – forecast (£1.7m) Underspend</u>
It is currently forecast that costs in 2022-23 will demonstrate a £1.7m underspend against the £2.45m budget for redundancy, severance and early retirement pension strain costs. The corporate budget only funds redundancy costs where these relate to achieving savings agreed in the medium term financial strategy (MTFS).

<u>Pension Fund deficit repayment – forecast (£1.0m) Underspend</u>
Forecast underspend against the budget allowed of £12.8m for the payment to the Pension Fund to meet the deficit estimated by the actuary.

<u>Corporate income and expenditure – forecast (£1.9m) Underspend</u>
Forecast overachievement of income of £1.9m against Corporate income budgets including allocated miscellaneous income from cash suspense and historic unallocated receipts previously taken to reserves.

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 (£5.9m) 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 interest and dividend income in 2022-23 is £5.0m which is above the budget of £2.3m, mainly due to the continued rise in interest rates by the Bank of England, but continues to be lower than pre-pandemic levels. However, legal advice has confirmed that, as a general principle, interest should be accrued on S106 balances. Whilst this was not as relevant in a low interest environment, current higher rates indicate a cost of £2.8m.

Service	Budget £m	Year End Forecast £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(1.5)	5.7	6.6
Total	**(1.5)**	**5.7**	**6.6**

The Housing Revenue Account has a provisional outturn position with an adverse variance of £6.6m when compared with budget. This represents an adverse movement of £1.4m when compared with the Q3 forecast position. A drawdown from reserves of £6.6m will be made to mitigate the budget pressure. There are a number of favourable and adverse variances that make up the final outturn position:

Delegated Budgets – £2.8m Adverse Variance

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. There is an adverse variance of £2.8m against these budgets.

Income – Nil Variance

A £1.5m favourable variance relating to leaseholder service charges. Income exceeded the budgeted level 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.

A £1.2m adverse variance in rental income due to delays in handing over new properties and properties held void. The delivery of 79 new properties have been later than the budgeted date, resulting in a £0.3m loss of income against budget. The remaining variance results from a total of 155 properties that are being held as void, primarily for respite / decant purposes from Maltings & Brewster (structural works being undertaken) and Bentworth House (following an explosion). Rents are not charged to the decanted tenants on these properties. These are in addition to the normal day to day voids occurring during the year.

A £0.3m adverse variance relating to tenant service charge income resulting from the high number of void properties where service charge income is not being collected.

The HRA receives an admin fee for each Right to Buy sale completed. The number of Right to Buy sales exceeded the budgeted level (109 sales in total in 2022-23 against a target of 30 in the HRA Business Plan), resulting in a favourable variance of £0.1m.

Garage rents have an adverse variance of £0.1m. Many of the garages are in a poor condition making them difficult to let.

Expenditure – £2.8m Adverse Variance

A favourable variance of £0.2m for NNDR costs associated with the non-dwelling properties.

The repairs & maintenance budget has an adverse variance of £0.4m. This results from increases in the cost of labour and materials built into new contracts and legacy works being cleared from slippage from the previous contracts.

Delays in awarding contracts has resulted in a favourable variance of £0.1m against the building compliance surveys budget.

Work relating to community investment projects was suspended during the pandemic and has been slow ever since resulting in a £0.2m favourable variance.

The HRA has incurred an unbudgeted energy cost pressure totalling £2.2m for gas and electricity. These costs are partly recoverable from leaseholders where they relate to communal areas and the additional income has been reflected separately in this forecast above.

A £0.5m adverse variance relating to leasehold building insurance costs with an 8% index linked cost increase in year. This increase is higher than the amount built into the budget. Early indications are that the increase could be as high as 20% in 2023/24 and will need to be factored into the budget setting process.

The Concierge service incurred an adverse variance of £0.3m with additional security costs (waking watch) at Latham and Anglia House, Brodick House, Pauline House, Robin Hood Gardens and Maltings & Brewster due to fire safety concerns.

A £0.2m favourable variance for Mayoral ASB work. This is partly driven by the police 'extraction days' where police working for LBTH are sent to work elsewhere to cover other duties. The budget also covers overtime for special operation days which was not spent in full.

There has been a high number of leaseholder enfranchisements resulting in an adverse variance of £0.1m. Where a block is predominantly leaseholders, the tenants and leaseholders can choose to manage the block. The Council pays for these services and the higher than budgeted numbers has resulted in a pressure against the budget.

Following a fire at Hadleigh House and an explosion at Bentworth Court, the Council has incurred costs totalling £4.4m. A total of £3.3m has been received from the insurance pot, with an assumption being that the outstanding balance of £1.1m will also be met through insurance, resulting in no variance.

Management Fee – Nil Variance

The 2022/23 pay award totalled £1.7m and a budget adjustment was made to the HRA to mitigate this cost, resulting in a nil variance.

Non delegated budgets – £7.3m Adverse Variance

The Leaseholder Enfranchisements income has exceeded budget by £0.1m. The number of applications to extend leases is higher than budgeted.

An adverse variance of £0.7m against the bad debt provision relating to tenant rents and leaseholder service charges.

