TOWER HAMLETS

Appendix A

Budget Monitoring Report 2023-24 as at 31st December (Period 9)

Circulated to	Cabinet
Date	27 March 2024
Classification	Unrestricted
Report of	Corporate Director of Resources
Lead Member	Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	Abdulrazak Kassim, Director of Finance, Procurement and Audit 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) forecast £0.1m underspend variance

Dedicated Schools Grant (DSG) forecast £0.3m overspend

Housing Revenue Account (HRA) forecast £0.1m underspend before transfer to reserve

Period 9 Forecast Outturn as Overspend/(Underspend) (£m)

	2023/24 Net expenditure budget	Actuals	Forecast outturn	Gross over / (under) spend	Transfer to / (from) reserves	Net variance over / (under) spend	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Children's Services	90.8	34.5	93.3	2.5	(2.0)	0.5	(1.9)
Resources	48.4	168.1	48.6	0.2	(1.0)	(0.8)	(0.5)
Chief Executive's	18.3	12.6	15.3	(3.0)	0.9	(2.1)	(0.6)
Health and Adult Social Care	170.5	120.0	181.3	10.8	(7.8)	3.0	0.9
Housing and Regeneration	44.0	56.9	53.2	9.2	(6.8)	2.4	(1.4)
Communities	52.6	37.5	52.7	0.1	0.0	0.1	(2.2)
Sub-total GF services	**424.6**	**468.8**	**444.4**	**19.8**	**(16.7)**	**3.1**	**(5.7)**
Corporate and Financing costs	20.9	13.4	20.4	(0.5)	(2.7)	(3.2)	1.4
Total General Fund	**445.5**	**482.2**	**464.8**	**19.3**	**(19.4)**	**(0.1)**	**(4.3)**
<u>Ringfenced Items</u>							
DSG Grant				0.3	0.0	**0.3**	
HRA				(0.1)	0.0	**(0.1)**	

<u>General Fund</u>

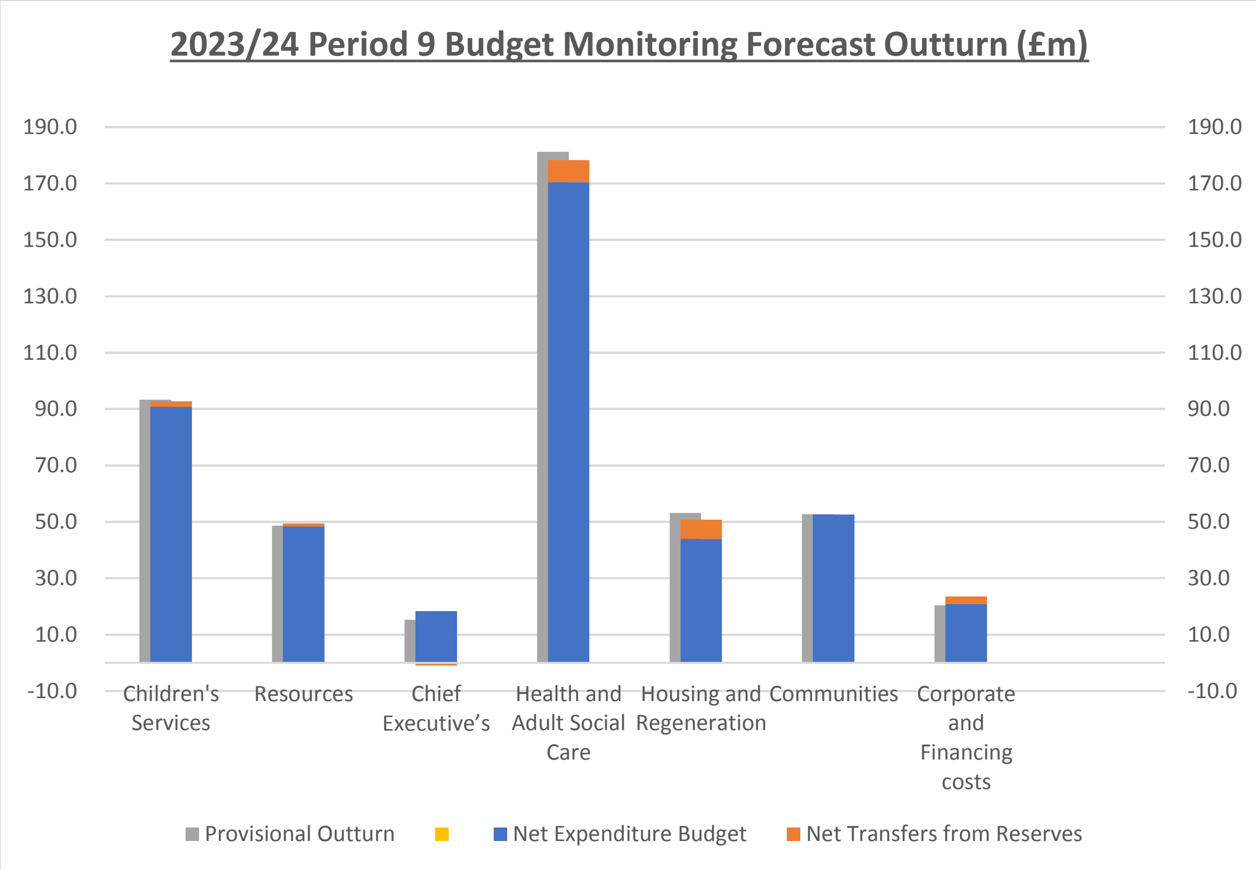
The total council approved revenue net expenditure budget for 2023/24 is £445.5m. The year-to-date actuals to period 9 (31st December) amount to £482.2m. The position after the proposed net drawdown of general and earmarked reserves is an overall forecast £0.1m underspend variance (*see figure 1.1 below*), a decrease in the net overspend variance from Quarter 2 by £4.3m. This movement is mainly driven by a £2.2m favourable variance resulting from a significantly lower than budgeted electricity charge for the New Town Hall and £2.7m of forecast in-year staffing underspends within the recently established Young Tower Hamlets service not being transferred to the Mayors Priority Investment reserve.

The council's overall general and earmarked reserves are detailed in section 5. General and earmarked reserve allocations brought forward from previous years have been done so for three main purposes; the council maintains general balances in order to provide a contingency against unplanned or unexpected events and earmarked reserves are maintained to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing as well as setting aside funds to meet known or predicted future liabilities.

The detailed directorate monitoring, setting out the period 9 forecast outturn against revised budgets and the reasons for the variances are detailed within the body of this Appendix. The monitoring report reflects the new departmental structures that took effect from August (Month 5) 2023.

Significant savings are still to be delivered in 2023/24 within a continuing challenging environment for the council. Any under/overspend at the year-end will be transferred to/funded from reserves.

Figure 1.1



General Fund and Earmarked Reserves

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

All in figures in £m	**Draft accounts 31 March 2023***	**Forecast in-year increase / (decrease)**	**Forecast 31 March 2024**
General Fund balance	20.9	0.1	21.0
Reserves without restrictions	92.4	(28.0)	64.4
Sub-total	**113.3**	(27.9)	**85.4**
General Fund Restricted Reserves	108.0	(20.4)	87.6
Total	**221.3**	(48.3)	**173.0**

* latest Draft accounts 31 March 2023 position Some reserve movements do not show on the 'Period 9 Forecast

Outturn as Overspend/(Underspend)' table either due to the way they are accounted for or their balance movements do not directly impact service Directorates. A reconciliation between the above table and the 'Period 9 Forecast Outturn as Overspend/(Underspend)' table is detailed as follows:

	£m
Directorates movement in reserves	**(19.4)**
Contribution to fund MTFS (from the Mayor's Priority Investment Reserve) as approved by council 1st March 2023	(22.1)
Contribution to fund Collection Fund deficit costs (from Collection Fund Smoothing Reserve)	(5.4)
Contribution to fund ICT non capitalisable infrastructure	(1.5)
Contribution to general reserve of overall forecast underspend position	0.1
Total General Fund and Earmarked Reserves movement	**(48.3)**

General Fund balances and reserves without restrictions are forecast to decrease by £(27.9)m, from £113.3m to £85.4m in 2023/24. We are in a hugely unpredictable environment and we are facing significant challenges over the medium-term thus it is important to maintain reserves at an adequate level to help mitigate and manage these significant risks and ensure the council remains on a sustainable footing going forward.

General Fund Restricted reserves are forecast to decrease by £(20.4)m, from £108.0m to £87.6m in 2023/24, 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.

Collection Fund

For Business Rates, to the end of Period 9, we have collected £347.7m of £431.7m billed (80.55% in-year collection rate) compared to 81.66% for 2022-23, the slight fall in rate is a result of the final award of CARF during November 2023 which inflated collection rates in the short term. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

For Council Tax, to the end of Period 9, we collected £125.2m of the £176.2m Council Tax bills raised (71.07% in-year collection rate) compared to 72.5% for the same period in 2022-23, this is lower than the previous year, in part due to the application of energy rebates to council tax accounts during the same period in 2022-23. It is also 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 energy and food costs).

Dedicated Schools Grant (DSG) Budget

Forecast outturn on the spend within the Dedicated Schools Grant budget is an overspend of £0.3m. This budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements for children with SEND. We have seen large increases in the number of referrals for assessment with the majority of those progressing to a full plan with additional cost. Current demand trends indicate that without larger than forecast growth in DSG allocations then we will not be a position to reduce the accrued DSG deficit that has been bought forward. This position is in common with the majority of Local Authorities, and we wait a direction on a longer-term solution from government. As part of the DFE's Delivering Better Value programme, colleagues from Children Services and Finance are collaborating with CIPFA on developing a HNB Deficit Recovery Plan. The final version will be submitted to the DFE on the 19th of February 2024, this will be reviewed and implemented by 1st April 2024.

HRA

The Housing Revenue Account is forecasting an underspend of £0.1m when compared with budget. It is assumed that this balance will be transferred to general HRA balances at year-end. Variances in the HRA relate to delegated budget, which is forecasting a year-end adverse variance of £3.2m, the non-delegated budget is forecasting a year-end adverse variance of £1.3m and technical adjustment budgets are forecasting a favourable variance of £3.6m. Further details are provided in section 4 of this appendix.

Forecast overspend of £0.5m

Dedicated Schools Grant (DSG) forecast £0.3m overspend

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Supporting Families	67.8	53.7	64.9	(2.9)	0.0	**(2.9)**	(2.8)
Youth and Commissioning	4.1	3.3	4.1	0.0	0.0	**0.0**	0.0
Education	14.4	10.6	17.6	3.2	0.0	**3.2**	0.8
Children's Resources	4.5	6.1	6.7	2.2	(2.0)	**0.2**	0.1
Total	**90.8**	**73.7**	**93.3**	**2.5**	**(2.0)**	**0.5**	**(1.9)**

The Children's Services Directorate is reporting a General Fund net overspend of £0.5m.

Supporting Families division is showing a net underspend of £2.9m, Youth and Commissioning a net underspend of £0.06m, Children's Resources a net £0.2m overspend and Education an overspend of £3.2m. Children's Services is delivering on budget across all service areas, other than SEND where there are exceptional demand pressures.

Children's Services is on track to deliver its savings targets for 23/24 of £2.59m in full.

Supporting Families - £2.9m underspend

The budget position reflects that Supporting Families is managing demand pressures which are forecast to be significantly mitigated through in-year staffing underspends (£2.7m) within the recently established Young Tower Hamlets service related to permanent recruitment of staff being put on hold. However, the area remains volatile with just small changes in placements liable to significantly change the position and the in-year position has been significantly . The division continues to deliver effective support through Early Help and Social Work teams that enables more children to remain within their family network than is the case in boroughs which are our statistical neighbours – and our children in care population remains stable and low despite recent pressures in relation to asylum seeking children. Certain services are becoming more reliant on specific grants with funding for family hubs and asylum and refugee funding as well as the social care grant although the full allocation of this was not received by services in 2023/24.

Significant variances:

- *Children Looked after - £0.4m overspend*:
  Escalating rental costs have exerted a notable financial strain on supported accommodation expenses, prompting providers to receive an additional £58 per week per young person. With approximately 100

young people placed in supported accommodation this has resulted in a financial pressure of £0.3m. Additionally, there is an added pressure of £0.1m on agency staff.

- *Children with Disabilities (CWD) /Family Support and Protection- £0.5m overspend*:
  The overspend is attributed to a growing demand for short breaks, driven by an increased number of children eligible for Educational Health Care Plans (EHCP) and diagnosed with ASD, resulting in a £0.2m pressure. Furthermore, there is a £0.1m pressure due to agency staff brought in to support caseloads, the service has a number of ASYE's (Assessed and Supported Year in Employment) who do not have the capacity to handle a high case loads. The remaining deficit is linked to associated costs for supporting families and young individuals without recourse to public fund (NRPF).
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- Children's Residential Care- £0.3m underspend.
  Reduced payments pertaining to the Edge of Care Positive Family Partnership scheme. The final projection is based on a remaining cohort of 5 young people.

- Early Help/ Exploitation & Youth Offending Team- £0.5m underspend.
  Services are reporting a net underspend, primarily attributed to the utilisation of grants thereby alleviating the burden on the general fund budget.

Youth & Commissioning - £0.06m

The Commissioning segment of the division is approximately at breakeven. However, caution is warranted as specific contracts are due for renewal next year and potential growth bids hinge on the contract bidding process.

Budgets in Youth and Commissioning are nearly breakeven with a slight £0.06m underspend in employee costs as well as reduced supplies and services expenditure. Budgets continue to be established for this new division.

Education - £3.2m overspend:

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 EHCP's. Whilst the costs associated with the delivery of EHCPs are met from within the DSG there are several services that relate to these increases that are met from within the General Fund including, our statutory responsibilities in relation to assessments and annual reviews. These costs have significantly increased with the need for additional staff in Education Psychology and SEN casework, to keep pace with the rising demand. Whilst growth for staffing was included for 2023/24 the need to use locums and interim staff continues to cause a pressure where there these staff are in high demand and short supply.

There continues to be significant increases of SEN transport costs, both with increased volumes of children accessing transport and the large increase in fuel costs and London ULEZ surcharges for private hire vehicles. Whilst a few mitigations have been introduced to facilitate personnel budgets and accelerate the programme of travel training this is not keeping up with the volume growth.

Capitalisation of salary costs have been allocated to the Education revenue forecast.

