Appendix A

Budget Monitoring Report 2023-24 Provisional Outturn 31st March 2024

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Circulated to	Cabinet
Date	10 July 2024
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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 Ahsan Khan, Strategic Head of Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

Provisional outturn General Fund (GF) underspend of £0.3m

Provisional outturn Dedicated Schools Grant (DSG) overspend of £1.5m

Provisional outturn Housing Revenue Account (HRA) overspend of £5.2m

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

	2023/24 Net expenditure budget	Provisional Outturn	Gross over / (under) spend	Transfer to / (from) reserves	Net variance over / (under) spend	Increase / (decrease) net spend from Quarter 3
	A		C = B - A	D	= C + D	
Children's Services	91.1	91.3	0.2	0.4	0.6	0.1
Resources	48.5	47.2	(1.3)	(0.2)	(1.5)	(0.7)
Chief Executive's	18.3	16.8	(1.5)	0.3	(1.2)	0.9
Health and Adult Social Care	170.7	180.9	10.2	(7.4)	2.8	(0.2)
Housing and Regeneration	37.4	45.8	8.4	(5.6)	2.8	0.4
Communities	54.3	53.8	(0.5)	1.2	0.7	0.6
Sub-total GF services	**420.3**	**435.8**	**15.5**	**(11.3)**	**4.2**	**1.1**
Corporate and Financing costs	25.2	15.7	(9.5)	5.0	(4.5)	(1.3)
Total General Fund	**445.5**	**451.5**	**6.0**	**(6.3)**	**(0.3)**	**(0.2)**
Ringfenced Items						
DSG Grant	0.0	2.7	2.7	(1.2)	**1.5**	
HRA	0.9	3.7	2.8	(2.4)	**5.2**	

General Fund

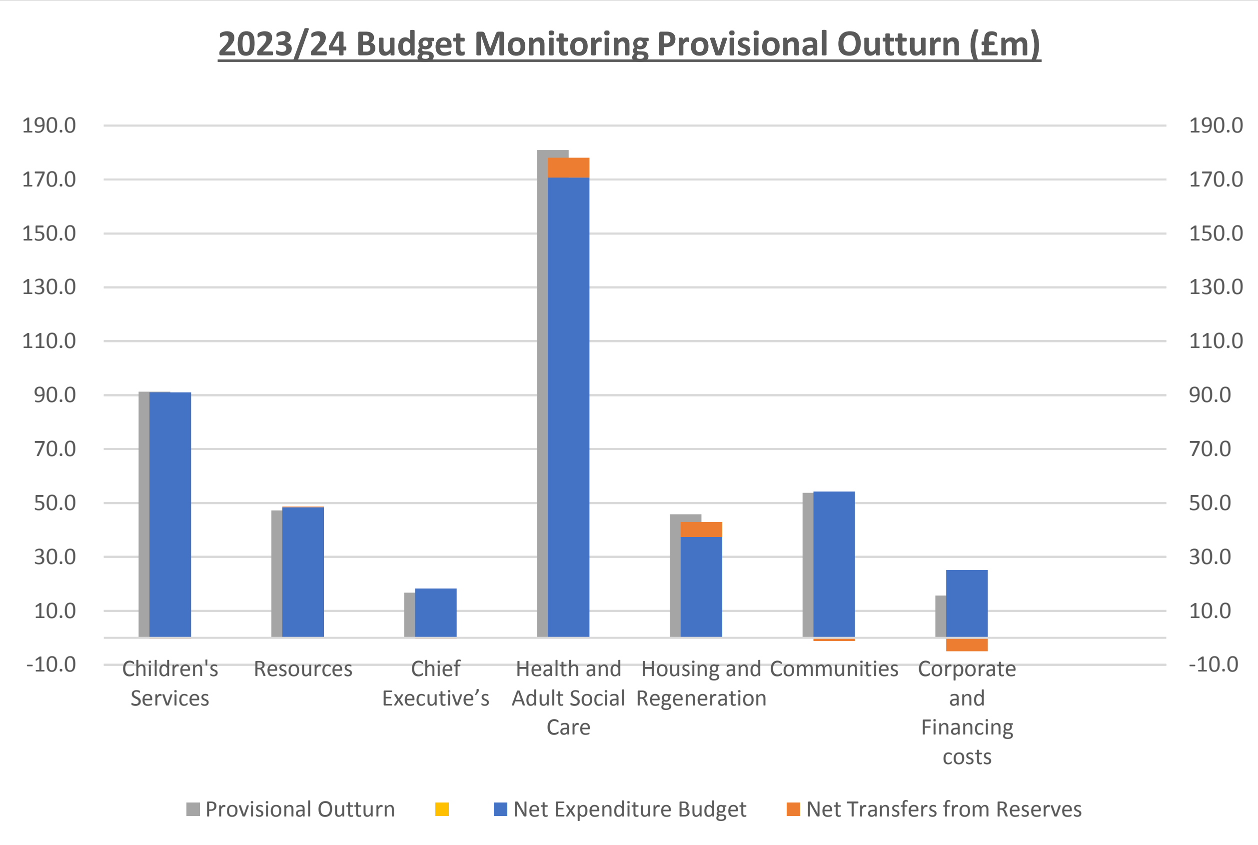
The total council approved revenue net expenditure budget for 2023/24 was £445.5m. The councils provisional outturn actual is £451.5m. The position after the net drawdown of earmarked reserves of £6.3m requested by directorates (a reduction of £13.1m from the £19.4m forecast in quarter 3) is an overall £0.3m underspend variance (*see figure 1.1 below*), an overall increase in net underspend of £0.2m from the previous quarter 3 forecast reported to Cabinet in March 2024. This £0.3m overall net underspend will be transferred to General Fund general reserves.