Void property costs have exceeded budget by £1.2m. Three years of business rate charges for void commercial properties have been recharged to the HRA in year resulting in an adverse variance of £1m. The remaining £0.2m variance relates to security costs on these void properties.

Unbudgeted abortive costs totalling £2.7m relating to capital schemes that have been stopped by the new administration.

A £0.1m adverse variance relating to costs associated with feasibility works around increasing capacity and density on current estates.

Unbudgeted security and repair costs of £1m relating to community buildings.

A £1m adverse variance relating to lower than budgeted capitalisation of salary costs. This relates to slippage within the HRA capital programme and as a result less time was spent on capital works.

A £0.5m adverse variance for support service recharges relating to the Housing Regeneration team where the amount of feasibility work that cannot be capitalised was greater than that budgeted for. The Asset Management team has also undertaken additional HRA related works which has resulted in an increased recharge.

An adverse variance of £0.2m against insurance premiums for dwellings with costs rising at a higher percentage than was budgeted.

Technical Adjustments – (£3.5m) Favourable Variance
A favourable variance of £1.5m against the depreciation charge; £1.6m favourable for HRA dwellings and a £0.1m adverse variance against the HRA non-dwelling properties

Item 8 debit has an adverse variance of £1.2m against budget.

A £3.4m favourable variance against the Item 8 credit because of increased interest rates on the investments.

A favourable variance of £0.1m for the minimum revenue provision (MRP) charge.

A £0.3m adverse variance relating to unbudgeted costs for the penalty payments for the early repayment of the LOBO loans.

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.

	Draft balances as per March 2022*	Provisional Outturn contribution to / (from) Reserve	Provisional Outturn balance 31 March 2023
£m	**£m**	**£m**	**£m**
GF balances (general reserve)	**23.6**	**0.6**	**24.2**
	23.6	**0.6**	**24.2**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
Insurance	**10.2**	**(2.2)**	**8.0**
Parking Control	**6.1**	**2.7**	**8.8**
Collection Fund Smoothing**	**61.8**	**(17.3)**	**44.5**
Free School Meals Reserve	**4.0**	**(2.2)**	**1.8**
Public Health Reserve	**7.0**	**0.2**	**7.2**
Revenue Grants Unused	**10.1**	**1.3**	**11.4**
COVID 19 grant	**8.4**	**(4.4)**	**4.0**
Local Elections	**1.0**	**(0.4)**	**0.6**
CIL***	**5.8**	**(0.2)**	**5.6**
BAME Inequalities Commission	**1.0**	**(0.2)**	**0.8**
Covid Recovery Fund	**2.1**	**(0.3)**	**1.8**
HA&C Joint Funding Agreements	**12.4**	**(5.1)**	**7.3**
Earmarked reserves with restrictions – Subtotal	**129.9**	**(28.1)**	**101.8**
Earmarked reserves without restrictions			
Risk Reserve	**2.5**	**13.2**	**15.7**
Transformation Reserve	**3.6**	**(0.5)**	**3.1**
ICT Reserve	**9.1**	**0.2**	**9.3**
Mayor's Tackling Poverty Reserve	**3.4**	**(1.8)**	**1.6**
Mayor's Priority Investment Reserve****	**5.0**	**42.9**	**47.9**
New Homes Bonus	**44.2**	**(44.2)**	**0.0**
Services Reserve	**19.6**	**(2.9)**	**16.7**
Earmarked reserves without restrictions - Subtotal	**87.4**	**6.9**	**94.3**
Total Earmarked Reserves	**217.3**	**(21.2)**	**196.1**
Total GF and Earmarked reserves	**240.9**	**(20.6)**	**220.3**

* Draft amounts pending completion of audit for prior years accounts

**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 in-year movement within the reserve is subject to finalisation of the Collection Fund position and will be updated once completed

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

****The Mayor's Priority Investment reserve has been increased by £44.2m from the New Homes Bonus reserve and £0.8m from the Risk Reserve to fund manifesto pledges

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	Draft balances as per March 2022*	Provisional Outturn contribution to / (from) Reserve	Provisional Outturn balance 31 March 2023
	£m	£m	£m
Housing Revenue Account (HRA)	**52.5**	(16.4)	**36.1**
Dedicated Schools Grant (DSG)	**(14.7)**	0.9	**(13.8)**
Capital Grants Unapplied	**197.2**	(3.2)	**194.0**
Capital Receipts Reserve	**139.3**	13.4	**152.7**
Major Repairs Reserve (MRR)	**5.5**	2.6	**8.1**
Total Other Reserves	**379.8**	**(2.7)**	**377.1**

* Draft amounts pending completion of audit for prior years accounts

Outside of reserves, the Council holds significant Developer Contributions (S106) to fund Capital Expenditure. These are held as creditors/receipts in advance on the balance sheet as they have to potentially be repaid if not used for a specific purpose. The total balance as at 31 March 2022 was £109.6m and the total provisional outturn is £104.5m at 31 March 2023.

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

In 2022-23 we have collected £408m of £428m billed (95.3% in-year collection rate) compared to 92.6% for 2021-22. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

Collection levels continue to be impacted by the economic impacts from the Covid-19 pandemic and cost of living pressures, which are currently partially offset through business rates reliefs.