Regarding the Community Languages components of the division additional spending has been temporarily halted. As a result, there is an anticipated underspend of £0.3m.

The use of £2m of reserves will be drawn down to support the costs of Primary Free School Meals in line with the agreed MTFS.

Significant variances:

- *SEN Transport - External - £1.39m overspend*:
  There continue to be significant increases in the cost of SEN transport, driven by both the rising volumes of children accessing transport and the substantial increase in fuel costs, along with London ULEZ surcharges for private hire vehicles.

- *SEN Transport – In House - £1m overspend*:
  The final projection of £6.2m has been provided by the Communities Directorate. This calculation is based on 645 children over 190 days equating to 122,550 journeys. The Education division will be recharged 75% of the overall cost amounting to £4.7m.

- Special Education Needs - £0.8m overspend:
  The overspend is linked to the heightened utilisation of agency staff necessitated by unprecedent increases in referrals for EHCP's. Current projections indicates that the number of EHCP's managed by Tower Hamlets will increase from 4,400 to 6,750.
  Recruitment for permanent staff is in underway, along with the implementation of various strategies aimed at providing mitigation.

- Education Psychology - £0.2m overspend:
  The rise in EHCP requests has increased the demand on the psychology service. In past years, the service was supported by additional income generated from offering non statutory support to Schools. This has not been possible with the demand on the service which has also needed to cover some posts on a temporary basis. The cost of temporary staff in this area is high due to a strong market demand and a shortage in supply.

Childrens Resources - £0.2m overspend:

This overspend is related to increased pension strain costs.

Dedicated Schools Grant (DSG)

The projected overspend in the Dedicated Schools Grant amounts to a net deficit of £0.33m. This is broken down as follows:

- **High Needs Block (HNB)** - £1.4m overspend.
- **Early Years Block (EYB) –** Breakeven.
- **Central Schools Services Block (CSSB)** -£0.03m overspend.
- **Schools Block (SCHB)** - £1.1m underspend.

The HNB is exceptionally volatile, spend has grown by 20% in Tower Hamlets since the 2020/21 Financial Year: 37% of spend is on maintained special schools, 34% on maintained mainstream schools, and 9% on independent settings (schools, post-16, and post-19).

Spend on independent placements has grown disproportionately relative to the growth in placement numbers: 13.8% growth in placements, against a 37.5% growth in spend. This is due to a lack of available maintained specialist placements locally, as well as significant increases in the fees charged by providers in the last two financial years. This position is in line with the majority of Local Authorities, and various mitigating strategies are being put in place while awaiting direction on a longer-term solution from government.

As part of the DFE's Delivering Better Value programme, colleagues from Children Services and Finance are collaborating with CIPFA on developing a HNB Deficit Recovery Plan.

The Schools Block underspend is mainly contributed to unused growth funding which is set aside for growth needs for all mainstream schools and academies. The Council maximises allocations to schools using the National Funding Formula and maximum MFG (Minimum Funding Guarantee) allowable. Following this, any headroom ("surplus") will be treated as growth. Growth funding has been allocated in year for bulge classes which were agreed due to the delay in opening the new Mulberry London Dock Academy. Unspent growth funding is reported to the Schools Forum and will form part of the overall Dedicated Schools Grant (DSG) surplus or deficit balance (subject to agreement from Schools Forum).

Schools balances are held separately in an earmarked reserve in the Council's accounts and do not form part of the DSG outturn position. Schools are required to report their projected year-end balances quarterly to the Local Authority. Currently 9 maintained schools (12%) are forecasting to be in a deficit position at the end of the financial year, with the cumulative deficit expected to be in the region of £1.3m. Schools which are in financial difficulty are required to apply for a licenced deficit Agreement with plans to move back into a balanced position over the following 3 years.

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Customer Services	8.9	7.8	8.0	(0.9)	0.0	**(0.9)**	(0.3)
Finance, Procurement & Audit	9.3	19.0	10.3	1.0	(0.7)	**0.3**	(0.2)
ICT	14.1	13.7	14.2	0.1	(0.1)	**0.0**	0.0
Revenue and Benefits Service	3.4	118.5	3.7	0.3	(0.2)	**0.1**	0.0
Workforce, OD and Business Support Service	12.7	9.1	12.4	(0.3)	0.0	**(0.3)**	0.0
Total	**48.4**	**168.1***	**48.6**	**0.2**	**(1.0)**	**(0.8)**	**(0.5)**

* High actuals to date in Finance, Procurement and Audit due to Insurance Trading Account recharges to be processed, in Revenue and Benefits Service due to Housing Benefit income to come from government grant for the DWP subsidy and in ICT due to expenditure to be capitalised.

Summary

The Resources directorate forecast is an underspend of £0.8m after movements from reserves of £0.7m.

Customer Services – £0.9m underspend

An underspend of £0.9m is anticipated for the service area which represents an increase of £0.3 million since Quarter 2. This is one-off to this financial year and is primarily due to two factors - the late appointment against the newly created posts in both the Watney Market Idea Store and the Residents' Hub plus an underspend against this year's one-off allocation for the new telephony system.

The breakdown by each of the five services within Customer Services is:

Customer Services Management £0.5m underspend. This has increased since Q2 by £0.3 million. This is due to the appointments in the Residents' Hub and vacancies in the Customer Contact Centre being pushed back further adding £0.1 million and, new to Q3, an underspend against this year budget for a new telephone system and vacancy in the Head of Customer Services post, combining to £0.2 million.

Registrars – £0.1 million over. This is new to Q3 and is due to the lowering of the budget forecast for Ceremonies income because of the opening date of the new Garden Suite being pushed back and the final payments for the functions, previously assumed as falling into this financial year, are now forecasted to go into the next financial year.

Information Governance - £0.2m underspend primarily due to late appointment of new posts from the Growth Bid.

Idea Stores - £0.1m underspend. This is due to the late appointment of staff in the Watney Market Idea Store.

Idea Stores Learning – £0.2m underspend. This is £0.1 more than in Q2 is due to excess grant income from the Department for Education of £0.1 million and new to Q3 are savings from a vacant Programme Manager post and a reduction in Training spend.

<u>Finance, Procurement and Audit – forecast £0.3m overspend.</u>
There is a forecast overspend in staffing for the Procurement Team of £0.9m due to the current high number of procurements occurring, including social care homecare contracts and a high level of agency staff usage. The base budget has not proven sufficient in past years and a permanent recruitment and review of the structure and operating model is underway to fill posts covered by agency workers and address the budget shortfall.

Use of the £0.4m procurement reserve which was set aside in recognition of the pressures facing the service will be utilised to offset some of the overspend. Insurance outturn includes Reserve drawdown for team staffing of £0.3m.

Audit are currently forecasting a breakeven position. Some additional work has been outsourced although it is expected to be under £0.05m and therefore not a significant budget risk.

Finance is forecasting an underspend of £0.2m due to uncommitted Contingency budget.

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

A forecast breakeven position, following the drawdown from the ICT Transformation reserve and the Cyber Security Grant reserve (0.1m).

Transfers from reserves are forecast at £1.5m for revenue costs related to capital expenditure are carried out.

The IT service is experiencing inflationary pressures which could impact this year’s position as contracts are renewed during the year.

<u>Revenues and Benefits Service – £0.1 million overspend</u>

There is an underlying budget pressure of £0.8m in the service. This will be offset by underspends elsewhere in the service totalling £0.5m. This consists of part-year vacancies of £0.1m (same as Q2), an increased level of Dept of Work and Pensions Housing Benefits subsidy of £0.5m (£0.2 million higher than Q2), and an underspend of £0.1 million in the Financial Assessment team primarily due to the holding of a vacant post. These underspends are offset by overspends, both new to Q3, of £0.1 million in the HB Administration service due to pressures overseeing the School Clothing grant scheme and an overspend of £0.1 million in the Reprographics service caused by developmental costs one-off to this financial year. The Actuals spend is high since we hold the DWP’s grant subsidy in the Balance Sheet.

The overspend is part-mitigated by a Reserve which was created from the New Burdens grant received in 2022-23 in relation to administration of government support schemes. The related work continues in 2023-24.

<u>Workforce, OD and Business Support Service – £0.3 million underspend</u>

This underspend is new to Q3 and is detailed below:

Learning and Development £0.2m underspend. This has increased from £0.1 million in Quarter 2 due to an underspend in the Training budget. The other £0.1 million underspend is due to part-year staffing vacancies in the L&D Management and National Graduate Development Programme.

HR £0.1m underspend. This has decreased due to an overspend on the Occupational Health contract of £0.1 million now offsetting the £0.2 million staffing savings caused by a combination of staffing vacancies and new appointments at the bottoms of the grades.

Business Support Service £0.1m underspend. This is an improvement of £0.2 million from Q2 and due to part-year savings resulting from new vacancies and funding received from other Directorates for two posts. Historical budget pressures within the service have been carefully managed to ensure that overspend has been eradicated. This is an area for focus that will be addressed in future years from the Resources restructure.

Since the service area is underspending it no longer requires any funding from the Transformation Reserve.

Forecast underspend of £2.1m

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Communications and Marketing	2.1	1.6	2.1	0.0	0.0	**0.0**	0.0
Strategy, Improvement and Transformation	8.1	4.6	5.2	(2.9)	0.9	**(2.0)**	(0.5)
Legal, Monitoring Officer, Democratic and Electoral Services	5.5	4.4	5.4	(0.1)	0.0	**(0.1)**	0.0
Corporate Management	0.4	0.3	0.4	0.0	0.0	**0.0**	0.0
Mayor's Office	2.2	1.7	2.2	0.0	0.0	**0.0**	(0.1)
Total	**18.3**	**12.6**	**15.3**	**(3.0)**	**0.9**	**(2.1)**	**(0.6)**

The Chief Executive's Office outturn indicates an underspend of £2.1m following movements from reserves.

Communications and Marketing – Forecast Breakeven

Forecast breakeven with no need to drawdown the £0.1m Communications Reserve to support costs relating to the insourcing of Tower Hamlets Homes and leisure services.

Strategy, Improvement and Transformation – £2.0m underspend after transferring £0.9m to VCS grant reserve.

Forecast underspend of £1.5m to the general fund due to funding of the new Mayor's Community Grant Programme (MCGP), approved by cabinet in March 23. The new programme will be funded through the Neighbourhood Community Infrastructure Levy (NCIL). In year underspend against grants will be put into a reserve. An additional £0.5m underspend due to delays in recruitment to posts after restructure.

Legal, Monitoring Officer, Democratic and Electoral Services – £0.1m underspend.

Democratic Services projecting an underspend £0.2m in the main due to the current Members Allowance. Legal Services are projecting to overspend by £0.2m this is due to a number of higher cost agency staff and the lack of candidates willing to take up the fixed term contracts offer; as well as a downturn in external income. The Electoral Services are projecting an underspend of £0.1m.

Mayor's Office and Corporate Management are forecasting to break-even.

Health and Adult Social Care

Forecast overspend of £3.0m

Public Health (GF) forecast £0.7m overspend before the transfer from reserve

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Adult Social Care	117.1	87.8	124.3	7.2	(4.0)	**3.2**	1.0
Integrated Commissioning	15.7	10.5	18.6	2.9	(3.1)	**(0.2)**	(0.1)
Public Health	37.7	21.7	38.4	0.7	(0.7)	**0.0**	0.0
Total	**170.5**	**120.0**	**181.3**	**10.8**	**(7.8)**	**3.0**	**0.9**

The Health and Adult Social Care Directorate's projected outturn at Period 9 is a £3.0m forecast overspend position against a budget of £170.5m, after planned transfers from reserves of £7.8m. This is an increase on the Period 6 outturn forecast position by £0.9m. The primary reason for the continued forecast overspend is the ongoing pressure in Adult Social Care, with increased costs of care packages for disabled and older people provided under the Council's Care Act 2014 statutory duties. The full pressure is partly offset by additional, but short-term, grant funding. Robust arrangements for scrutinising care and support plans with associated costs are in place within the Department including tiered sign off of packages and a Panel process.

Overall demographic trends impact on 'demand' for Adult Social Care Services – we have seen around 27% more enquiries come into the service over the last two years. Tower Hamlets has the 5th highest score for deprivation within London and the highest level of pensioner poverty in the country. In the 2021 Census, nearly half of females and two fifths of males aged over 65 reported they were disabled. The prevalence of mental health problems in Tower Hamlets is greater than is seen in London or England averages. Short-term government grant funding is an ongoing concern nationally as well as the impact of changes to the hospital discharge process and NHS pressures which have added to funding pressures for Adult Social Care.

The Adult Social Care Transformation and Improvement Programme has been put in place to reduce costs in the medium to long-term and achieve a more sustainable financial position for the service. Business cases for technology enabled care and increasing housing with support options will come through in the new year but will not impact significantly on this year's position.

The Directorate is on track to deliver its savings in full in 2023-24.

<u>Transfers to and (from) Reserves (£7.8m)</u>

Use of reserves relates largely to partnership funding held in pooled budgets and ringfenced reserves 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 included in the financial pressures outlined above for this financial year. Funding remaining in the agreed s75 pooled funding held in reserves amount to £1.28m. In addition to the use of the Local Authority allocation of the Adult Social Care Discharge Fund in 2023-24 in the amount of £2.4m and the Integrated Care Board (ICB) allocation of £927k (being fully utilised on meeting costs for the Royal London Hospital Integrated Discharge Hub), projected costs of discharges amount to £4.7m. Therefore, it is now projected that all the funding held in the reserve will be utilised in 2023-24.
- The ring-fenced Tower Hamlets Place Investment Fund has a joint pool of £6.0m funding and at period 9 it is anticipated that £2.0m will be drawn down for joint project funding during 2023-24.
- In agreement with the ICB, underspends against the Joint Funded Better Care Fund (BCF) for the Local Incentive Scheme Projects and Community Equipment Service that were transferred to Reserves are fully committed in 2023-24 in the amount of £1.17m.
- A £1.5m inflation pressure exists on top of inflation budgets already allocated on top of existing Market Sustainability and Improvement Grant funding and this is to be funded via the Social Care Risk Reserve.
- A further £1.2m is being transferred from the Covid grants reserve for current care package costs relating to historic D2A packages.
- At the end of 2022-23, the amount held in the Public Health Grant ring-fenced reserve was £7.16m. Committed expenditure during 2023-24 from the reserve stands at £0.72m, including expenditure on the Healthy Borough and Community First Programmes, funding on partnership posts and additional funding allocated to Children and Culture Directorate. Currently the reserve balance at the end of this financial year is projected at £6.4m.