The gross overspend across the General Fund (before the net drawdown of £6.3m from earmarked reserves) totalled £6.0m at year-end. This gross pressure has been mitigated by £7.8m of in-year budget savings due to the delayed delivery of Mayors Priority growth investments for 2023/24 outside of the council's control. The significant in-year budget savings related to £3.2m on the recently established Young Tower Hamlets service and £0.7m on enhancing community language services within the Children's Services directorate. Within Communities, significant in-year budget savings included £1.5m on budgets for additional Metropolitan Police Officers for the Borough and £1.3m on budgets for the recruitment of additional Tower Hamlets Enforcement Officers (THEOs).

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 as well as setting aside funds to meet known or predicted future liabilities.

The detailed directorate monitoring, setting out the provisional outturn against revised budgets and the reasons for the variances are detailed within the body of this Appendix.

Figure 1.1



General Fund general balances and all Earmarked Reserves

There has been £25.8m reduction in the overall General Fund general balances and all earmarked reserves position, from £221.3m at the start of the year to £195.5m at year end, summarised in the table below. This is a £22.5m improvement to the position forecast at quarter 3.

All in figures in £m	Draft accounts 31 March 2023	Provisional outturn increase / (decrease)	Provisional outturn 31 March 2024
General Fund balance	20.9	0.3	21.2
Reserves without restrictions	92.4	(19.1)	73.3
Sub-total	**113.3**	**(18.8)**	**94.5**
General Fund Restricted Reserves	108.0	(7.0)	101.0
Total	**221.3**	**(25.8)**	**195.5**

Some reserve movements do not show on the 'Provisional Outturn as Overspend/(Underspend)' table above 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 'Provisional Outturn as Overspend/(Underspend)' table is detailed as follows:

	£m
Directorates movement in GF earmarked reserves	**(6.3)**
Directorates movement in HRA earmarked reserves	**2.4**
Contribution from earmarked reserves to fund MTFS (from the Mayor's Priority Investment Reserve) as approved by council 1st March 2023	(22.1)
Contribution from earmarked reserve to fund Collection Fund deficit costs (from the Collection Fund Smoothing Reserve)	(12.0)
Contribution to earmarked reserve to fund the Mayors Community Grants programme (to the Mayors Community Grants reserve)	11.9
Contribution to general reserve of overall provisional outturn underspend position	0.3
Total General Fund and All GF and HRA Earmarked Reserves movement	**(25.8)**

General Fund balances and reserves without restrictions have decreased by £18.8m, from £113.3m to £94.5m 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 have decreased by £7.0m, from £108.0m to £101.0m 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 Mayors Community Grants reserve, 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 12, we collected £419.1m of £425.9m billed (98.40% in-year collection rate) compared to 94.42% for 2022/23, a significant increase on the previous year and back to pre-pandemic levels. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

For Council Tax, to the end of Period 12, we collected £158.3m of the £173.8m Council Tax bills raised (91.04% in-year collection rate) compared to 94.7% 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

The gross overspend in the Dedicated Schools Grant amounted to a deficit of £2.7m, this represents a £2.4m adverse movement from quarter 3. After the in-year drawdown of £1.2m of surplus DSG reserves, the net overspend for the year amounted to £1.5m, resulting in a year-end cumulative deficit of £15.8m on the DSG ringfenced account. 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 many 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 Higher Needs Block (HNB) Deficit Recovery Plan.

HRA

The provisional outturn on the Housing Revenue Account (HRA) is an overspend of £5.2m when compared with budget. It is assumed that this balance will be transferred from general HRA balances at year-end. Variances in the HRA relate to delegated budget, which have a year-end adverse variance of £6.7m, the non-delegated budget have a year-end adverse variance of £5.4m and technical adjustment budgets have a favourable variance of £6.9m. Further details are provided in section 4 of this appendix. HRA general balances of £8.2m were also utilised in-year to fund the HRA new council home capital programme, resulting in an cumulative HRA general reserve balance of £24.3m at year-end.