There is a provisional (subject to audit) accumulated Business Rates Collection Fund deficit to the end of 2022-23, of which the estimated Council share is £17.0m (£34.0m at the end of 2021-22). Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments.

The accumulated deficit to the end of 2022-23 continues to include a significant loss allowance (bad debt provision) for potential non-payment of debts, of which the Council share is £5.0m, to allow for the potential impacts of cost of living pressures and the pandemic.

Council Tax

We collected £157m in 2022-23 (both GLA 26% and Council 74% shares). Collection levels continue to be impacted by the economic impacts from the Covid-19 pandemic and cost of living pressures.

There is a provisional (subject to audit) accumulated Council Tax Collection Fund deficit to the end of 2022-23, of which the estimated Council share is £1.2m. There is a loss allowance (bad debt provision) of £13.7m 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 £32.7m in 2021-22. The level of claimants has reduced from the increased pandemic level (£31.6m cost in 2022-23 which includes the effect of the annual council tax increase). The level of claimants has reduced from 28,433 at 31st March 2023.

We collected £157m of Council Tax bills raised £165m (95.2% in-year collection rate) compared to 91.2% in 2021-22 which is an improvement on last year but lower than pre-pandemic collection levels and continues to be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on employment, energy and food costs).

The Council actioned the government's energy rebate scheme, administering the payments of £150 to eligible Council Tax payers.

Overall Position

The Council’s investment at the end of March 2023 was £237.9m (an increase of £12.75m from December 2022) and an increase of £27.2m from previous month). Capital loss from strategic and cash pooled funds was £4.10m making the market value of investments as £233.85m. External borrowing was £68.709m and no new external borrowing took place in 2022/23. The Council’s Q4 average investment balance remains higher than the Arlingclose pool of London Boroughs of 21 of £86.5m and pool of 128 local authority average of £81.5m.

The 2022-23 budget for investment income is £2.27m and the actual income was 5m. This income is higher than 2021-22, 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 was experienced due to the impact of rising inflation during the year, impact of continued Ukraine/Russia conflict impacting global markets and UK October mini budget which has since been overturned.

Investment Type	**Nominal Value £m**	**March 2023 Value £m**
Internally Managed Investments		
Banks	31.0m	31.0m
DMADF	20.0m	20.0m
Money Market Funds	110.95m	110.95m
Externally Managed Pooled Funds		
Cash Plus & Short Bond Funds	20.0m	19.6m
Strategic Pooled Funds	56.0m	52.3m
Total	**237.95m**	**233.85m**

Income Position

The yield of the internal portfolio during the quarter was 4.07%. This was helped by increased rates on new fixed deposits placed with banks and Debt Management Office during the quarter. The income returns of the entire portfolio, including the Council's external investments during the quarter was 3.83% and the total return including impact of externally managed pooled fund losses was 2.13%. (capital loss total on cash plus pooled funds was -1.07% and strategic funds -7.18%).
Council’s annual return in 2022/23 was 2.52%.

Benchmarking

According to the 2022-23 Quarter 4 benchmarking information received from our advisors, Arlingclose Ltd, our March quarter ending average income return of 3.83% outperformed a group of twenty-one London councils (3.70%) average income return) and outperformed against 128 national local authorities (3.68% average income return).

Liquidity
47% of Council's funds during the quarter were available within 7 days ensuring adequate cash is available to meet daily expenditure payments. This compared to the average London Borough of 63% and pool of Local Authorities in the Arlingclose pool of 50%.

78% of funds are available within 100 days of maturity compared with a London Borough average of 80% and local authority average of 70%. Overnight liquidity at the end of March was £110.95m which is 47% of the internal portfolio. The average days to maturity of the internal portfolio was 8 days (13 less than last month) which continues to be influenced by the deposits with the DMADF, fixed bank deposits and the LA deposits.

Security
Both the time-weighted and value-weighted credit ratings was AA- representing a more secured portfolio compared to the average rating for Arlingclose pool of London Boroughs of A+ and A+ average for pool of 128 local authorities.

The Council's largest unsecured exposure to a single financial institution is with ANZ Banking Group and Development Bank of Singapore (£15m each), the lowest credit ratings for ANZ Banking Group is A+. The portfolio's bail-in risk has risen by 43% to 69% i.e. the portion that remains susceptible to bank bail-in risk due to the Council's decision to stop investing in local authorities.

Inflation
It has been a rocky period for the UK economy with the two critical data points released showed that UK labour employment rate at 75.8%, which was 0.2% higher compared to the previous three-month period. The rise in the UK employment rate was mainly due to an increase in part-time employees and self-employed workers. Additionally, in March 2023, the estimate of pay-rolled employees showed another monthly increase.

During the quarter, the Consumer Price Index (CPI), on a monthly basis, rose by 0.80% in March 2023, compared with a rise of 1.1% in March 2022. The largest downward contribution to the monthly change in both the CPIH and CPI annual inflation rates between February and March came from motor fuels, ad housing and household services (particularly liquid fuels), partially offset by upward contributions from food, and recreation and culture.