<u>Adult Social Care – Forecast £3.2m overspend at Period 9</u>

At Period 9 Adult Social Care is forecasting an overspend position of £3.2m against a budget of £117.1m. Between Period 6 and Period 9, the Adult Social Care budget has increased by £1.2m and the projected outturn has increased by £2.2m, a net increase of £1.0m.

The outturn position for 2022-23 for Adult Social Care was an overspend position of £2.2m against a budget of £108.9m. This overspend was after £4.4m was transferred from the s75 reserves funding held for costs associated with discharged clients and £2.2m from the ASC Discharge Grant.

(i) **Employee Costs – Forecast (£0.5m) underspend**

The Period 9 forecast for employee costs is a £0.6m underspend position against a budget of £24.0m, primarily due to vacancies that exist while posts are being recruitment to on a permanent basis. There has been deliberate action to reduce agency costs, where possible, and there are some remaining hard to fill vacancies.

(ii) Care Package Costs and other Service Costs – Forecast £7.8m overspend

Direct costs associated with care packages are projected to overspend by £5.4m at Period 9 against a budget of £109.9m. 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.

The total allocated demographic growth (for new packages) for 2023-24 is £4.0m. For quarter 1-3 in 2023-24 a total of £3.4m demographic growth funding had been applied, with assumption, full funding allocation will be utilised. The majority of the demographic growth funding has been utilised on new clients in receipt of Homecare Services.

A £4.4m inflation budget has been allocated on top of existing Market Sustainability and Improvement Grant funding of £2.2m which has been used to pay for the inflationary uplifts to care providers – these are a significant pressure facing all local authorities. A further £1.5m pressure still exists on top of this and is included in the outturn projection as this is to be funded via the Social Care Risk Reserve.

Other Service Costs are in relation to a provision for bad debts and other supplies and services costs relating to Adult Social Service clients, including client transport costs using taxi services. These are projected to overspend by £2.4m at period 9 against a budget of £0.94m. A pressure of £476k relates to increased costs of client taxi costs due to fuel and ULEZ price pressures increasing the cost of client travel costs (that are not provided via the internal Transport Services Unit). The provision for bad debts (i.e., irrecoverable income against historic invoices raised for residential and non-residential income, has been estimated as £1.4m and will be finalised as part of the closing of accounts processes. and may therefore be reduced.

(iii) Income – Forecast £4.0m over achievement of income over budget

Income budgets are projecting an additional £1.3m in income in Period 9. This is due to combination of additional BCF contribution for telecare staff, recharges for rational occupational therapist, grant income and the projected additional client contribution income that will be recovered in this financial year from the work being carried out by the ASC Debt Panel. This has assisted with the recovery of historic income from clients by approval of debt action and will aim to reduce the need for writing off debts. There are risks associated with S117 income which will need to closely monitored through the remainder of the year.

Integrated Commissioning – Forecast (£0.2m) underspend at Period 9

Integrated Commissioning is forecast to underspend by £0.2m at Period 9, against a revised budget of £15.7m. Between Period 6 and Period 9, the Integrated Commissioning Budget has increased by £0.55m and the forecast position by £0.43m, resulting in a net increase of £0.12m.

The outturn position for 2022-23 was an underspend of £2.1m against a budget of £16.6m. primarily due to additional draw-down of TH Place Investment Funding from reserves.

The decommissioning of the Dellow Centre and renegotiation for the Riverside hostel will provide an underspend against the allocated budget. Additionally, the budget for the Day Centre Project will be slightly underspent due to a delay in the tendering process for one of the services.

An area of substantial risk in Integrated Commissioning is the Transport Services Unit (TSU) recharge, which has a budget of £2.4m for 2023-24. Currently estimates of the costs that will be recharged from the Communities directorate are projected as £2.9m due to current pressures for fuel and ULEZ charges and increased costs of college routes.

Public Health – Forecast Breakeven

The Public Health Grant continues to forecast on budget at month 9 after transfer of reserves.

At the end of 2022-23, the amount held in the Public Health Grant ring-fenced reserve was £7.16m. Committed expenditure during 2023-24 from the reserve stands at £0.72m, including expenditure on the Healthy Borough and Community First Programmes, funding on partnership posts and additional funding allocated to Children and Culture Directorate. Currently the reserve balance at the end of this financial year is projected at £6.4m, with planned utilisation of this reserve from 2024/25 as part of the MTFS savings process.

Sexual Health Services
As a demand-led service, sexual health remains the main risk to the Public Health budget. However, the risk is managed through contract and financial monitoring, and the maintaining of a reserve to address any pressure in this area. Expenditure in the amount of £1.0m has been retained within the Public Health Grant budget to meet demand increases.

Savings Delivery
The total agreed savings target for the Health and Adult Social Care Directorate has been delivered.

Delivery of savings are tracked and monitored by the Health and Adult Social Care Leadership Team.

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Property & Major Programmes	18.7	7.4	17.7	(1.0)	(0.3)	**(1.3)**	(1.8)
Resources	4.2	2.3	4.7	0.5	(0.5)	**0.0**	0.0
Growth & Economic Development	2.8	10.4	5.0	2.2	(2.2)	**0.0**	(0.1)
Planning & Building Control	2.7	2.3	3.0	0.3	(0.8)	**(0.5)**	(0.6)
Housing	15.6	34.5	22.8	7.2	(3.0)	**4.2**	1.1
Total	**44.0**	**56.9**	**53.2**	**9.2**	**(6.8)**	**2.4**	**(1.4)**

Draft Outturn Position

The Housing & Regeneration Directorate is forecasting outturn position with an adverse variance of £2.4m after reserve adjustments. This compares with an adverse variance of £3.8m at period 6, an improved position of £1.4m. The improved position relates to the property & major programmes division where the electricity charges for the New Town Hall are considerably lower than budgeted. The volume of bills has only now made it possible to generate a forecast. Within Planning & Building Control, CIL admin income is exceeding budgeted levels and the additional amounts, which must be applied in the year of receipt are offsetting general fund budget provision.

The main adverse variance relates to the Housing Options service where demand for homelessness continues to be high and rising. This is resulting in the use of expensive nightly booked accommodation where the Council incurs significant housing benefit subsidy losses. This has resulted in an increased adverse variance of £1.5m from that previously reported.

The pressures on budgets being experienced within the Housing & Regeneration directorate primarily relate to external factors outside of the control of the Directorate, for example challenges resulting from the pandemic and cost of living crisis increasing demand for Homelessness, reduced developer income within Planning & Building Control and assets, primarily school buildings, deemed surplus to requirement transferring to the Directorate without budgetary provision. These unavoidable costs have placed pressure on service delivery or reduced the amount of income collected.

The Directorate is proposing a number of reserve drawdowns and top ups which are planned as part of its business-as-usual activities. These adjustments net to a £6.8m drawdown from specific earmarked reserves. This reserve figures include £0.7m from the Mayoral Tackling Poverty reserve to fund the team; £3m contribution from the Flexible Homelessness Support grant and Homelessness Prevention Grant reserves to fund the homelessness transformation programme and to mitigate cost pressures within the Homelessness service; £2.5m for specific projects across Growth & Economic Development.

Savings Targets

The Directorate has a £4.8m savings targets in 2023/24, inclusive of slipped savings from the previous financial year. Of these savings it is projected that £2.6m will be delivered, £2.1m of these savings slipping into the next financial year but remain deliverable and the remaining £0.1m is undeliverable. The slippage is primarily within the Housing Options service where the demand for services has increased and the drop in those in Temporary Accommodation has not materialised, The service has had a base budget reduction of £2m in last MTFS but the resulting drop in accommodation requirements (which is where the savings were meant to come from) has not materialised due to market forces beyond the control of the council.

Property & Major Programmes – Forecast (£1.7m) Favourable Variance

The Property & Major Programmes division is forecasting to outturn with a £1.3m favourable variance after reserve adjustments. This represents a favourable movement of £1.8m from that reported in Q2 due to lower than budgeted utility costs at the New Town Hall.

Property & Major Programmes Management – Forecast £0.1m Adverse Variance

Insufficient budget for the DD post as the budget was deleted as part of a previous Chief Executive savings programme but the post remains filled on an interim basis.

Corporate Property – Forecast £0.4m Adverse Variance

Asset Management team are forecasting a £0.1m favourable variance due to vacant posts and a further £0.2m favourable variance resulting from increased asset management recharge to the HRA where higher than budgeted time is being spent on the HRA commercial stock.

Four schools (Cherry Trees, Guardian Angels, Shapla and Bromley Hall) and Mile End playgroup are empty and declared surplus to requirements. Vacant property costs including security, insurance, utilities, rates and general maintenance are being incurred, creating a budget pressure of £0.7m without any financial provision being made as part of the decision-making process when declaring the buildings as surplus.

Capital Delivery – Forecast (£0.1m) Favourable Variance

Favourable variance following a review of the recharge to the HRA and a rebasing of the split of time between the GF and HRA programmes.

Facilities Management – Forecast (£0.6m) Favourable Variance

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

Corporate Landlord Model (CLM) – Forecast (£2m) Favourable Variance

A £0.2m favourable variance in rent and service charges relating to a refund on the Mulberry Place service charge and the surrender of a lease on a leased-in building.

A £2.2m favourable variance resulting from a significantly lower than budgeted electricity charge for the New Town Hall. The budgeted charge was based on the usage and size of Mulberry Place.

The Council is due a refund of £0.4m relating to the service charges paid in respect of Mulberry Place. This is a one-off cost saving in year.

The business rates budget has a net adverse variance of £0.7m. The rates charge for the New Town Hall is higher than budgeted by £1.4m as a result of a higher than estimated rateable value. This is being partially mitigated by a £0.7m favourable variance relating to two properties, Albert Jacob House and John Onslow House where the liabilities sit within the HRA and a successful appeal on the rateable value at Southern Grove which has been back dated, giving a one-off saving in year.

An adverse variance of £0.1m relating to security costs at the New Town Hall. It was initially agreed that Customer Services and Facilities Management would jointly fund two security guards in the new Town Hall. As the IDEA store has not relocated to the Town Hall, the CLM Security budget is being used to pay for both guards.

Non-Operational Investment Estate – Forecast £0.5m Adverse Variance
Void units resulting from capital works at the Montefiore building is resulting in an adverse variance of £0.1m.

A £0.4m adverse variance resulting from shortfall in income received against budget. Future planned lettings of vacant space at Jack Dash House and other properties should reduce the variance in future years.

New Town Hall – Forecast Nil Variance
Projected transitional costs totalling £0.3m relating to the move to the New Town Hall will be met from the New Town Hall reserve.

Resources – Forecast Nil Variance
The revenue costs relating to the Regeneration team are projected at £0.9m for the year against an expenditure budget of £1.1m, a favourable variance of £0.2m. Included within this forecast position is £0.6m funded from LIF and £0.2m costs to be capitalised.

A £0.1m favourable variance within the Service Design, Improvement & PMO team resulting from vacant posts and part-year recruitment to fill vacancies.

Unbudgeted employee costs have resulted in a £0.3m adverse variance within the Place Director cost centre.

Growth & Economic Development – Forecast Nil Variance
Growth & Economic Development is forecasting in line with budget after reserve drawdowns, this represents a favourable movement of £0.1m from that reported at Q2. This projection assumes approved s106 drawdowns totalling £2.6m for core activities and approved projects across the division; A reserve drawdown from the Mayoral Priority reserve (Tackling Poverty) totalling £0.7m to fund the Tackling Poverty team; £0.6m for the Residents Support Scheme and a further £1.1m from earmarked reserves for specific activities and projects, for example the Kickstart programme, 50+ programme, ESF programme and BAME Action Fund.

The cost-of-living crisis is a mayoral priority, and the new administration has approved additional spending of £0.4m for food hubs in year. This additional expenditure will be met from the Mayoral Priority reserve.

The Growth & Economic Development division are forecasting to receive grant funding totalling £11.6m in year. This includes £6m Household Support grant, Holiday Activity Funding of £1.7m, Energy Bill Support scheme funding of £2m, £0.7m SIP funding (LIFT and Inclusive Growth money), £0.3m UKSPF funding and a number of smaller grants across GED totalling £0.9m.

Employment & Skills – Forecast Nil Variance

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. This is being offset by vacant posts within the teams.

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 – Forecast (£0.2m) Favourable Variance

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 relates to vacancies within the Business Growth and High Streets teams.

Tackling Poverty –Forecast Nil Variance

There is no general fund budget for the Tackling Poverty team. As a result, it is budgeted that the team will be funded from a drawdown from the Mayoral Priority Tackling Poverty reserve. However, the Tackling Poverty team has received grant funding of £6m in Household Support grant and will be funding the team from the admin element of this grant, meaning a reserve drawdown is not required to fund the team.

The Tackling Poverty team funds the resident support scheme. Total costs are forecast at £0.8m, of which £0.6m will be funded from the Residents Support Scheme reserve and the remaining £0.2m from the Mayoral Priority Tackling Poverty reserve. A further £0.4m drawdown on the Mayoral Priority reserve is forecast to fund the food hub and £0.1m for a new food pantry and independent domestic violence advisor.

Tackling Poverty has been awarded £6m in household support grant in 2023/24 (there is a further £0.6m relating to the previous year's grant that remains committed but unclaimed through the post office). This grant will be spent on specific activities on top of the team's core work. The disbursement of the household support fund will be through food vouchers through local schools, payments through the post office and via other Council services such as adult social care and children's services.

The service has also received £1.7m 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. This is forecast to be spent in full.

A total of £2.3m has been received for the Energy Bills Support scheme. Vulnerable residents could apply for £400 grants towards the cost of their energy bills. The scheme supported residents who were ineligible for the £66 per month energy payments awarded last Winter, targeting residents who do not have mains gas, live on boats or live in accommodation where energy bills are included in the rent payments. This scheme has now come to an end. There were a low number of residents in Borough eligible for the Energy Bill Support Scheme when compared with the size of grant awarded. In total 1,200 claims were made for energy support, totalling £305k in grant support. As a result, £2m remained unspent. This amount has been repaid to the Department of Business Energy and Industrial Strategy.