Provisional outturn overspend of £0.6m

Provisional Outturn Dedicated Schools Grant (DSG) overspend of £2.7m

Service	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
	A	B	C = B - A	D	= C + D	
Supporting Families	67.8	65.0	(2.8)	0.1	(2.7)	0.2
Youth and Commissioning	4.0	4.1	0.1	0.0	0.1	0.1
Education	14.8	18.0	3.2	0.0	3.2	0.0
Children's Resources	4.5	4.2	(0.3)	0.3	0.0	(0.2)
Total	**91.1**	**91.3**	**0.2**	**0.4**	**0.6**	**0.1**

General Fund

The Children's Services Directorate is reporting a provisional outturn General Fund net overspend of £0.6m, broadly in line with the position reported in quarter 3, a £0.5m net overspend.

Supporting Families division is showing a net underspend of £2.7m, Youth and Commissioning a net overspend of £0.1m, Children's Resources a breakeven position and an Education net overspend of £3.2m.

Children's Services delivered its savings targets for 23/24 of £2.59m in full.

Supporting Families - £2.7m underspend

The budget position reflects that Supporting Families is managing demand pressures well, however the area remains volatile with just small changes in placements liable to significantly change the position. 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.

Key variances:

- *Children with Disabilities (CWD) /Family Support and Protection- £0.3m 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. The remaining deficit was linked to associated costs for supporting families and young individuals without recourse to public fund (NRPF).

- Young Tower Hamlets- £3.2m underspend.
  This underspend is largely due to in-year staffing and activities underspend within the recently established Young Tower Hamlets service related to delays in permanent recruitment of staff.

Youth and Commissioning - £0.1m overspend

The overspend position of £0.1m is due to supported housing contract costs.

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. Currently working with Communities Directorate to review internal transport costs with a view of reducing these costs.

Regarding the Community Languages components of the division additional spending was temporarily halted. As a result, there was an underspend which assisted in offsetting some of the SEN pressures.

Key variances:

- *SEN Transport - £3.5m overspend*:
  This is a result of continued increases in the costs 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.

- Education Psychology - £0.3m 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 – Break even position

Dedicated Schools Grant (DSG)

The gross overspend in the Dedicated Schools Grant amounted to a deficit of £2.7m, this represents a £2.4m adverse movement from quarter 3. After the in-year drawdown of £1.2m of surplus DSG reserves, the net overspend for the year amounted to £1.5m.

High Needs Block (HNB) overspend (£2.7m)

The majority of this overspend is within the high needs block and is off-set by underspends within the Early years and Schools block.

It is projected that the number of Education Health and Care Plans held and managed within Tower Hamlets will rise from 4,400 to 6,750. Currently, 9% of school-age children and young people have an EHCP: factoring in the projected growth in EHCPs against a backdrop of a falling school-age population, this is projected to rise to 16% of the school-age population by the end of the decade. The impact of this increase is what is contributing to High Needs Budget overspend.

The adverse movement (£2.4m) is largely as a result of the following:

- Prior year legacy funding issues from special schools raised after quarter 3 reporting (£1.4m) London East Alternative Provision, £0.4m George green, £0.3m Beatrice Tate, Hermitage £0.1m. Following these legacy funding issues the corporate director has requested a review of all special school funding SLA's to prevent future occurrences.
- The Early years DSG funding was reduced by £0.3m as a result of a clawback by the DFE due to lower pupil numbers

Schools

At the start of 2023/24 financial year, there were 74 maintained schools, although 2 schools amalgamated and 1 school converted to an academy in-year. The combined school reserve balances at year-end was £34.0m, which is a reduction in balances of £1.3m from previous year. There are 9 schools currently in deficit (an increase of 3 this year) totalling £1.4m. A sustainability programme is underway to support those high priority schools to move back into a balanced budget over a 3-year period.

Delivering Better Value

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. Funding of £1.0m has been secured as part of this programme to go towards schemes and initiatives that will enhance financial planning, and resource allocation ensuring that funding is allocated efficiently and effectively to support the needs of schools and ultimately reducing the cumulative deficit over time.