CPI rose by 10.1% in the 12 months to March 2023, down from 10.4% in February while core CPI rate rose by 6.2% on the year, a closely watched measure by the MPC. Both rates exceeded expectations of a future decline in inflation rates.

Headline CPI rate was expected to fall sharply from April as prior rises in household energy prices are not repeated, but the path for core and service inflation is less clear pushing the Bank of England to raising rates in May.

The UK Consumer Confidence Index (UK Gfk) rose for the third consecutive month to -30 in April, indicating that consumers are becoming more optimistic about the future of the economy although March retail sales fell, indicating that the recovery is still not uniform across all sectors of the economy. PMI reports for the UK and the Eurozone showed strong business activity at the beginning of Q2. Annual inflation rates in France and Germany eased in 2023.

Interest Rate Forecast May 2023

	Current	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Official Bank Rate Central Case	4.50	4.75	4.75	4.75	4.25	3.75	3.50	3.25	3.00
3-month MMF rate Central Case	4.70	4.80	4.80	4.75	4.25	3.70	3.50	3.20	3.10
5yr gilt yield Central Case	3.55	3.80	3.60	3.50	3.50	3.50	3.50	3.50	3.50
10yr gilt yield Central Case	3.75	4.00	3.75	3.60	3.60	3.60	3.60	3.60	3.60
20yr gilt yield Central Case	4.12	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
50yr gilt yield Central Case	3.78	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70

Borrowing

The Council has Public Works Loan Board (PWLB) loans totalling £51.21m and fixed rate bank loans totalling £17.5m. No external borrowing took place during the year because the capital program is temporarily funded using cash reserves there by saving on external borrowing costs in the short term. Actual external borrowing rate in 2022/23 was 3.014%.

Target for year £11.8m

£5.9m 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	0.6	0.4	0.7
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	0.1	0.0
Cross-Directorate	2.9	3.1	6.0	1.9	0.5	3.5
Total	**7.0**	**4.8**	**11.8**	**5.9**	**1.2**	**4.7**

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).

- £5.9m is identified as being delivered savings;
- A net position of £1.2m is to slip into future years due to timing issues;
- £4.7m has been identified as unachievable. These savings will need replaced or mitigated through reduced growth in future MTFS updates.

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2022-25' for a detailed breakdown and latest updates on the savings programme.

General Fund (GF) provisional outturn £90.1m against a revised budget of £111.9m
Variance £21.8m - net slippage £20.8m, net underspend £1.0m

General Fund (GF) Provisional Outturn

Theme	Directorate	Revised Budget 2022/23 £'m	Actual Spend 2022/23 £'m	Variance Actual vs Budget £'m	(Slippage) / Acceleration £'m	(Underspend) / Overspend £'m	Revised budget 2023/24 £'m	Revised budget 2024/25 £'m	Revised budget 2025/26 £'m	Total 2023-26 Revised Budget £'m
Approved Programme	Children & Culture	33.0	25.3	(7.7)	(7.7)	0.0	60.0	28.2	17.1	105.3
	Health, Adults & Communities	9.4	10.1	0.7	0.7	0.0	7.0	1.2	0.0	8.2
	Place	43.8	33.5	(10.3)	(10.6)	0.3	46.6	25.6	0.5	72.7
	Resources	1.8	0.6	(1.2)	(1.1)	(0.1)	1.5	0.4	0.0	1.9
Approved Programme Total		**88.0**	**69.5**	**(18.5)**	**(18.7)**	**0.2**	**115.1**	**55.5**	**17.6**	**188.2**
Approved Rolling Programme	Children & Culture	3.4	2.3	(1.1)	0.0	(1.1)	5.0	5.0	5.0	15.0
	Health, Adults & Communities	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.9
	Place	8.5	9.0	0.5	0.6	(0.1)	8.5	9.1	9.1	26.7
	Resources	2.2	2.9	0.7	0.7	0.0	2.2	2.8	3.5	8.5
Approved Rolling Programme Total		**14.1**	**14.1**	**0.1**	**1.3**	**(1.2)**	**16.0**	**17.2**	**17.9**	**51.1**
Invest to Save Programme	Place	9.1	6.4	(2.7)	(2.7)	0.0	5.1	0.0	0.0	5.1
Invest to Save Programme Total		**9.1**	**6.4**	**(2.7)**	**(2.7)**	**0.0**	**5.1**	**0.0**	**0.0**	**5.1**
LIF Programme	Place	0.6	0.1	(0.5)	(0.5)	0.0	7.2	7.9	0.0	15.1
LIF Programme Total		**0.6**	**0.1**	**(0.5)**	**(0.5)**	**0.0**	**7.2**	**7.9**	**0.0**	**15.1**
Grand Total		**111.9**	**90.1**	**(21.8)**	**(20.8)**	**(1.0)**	**143.4**	**80.5**	**35.5**	**259.4**

The revised capital programme for 2022/23 and future years 2023/24 - 2025/26 was approved by full council in March 2023. The 2022/23 revised capital budget for the General Fund was set at £111.9m. The 2022/23 provisional outturn for the General Fund capital programme is £90.1m against a revised budget of £111.9m (80.5% of the revised budget), resulting in a net variance of £21.8m for the year. The net variance is a result of net slippages of £20.8m and net underspends of £1.0m. The previous capital budget monitor reported to cabinet in March 2023 relating to Period 9 forecast an outturn position of £92.6m, which is £2.5m (3%) more than the provisional outturn reported within this report.