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

Planning & Building Control – Forecast (£0.5m) Favourable Variance
The Planning & Building Control service is forecasting a favourable variance of £0.1m from its general fund activities. This favourable position is largely the result of vacancies across the division which are mitigating an underachievement of statutory planning fees and local land charge income as a result of a downturn in both developments and the housing market.

This downturn in income was experienced in the previous financial year and is projected to continue through 2023/24. Development 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 requiring two staircases for residential buildings above 30m (recently announced to be applied to buildings above 18m) has caused a number of schemes to stall and reassess proposals, again reducing the number of applications and start on sites, impacting both Development Management and CIL income.

This position includes the use of s106 funding totalling £0.5m to fund posts and activities within the Infrastructure Planning team and £0.3m to fund specific LIF projects again within Infrastructure Planning.

The Planning & Building Control service also utilises both Mayoral (MCIL) and Tower Hamlets (THCIL) CIL revenue funding. In 2023/24 projections for MCIL (£0.5m) and THCIL (£1.5m) funding total £2m. This represents an additional £0.4m against budgeted levels which it is assumed will be applied to revenue activities within the Development Management service, in line with legislation. The impact will result in a favourable variance of £0.5m.

This forecast represents a £0.6m favourable movement on the position reported in Q2, largely the result of additional vacant posts across the P&BC division and delays to recruitment of building control officers as part of the Council's response to the fire and building safety acts.

Building Control General Fund – Forecast £0.5m Favourable

A £0.1m favourable variance relating to vacant posts.

Permanent growth totalling £0.4m was approved to restructure the existing team and recruit to five additional registered building inspector posts as part of the Council's response to the Building Safety Act introduced following the Grenfell tragedy. This approved growth represents only a part of the cost of the growth required as for year one the restructure and recruitment would take time, so the budget was based on 6 months cost only. Current forecasts indicate spend will be £20k this year with the recruitment process taking longer than anticipated. Recruitment is ongoing and this growth will be spent in full in 2024/25.

Development Management – Forecast Nil Variance
There is no net General Fund budget within Development Management, with the service being entirely income funded. The service has vacant posts resulting in a favourable variance of £0.3m. This is being offset by a budget pressure of currently £0.4m for Consultant's and Counsel fees for the public enquiries that are taking place. A £0.4m shortfall against the planning income target for statutory fees where the volume of planning applications is projected to be less than budgeted levels. Additional CIL

administration income totalling £0.5m is forecast to be received in year and will be applied to the development management service in line with legislative requirements which will mitigate the budget pressure.

Digital & Commercial Innovation Team – Forecast (£0.2m) Favourable Variance
This favourable variance is the result of vacancies within the team.

Spatial Data Team – Forecast £0.3m Adverse 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.

P&BC Support Team – Forecast (£0.1m) Favourable Variance
A £0.1m favourable variance relating to staff costs – vacant posts and officers being recruited to lower than budgeted spinal points.

Strategic Planning – Forecast Nil Variance
The Plan Making team received growth of £0.4m in 2022/23 towards the cost of producing the new local plan. Spend in year is projected to be in line with budget.

Infrastructure Planning – Forecast Nil Variance
There is budgeted use of CIL revenue funding of £0.8m; £0.3m from LIF and £0.5m s106 income to fund the running costs of the Infrastructure Planning team.

Building Control Trading Account – Forecast Nil Variance
The building control trading account is forecasting an adverse variance of £0.2m. This results from a lower than budgeted income forecast as a result of a downturn in full planning inspection fees and prescribed fees. These income shortfalls total £0.4m. There is a favourable variance of £0.2m with the service carrying a number of vacant posts that are being filled by agency staff whilst a recruitment campaign has been undertaken. This is partially mitigating the income shortfall. A £0.2m reserve drawdown will be made from the building control trading account reserve at year end to mitigate this variance in full. There are sufficient balances in this reserve to meet this drawdown (current balance £345k).

Housing – Forecast £4.2m Adverse Variance
The Housing division is forecasting an adverse variance of £4.2m after reserve movements. This represents an adverse movement of £1.1m when compared with previous forecasts, resulting from a worsening position within Housing Options due to increasing numbers in T.A. and higher use of expensive Bed & Breakfast accommodation.

Housing Options – Forecast £3.9m Adverse Variance
The Housing Options (Homelessness and Rough Sleeping) service is forecasting to outturn with a £3.9m adverse variance against budget after applying grant and reserve drawdowns.

The position below shows that the budget that the service has control over (its core activity), e.g. staffing and accommodation expenditure offset by rental and other income, has an adverse variance of £0.3m. Housing Options has a savings target of £2m relating to service transformation aimed at reducing numbers in T.A. At this time, this saving is slipping due to the cost of living crisis increasing numbers presenting as homeless, putting further pressure on the budget position.

As rents in Tower Hamlets are above LHA rates, the housing options service incurs a HB subsidy loss on each placement (difference between housing benefit paid out in rent and the subsidy claimed back from Central Government). This puts the budget position into a significant deficit. HB subsidy loss is not something the council has control over. It is a government formula for reimbursing the council for any HB spent on temporary accommodation.

The budget is supported by annual government grant totalling £9.3m. This is in the form of Homelessness Prevention Grant, Homelessness Prevention Top Up Grant and Rough Sleeping Initiative funding. It is assumed these grants will be applied in full during the year.

Housing Options has a number of reserves that total £6m. It is proposed to drawdown £3m in year from these reserves to partially mitigate the overspend position. After applying grants and reserves it leaves an overall adverse variance of £3.9m.

Subjective Analysis	**Variance – Adverse / (Favourable) £m**
Staffing Costs	-
Accommodation Costs	6.6
Bad Debt Provision	1.6
HB Income on Placements	(7.9)
Variance from Core Activity	**0.3**
Service Transformation Saving	2.0
Housing Benefit Subsidy Loss	5.7
Variance before Reserve Drawdowns & Unbudgeted Grant	**8.0**
Homeless Prevention Top Up Grant	(1.5)
Drawdown from Reserves	(2.6)
Variance after Reserve Drawdowns	**3.9**

Homelessness numbers remain high and have risen since the start of the year. Current numbers in Temporary Accommodation are 2,959, this compares with 2,826 households at the start of the year, an increase of 132. Of the 2,959 in T.A., 2,288 are families with children. 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 three main reasons for people presenting homeless are family evictions, domestic abuse and private tenancies that have been terminated, with a 97% increase in the numbers presenting as homeless due to eviction from private sector rentals. The cost-of-living crisis has increased family exclusions and reduced accessibility of private tenancies.

These high numbers place pressure on the use of expensive nightly booked and bed & breakfast accommodation and the use of commercial hotels at additional cost. There are currently 631 households in B&B accommodation compared with 363 at the start of the year, an increase of 268. 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-£100 per night with current providers who were charging £35 per night during the pandemic and new providers are charging in excess of £120 per night. The cost of using commercial hotels is higher still, some charging over £200 per night and these rooms are often not fit for purpose with no kitchen facilities. Competition for accommodation with the asylum seeker market and other Local Authorities is further driving up costs. The Council lost 211 family sized properties in Tower Hamlets to other London Boroughs and Central Government from January to March last year.

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. 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. There are currently c200 households that have been in B&B accommodation for longer than the six week target time.

The overall numbers in TA and the cost of the TA has a knock on effect on Housing Benefit subsidy loss. The Council incurs a Housing Benefit Subsidy loss on every placement. Whilst Housing Options can claim the cost of the rent from Revenues and Benefits for placements in T.A., the Council can only claim back in subsidy from the DWP the Housing Benefit costs incurred up to 90% January 2011 LHA rates for those same placements. Rents within Tower Hamlets and neighbouring Boroughs are higher than this rate, resulting in the Housing Benefit payment made to Housing Options 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 £5.7m against this budget.

The impact of the shortfall in temporary accommodation subsidy is a net charge to the Council's Housing Benefit budget. This was previously accounted for in Housing Benefits (Resources Directorate) but has recently transferred to Housing Options to allow the full cost of the homelessness to the council to be identified. In previous years, the budget pressure was managed by one-off grant, for example Covid grant. This is now unavailable, resulting in a budget pressure against the General Fund.

The extent of the unadjusted increase in Subsidy loss since 2016/17 can be seen in the table below with increase of over 197% over the past 8 years.

2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
£3,903,546	£4,345,368	£5,131,048	£6,012,341	£7,431,645	£6,890,120	£7,206,159	£7,673,032

Housing Options currently holds £6m of ring fenced reserves, predominantly in the form of Flexible Homelessness Support Grant reserve and Homeless Prevention Grant reserve. It is proposed that £3m of this reserve total will be drawn down in year to fund transformation work to deliver the £2m saving target and to partially mitigate the cost pressures detailed above. There are future year commitments against the remaining reserve balance which prevent further drawdowns in year. After making these reserve drawdowns, the Housing Options service is projecting an adverse variance of £3.9m.

These budget pressures are not unique to Tower Hamlets and are being felt across London and the Country as a whole.

How are we mitigating against this?
The service is taking actions to mitigate these budget pressures:

<u>Recruitment Campaign</u>

- The Mayor approved 22 new posts in December 2022 in order to support improvements in the service with the aim of delivering a £2m budget saving.

<u>Service Improvement</u>

- Housing Options are working with several accommodation suppliers to reduce the current use of expensive and short-term commercial hotel placements so that when households are placed into B&B, they are placed into B&B where it is longer term, of better quality and with cooking provisions where possible.
- Reliance on commercial accommodation will reduce over the remainder of the year as the Housing Options service has procured 130 units, in Lewisham, at a cost of £50 per night. These rooms are available and families have moved in. The owner of this accommodation has similar provision in Limehouse which

is currently used by the Home Office but will soon decant. The Housing Options service are in discussions with the owner to secure this. The nightly rate may be slightly higher due to its location.

- London wide initiatives including the G15 summit identifying available properties/obsolete buildings that can be used for T.A.
- Utilising regeneration sites in the borough, for example HAP void units.
- Talking to Registered Providers to increase the supply of T.A.
- Utilising the resources available within the HRA for T.A. by bidding for funding from the GLA to support an acquisitions programme of up to 600 properties. Where existing tenants move into these newly acquired properties, 50% of the vacated properties will be used for T.A., housing families currently in unsuitable B&B accommodation.

Interventions to Increase the Supply of PRS

- The Mayor agreed a change in placement policy allowing Housing Options to discharge duty further than 90 minutes travel time from the Borough, extending as far as Southend.
- Housing Options are working with providers such as Bridge Housing, who buy properties on the open market and offer them to the council to let as an Assured Short-hold Tenancy (AST), in order to discharge the Council's homelessness duty.
- In August 2023, the service launched a landlord campaign (digital adverts, social media, bus stops, billboards, My East End, google).
- 11,000 THH leaseholders were written too, by including the landlord campaign in the service charge actuals statement.
- Housing Options held a landlord event in the Town Hall.
- A revised PRS package implemented from 1 August with rents being topped up above the LHA in the form of an incentive payment. Packages include landlord insurance, rent deposit and advances.
- The Housing Options service secured 35 one bed PRS units in Slough on a three-year lease. Rooms will be leased at £288 per week, which although above LHA rates in Slough is considerably lower than the cost of B&B accommodation. A barrier to procuring accommodation is the Home Office, who are able to offer extremely high rents to house asylum seekers.

ICT Intervention

- A Housing Options IT Transformation programme manager has been appointed who will be reviewing the approach and activities to prioritise maximum value and impact.

Strategic Working

- A Service Improvement Group has been set up and is meeting fortnightly. This is a 3-month task and finish group to address urgent customer service needs as well as improve communications with residents across all communication channels. Key objectives include improving workflows, lower phone and email response times, automated prompts, reviewing standard letters and web content.
- A project to improve the service's response to domestic abuse homelessness and increase prevention is in the delivery phase; Housing is working with partners across the council in order to achieve accredited status, with the aim of achieving this by March 2024.
- Job Centre Plus service is fully operational and working out of 3 job centres in the borough. It is receiving 5 new referrals a day.
- Housing Options Assistants are now pre-screening all housing advice appointments, consequently reducing waiting times to 1 week (previously at a peak of 6 weeks).
- A pre-screening process is to be adapted for homelessness assessments and mobilised with the aim of reducing appointment waiting time.
- At a service level, service redesign is underway to enable more work to be undertaken upstream to prevent homelessness occurring, bringing homeless people into employment. The speed of transformation is being hampered by the cost-of-living crisis which is increasing demand for the service and the lack of move on options available.
- A Housing Away Day with the Mayor conducted a deep dive into homelessness; to understand the budget drivers, future trends, opportunities. It was agreed to review the Placement Policy to procure in more affordable areas.

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 2023/24 with LBTH receiving a total of £890k towards its costs as part of the Rough Sleeping Initiative grant settlement. This grant funding is projected to be spent in full during the year providing accommodation and support services at Luke House.

Lettings – Forecast £0.5m Adverse Variance

Adverse variance of £0.5m 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. This has resulted in the general fund incurring more of this cost rather than the HRA. Now that THH has been insourced this recharge will be revisited to confirm it remains correct.

Energy & Sustainability – Forecast (£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 Barkentine PFI scheme will be mitigated through a drawdown from the smoothing reserve, resulting in nil variance. There is currently a balance of £1m in this reserve and is therefore sufficient to cover this cost. A further £0.4m is projected to be spent in securing the future of the provision once it expires. It is assumed that this will also be met from this balance on the smoothing reserve and work is ongoing with DLUHC to ascertain if there will be additional future costs.

A total of £0.1m of additional works on net zero projects will be undertaken in year and funded from s106 contributions from the carbon offset fund.

Housing Supply – Forecast Nil Variance

The fire safety team received approved growth of £0.7m, delays to recruitment mean that projected spend will total £0.6m, with the balance transferring to reserve to fund the ongoing statutory work in the next financial year. The service has also received grant funding of £0.5m relating to cladding remediation. At present enforcement of building owners has not commenced and the grant is forecast to remain unspent in year and will be transferred to reserves.