Provisional outturn underspend of £1.5m

Service	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
	A	B	C = B - A	D	= C + D	
Customer Services	9.0	7.8	(1.2)	0.0	**(1.2)**	(0.3)
Finance, Procurement & Audit	9.3	9.6	0.3	(0.2)	**0.1**	(0.2)
ICT	14.1	13.9	(0.2)	0.2	**0.0**	0.0
Revenue and Benefits Service	3.4	3.6	0.2	(0.2)	**0.0**	(0.1)
Workforce, OD and Business Support Service	12.7	12.3	(0.4)	0.0	**(0.4)**	(0.1)
Total	**48.5**	**47.2**	**(1.3)**	**(0.2)**	**(1.5)**	**(0.7)**

Summary

The Resources directorate has a provisional outturn of £1.5m underspend, this takes account of the net use of reserves - funds set aside for a specific purpose - of £0.2m (detailed below). This is an overall increase of £0.7m from the quarter 3 forecast.

Customer Services – £1.2m underspend

This compares with the Q3 position of £0.9m underspend.

Customer Services Management £0.6m underspend. This has increased since Q3 by £0.1m due to savings on the purchase of the Telephony system. Elsewhere in the service there are underspends in both the Customer Contact Centre due to the holding of vacant posts and in the Residents Hub due to late appointments.

Registrars – £0.1m overspend. No change since the quarter 3 position and is due to the lowering of the outturn 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, will now fall into the 2024-25 financial year.

Information Governance - £0.2m underspend. No change since the Q3 position and is primarily due to late appointment of new posts from the Growth Bid.

Idea Stores - £0.3m underspend. This has increased since Q3 by £0.1m due to the further pushing back of the appointment of staff in the Watney Market Idea Store and an underspend a the Biblio library.

Idea Stores Learning – £0.3m underspend. This is £0.1m more than in Q3 is due to the further pushing back of vacant posts in the Skills for Life area. The previously forecasted underspend is due to excess grant income from the Department for Education of £0.1m.

Finance, Procurement and Audit – £0.1m overspend
This is an improved position of £0.2m compared to the forecast at quarter 3.

There is an overspend in staffing for the Procurement Team of £0.8m 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 is underway to fill posts covered by agency workers and address the budget shortfall.

Use of the £0.3m 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. Internal Audit Anti-Fraud & Risk are 0.04m underspend due to the late appointments of the vacant posts.

Finance underspend of £0.4m due to uncommitted Contingency budget has increased by £0.2m since Q3.

Information Technology – breakeven position
A breakeven position, following the drawdown of Cyber Security Grant reserve (0.1m). and a top-up to the ICT transformation reserve. No change from quarter 3 forecast.

There will be inflationary pressures which could impact the 2024-25 position as contracts are renewed during the year.

Transfers from the ICT Transformation reserves have been calculated following an assessment of revenue costs related to capital expenditure.

Revenues and Benefits Service – breakeven position
The forecasted overspend of £0.1m as at quarter 3 did not materialise, primarily due to the Loss Adjustment for Court Cost income being lower than anticipated. There is an underlying budget pressure of £0.8m in the service. This was offset by under and overspends elsewhere in the service totalling £0.6m as follows:

In the Council Tax and NNDR area there were three material underspends totalling £0.8m which were £0.3m due to the holding of vacant posts, the net impact of the court fees and costs associated with topping up the Loss Adjustment provisions was £0.3m better than budgeted for, plus the grant funding overachieved by £0.1m.

The Sundry Debtors area underspent by £0.2m due to the holding of vacant posts.

Counteracting this are overspends totalling £0.6m in the Housing Benefit admin and Reprographics Services. This was due to an increase in resilience costs in HB and in the case of Reprographics the costs of developing the new system, increased costs for work completed for the Revenues and Benefits budget and the inability to charge for the peak work undertaken in March due to the Financial Year Closure Timetable.

All of the above results in an overspend of £0.2m which has been mitigated by a Reserve which was created from the New Burdens grant received in 2022/23 in relation to administration of government support schemes.

Workforce, OD and Business Support Service – £0.4m underspend
This bears out the position as at Q3. The detail is as follows:

Learning and Development £0.3m underspend. The underspend increased by another £0.1m since Q3 due to further underspends in the Training and Corporate events budgets. The other £0.1m underspend is due to part-year staffing vacancies in the L&D Management and National Graduate Development Programme.

HR Break even. The Q3 underspend of £0.1m disappeared due to the charging of additional HR work late in the financial year.

Business Support Service £0.1m underspend. This replicates the Q3 position 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.

Service	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
	A	B	C = B - A	D	= C + D	
Communications and Marketing	2.1	2.1	0.0	0.0	**0.0**	0.0
Strategy, Improvement and Transformation	8.1	6.6	(1.5)	0.1	**(1.4)**	0.6
Legal, Monitoring Officer, Democratic and Electoral Services	5.5	5.5	0.0	0.2	**0.2**	0.3
Corporate Management	0.4	0.4	0.0	0.0	**0.0**	0.0
Mayor's Office	2.2	2.2	0.0	0.0	**0.0**	0.0
Total	**18.3**	**16.8**	**(1.5)**	**0.3**	**(1.2)**	**0.9**

The Chief Executive's Office provisional outturn indicates an underspend of £1.2m following movements from reserves, this is £0.9m less than projected at Q3.