Following the election of a new administration in May 2022, a comprehensive refresh of the existing Capital Programme was undertaken, with the key purpose to ensure the programme aligned with

London Borough Tower Hamlets (LBTH) strategic priorities translated from the Mayor's vision and the new administration's manifesto. The review evaluated the existing priorities across the various directorates to ensure clear integration with the current needs of the Borough and its residents. Whilst the review was ongoing, the timeframes for delivery for some projects were extended, having an impact on delivery and spend forecasts across all directorates for the year.

Approved Programme

Theme	Directorate	Revised Budget 2022/23 £'m	Actual Spend 2022/23 £'m	Variance Actual vs Budget £'m	(Slippage) / Acceleration £'m	(Underspend) / Overspend £'m	Revised budget 2023/24 £'m	Revised budget 2024/25 £'m	Revised budget 2025/26 £'m	Total 2023-26 Revised Budget £'m
Approved Programme	Children & Culture	33.0	25.3	(7.7)	(7.7)	0.0	60.0	28.2	17.1	105.3
	Health, Adults & Communities	9.4	10.1	0.7	0.7	0.0	7.0	1.2	0.0	8.2
	Place	43.8	33.5	(10.3)	(10.6)	0.3	46.6	25.6	0.5	72.7
	Resources	1.8	0.6	(1.2)	(1.1)	(0.1)	1.5	0.4	0.0	1.9
Approved Programme Total		**88.0**	**69.5**	**(18.5)**	**(18.7)**	**0.2**	**115.1**	**55.5**	**17.6**	**188.2**

The 2022/23 revised budget for the Approved programme is £88.0m. The provisional year-end outturn for the Approved programme is £69.5m (79% of the revised budget) resulting in a net variance of £18.5m. The net variance is due to net slippages of £18.7m and a net overspends of £0.2m.

Children's and Culture

The 2022/23 revised budget for the Children's and Culture Approved programme is £33.0m. The provisional year-end outturn for the programme is £25.3m, (76.7% of the revised budget) resulting in a net variance of £7.7m, which is spend that will be slipped in full to future years.

The major programme of works within Children's services is the Schools Basic Need and Expansion programme. The net variance within the programme was driven by two major projects, the London Dock school expansion and Wood Wharf school projects.

The London Dock school expansion project budgeted spend for the year will slip by £2.8m into future years. The progress of the project has been delayed due to ongoing discussions between the Local Authority (LA), Department for Education (DfE) and the developer concerning energy supply. Whilst the arrangements for this were negotiated, and now subsequently approved by all parties, including planning, the funding anticipated from the DfE to support the project was held pending final agreement of the energy and subsequent legal arrangements. The delay in funding being passported to the LA resulted in a slow down to progress on site which has resulted in the slippage.

The Wood Wharf school project budgeted spend for the year will slip by £2.6m into future years. This project was projected to complete by March 2023. However, due to delays caused by a sub-contractor becoming insolvent and issues around the electrical load capacity for the school, a partial completion date is now expected in July 2023, with full completion expected in December 2023.

In-year budgeted spend related to the programme of works across Parks is expected to slip by £2.2m into future years. The key programmes and projects that contributed to the net slippage are as follows;

Quality parks project budgeted spend slipped by £0.7m into future years. This programme includes multiple individual projects, including Local Infrastructure Fund (LIF) projects. Some LIF projects have been cancelled, and many of the projects have been paused, hence the slippage. The Victoria Park toilet improvement project spend will slip by £0.5m into future years. This is due to delays to the supply chain with a revised anticipated project completion date of August 2023. The Victoria Park Mini Golf project budgeted spend is also slipping by £0.4m into future years. The project was initially paused while additional funding was sought, which is currently progressing through the council's governance process. Finally, the Leisure Centre Improvements project has underspent against budget by £0.1m each, which has now been released from the capital programme.

As a consequence of the comprehensive refresh of the existing Capital Programme undertaken by the administration, projects were cancelled which did not align to strategic priorities, which resulted in abortive costs of £28k for Bartlett Park - Playground Activity and £38k for Oaklands Expansion projects being written off to revenue.

<u>Health, Adults and Communities</u>
The 2022/23 revised budget for the Health, Adults and Communities (HA&C) Approved programme is £9.4m. The provisional year-end outturn for the programme is £10.1m (107.4% of the revised budget), resulting in a variance of £0.7m due to net accelerated spend, which will be met from future years budgets.

The majority of capital projects in the HA&C Directorate had hitherto paused due to the pandemic but have now been largely reinstated and proceeded through the year. Projects in the Approved programme are monitored via the HA&C Capital Oversight Group, which meets monthly.