Forecast overspend of £0.1m

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Directorate Management	0.0	0.0	0.1	0.1	0.0	0.1	0.0
Public Realm	37.2	29.5	39.9	2.7	(1.3)	1.4	(1.8)
Community Safety	10.7	6.5	8.1	(2.6)	1.3	(1.3)	0.0
Culture	4.7	1.5	4.6	(0.1)	0.0	(0.1)	(0.4)
Total	**52.6**	**37.5**	**52.7**	**0.1**	**0.0**	**0.1**	**(2.2)**

The Communities directorate is forecasting an adverse variance of £0.1m against a budget of £52.6m. This represents a favourable movement of £2.2m when compared with the adverse variance of £2.3m previously reported. The favourable movement relates to Public Realm where the Council has benefitted from a profit share relating to electricity generated and sold by the Council's waste disposal contractor. Confirmation of the profit share was communicated to the Council in January 2024 and therefore not factored into previous forecasts. Vacant posts remain unfilled within Environmental & Regulatory services which, were assumed to be filled for part of the year in previous forecasts and an analysis of taxi card expenditure indicates that TfL's contribution to the service will meet its full cost also contribute to the improved forecast within Public Realm. Forecasts for Community Safety and Culture remain unchanged from those reported at period 6.

The main reason for the adverse variance in Public Realm is an inadequate baseline budget for waste and cleansing. The budget provision is currently being reviewed as part of a service improvement plan for the service. The SEN Transport service is also undergoing a review to address the increase in costs and change in demands. The Communities Directorate, which was formed in August 2023, and comprises of three main divisions, Public Realm, Community Safety and Culture which were previously reported in other directorates.

<u>Communities Directorate Management - £0.1m Adverse Variance</u>

A £0.1m adverse variance relating to the costs of the Corporate Director. There is no budgetary provision for this post as it relates to an in-year restructure undertaken by the Chief Executive.

<u>Public Realm – £1.4m Adverse Variance</u>

Public Realm is forecasting an adverse variance of £1.4m against budget. This figure is inclusive of a proposed reserve movements netting to a £1.3m drawdown.

<u>Public Realm Management – Forecast (£0.1m) Favourable Variance</u>

Favourable variance resulting from underspend on employee related expenditure.

<u>Highways and Traffic Management – Forecast £0.1m Adverse Variance</u>
A £0.1m favourable variance relating to insurance costs resulting from a reduction in numbers of claims and repudiation of existing claims.

Public lighting is forecasting a £0.1m favourable variance following capital investment and use of LED bulbs.

Capitalisation shortfall projected at £1.1m is being offset by a corresponding underspend of £0.8m on salaries resulting from posts being held vacant.

A budget shortfall of £0.6m relating to sunk costs that cannot be capitalised resulting from the TFL capital programme not progressing. TFL are withholding funding in the current year following uncertainty around the capital programme.

Balances relating to historic temporary structure income and s278 rechargeable works totalling £0.6m are forecast to be drawn down to revenue. This relates to unclaimed amounts of over six years old. This balance is planned to be used to mitigate the pressures detailed above in Highways & Traffic Management.

A £1.6m 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.

<u>Operational Services – Forecast (£1.2m) Favourable</u>
Favourable variance of £0.2m from unbudgeted income relating to the sale of recyclable materials.

A £1.1m favourable variance relating to the Council's share of electricity generated and sold by the waste disposal contractor. The service has been requesting the Council's forecast profit share throughout the year, but the contractor has only shared the relevant information recently.

A £0.1m adverse variance relating to an increase in costs resulting from recent changes to the dangerous dog laws regarding XL Bully dogs.

Vacant posts within the Green Team and Arboriculture service resulting in a £0.1m favourable variance. This is being offset by A £0.1m adverse variance relating to increased costs of running plant and machinery, including fuel costs.

<u>Environmental Services Improvement – Forecast (£0.1m) Favourable</u>
A £0.1m favourable variance relating to employee related costs from officer secondments and part year vacancies.

<u>Waste Operations (Environmental Services) – Forecast £3.2m Adverse Variance</u>
A favourable variance of £0.1m relating to third party expenditure resulting from reduced cleaning of Blackwall tunnel. TFL has not instructed for this work to take place post pandemic.

Cleaning related to the late-night economy is forecast to generate additional income of £0.1m.

A favourable variance of £1.9m against salaries and overtime relating to vacant posts. This is being offset by additional costs of £3.8m. The main reason for this variance in agency expenditure is due to the oversight at the point of transferring staff from Veolia to Tower Hamlets in March 2020. The contract with Veolia had several variations, with Veolia increasing staff numbers by employing agency staff due to ease of terminating assignments. When the service was transferred to Tower Hamlets, only full-time employees were considered as part of the TUPE transfer, but operationally all staff, including agency workers were being utilised for service delivery without any pause. This has put pressure on the budget to cover for additional services for example extra routes due to greater footfall in the parks post covid, to cover sickness and additional public holidays. This resulted in an adverse variance for employee related costs of £1.9m. There are currently 43 vacant posts within the service and in excess of 100 agency staff being employed. A recruitment campaign is planned to fill the vacancies and reduce the reliance on overtime and agency staff.

A £0.3m favourable variance relating to payroll deductions resulting from the waste operative strike.

Supplies and services budgets are forecasting a £0.1m adverse variance due to higher than budgeted uniform costs due to high staff turnover and use of agency staff.

Unachievable income target of £0.1m relating to charging for household bulky waste collections. This income target formed part of a historic greater commercialisation saving allocated to Place in 2021/22. The charge either needs to be introduced in the current year or the saving written off as bulky waste collections remain a non-chargeable service.

Additional vehicle repairs and increased costs for scheduled maintenance due to contract prices increases is resulting in a forecast adverse variance of £1.4m. A further £0.2m adverse variance relating to fuel costs.

There are a number of mitigating actions that are being undertaken to manage this ongoing cost pressure. These include targeting illegal waste through increased enforcement activity; improve the commercial waste offer and increasing market share (whilst also targeting over production of waste by existing commercial waste customers through targeted enforcement activity to drive compliance and increase sales); reducing contamination through identification of hotspots followed by targeted communication (education/advice/enforcement); targeting rogue landlords through policy change/interventions; workforce recruitment of permanent staff to replace temporary staff and reduce overtime; and route optimisation and increased staff training to reduce vehicle damage / insurance claims.

Commercial Waste – Forecast £0.4m Adverse Variance
There is an under recovery of income totalling £0.4m for commercial waste. The service has lost customers during the pandemic. The service is currently recruiting a commercial waste manager who will be tasked with increasing the customer base.

Fleet & Passenger Transport Service – Forecast Nil Variance
The majority of fleet costs are recharged to other services. There has been a significant increase in these costs, in particular fuel, repairs & maintenance which have been passed on to other Directorates where the pressure is being reported. For passenger transport this includes extra staff and vehicle costs. The impact of these increases are reported elsewhere by the relevant services.

Concessionary Fares – Forecast (£1.2m) Favourable Variance
Although the cost of journeys has increased, 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.

Although there is a favourable variance in year, projections for future years are forecasting significant adverse variances (£1.5m in 2024/25 and a further £2.2m in 2025/26).

A £0.2m favourable variance relating to taxi cards. It is forecast that the TfL contribution to the scheme will be sufficient to cover the cost of the taxi card scheme in 2023/24 in its entirety.

Parking services – Forecast Nil Variance
Parking services has a favourable variance of £1.2m against budget. This amount will be transferred to the Parking Control reserve and reallocated to fund other highways and transport related services and school crossing patrols.

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, with forecasted additional income of £1.5m.

However, this is being offset by pressures on the Parking debt budget where there is an under recovery against the income target of £1.6m. This target relates to aged debt cases where the central debt collection team are falling short of the targeted debt recovery levels as some have been deemed irrecoverable.

Vacant posts across the Parking service is resulting in a favourable variance of £0.2m. Staff retention is challenging and when vacant these posts are difficult to fill.

Bay suspension income is over-recovering by £0.3m with demand for the service continuing to be high.

Casual parking income is projected to exceed budget by £0.6m with demand being higher than that budgeted.

A £0.1m favourable variance resulting from an increase in demand for visitor vouchers.

Additional income totalling £0.1m relating to changes to Traffic Management Orders.

School Crossing Patrol – Forecast Nil Variance
Employee related expenditure of £0.1m to be funded from the Parking reserve.

Environmental & Regulatory services – Forecast (£0.1m) Favourable Variance
Vacant posts across the Environment & Regulatory services totalling £0.4m. Staff recruitment and retention remains challenging in these service areas.

A favourable variance of £0.1m relating to mandatory HMO licensing income and private sector enforcement on THH estates.

Unbudgeted contract costs relating to the Coroner's, Undertaker and Pathology services are forecasting to result in a £0.2m adverse variance.

There is an ongoing court case with legal costs of £0.1m forecast in year. These costs will be met from the Proceeds of Crime reserve.

Selective Landlord licensing is forecasting an adverse variance of £0.2m where there is no reserve to offset the costs incurred providing the service. The license fees are paid in advance and cover a five-year period, the license fee covering the costs incurred administering the scheme over the life of the license period.

This represents an accounting error where the reserve was taken several years ago and not replaced rather than being the result of service provision.

Expenditure totalling £0.5m 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.

Late night levy expenditure of £0.2m to be funded from the Late-Night Levy reserve resulting a nil variance.

Street Trading – Forecast £0.4m Adverse Variance

The Street Trading account is a ringfenced account and is forecasting a £0.4m adverse variance. This relates to cleansing and refuse collection recharges from waste services. The service requirement and the recharge will be reviewed.

Community Safety – Forecast (£1.3m) Underspend at Period 9

Community Safety is projected to underspend by £1.3m at Period 9 against a budget of £10.7m. This forecast is in line with that reported at period 6.

The outturn position for 2022-23 was an underspend of £0.29m against a budget of £6.5m.

The Division has significant growth investment in 2023-24 for recruitment of additional Tower Hamlets Enforcement Officers (THEOs), and for investment in additional Metropolitan Police Officers for the Borough.

A robust campaign and a dedicated recruitment and selection process has been undertaken to ensure the additional officers are recruited to the Tower Hamlets Enforcement Officer Service. Due to the number of THEOs required, and to ensure the best outcomes, the recruitment and selection process has been undertaken using a phased approach and a dedicated campaign. Tranche 1 of this recruitment process concluded in June. The tranche of new staff selected are being "on boarded" in line with the Council's recruitment and selection policy. The recruitment and selection processes are still ongoing. The current projected underspend of £1.3m against this Mayoral Priority growth is currently shown in the outturn position and transferred to reserves (Mayors Priority Investment).

The Metropolitan Police have advised that they are unable to provide additional funded police officers this year due to London wide recruitment issues facing the Metropolitan Police Service and the need to prioritise the strongest ever neighbourhoods in line with their new vision for policing London and responding to findings of the Baroness Louise Casey review. Discussions are ongoing with the local Met Police Basic Command Unit to seek to mitigate this situation. Further proposals have been developed on the use of this growth funding by delivering a new Crime Reduction Target Operating Model and setting up a Mayors Anti-Crime Taskforce to deliver this. This is subject to Mayoral approval. If approved this has a critical interdependency with the use of the current £1.3m underspend against the growth that is being reflected in the period 9 position.

Culture – Forecast (£0.1m) Favourable Variance

Culture is currently projecting an favourable variance of £0.1m after reserve adjustments against a budget of £4.7m. This forecast is £0.4m favourable to that previously reported at period 6.

The main variances are detailed below:

- (E42) Sports & Physical Activities: Unachievable income on Leisure Contract totalling £0.1m; and sports projects additional to current budget envelope from the Mayor's Office, forecast spend against these projects is a further £0.1m. These projects relate to school sports including London Youth Games etc.

- (E46) Arts Parks & Events: A forecast adverse variance of £0.1m resulting from the budgeted increased income target from filming not been achieved due to recent industry industrial action leading to a downturn in activity and therefore income generated.
- (E49) In-Sourcing of Leisure services: The project is forecasting a favourable variance of £0.4m relating to ICT contracted related works (£0.2m) and negotiated reductions in second hand gym equipment equating to a further £0.2m.

Forecast underspend of £3.2m

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over / (under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
	A		B	C = B - A	D	= C + D	
Corporate Costs	20.9	13.4	20.4	(0.5)	(2.7)	**(3.2)**	1.1
Total	**20.9**	**13.4**	**20.4**	**(0.5)**	**(2.7)**	**(3.2)**	**1.1**

A forecast underspend of £3.2m for Corporate Costs is reported for this period.

Pay inflation budget held centrally – £4.9m overspend

Past reports projected a £3.8m pressure as a result of the 23/24 pay award and a risk that this could be higher. The final agreement has now been announced with a pay increase of the higher of £2,352 or 3.88%. Distribution of the budget increase for the pay award has identified that the total allocation was £4.9m higher than originally budgeted. This will be built into the MTFS to a recurring prevent a recurring pressure.

Non-pay inflation budget held centrally – £1.2m underspend

A corporate provision of £16.6m for non-pay inflation was budgeted. We have now assessed the impact of contract inflation across the Council which has identified a saving of £1.2m. There remains a risk that the provision for energy price increases will not be sufficient, and this is being quantified.

Cross-Directorate Savings – £1.1m overspend

There are two savings that haven't been allocated to a service.

1. Council wide efficiencies £0.8m - This relates to staffing savings including the deletion of vacant posts and reducing agency. Although this saving has slipped work is being undertaken around the use of agency staff and structures that is anticipated to deliver this saving in future.
2. Hybrid mail £0.3m – The saving was based on reduced costs through the use of hybrid mail. However, actual expenditure hasn't reduced sufficiently to realise the saving.

Redundancy, Severance and Early Retirement – breakeven

An allowance of £2.5m is included in the budget for redundancy costs. This is to allow additional capacity for the Council to fund transformation. Due to the voluntary redundancies, it is anticipated it will be fully utilised this year. Any underspend will be transferred to reserves to provide funding for future years.

Pension Fund deficit repayment – £1.0m underspend

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

Corporate contingency budget to cover unforeseen circumstances – £1.0m underspend
There is £3.1m included in the budget to cover unforeseen circumstances. Following allocations for VAT payments (£1.0m), refuse strike action (£0.4m), other smaller amounts (£0.1m), an amount of £1m is being released from contingency at this time to support the overall budget position.

Treasury Management – forecast £1.1m underspend

An underspend of £1.1m is forecast on borrowing costs and Minimum Revenue Provision due to slippage in the capital programme as well as higher investment returns.

Corporate income and expenditure – forecast £4.9m Underspend
Forecast overachievement of income of £2.2m against corporate income target attributable to the receipt of £2.2m from the London mayor in respect of Free Healthy School Meals.