Communications and Marketing – breakeven position
A breakeven position following a drawdown from the transformation reserve (£26k) and a top-up to the Communication service reserve.

Strategy, Improvement and Transformation – £1.4m underspend after transferring the net of £0.1m to reserve.
Underspend of £1.4m to the general fund due to funding of the new Mayor's Community Grant Programme (MCGP), approved by cabinet in March 2023. The new programme will be funded through the Neighbourhood Community Infrastructure Levy (NCIL). In year underspend against grants will be put into a reserve. The movement of £0.6m from quarter 3 is due to less underspend on staff costs than forecast, request for carry forward, additional training costs and NCIL funding is based on actuals for the 5 months when the new funding arrangements came into effect.

Legal, Monitoring Officer, Democratic and Electoral Services – £0.2m overspend
Democratic Services underspent by £0.2m in the main due to the current Members Allowance. Legal Services overspend has increased to £0.4m since the Q3 this is due to higher agency staff cost and a downturn in external income. The Electoral Services broke even rather than the underspend of £0.1m that was forecast at quarter 3 after transfer to reserves.

Corporate Management and Mayor's Office – breakeven position

Provisional outturn overspend of £2.8m

Provisional outturn Public Health (GF) underspend of £0.1m before the transfer to reserve

Service	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
	A	B	C = B - A	D	= C + D	
Adult Social Care	117.1	124.4	7.3	(4.2)	3.1	(0.1)
Integrated Commissioning	15.9	18.9	3.0	(3.3)	(0.3)	(0.1)
Public Health	37.7	37.6	(0.1)	0.1	0.0	0.0
Total	**170.7**	**180.9**	**10.2**	**(7.4)**	**2.8**	**(0.2)**

The Health and Adult Social Care Directorate's provisional outturn is a £2.8m overspend position against a budget of £170.7m. This represents a relatively small £0.2m decrease on the Period 9 forecast outturn position.

The pressures in Adult Social Care reflect a continuation of increasing costs and complexity of care packages for disabled and older people, provided under the Care Act, offset by a significant use of additional funding in the financial year for meeting the costs of care packages on discharge of clients from hospital (Discharge to Assess pathway D2A). The underlying pressure in Adult Social Care, with additional grants, but without transfers from reserves for 2023/24 is a £7.3m overspend position.

The Adult Social Care Transformation Programme was put in place to reduce costs in the medium to long-term and has started to achieve some quality benefits for service delivery models.

Public Health is a breakeven position after transfers to the ring-fenced Public Health Grant Reserve, whilst Integrated Commissioning's outturn is a £0.3m underspend, primarily due to funding from specific reserves of £3.3m.

<u>**Transfers to and (from) Reserves (£7.4m)**</u>

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

- Costs of care provision for clients discharged from hospital for the first 4 weeks following discharge, and community equipment issued to clients on discharge, are accounted for separately and funded from s75 Integrated Discharge Hub funding agreed with the ICB held in a specific reserve. For the financial year, a total of **£0.8m** has been funded via the reserve to top up the costs charged against the Adult Social Care Discharge Fund.
- The ring-fenced Tower Hamlets Place Investment Fund had a joint pool of £6.0m funding at the beginning of this financial year. At period 9 it was anticipated that £2.0m would be drawn down for joint project

funding. At outturn, a total of £2.7m, based on actual costs incurred by the Local Authority and the ICB, have been drawn down from the specific reserve.

- The Public Health Grant Reserve at the start of the financial year 2023/24 was £7.16m. After the final transfer to reserves of £0.1m, the balance in the reserve will be £7.29m. As part of the MTFS 2024-27 savings have been offered against the PH Grant Reserve for substitutions for other general fund services in the amount of £1.75m per annum for 3 financial years (total committed £5.25m). At the end of 2026-27, the balance in the PH Grant Reserve is forecast to be £2.04m.
- Expenditure incurred in relation to the ASC Transformation Programme in 2023/24 in the amount of £0.3m will be transferred, as approved, to the Council's Transformation Reserve.
- Costs charged to the Covid non-ringfenced grant for 2023/24 relate to care package costs for previous discharge to assess clients, with the drawdown totalling £1.6m for the Health & Adult Social Care Directorate.
- In agreement with the ICB, underspends against the Joint Funded Better Care Fund (BCF) for the Local Incentive Scheme Projects and Community Equipment Service were transferred to a specific reserve in the amount of £1.17m. Based on actual expenditure £0.6m has been drawn down from this reserve in 2023/24.
- Due to unprecedented inflationary uplift pressures by social care providers during the financial year, in addition to those funded via the Market Sustainability and Improvement Grant, a further £1.4m pressure has been drawn down from the Social Care Pressures Risk Reserve.