Significant projects within the Adult and Social Care programme include Sewardstone Road and Norman Grove projects, which have accelerated spend of £1.6m against revised budgets at year-end. Although this in-year accelerated spend has been met from future year's budget allocations, the projects have experienced cost increases, changes to the designs where there will be a need to apply for an increase in the budget for these projects so that they can be delivered. This will proceed through the council's governance process prior to request for formal approval.

The Community Safety programme ended the year with a provisional outturn position of £0.5m accelerated spend against budget, which will be met from future years' budgets. The CCTV Transformation project is now in its final phase. The reprovision of the upgraded control room to a new location is underway. The programme experienced initial delays due to determining the host location, the awarding of three main facilities management contracts, and planning permission consent. However, following procurement, the value of each contract was higher than estimated, despite awarding the job to the least costly bidder. A change note is currently going through the council's governance process for consideration.

Budgeted spend on Public Health projects have slipped by £1.6m into future years. The key projects that contributed to the slippages were on the development site of the new health centre on Wood Wharf (£1.3m) and improvements to Goodman's Fields (£0.5m) and Sutton Wharf (£0.2m) facilities. However, Aberfeldy Practice improvements ended the year with an accelerated spend of £0.6m which will be met from future years budgets and is progressing at a good pace. The Public Health projects are delivered by the NHS and are therefore dependent upon the NHS's capacity to deliver, which has been a driver for some of the reported slippages.

Place
The 2022/23 revised budget for the Place Approved programme is £43.8m. The provisional year end outturn for the programme is £33.5m (76.5% of revised budget), resulting in a net variance of £10.3m. This is due to net slippages of £10.6m and net overspends of £0.3m. The key projects that are driving the variances within the Place directorate are as follows;

The New Town Hall project outturn position is a slippage of £2.9m against the in-year budget allocation of £24.6m. The slippage reflects the retention that has not yet been released, expected to be paid over next year.

The South Dock Bridge project contributed £3.7m to the Place directorate slippage. The project is currently experiencing delays in the appointment property specialist consultants, to negotiate with owners for land, air and water rights acquisition. This is due to delays with Procurement and Legal, which is progressing. Once property specialists are onboarded, a more refined profiling of project costs will be available.

The High Street and Town Centre programme ended the year with £1.1m of slippages against budgets. The slippage was largely due to the Middlesex Street Regeneration and Roman Road West Regeneration programmes. Middlesex Street Regeneration Programme ended the year with slippage of £0.5m. This programme has been revised due to unexpected issues (water ingress) with the Leyden St Toilet refurbishment and revision of the shopfront improvement scheme. As a result, a change note is being submitted that covers these changes and extends the overall target completion date of the programme. The Roman Road West Regeneration Programme outturn position is a slippage of £0.4m. The market square site works were delayed due to material shortages and the time required to seek permission from Network Rail. Once permission is in place, site works will commence and new completion date of March 2024 is projected.

The Waste, Recycling and Fleet programme spend has slipped by 1.0m into future years. The significant projects in this programme are the procurement of vehicles for the provision of waste, recycling and cleansing services and electric charging points for council vehicles. The slippage was due to delays in procurement and logistics, which include validating the power supply requirements at sites where electric vehicles need to operate.

The New infrastructure programme spend has slipped by £0.9m into future years. Works on the southern footway are behind schedule from original 2022/23 programme due to material delays and time required to arrange road closures; these issues have now been resolved and work has continued in the early part of 2023/24, with completion of the southern footway due in June 2023.

The total net overspends within Place for the year amounted to £0.2m, this largely related to the work on Chrisp Street Improvements to road safety.

As a consequence of the comprehensive refresh of the existing Capital Programme undertaken by the administration, projects were cancelled which did not align to strategic priorities, which resulted in abortive costs of £446k (Poplar Bridge £119k, Liveable Streets £207k, Mayer Parry Bridge £84k, Berner Community Garden £23k and Buxton Street West - Landscaping (Green Grid) £13k) being written off to revenue.

Resources
The 2022/23 revised budget for the Resources Approved programme is £1.8m. The provisional year end outturn for the programme is £0.6m, (33.7% of revised budget) resulting in a net variance of £1.2m, composed of £1.1m slippage and a net underspend of £0.1m.

The significant slippage within the Resources directorate related to the Customer Services capital programme. The Idea Store Whitechapel/Cultural campus project budgeted spend has slipped by £1.0m into future years. This project was put on hold pending a review due to additional works that need to be funded. The funding is now secured, and the project will commence in earnest.

Annual Rolling Programme

Theme	Directorate	Revised Budget 2022/23 £'m	Actual Spend 2022/23 £'m	Variance Actual vs Budget £'m	(Slippage) / Acceleration £'m	(Underspend) / Overspend £'m	Revised budget 2023/24 £'m	Revised budget 2024/25 £'m	Revised budget 2025/26 £'m	Total 2023-26 Revised Budget £'m
Approved Rolling Programme	Children & Culture	3.4	2.3	(1.1)	0.0	(1.1)	5.0	5.0	5.0	15.0
	Health, Adults & Communities	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.9
	Place	8.5	9.0	0.5	0.6	(0.1)	8.5	9.1	9.1	26.7
	Resources	2.2	2.9	0.7	0.7	0.0	2.2	2.8	3.5	8.5
Approved Rolling Programme Total		**14.1**	**14.2**	**0.1**	**1.3**	**(1.2)**	**16.0**	**17.2**	**17.9**	**51.1**

The 2022/23 revised budget for the Annual Rolling programme is £14.1m. The provisional year-end outturn for the programme is £14.2m, resulting in a net variance of £0.1m. The variance is due to net accelerations of £1.3m and net underspends of £1.2m, which will be released from the capital programme.