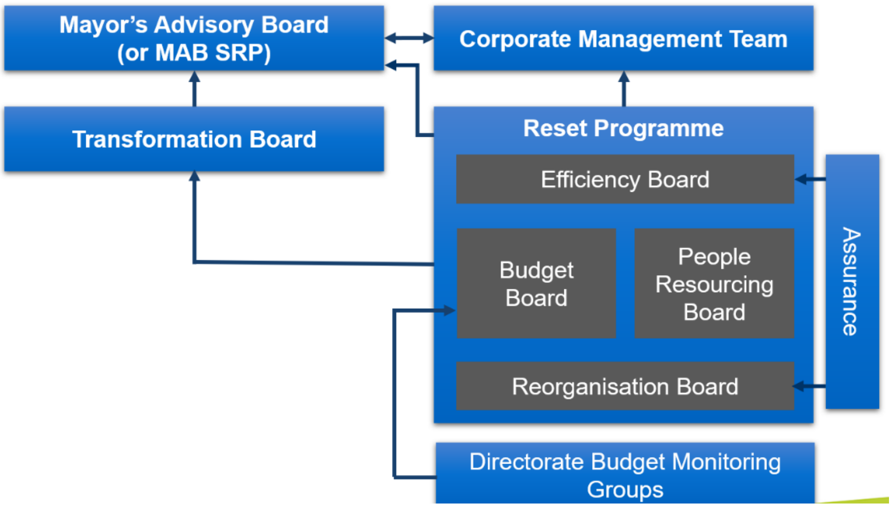
Following final confirmation of the 2021/22 business rates pooling position the £2.7m held in relation to this can now be released from reserves.

Actions to Address the Forecast Overspend

As reported in Quarter 2, the Council continues its transformation programme to make sure we are achieving the council's agreed priorities, Mayor's ambitions for the borough and the objectives set out in the Strategic Plan in a more efficient and financially sustainable manner with evidence the programme is embedding into the organisation through the improved overall forecast General Fund outturn position reported from quarter 2 to 3 (decrease in forecast overspend by £4.3m).

Boards have been set up to drive the transformation and achieve those efficiencies detailed in our Medium-Term Financial Plan (MTFP). These boards have been set up to bring much more rigour to the financial management process, in part based on the annual underachievement of savings targets over a number of years and will help to reorganise and restructure the council and are subject to on-going quarterly review to ensure they are working as effectively as possible.

The diagram below shows how these new governance arrangements for the transformation of the Council operate:



A key element of these arrangements is the Budget Board, which is chaired by the Section 151 Officer and leads on approving budget efficiencies, including saving targets, budget growth requests and in-year variances.

In addition, the Council is also reviewing its Target Operating Model to guide the organisations evolution towards one that places more emphasis upon the needs and aspirations of the people of our Borough and the users of our services.

Directorates have been issued with additional savings targets to achieve and proposals will progress through the new governance framework to ensure they are deliverable, and all potential savings are identified. Savings that can be taken in year will be identified as part of this process.

A corporate savings target has also been set for the Corporate Restructure Initiative. There are three drivers that necessitate a review of the departmental structures for the Council's services. These are: -

- To ensure staff resource is better aligned to the Council's priorities
- To ensure that the services we offer are as efficient and customer focused as they can be
- To provide an accelerated contribution to the delivery of £40m of realisable recurring savings required over the coming medium term to secure a financially sustainable position in line with our financial strategy

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m	Increase / (decrease) net forecast spend from Quarter 2
Housing Revenue Accounts (HRA)	(1.1)	(43.3)	(1.2)	**(0.1)**	1.0
Total	**(1.1)**	**(43.3)**	**(1.2)**	**(0.1)**	**1.0**

The Housing Revenue Account is forecasting an outturn position with a favourable variance of £0.1m when compared with budget. This represents an adverse variance of £1m when compared with previous forecasts. The forecast underspend results from favourable variances within the technical adjustments with depreciation costs being lower than budgeted and the Item 8 credit forecasting significant additional income resulting from higher interest rates. This is being offset by pressures in insurance, building safety works and a shortfall in rental and service charge income resulting from a high number of void properties. THH transferred back in-house in November 2023. Work is ongoing to restructure the budget so that it closely reflects the service and priorities of the council. In the meantime the monitor reflects the 'old structure', adjusted to allocate the management fee on an appropriate basis.

Delegated Budgets – £3.2m Adverse Variance

The Delegated budgets cover income and expenditure where LBTH retain ownership of the budgets but delegated management responsibility to THH. The net Delegated budgets for 2023/24 is an income of £64.8m. There is an adverse variance of £3.2m against these budgets.

Income – (£0.3m) Favourable Variance

A £2.4m favourable variance relating to leaseholder service charges. Income is projected to exceed budgeted levels due to an increase in the cost of energy and building insurance, 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 £0.9m adverse variance in rental income due to properties being held void. A total of 229 properties are being held as void. Of these, 84 properties are held void 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. A further 21 properties are void on new build sites awaiting occupation, 51 properties are void awaiting disposal, and 1 property is void awaiting knock-through. These are in addition to the normal day to day voids occurring during the year, where there are 72 properties currently void.

A £0.9m adverse variance relating to tenant service charge income resulting from the high number of void properties where service charge income is not being collected.

Garage rents have an adverse variance of £0.2m. A total of 87 garages have been decommissioned with the sites being included in the Mayor's new build property programme.

A £0.1m adverse variance relating to the admin fee for major works. Lower than budgeted major works taking place due to leaseholder consultations not progressing and where they have leaseholders declining that major works are required.

Expenditure – £3.5m Adverse Variance
A favourable variance of £0.1m for NNDR costs associated with the non-dwelling properties. This is based on the previous year's outturn position has charges for the new year are yet to be posted.

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 repairs & maintenance budget is forecasting a favourable variance of £0.5m. This results from the neighbourhood plan programme of works which is budgeted but no programme of works is in place. New repairs contracts were let in the previous financial year and there have been delays with some works resulting from supply chain issues, with contractors unable to sublet works due to increases in labour and material costs. Delays are also being experienced for remedial works where contracts are proving expensive and difficult to let in the current market.

Building insurance is forecasting an adverse variance of £2.2m, bringing the full forecast for this year to £6m. The insurance market is experiencing contraction, as the number of insurers has declined, and premiums are increasing. During the tendering process, the Council received only one proposal, and it was accepted but resulted in a 58% increase in premiums.

A forecast adverse variance of £1.6m relating to building and fire safety works. Of this, £1.1m relates to the risk appraisal of external walls as part of the Council's response to the Fire and Building Safety Acts. Delays in procuring these works in the previous financial year has resulted in a larger programme in year to catch up. A further £0.3m relates to waking watch put in place to mitigate findings from these surveys. The remaining £0.2m budget pressure is for additional asbestos works where asbestos has been discovered as part of the surveying process.

Charges for Dame Collet and Poplar Baths are forecasting an adverse variance of £0.1m which is directly attributable to inflationary increases. Final charges were agreed post April after the budget had been set.

The Concierge service is forecasting an adverse variance of £0.2m with additional security costs (waking watch) at Odette Duval House, Maltings & Brewster and Latham House due to fire safety concerns.

A £0.1m adverse variance relating to service charge payments for leasehold enfranchisements. The HRA budgets for three additional enfranchisements but there has a total of five in year.

There are a number of historic leases relating to the Arches in Drewton Street and Stepney Causeway. The rent and insurance charges exceed budgets by £0.1m, resulting in an adverse variance.

Following an explosion at Bentworth Court, the Council has incurred costs totalling £1.1m in addition to those incurred previously of £4.4m. Discussions with the insurance loss adjuster have been positive and it is assumed that this additional cost will be met through insurance, resulting in nil variance.

Non delegated budgets – £1.3m Adverse Variance
A £0.2m favourable variance relating to non-dwelling rental income. This relates to shop income for Ben Johnson Road which has not been budgeted for in the HRA. These shops previously sat in the General Fund but are HRA dwellings.

The Leaseholder Enfranchisements income has exceeded budget by £0.2m. The number of applications to extend leases is projected to be higher than budgeted. To date 92 leases have been extended and it is forecast that a further 31 will be completed in year.

Salary costs relating to building safety leads is forecasting a favourable variance of £0.2m. This results from the posts being difficult to recruit too with all local authorities competing for a limited resource.

A £0.8m adverse variance on repairs and maintenance costs relating to non-dwelling properties. This includes additional security costs on void properties, business rate charges on empty properties and unbudgeted responsive and programmed repairs.

A £0.3m adverse variance for support service recharges relating to additional recharges from the asset management team as they are undertaking additional HRA related works. The team supporting the HRA include agency staff at higher cost.

Capitalisation shortfall of £0.3m due to slippage within the HRA cyclical capital programme.

An adverse variance of £0.5m against insurance premiums for dwellings with costs rising at a higher percentage than was budgeted. Premiums on dwellings insurance have increased by 58% due to reduced competition in the market driving up costs.

The Council are looking to enter into a development agreement to build out some sites which currently sit within the pipeline schemes but cannot be afforded within the HRA capital programme. There will be costs associated with this agreement but at present they are unknown as work to procure a partner developer is in its infancy. Any in-year revenue implications will be reviewed as this work progresses.

Technical Adjustments – (£3.6m) Favourable Variance

A favourable variance of £0.7m against the depreciation charge (this is made up of a £0.8m favourable for HRA dwellings and a £0.1m adverse variance against the HRA non-dwelling properties).

An adverse variance of £0.5m for the Item 8 debit and a favourable variance of £3.4m for the item credit resulting from increased interest rates. Item 8 charges are sensitive to changes in interest rates and will be monitored throughout the year.

General Fund (GF) Balances and Earmarked Reserves

The table shows forecast pressures on 2023/24 General Fund and Earmarked Reserves balances and how this might be managed by means of utilising earmarked reserves.

	Draft accounts as per 31 March 2023*	Forecast contribution to / (from) Reserve	Forecast balance 31 March 2024
£m	**£m**	**£m**	**£m**
GF balances (general reserve)	**20.9**	0.1	**21.0**
	20.9	**0.1**	**21.0**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
BAME	0.8	(0.3)	0.5
CIL Reserve	3.7	(0.9)	2.8
Collection Fund Smoothing**	45.9	(8.0)	37.8
Covid Recovery Fund	1.8	0.0	1.8
Covid-19 Grant	4.1	(1.2)	2.9
Free School Meals Reserve	1.8	(1.8)	0.0
HA&C Joint Funding Agreements	7.3	(3.3)	4.0
Insurance	7.9	(0.3)	7.6
Local Elections earmarked reserve	0.6	0.0	0.6
Parking Control	8.8	(0.5)	8.3
Public Health Reserve	7.2	(0.7)	6.4
Revenue Grants Unused	12.2	(3.2)	9.0
Ringfenced Developers' Contributions	6.1	(0.2)	5.9
Earmarked reserves with restrictions – Subtotal	**108.0**	**(20.4)**	**87.6**
Earmarked reserves without restrictions			
ICT Reserve	9.3	(1.5)	7.8
Mayor Tackling Poverty Reserve	1.6	0.6	2.2
Mayors Priority Investment Reserve***	47.9	(26.7)	21.2
Risk Reserve	15.9	0.0	15.9
Services Reserve	14.6	(3.5)	11.1
Social Care Pressures Reserve***	0.0	3.1	3.1
Transformation Reserve	3.1	0.0	3.1
Earmarked reserves without restrictions - Subtotal	**92.4**	**(28.0)**	**64.4**
Total Earmarked Reserves	**200.4**	**(48.4)**	**152.0**
Total GF and Earmarked reserves	**221.3**	**(48.3)**	**173.0**

latest Draft account 31 March 2023 position

**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 Mayor's Priority Investment reserve is forecast to reduce by £26.7m largely due to budgeted contributions to fund MTFS (22.1m), budgeted creation of a Social Care Pressures Reserves (£4.6m) as approved by council on 1st March 2023 and remaining balance relating to forecast in-year movements to the reserve

The table shows the 2023/24 forecast outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves.

HRA and DSG reserves	**Draft balances as per 31 March 2023***	**Forecast contribution to / (from) reserves**	**Forecast balance 31 March 2024**
	£m	**£m**	**£m**
Housing Revenue Account (HRA)	**38.5**	(9.6)	**28.9**
Dedicated Schools Grant (DSG)	**(13.1)**	(0.3)	**(13.4)**
Capital Grants Unapplied	**190.4**	26.7	**217.1**
Capital Receipts Reserve	**156.1**	10.4	**166.5**
Major Repairs Reserve (MRR)	**8.0**	(2.0)	**6.0**
Total Other Reserves	**379.9**	25.3	**405.2**

* latest Draft accounts 31 March 2023 position

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 latest draft accounts balance as at 31 March 2023 was £93.2m and the total is forecast to be £100.8m at 31 March 2024.

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

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

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

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

This section shows the amount of money we have collected from tax payers of the borough, and the split between the amount that is retained and the amounts paid over to central government and the GLA.

NNDR Business Rates

We are expected to collect £404m in 2023-24 for total Business Rates income (30% retained by the Council and 37% passported to the GLA and 33% central government), excluding business rates supplement. Collection levels continue to be impacted by the economic impacts from the cost of living pressures, although collection rates are starting to return to pre-pandemic levels.

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. The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24.

The accumulated deficit 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 £4.9m, to allow for the ongoing potential impacts of cost of living pressures.

To the end of Period 9, we have collected £347.7m of £431.7m billed (80.55% in-year collection rate) compared to 81.66% for 2022-23, the slight fall in rate is a result of the final award of CARF during November 2023 which inflated collection rates in the short term. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

Council Tax

We are expected to collect £175.7m in 2023-24 (both GLA 27.5% and Council 72.5% shares). Collection levels continue to be impacted by the economic impacts of the 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 £1.1m. There is a loss allowance (bad debt provision) of £13.7m to allow for the potential impacts of cost of living pressures.

The Covid-19 pandemic reduced the collection rate and increased significantly those claiming benefits including through the Local Council Tax Reduction Scheme (LCTRS). The cost of the LCTRS scheme rose from £26.7m in 2019-20 to £31.6m in 2020-21 and has continued to rise to a forecast £32.3m for 2023/24 as at Period 9. The level of claimants has continued to reduce slightly from the increased pandemic level from 29,989 (end of 2021-22) to 27,884 (end of Period 9).