Adult Social Care – Outturn £3.1m overspend

Adult Social Care is overspent by £3.1m against a budget of £117.1m. This represents a small reduction from the period 9 projected position by £0.05m.

The outturn position for 2023/24 reflects the underlying overspend position for Adult Social Care of £7.3m against budget, after accounting for the additional central government grant funding and growth approved as part of the MTFS process, detailed above, that has offset further pressures. These have been off set further by one-off transfers from specific reserves that total £4.2m (as detailed above) resulting in a reduced overspend position of £3.1m.

The continuation of central government grant funding into future financial years is a major risk factor as it maintains the funding for the underlying pressure in Adult Social Care. As the use of the funding held in the specific reserves is depleted, this is a further risk to the ongoing mitigation of the pressures as demand and complexity of cases continues to rise, as well as the requests from care providers to meet increasing costs of providing care.

(i) **Employee Costs – Outturn (£0.3m) underspend**

The outturn position for employee costs is a £0.3m underspend position against a budget of £24.3m after transfers from reserves of £0.26m relating to costs incurred for the ASC Transformation Program. This represents a reduction in the underspend forecast at quarter 3 by £0.56m.

A vacancy factor of 2% across all services in Adult Social Care has been maintained in order to meet approved savings for 2023/24.

(ii) Care Package Costs and other Service Costs – outturn £10.9m overspend

The outturn position for the direct costs associated with care packages is an overspend of £10.0m against a budget of £114.1m after transfers from reserves totalling £3.87m. These transfers are in relation to the S75 Integrated Discharge Hub funding (£0.83m), transfer from the Covid risk reserve (£1.61m) and the Social Care Pressures Risk Reserve (£1.43m), all of which have been required to offset care package pressures.

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 approved as part of the MTFS process was £4.0m, against which a total of £3.967m was utilised during the financial year, with a slight underspend of £32k. Most of this demographic growth funding was utilised on new clients in receipt of Homecare Services, clearly demonstrating the growth of demand in this service area.

A significant pressure facing all Local Authorities is inflationary uplifts in the care provider market. In addition to the existing Market Sustainability and Improvement Fund Grant (MSIF) that has been provided by Central Government to provide funding to care providers to sustain cost pressures, a corporate allocation of inflation budget of £4.4m on top of the Tower Hamlets MSIF grant of £3.1m has been fully utilised during the financial year. A further £1.4m was needed to deal with additional inflationary pressures and has been drawn down from the Social Care Pressures Risk Reserve.

Other Service Costs are in relation to a provision for bad debts ((i.e. irrecoverable income against historic invoices raised for residential and non-residential income), and other supplies and services costs relating to Adult Social Service clients. The outturn position is £0.9m overspend against a budget of £0.95m.

(iii) Income – £7.5m over achievement of income over budget

Income has exceeded the budget of £18.1m by £7.5m at outturn due to additional funding received during the financial year, which includes Discharge to Assess and joint health funding of £4.5m, Market Sustainability and Improvement Workforce Grant of £2.2m and client contributions received of £2.8m over the budget of £5.8m.

<u>**Integrated Commissioning – Outturn (£0.3m) underspend**</u>

The outturn position for Integrated Commissioning is an underspend of £0.3m at year-end against a revised budget of £15.9m. This represents an increase of £0.1m in the underspend from the position at Period 9, after transfers from reserves. Total transfers from specific reserves for Integrated Commissioning total £3.2m in 2023/24 and include £2.7m from the IDH Tower Hamlets Place Investment Fund for joint Local Authority and ICB agreed projects and £0.6m from the BCF Reserve.

The decommissioning of the Dellow Centre and the renegotiation of the contract for the Riverside hostel resulted in an underspend against the allocated budget. Furthermore, the budget for the Day Centre also reported a minor underspend due to a delay in the tendering process for one of the services. Additional income was received for the Tower Hamlets Connect and Localities Neighbouring projects. Coupled with a delay in recruitment across Integrated Commissioning has meant several underspends against budgets.

However, one area of budget pressure within Integrated Commissioning arises from recharges by the Transport Services Unit (TSU) for Client Transport for Adult Social Care clients attending day centres and care homes. Against a budget of £2.6m, the actual outturn for 2023/24 was £3.2m, resulting in an overspend of £0.6m. To address this, financial improvement plans have been put in place for 2024/25 to alleviate the budget pressure against the Transport Budget. These measures include insourcing college routes, rolling out personal travel budgets, and introducing flexi routes. These mitigations are expected try to offset any potential overspends for 2024/25.