Children's and Culture

The 2022/23 revised budget for the Children's and Culture Annual Rolling Programme is £3.4m. The provisional year end outturn for the programme is £2.3m, (67.6% of the revised budget) resulting in a variance of £1.1m. The full in-year underspend of £0.7m in Conditions and Improvement for schools' programme will be released into the funding pool as this is a grant from the DfE to be available for future allocation. Also, Leisure Centre Improvement project reported an underspend of £0.4m, which will also be released from the capital programme.

Place

The 2022/23 revised budget for the Place Annual Rolling programme is £8.5m. The provisional year end outturn for the programme is £9.0m, (104.7% of revised budget) resulting in an variance of £0.5m. Net accelerated spend of £0.6m within the programme will be met from future years budgets, and an underspend of £0.1m will be released from the capital programme.

The accelerated spend largely related to the Disabled Facilities Grants (DFG) schemes (£0.5m) where schemes are dependent on cases coming through the service and being assessed to need adaptations, hence spend can vary year on year.

Resources

The 2022/23 revised budget for the Resources Annual Rolling Programme is £2.2m. The provisional year end outturn for the programme is £2.9m, (132.2% of revised budget) resulting in a variance of £0.7m due to net accelerated spend of £0.7m.

The IT Rolling programme, formed of various ICT projects, has seen an accelerated delivery of projects which is driving the in-year variance within he programme, which will be met from future year budget allocations for the programme. The accelerated spend related to the completion of foundation and set up configurations for projects. As well as accelerated spend on projects including the Meeting Room Technology at New Town Hall, Civica APP replacement, BI and Analytics.

Invest to Save

Theme	Directorate	Revised Budget 2022/23 £'m	Actual Spend 2022/23 £'m	Variance Actual vs Budget £'m	(Slippage) / Acceleration £'m	(Underspend) / Overspend £'m	Revised budget 2023/24 £'m	Revised budget 2024/25 £'m	Revised budget 2025/26 £'m	Total 2023-26 Revised Budget £'m
Invest to Save Programme	Place	9.1	6.4	(2.7)	2.7	0.0	5.1	0.0	0.0	5.1
Invest to Save Programme Total		**9.1**	**6.4**	**(2.7)**	**2.7**	**0.0**	**5.1**	**0.0**	**0.0**	**5.1**

The 2022/23 revised budget for the Invest to Save programme is £9.1m. The provisional year-end outturn for Invest to Save programme is £6.4m, (70.3% of revised budget) resulting in a variance of £2.7m, which is being fully slipped into future years.

Place

The significant project within the programme that largely contributed to the £2.7m slippage related to the Purchase of Temporary Accommodation (TA) programme. Additional properties to be purchased had been identified within the year, however, the procurement will need to be agreed to slip into 2023/24.

LIF Programme

Theme	Directorate	Revised Budget 2022/23 £'m	Actual Spend 2022/23 £'m	Variance Actual vs Budget £'m	(Slippage) / Acceleration £'m	(Underspend) / Overspend £'m	Revised budget 2023/24 £'m	Revised budget 2024/25 £'m	Revised budget 2025/26 £'m	Total 2023-26 Revised Budget £'m
LIF Programme	Place	0.6	0.1	(0.5)	(0.5)	0.0	7.2	7.9	0.0	15.1
LIF Programme Total		**0.6**	**0.1**	**(0.5)**	**(0.5)**	**0.0**	**7.2**	**7.9**	**0.0**	**15.1**

The 2022/23 revised budget for the LIF Programme is £0.6m. The provisional year end outturn for the programme is £0.1m, (15.7% of Revised budget) resulting in a variance of £0.5m, all in due to slippage of the programme into future years. The council's approach to utilising the neighbourhood portion of the community infrastructure levy (NCIL) has been reviewed in 2022/23. Spend of NCIL, currently branded locally as LIF has slowed pending completion of the review process. A report on the proposed new approach to NCIL is scheduled for Cabinet in June 2023.

Housing Revenue Account (HRA) Provisional Outturn

Theme	Directorate	Programme	Revised Budget 2022/23 £'m	Actual Spend 2022/23 £'m	Variance Actual vs Budget £'m	(Slippage) / Acceleration £'m	(Underspend) / Overspend £'m	Revised budget 2023/24 £'m	Revised budget 2024/25 £'m	Revised budget 2025/26 £'m	Total 2023-26 Revised Budget £'m
Approved Programme	Place	New Council Homes	53.8	31.2	(22.6)	(22.6)	0	131.1	126.9	75.6	333.6
	Place	HRA (Projects)	0.3	0.5	0.2	0.2	0	2.6	0.7	0.7	4.0
Approved Rolling Programme	Place	HRA (THH Rolling)	20.4	15.2	(5.2)	0	(5.2)	26.4	20.9	26.9	74.2
Total			**74.5**	**46.9**	**(27.6)**	**(22.4)**	**(5.2)**	**160.1**	**148.4**	**103.2**	**411.8**

In March 2023, full council approved the revised Housing Revenue Account (HRA) capital budget for 2022/23 at £74.5m. This programme was in line with the latest update to the HRA business plan, which took account the 7% rent increase for 2023/24 onwards, which set the affordability envelope for the HRA capital programme as a whole. The provisional outturn on HRA capital expenditure for the year is £46.9m (63.0% of the revised 2022/23), resulting in an in-year variance of £27.6m, due to slippages of £22.4m into future years and underspends of £5.2m.