To the end of Period 9 we collected £125.2m of the £176.2m Council Tax bills raised (71.07% in-year collection rate) compared to 72.5% for the same period in 2022-23, this is lower than the previous year, in part due to the application of energy rebates to council tax accounts during the same period in 2022-23. It is also 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 energy and food costs).

The Council actioned the government's Council Tax support Fund, administering the reductions in bills of £55 to eligible Council Tax payers in time for the annual demand notices. During the final quarter, the remaining balance of this grant will be allocated Council Tax payers.

Overall Position

The nominal value of Council's investment at the end of December 2023 was £249.983m (a decrease of £15.484m from September 2023) and a decrease of £44.267m from previous month). Capital growth from strategic and cash pooled funds was £1.277m making the market value of investments as £268.803m.

External borrowing was £68.709m and no new external borrowing took place during the quarter. Council's Q3 investment balance remains higher than the Arlingclose pool of 20 London and Metropolitan Boroughs average investment balance of £86.9m and pool of 127 local authority average of £74.8m.

The 2023-24 budget for investment income is £2m while income forecast is £9.3m. This significant increase in forecast was due to significant inflation pressure last year and the Bank of England's aggressive rate increases to control inflation.

Investment Category	Dec 2023 Nominal Value £m	Dec 2023 Fair Value £m
Internally Managed Investments		
Banks	1.000	0
DMADF	40.000	40.000
Money Market Funds	132.983	155.570
Externally Managed Pooled Funds		
Cash Plus & Short Bond Funds	20.000	19.946
Strategic Pooled Funds	56.000	53.287
Total	**249.983**	**268.803**

Income Position

The yield of the internal portfolio at the end of the quarter was 5.30%. This was helped by the 2 Base Rate increases during the quarter thereby reflected 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 5.07% while total return including impact of externally managed pooled fund losses was 5.71%. (Capital gain on cash plus pooled funds was 2.12% and strategic funds 2.45%).

Benchmarking

According to the December quarter benchmarking information received from Council's treasury advisor, Arlingclose Ltd, average income return of 5.07% slightly underperformed a group of 20 London and Metropolitan Boroughs (5.18%) average income return) and outperformed against 127 national local authorities (5.04% average income return).

Liquidity
64% of Council's invested cash at the end of the quarter is available within 7 days ensuring adequate cash is available to meet daily expenditure payments. This compared to the average London and Metropolitan Boroughs of 65% and pool of Local Authorities in the Arlingclose pool of 52%.

80% of funds are available within 100 days of maturity compared with a London and Metropolitan Borough average of 83% and local authority average of 72%.

Overnight liquidity at the end of December was £155.571m which is 80% of the internal portfolio. The average days to maturity of the internal portfolio at the end of the quarter was 11 days (42 days September 2023) which continues to be influenced by the deposits with the DMADF, fixed bank deposits and the LA deposits.

Security
The investment average credit rating of AA- represents a secured portfolio compared to the average rating for Arlingclose pool of 20 London and Metropolitan Boroughs of A+ and A+ average for pool of 127 local authorities.

The maximum unsecured exposure to a single financial institution aside from the Debt Management Account Deposit Facility (DMADF) is £15m. Currently we have £25m invested with DMADF and £1m with Santander.

The lowest credit ratings for ANZ Banking Group is A+, while DBS is AA+.
The Council's investment portfolio's bail-in risk is 80%, although this is all available overnight through MMFs.

Inflation
CPI inflation dropped significantly from 6.7% in September to 4.6% in October, slightly below the forecast in the November Report. This decline was attributed to decreases in energy, food, and core goods price inflation, while services price inflation remained high. The reduction in the Ofgem energy price cap significantly lowered household energy bills. Core goods price inflation was projected to continue falling, reflecting easing global goods price inflation. However, services price inflation remained above overall CPI inflation at 6.6% in October, primarily influenced by components not typically indicative of long-term inflation trends.

Inflation continued to fall from its peak as annual headline CPI declined to 3.9% (down from 4.6%) in November 2023. The largest downward contribution came from energy and food prices. The core rate also surprised on the downside, falling to 5.1% from 5.7%.

Interest Rate Forecast December 2023

	Current	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**	**Mar-26**	**Jun-26**	**Sep-26**	**Dec-26**
Official Bank Rate Central Case	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00	3.00
3-month MMF rate Central Case	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05	3.05
5yr gilt yield Central Case	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35	3.35
10yr gilt yield Central Case	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70	3.70
20yr gilt yield Central Case	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25	4.25
50yr gilt yield Central Case	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95	3.95

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 quarter because the capital program is temporarily funded using cash reserves thereby saving on external borrowing costs in the short-term.

Target for year £15.5m

£12.3m savings to be delivered

Services	£m 2023/24 Target	£m Prior Year Slippage	£m Saving Target	£m Forecast Savings	£m Slippage	£m Under Recovery
	A	B	C = A + B			
Health and Adult Social Care	2.6	-	2.6	2.6	-	-
Children's Services	2.5	0.1	2.6	2.6	-	-
Housing and Regeneration	4.7	0.3	5.0	2.8	2.1	0.1
Chief Executive's Office	0.3	-	0.3	0.3	-	-
Resources	1.0	0.2	1.2	1.2	-	-
Communities	2.3	-	2.3	2.3		
Cross-Directorate	1.0	0.5	1.5	0.5	-	1.0
Total	**14.4**	**1.1**	**15.5**	**12.3**	**2.1**	**1.1**

Total savings target for 2023/24 is £15.5m which includes previous years' slipped savings. Of which,

- £12.3m is identified as being on track to deliver savings;
- A net position of £2.1m is forecast to slip into future years due to timing issues;
- £1.1m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2023-26' for a detailed breakdown and latest updates on the savings programme.

General Fund (GF) forecast outturn £84.8m against a revised budget of £88.9m
Forecast Variance £4.1m - net slippage £6.7m, net overspend £2.6m

General Fund (GF) Capital Forecast

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Overspend £'m
Approved Programme	Children Services	44.8	30.6	42.4	(2.4)	95%	(1.4)	(2.2)	(0.2)
	Communities	13.0	5.2	10.2	(2.8)	78%	(2.7)	(3.9)	1.1
	Health & Adult Social Care	5.1	4.1	8.3	3.1	161%	3.1	1.5	1.6
	Housing & Regeneration	8.5	3.8	7.7	(0.7)	91%	(6.7)	(0.9)	0.1
	Resources	0.5	0.3	0.4	0.0	90%	(0.6)	(0.1)	0.0
Approved Programme Total		**71.9**	**43.9**	**69.0**	**(2.9)**	**96%**	**(8.3)**	**(5.6)**	**2.7**
	Children Services	3.0	1.7	2.9	(0.1)	98%	(0.6)	0.0	(0.1)
	Communities	6.3	2.4	5.6	(0.8)	88%	(0.7)	(0.8)	0.0
	Housing & Regeneration	3.2	1.4	3.2	0.0	100%	0.0	0.0	0.0
	Resources	1.5	0.6	0.8	(0.7)	53%	(1.4)	(0.7)	0.0
Approved Rolling Programme Total		**14.0**	**6.2**	**12.5**	**(1.6)**	**89%**	**(2.7)**	**(1.5)**	**(0.1)**
Invest to Save Programme	Communities	0.9	1.1	1.2	0.3	132%	0.3	0.3	0.0
	Housing & Regeneration	1.3	1.8	1.7	0.4	127%	0.4	0.4	0.0
Invest to Save Programme Total		**2.2**	**2.8**	**2.9**	**0.7**	**129%**	**0.7**	**0.7**	**0.0**
LIF Programme	Communities	0.7	0.0	0.5	(0.2)	71%	(6.0)	(0.2)	0.0
	Resources	0.0	0.0	0.0	0.0	0%	0.0	0.0	0.0
LIF Programme Total		**0.8**	**0.0**	**0.5**	**(0.2)**	**71%**	**(6.0)**	**(0.2)**	**0.0**
Grand Total		**88.9**	**52.9**	**84.8**	**(4.1)**	**95%**	**(16.5)**	**(6.7)**	**2.6**

Introduction

As part of the Budget Report 2024-25 and Medium-Term Financial Strategy 2024-27, presented to Council on 28th February 2024, a total General Fund (GF) capital programme totalling £291.1m from 2023/24 to 2026/27 was approved, of which, £88.9m related to the 2023/24 financial year which is what this monitoring report is set against.

The GF Capital forecast outturn by directorate, setting out the forecast outturn against revised 2023/24 capital budgets for directorates is presented in the above table.

The Period 9 forecast outturn GF capital expenditure for the year is £84.8m, resulting in a total forecast variance of £4.1m against the 2023/24 revised capital GF budget of £88.9m (95% of the revised budget).

This is due to forecast net slippage of £6.7m and net overspends of £2.6m across the programme. The total spend to date is £52.9m, which will need to be kept under close review to ensure forecasts are materialising as expected for the year. The details of the programmes are set out below;

Approved Programme

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Overspend £'m
Approved Programme	Children Services	44.8	30.6	42.4	(2.4)	95%	(1.4)	(2.2)	(0.2)
	Communities	13.0	5.2	10.2	(2.8)	78%	(2.7)	(3.9)	1.1
	Health & Adult Social Care	5.1	4.1	8.3	3.1	161%	3.1	1.5	1.6
	Housing & Regeneration	8.5	3.8	7.7	(0.7)	91%	(6.7)	(0.9)	0.1
	Resources	0.5	0.3	0.4	(0.0)	90%	(0.6)	(0.1)	0.0
Approved Programme Total		**71.9**	**43.9**	**69.0**	**(2.9)**	**96%**	**(8.3)**	**(5.6)**	**2.7**

The 2023/24 revised budget for the Approved Programme is £71.9m. The forecast outturn for the Approved Programme is £69.0m resulting in total forecast variance of £2.9m due to expected net slippages of £5.6m and net overspends of £2.7m across the programme.

Children's Services

The 2023/24 revised budget for the Children Services Approved Programme is £44.8m. The forecast outturn for the programme is £42.4m (95% of the revised budget) resulting in total forecast variance of £2.4m due to forecast net slippages of £2.2m and net underspends of £0.2m across the directorates programmes.

The major programme under the Children Services Approved Programme is the Schools Basic Need and Expansion Programme. The total revised budget for this programme is £43.5m for the year, current forecast against revised budget is spend of £41.8m, due to expected net slippages of £2.0m within the year and net overspend of £0.3m. Within this programme there are several large schemes which are at differing stages of their project life cycles and further details of significant schemes are provided as follows;

The 2023/24 revised capital budget for the London Dock School Expansion programme is £37.5m. The forecast spend is £37.5m. Since the last report, the Works Funding Agreement (WFA) has been received from the Department for Education (DfE) to enable the porting of grant funding totalling (c£54m) – and has been signed off by the council and the DfE. The council has also received a sum of c£37m in November 2023 with the remaining grant being made available on monthly instalments in arrears on presentation of invoice evidence from November 2023 through to August 2024. The project is progressing as planned on site, with the setting due to open in September 2024. Cash flow and forecasts align, so the anticipated commitment for the current financial year is expected to be met.

Hermitage Temporary SEND unit has a revised budget of £0.5m, is forecasting to spend £0.2m and slip £0.3m of the budget into future years. The award is expected to be announced imminently; the forecast budget has therefore been adjusted to reflect expected spend in 2023/24, with the remaining budget to slip into 2024/25.

Beatrice Tate School Expansion has a revised budget of £1.3m, and is forecasting spend of £0.1m, this represents a slippage of £1.2m into future years. The forecasted spend for this project has been adjusted to reflect the current position. As a result, the budget will slip into the next financial year, when delivery will commence. Following procurement due diligence, contract award is expected imminently, following approval of the main construction award at Cabinet on 31st January 2024.

Secondary Schools - Universal Free School Meals, has a revised budget of £0.7m, the forecast is £0.5m, this forecast is based on claims being made from the secondary schools in the borough, and as the project was implemented in stages, it is anticipated that the remaining expenditure of £0.2m will slip into 2024/25.

The Institute of Academic Excellence, a new budget of £0.5m was added to the programme during Budget Report 2024-25 and Medium-Term Financial Strategy 2024-27 setting (subject to full council approval in February 2024), however, at this time with feasibility options still being reviewed, spend is forecast to slip into 2024/25.

Communities

The 2023/24 revised budget for Communities Directorate is £13.0m. The forecast outturn is £10.2m (78% of the revised budget) resulting in a total forecast variance of £2.8m due to a net slippages of £3.9m and net overspends of £1.1m across the programme.

The Waste, Recycling and Fleet programme budget allocation for the year of £3.5m is forecasting a total variance of £0.2m due to forecast net slippages of £0.7m into future years and a net overspends of £0.6m across projects within the programme. The slippages are mainly due to the Electric Charging Points for Council Vehicles project within the programme. The project is experiencing delays with charging infrastructure and power supply and is forecasting slippage of £0.7m. Delays are due to changing priorities on various sites and surveys being finalised regarding power supply requirements. The Interim Depot Strategy project with a budget of £0.5m is forecasting an overspend of £0.5m, this overspend relates to essential health and safety works at the depot.

The New Infrastructure Programme with a revised budget of £2.2m is forecast to slip by £0.4m into future years. Lochnager Bridge, with a revised budget of £0.9m, is forecast to spend £0.5m, slipping £0.4m into future years due to delays in schedule as this is reliant on London Borough of Newham's (LBN) negotiations with third parties to secure eastern landing that will require at least six months. Without land secured, LBN is not able to enter the Bridge Development Agreement which regulates matters of sharing costs, bridge adoption, LBN taking over the maintenance costs, among other things.

The other significant programme within the Communities Directorate is the Parks Programme, with a total revised budget allocation of £3.6m for the year. The forecast outturn for the year is £3.9m, resulting in forecast variance of £0.3m due to net acceleration of £0.2m and net overspends of £0.1m at year-end. There are several smaller schemes forming this programme and further details of these schemes are provided as follows;

The 2023/24 revised budget for Quality Parks projects is £1.3m, with forecast spend of £1.1m anticipated at year-end and the project will slip £0.2m into future years. The budget for this programme has been reconfigured several times to ensure that it meets the council's priorities for the Parks Programme. In particular, there is £1.0m earmarked for Allen Gardens that has been held back subject to approval (which has now been received) of match funding from central government with plans being finalised before the project can formally commence. Other aspects of this programme were only approved in late 2023, and as the funding was intended to be spread out over several years, aspects of the programme will need to be profiled for future years. Victoria Park Mini Golf has a revised budget of £0.4m, with forecast spend of £nil as the project is currently under strategic review.