Public Health – Outturn 2023/24 Breakeven

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

The transfer to the Public Health Grant reserve for 2023/24 is £0.125m from an overall Public Health Grant allocation in 2023/24 of £38.6m.

Provisional outturn overspend of £2.8m

Service	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
	A	B	C = B - A	D	= C + D	
Property & Major Programmes	19.2	17.0	(2.2)	(0.1)	**(2.3)**	(1.0)
Resources	1.9	1.9	0.0	0.1	**0.1**	0.1
Growth & Economic Development	2.8	3.1	0.3	(0.2)	**0.1**	0.1
Planning & Building Control	2.6	2.8	0.2	(0.5)	**(0.3)**	0.2
Housing	10.9	21.0	10.1	(4.9)	**5.2**	1.0
Total	**37.4**	**45.8**	**8.4**	**(5.6)**	**2.8**	**0.4**

Draft Outturn Position

The Housing & Regeneration Directorate comprises five main divisions, Property & Major Programmes, Resources (directorate wide budgets), Growth & Economic Development, Planning & Building Control and Housing. The Directorate has a net revenue budget of £37.4m and an provisional outturn position with an adverse variance of £2.8m against this budget after reserve adjustments. The Directorate is drawing down £5.6m from reserves. These are planned drawdowns, predominantly within Housing to meet specific costs. The reserve drawdowns are significantly lower than previously forecast, with grants received by Growth & Economic Development being used to fund costs that were previously forecast to be met from reserves, for example resident support scheme, tackling poverty team.

Previously the Directorate was forecasting an adverse variance of £2.4m, with the provisional outturn position worsening by £0.4m.

Property & Major Programmes – (£2.3m) Favourable Variance

The Property & Major Programmes division has a favourable variance of £2.3m after reserve adjustments. This represents a favourable movement of £1.0m from previous forecasts, the improved position being within the Corporate Landlord Model. Key variances contributing towards the outturn position are detailed as follows;

Corporate Property – £0.5m Adverse Variance

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

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

Facilities Management – (£0.8m) Favourable Variance
A £0.8m favourable variance against employee related budgets resulting from vacancies that have not been filled.

Corporate Landlord Model (CLM) – (£2.5m) Favourable Variance
A £2.4m 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. This represents a favourable movement of £0.3m when compared with previous forecasts when full year costs were estimated.

Non-Operational Investment Estate – £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.

Resources – £0.1m Adverse Variance
Largely due to unbudgeted employee costs within the Housing and Regeneration Director cost centre, the service overall is reporting a £0.1m adverse variance against budgets.

Growth & Economic Development – £0.1m Adverse Variance
Growth & Economic Development has outturned with an adverse variance of £0.1m against budget after reserve after reserve drawdowns totalling £0.2m. This represents an adverse movement of £0.1m from that reported at Q3.

The Growth & Economic Development division received 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.

Reserve drawdowns are £2.4m lower than were previously forecast, with the grants highlighted above being used to fund activities that were planned to be paid for out of reserves, including use of the Mayoral Priority reserve (Tackling Poverty) to fund the Tackling Poverty team and reserve funding for the Residents Support Scheme.

The relatively small outturn variance of £0.1m is largely related to Economic Development Management, where unbudgeted recharge for works undertaken by the Strategy, Policy & Improvement team. This is in line with previous forecasts.

Planning & Building Control – (£0.3m) Favourable Variance
Planning & Building Control has a favourable variance of £0.3m 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 continued 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 on income.

This represents a £0.2m adverse movement on the position previously reported as it had been assumed that more of the additional CIL admin would be applied to general fund activities. Key variances contributing towards the outturn position are detailed as follows;

Building Control General Fund – (£0.3m) Favourable Variance
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. Spend to date has been minimal with the recruitment process taking longer than anticipated. Recruitment is ongoing and this growth will be spent in full in 2024/25.

An adverse variance of £0.2m from additional costs incurred ensuring all staff were registered with the Building Safety Regulator to continue to assist them with the technical requirements of the Building Safety Act 2022. Local Authorities Building Control services were only notified of this change on 13th March 2024, to be in place by 6th April and this cost was not captured in the quarter 3 forecast, resulting in an adverse movement of £0.2m from that previously reported.

Development Management – (£0.1m) Favourable 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 £0.4m for Consultant's and Counsel fees for the public enquiries that are taking place. A £0.1m 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 £0.3m to the development management service in line with legislative requirements which mitigated these pressures.

Digital & Commercial Innovation Team – (£0.1m) Favourable Variance
This favourable variance is the result of vacancies within the team.

Spatial Data Team – £0.4m 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 £0.4m against the Local Land Charge income budget. This represents an adverse movement of £0.1m on that previously reported, with the impact of the downturn in the property market having a larger impact on income than was anticipated.