Approved Programme

Theme	Directorate	Programme	Revised Budget 2022/23 £'m	Actual Spend 2022/23 £'m	Variance Actual vs Budget £'m	(Slippage) / Acceleration £'m	(Underspend) / Overspend £'m	Revised budget 2023/24 £'m	Revised budget 2024/25 £'m	Revised budget 2025/26 £'m	Total 2023-26 Revised Budget £'m
Approved Programme	Place	New Council Homes	53.8	31.2	(22.6)	(22.6)	0	131.1	126.9	75.6	333.6
	Place	HRA (Projects)	0.3	0.5	0.2	0.2	0	2.6	0.7	0.7	4.0
Total Approved Programme			**54.1**	**31.7**	**(22.4)**	**(22.4)**	**0**	**133.7**	**127.6**	**76.3**	**337.6**

The total HRA Approved programme for the year is £54.1m. The provisional outturn spend is £31.7m (representing 58% of the revised budget), resulting in a net variance of £22.4m due to net slippages into future years.

New Council Homes
The 2022/23 revised budget for the New Council Homes Approved programme is £53.8m. The provisional year end outturn for the programme is £31.2m (58% of revised budget), resulting in a net variance of £22.6m due to net slippages on schemes.

The New Council Homes programme budget was set in line with the latest updated HRA Business Plan, reported to full council in March 2023. Subsequently, the delivery timetable for a number of schemes in the New Council Homes Programme require review which is a key driver in the slippage. Key contributors to this include supply chain issues, shortages in materials and cost increases due to inflation. Prominent schemes that require revised timelines include HAP (Clichy Estate) and the purchase of 88 Royal Mint Street. Other schemes that have slipped include Landon Walk, and Norman Grove Housing.

During the year, schemes have also been removed from the New Council Homes Programme, which did not align to the new administration's strategic priorities (including Tent Street, Ashington House, Gill Street, Waterloo Gardens and Southern Grove) which resulted in abortive costs of c£2.7m.

HRA Projects
The Approved Programme for HRA Project has 2022/23 budget of £0.3m. The in-year spend for the programme amounted to £0.5m, resulting in a variance of £0.2m due to net accelerated spend of £0.2m, which will be met from future years budgets.

The accelerated spend related to an acceleration in timelines for the essential Health and Safety works required at the Watney Market car park and the project is progressing at pace.

Annual Rolling Programme

Theme	**Directorate**	**Programme**	**Revised Budget 2022/23 £'m**	**Actual Spend 2022/23 £'m**	**Variance Actual vs Budget £'m**	**(Slippage) / Acceleration £'m**	**(Underspend) / Overspend £'m**	**Revised budget 2023/24 £'m**	**Revised budget 2024/25 £'m**	**Revised budget 2025/26 £'m**	**Total 2023-26 Revised Budget £'m**
Approved Rolling Programme	Place	HRA (THH Rolling)	20.4	15.2	(5.2)	0.0	(5.2)	**26.4**	**20.9**	**26.9**	**74.2**

Tower Hamlets Homes (THH)
The 2022/23 revised budget for the Tower Hamlets Homes (THH) Annual Rolling programme is £20.4m. The provisional outturn spend for the programme is £15.2m (74.5% of the revised budget), resulting in an underspend variance of £5.2m. As this is a rolling programme, the funds that have not been spent will not be automatically rolled over into 2023/24, but held for future use when required, as delivery of the works is set in advance. If works slip, they will have an impact on the delivery of the following years works which needs to be considered alongside capacity.

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

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

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

A summary of the provisional capital financing for 2022/23 capital expenditure is set out below:

	General Fund (GF)	**Ratio Finance to Source Total (GF)**	**Housing Revenue Account (HRA)**	**Ratio Finance to Source Total (HRA)**
Sources of Funds	**£ 'm**	**%**	**£ 'm**	**%**
Government and Capital Grants	14.0	16%	6.3	14%
External Contributions S106	17.5	19%	0.0	0%
External Contributions CIL	16.9	18%	0.0	0%
Capital Receipts	6.5	7%	0.4	1%
RTB Capital Receipts	1.5	2%	6.3	13%
GLA RTB Receipts	0.0	0%	2.0	4%
Borrowing	32.1	36%	6.8	15%
Direct Revenue Financing / Contributions / Reserves	1.6	2%	25.1	53%
Total	**90.1**	**100%**	**46.9**	**100%**