The St George Leisure Centre project is a significant capital project being delivered within the councils Communities Programme. The project has a revised budget allocation of £0.9m and forecast spend for the year is £0.5m. The initial delay experienced was due to the late start of the Design Team and Employers Agent Contracts. Employers' agent was appointed in September 2023, with the expectation that the main contractor for the demolition phase will be on board by April 2024, with demolition commencing in May 2024 following planning approval. A main contractor will be appointed through a

Pre-Construction Services Agreement (PCSA) expected in October 2024. Construction should start on the new-build elements in May 2025.

South Dock Bridge has a revised budget of £1.9m and is forecasting spend of £0.4m with £1.5m of spend forecast to slip into future years. This is due to delays in appointing land acquisition consultants and seeking approval to vary architects' contract to complete detailed design (Stage 4) as variation amount is above threshold. This has impacted on the programme and projected spending profile for 2023/24.

Markets - the EV Trader Power Bollards are showing slippage of £0.3m, from a revised budget of £0.3m. This is due to various tenders relating to EV's (electric vehicles) that was subject to the January cabinet report. Cabinet has now approved the recommendation to go out to tender via the procurement process.

Community Safety – the Transformation of CCTV has a revised budget of £0.4m, with a forecast outturn of £0.8m, this is a £0.4m overspend. Reasons for this overspend relate to the costs of the control room building works being higher than original estimates due to inflationary increases.

Health & Adults Social Care

The 2023/24 revised budget for Health & Adults Social Care Approved Programme is £5.1m. The forecast outturn for the programme is £8.3m (161% of the revised budget), resulting in total forecast variance of £3.1m across the programme, which is due to £1.5m of forecast accelerations and £1.6m forecast overspends. Projects in the approved programme are monitored via the Health and Adult Social Care Capital Oversight Group, which meets monthly.

Public Health projects have a combined capital budget of £3.3m with spend forecast of £6.0m. The variance of £2.8m, is made up of forecast net accelerations of £1.8m and net overspends of £1.0m. The largest overspends relate to health centres 'Maximising Health Infrastructure – various sites' project (£0.5m), Sutton Wharf project (£0.3m) and the Goodman Fields project (£0.2m). For all of these projects, final payment of outstanding Invoices have been provided by the NHS. Overspends are urgently being reviewed to reconcile accounts. Any overspends will be challenged to be paid by NHS, any additional resources will go through finance assessment to ensure funds are used appropriately.

The Sewardstone Road project within the Adult Social Care programme with a budget of £1.0m is forecasting an overspend of £0.5m and there is a risk this will increase with retention costs being finalised as the project is near completion. Norman Grove which has a revised budget of £0.7m for 2023/24 is forecasting spend of £0.6m, resulting in a slippage of £0.1m. However, spend to date is £nil hence the project forecast is currently under close review.

Housing & Regeneration

The 2023/24 revised budget for Housing and Regeneration Approved Programme is £8.5m. The forecast outturn for the programme is £7.7m (91% of the revised budget) resulting in total forecast variance of £0.8m due to expected net slippages of £0.9m and a net overspends of £0.1m across the programme.

There are various key projects that are driving the forecast variance of £0.9m, detailed as follows;

The Carbon Offsetting projects with a revised budget allocation of £1.7m for the year is forecasting spend of £0.4m in 2023/24, thereby slipping a budget of £1.3m into future years. Two solar PV projects, one community focussed and one for council buildings have been delayed and will slip £0.4m into future years. A contractor is on board and surveys are being undertaken with the delivery being scheduled for 2024/25. The Residential Energy Efficiency project was added to the programme during Budget Report 2024-25 and Medium-Term Financial Strategy 2024-27 setting, however, it is unlikely that this project will be delivered in 2023/24, and the budget of £0.4m is now forecast to slip into 2024/25. Further, current forecasts indicate that the Island Gardens Café project will overspend by £0.1m which is currently being reviewed as part of the council's internal governance process.

Resources
The 2023/24 revised budget for Resources Approved Programme is £0.5m. The forecast outturn for the programme is £0.4m (90% of the revised budget) resulting in total forecast variance of £0.1m across the programme, which will be slipped into future years.

Annual Rolling Programme

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Overspend £'m
Approved Rolling Programme	Children Services	3.0	1.7	2.9	(0.1)	98%	(0.6)	0.0	(0.1)
	Communities	6.3	2.4	5.6	(0.8)	88%	(0.7)	(0.8)	0.0
	Health & Adult Social Care	0.0	0.0	0.0	0.0	0%	0.0	0.0	0.0
	Housing & Regeneration	3.2	1.4	3.2	0.0	100%	0.0	0.0	0.0
	Resources	1.5	0.6	0.8	(0.7)	53%	0.0	(0.7)	0.0
Approved Rolling Programme Total		**14.0**	**6.2**	**12.5**	**(1.6)**	**89%**	**(1.4)**	**(1.5)**	**(0.1)**

The 2023/24 revised budget for the Annual Rolling Programme is £14.0m. The forecast outturn for the Approved Rolling Programme is £12.5m (89% of the revised budget) resulting in total forecast variance of £1.6m due to expected net slippage of £1.5m and net underspend of £0.1m across the programme.

Children's Services
The 2023/24 revised budget for the Children Services Annual Rolling Programme is £3.0m. The forecast outturn for the programme is £2.9m (98% of the revised budget) resulting in total forecast variance of £0.1m, an underspend across the programme. The Conditions and Improvement for Schools' programme reacts across the maintained schools estate on a conditions need requirement and this is a ring-fenced externally funded budget.

Communities
The 2023/24 revised budget for the Communities Annual Rolling Programme is £6.3m – largely relating to capital footway and carriageways (£5.0m) and Leisure Centre Improvements (£1.0m). The forecast outturn for the programme is £5.6m, resulting in a forecast variance of 0.8m. Leisure Centre Improvements has a revised budget of £1.0m, with a forecast outturn of £0.2m, resulting in slippage of £0.8m into future years. All spend has been incurred for the year with no further spend is forecast for the remainder of the year as condition priorities are currently being worked through.

Housing & Regeneration
The 2023/24 revised budget for the Housing & Regeneration Annual Rolling Programme is £3.2m – relating to Dedicated Facilities Grant (DFG) works (£1.2m) and Investment Works on LBTH Assets (£2.0m). The forecast outturn for the programme is as per budget - £3.2m.

Resources
The 2023/24 revised budget for the Resources Annual Rolling Programme is £1.5m. The forecast outturn for the programme is £0.8m, relating to the IT rolling Programme, resulting in £0.7m variance due to forecast £0.7m net slippages and several projects have completed in year, resulting in a £0.04m underspend.

Slippage has occurred in the following IT projects: Planning & Building Control Data Management £0.2m slippage, Housing Options Transformation £0.1m slippage, and leisure service insourcing £0.2m slippage. Reasons for slippage include delays to the selection of supplier taking eight months due to preferred supplier not passing financial checks, this meant additional scrutiny on remaining bidders. The sponsor of the project also left the council. internal teams being unable to complete the user acceptance testing (UAT) which is the testing that happens just before "go-live" due to this delay Civica was unable to sign off the testing and further fixing of bugs were required when the internal teams did do the UAT.

Invest to Save

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Overspend £'m
Invest to Save Programme	Communities	0.9	1.1	1.2	0.3	132%	0.3	0.3	0.0
	Housing & Regeneration	1.3	1.8	1.7	0.4	127%	0.4	0.4	0.0
Invest to Save Programme Total		**2.2**	**2.8**	**2.9**	**0.7**	**129%**	**0.7**	**0.7**	**0.0**

The 2023/24 revised budget for the Invest to Save programme is £2.2m. The forecast outturn for the programme is £2.9m resulting in total forecast variance of £0.7m due to expected net accelerations of £0.7m across the programme.

Housing & Regeneration
The Purchase of Temporary Accommodation (TA) programme budget allocation for the for the year is £1.3m, which is forecast to spend £1.7m, resulting in accelerated spend of £0.4m which will be funded from future years budgets.

Communities
Remote street lighting project with a budget of £0.9m is forecast to spend in full, and the remote monitoring of street lighting is forecasting spend of £0.3m against a £nil budget, as they are able to accelerate the spend to deliver this project faster.

LIF Programme

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Overspend £'m
LIF Programme	Communities	0.8	0.0	0.5	(0.2)	71%	(6.0)	(0.2)	0.0
LIF Programme Total		**0.8**	**0.0**	**0.5**	**(0.2)**	**71%**	**(6.0)**	**(0.2)**	**0.0**

The LIF programme has now been disbanded, and the budget moved to the NCIL (adopted by cabinet in July 2023). This new programme will develop projects based on community priorities which are identified from the annual resident survey. This will see major changes to the use of this funding source, splitting it between revenue grants and capital funding for infrastructure and affordable housing schemes. The 2023/24 revised budget for the legacy LIF programme is £0.8m. The forecast spend for the programme is £0.5m for the year, (71% of the revised budget). This budget represents the last few committed LIF projects, with two, Thames Path and Responsible Dog ownership slipping into 2024/25. However, spend to date is £nil hence the project forecast will be kept under close review.

Housing Revenue Account (HRA) Capital Forecast

Theme	Programme	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
Approved Programme	New Council Homes	47.0	30.1	45.4	(1.6)	97%	(2.5)	(1.7)	0.1
	HRA - Projects	0.2	0.1	0.1	(0.1)	55%	(1.0)	(0.1)	0.0
	HRA - Investment works LBTH Assets	1.1	0.1	1.1	0.0	100%	0.9	0.0	0.0
Approved Programme Total		**48.3**	**30.3**	**46.6**	**(1.7)**	**97%**	**(2.6)**	**(1.8)**	**0.1**
Approved Rolling Programme	HRA - Rolling Programme	23.9	9.4	18.5	(5.4)	77%	(5.0)	(5.4)	0.0
Approved Rolling Programme Total		**23.9**	**9.4**	**18.5**	**(5.4)**	**77%**	**(5.0)**	**(5.4)**	**0.0**
HRA Grand Total		**72.2**	**39.6**	**65.1**	**(7.1)**	**90%**	**(7.6)**	**(7.2)**	**0.1**

As part of the Budget Report 2024-25 and Medium-Term Financial Strategy 2024-27, presented to Council on 28th February 2024, a total Housing Revenue Account (HRA) capital programme totalling £457.075m from 2023/24 to 2026/27 was approved, of which, £72.2m related to the 2023/24 financial year which is what this monitoring report is set against.

The period 9 forecast outturn HRA capital expenditure for the year is £65.1m, which represents 90% of the revised 2023/24 capital budget of £72.2m. The forecast variance of £7.1m is due to expected net slippages across the programme (£7.2m) and overspends of (£0.1m). The total spend to date is £39.6m, which will need to be kept under close review to ensure forecasts are materialising as expected for the remainder of the year. The details of the programmes are set out below;

Approved Programme

Theme	Programme	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
Approved Programme	New Council Homes	47.0	30.1	45.4	(1.6)	97%	(2.5)	(1.7)	0.1
	HRA - Projects	0.2	0.1	0.1	(0.1)	55%	(1.0)	(0.1)	0.0
	HRA - Investment works LBTH Assets	1.1	0.1	1.1	0.0	100%	0.9	0.0	0.0
Approved Programme Total		**48.3**	**30.3**	**46.6**	**(1.7)**	**97%**	**(2.6)**	**(1.8)**	**0.1**

The 2023/24 revised budget for the Approved Programme is £48.3m. The forecast outturn for the Approved Programme is £46.6 resulting in total forecast variance of £1.7m due to forecast net slippages of £1.8m and net overspends of £0.1m across the programme.

Approved Programme - New Council Homes

The Council's revised New Council Homes capital programme budget for 2023/24 amounted to £47.0m, with the latest HRA business plan and the capital New Build programme aligned to reflect the latest plans and time frames for the programme.

The revised 2023/24 programme budget amounted to £47.0m. As at Period 9 of 2023/24, the spend to date amounted to £30.1m, with the full year forecast spend for the year of £45.4m. If the forecast spend materialises as expected at year-end, this will lead to a variance of £1.6m at year-end. The majority of the variance on housing schemes is due to expected slippages in the programme for a range of reasons, including;

- on site difficulties with contractors e.g. experiencing labour and material supply issues, inflationary cost pressures, cash flow and actual contractual performance.
- difficulties in getting contracts out for tender returned meaning what had been hoped for as start on sites earlier have slipped.
- a number of schemes are going through re-design, some already with planning consent at the request of the administration to try get an increase in larger sized homes.

Approved Programme – Projects and Investment works LBTH Assets

HRA projects and Investment works LBTH Assets are forecast to spend £1.2m against a budget of £1.3m. This is due to a forecast slippage of £0.1m on Watney Market Carpark sprinklers and lighting project. Although the Introducing off-street parking arrangements project is forecast to spend the full budget of £1.0m this financial year, spend to date is £0.06m hence the project forecast is currently being challenged and subject to update.

Annual Rolling Programme

Theme	Programme	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	Increase / (decrease) to forecast spend from Quarter 2	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
Approved Rolling Programme	HRA - Rolling Programme	23.9	9.4	18.5	(5.4)	77%	5.0	(5.4)	0.0
Approved Rolling Programme Total		**23.9**	**9.4**	**18.5**	**(5.4)**	**77%**	**(5.0)**	**(5.4)**	**0.0**

HRA - Rolling Programme

The 2023/24 revised budget for the HRA Annual Rolling Programme is £23.9m. The forecast outturn for the programme is £18.5m (77% of the revised budget) resulting in total forecast variance of £5.4m due to expected net slippages of £5.4m within the programme.

There are a significant number of major works projects currently at (or about to be at) the S20 consultation stage with very significant leaseholder recharges.

The main overarching risk to the programme currently remains the high costs related to a number of projects and the subsequent high estimated leaseholder recharges. This includes the package of works awarded to Mulalley for six blocks at Old Market Square that was initially expected to start in July 2022 which is still at the S20 consultation stage with discussions are ongoing regarding the size of the leaseholder recharge for these works.

The above coupled with the previously reported delays that include cost increase in materials and labour, resulting in lack of interest from frame-work contractors has also had a delay to projects.

The costs are being forecast to come through towards the end of the financial year as has happened in previous years.