P&BC Support Team – (£0.2m) Favourable Variance
A £0.2m favourable variance relating to staff costs – vacant posts and officers being recruited to lower than budgeted spinal points.

Housing – £5.2m Adverse Variance

The Housing division has an adverse variance of £5.2m after reserve drawdowns of £4.9m. This represents an adverse movement of £1.0m when compared with the previous quarter 3 forecast, resulting from a worsening position within Housing Options due to increasing numbers in Temporary Accommodation and higher use of expensive commercial hotels.

Housing Options – £4.6m Adverse Variance

The Housing Options (Homelessness and Rough Sleeping) service is a £4.6m adverse variance against budget after applying grant and reserve drawdowns. This represents an adverse movement of £0.7m from that reported at Q3.

The table below shows a breakdown of the variances against budget for both controllable and non-controllable costs. The core budgets 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 £3.5m. The remaining pressure resulting from the housing benefit subsidy losses which the service cannot control.

Subjective Analysis	Variance – Adverse / (Favourable) £m
Employee Related Costs	0.4
Accommodation Costs	9.6
Bad Debt Provision	1.5
HB Income on Placements	(8.0)
Variance from Core Activity	**3.5**
Housing Benefit Subsidy Loss	7.7
Variance before Reserve Drawdowns & Unbudgeted Grant	**11.2**
Homeless Prevention Top Up Grant	(1.5)
Drawdown from Reserves	(5.1)
Variance after Reserve Drawdowns	**4.6**

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. These grants have been spent in full. Drawdowns from reserves totalling £5.1m have been made to fund core activity, this is in line with budgeted amounts. After the use of grant and reserves, the housing options service has a £4.6m adverse variance.

The outturn position represents an adverse movement of £0.7m against previous forecasts. This results from an optimistic view of where the service forecast to be at year end, projecting to be in a position to withdraw from the commercial hotel market for homeless families by the end of the year. The use of commercial hotels has continued, although the cohort of families envisioned to move from them into more cost-effective accommodation such as that procured in Lewisham and Slough has occurred as planned but rising T.A. numbers has resulted in these being backfilled.

In addition to this, the service has retained a portfolio of temporary accommodation properties which were at risk of being lost by the council (due to landlords requesting their properties back) which would have led to higher procurement costs and further increased use of commercial hotel if the retention of these properties at a higher negotiated rate was not undertaken.

Furthermore, the service has increased the rates for temporary accommodation provision to meet the demands of new homelessness presentations and the large number of families in unsuitable and expensive hotels which attract a smaller subsidy collection in comparison to self-contained units procured at a competitive cost. Homelessness numbers remain high and have risen since the start of the year . The main reasons for people presenting homeless are family evictions, domestic abuse and private tenancies that have been terminated. 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.

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.

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. This is further exacerbated where households are in temporary accommodation without Housing Benefit in payment so the HB subsidy on those accounts is nil. The volume of cases affected is in the region of 300. £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

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

The service is actively working to mitigate these budget pressures moving forwards through a number of initiatives:

The Temporary Accommodation placement policy is being updated to allow placements in zones outside of the Borough and Greater London where accommodation can be procured at lower rates, reducing the subsidy loss. The Housing Procurement team are in negotiation with suppliers of cheaper and quality hotel accommodation that will reduce this cost burden and also provide quality and a longer-term hotel sustainable option. The expected onboarding of those hotels is May/June 2024, reducing the need for emergency commercial hotel provision. The council's procurement team has increased the volume of self-contained accommodation, in both the Temporary Accommodation and Private Rented Sector to increase the supply of cheaper accommodation than the use of commercial and standard hotels.

Increasing staffing capacity on the frontline to promote the prevention of homelessness and upstreaming the service.

Increase staffing provisions that undertake occupancy checks for those who live in TA and may not occupy the property, and visit homes of families to carry out prevention work on households that may become homeless due to family breakdowns.

Pilot incentive schemes to prevent friend and family evictions and to encourage new private rented landlords into the T.A. market. Discussions are underway with large-scale property suppliers to increase the provision of longer-term owned or leased TA and PRS stock and reduce the council's reliance on private sector rental fluctuations which are often competitive, in limited demand which drives up prices and have a shorter timespan on their use.

Lettings – £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 – (£0.1m) Favourable Variance
The £0.1m 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 £0.2m is being drawn down to be drawn down to meet the cost of industry specialists who are assisting in securing the future PFI provision once it expires.

Housing Supply – £0.2m Adverse Variance
There is an overspend in the Affordable Housing partnerships service due to a timing difference brought about by the cancellation of an erroneous 'VAT only' invoice in a prior financial period for £0.3m. When the Debtors ledger was reviewed in the last quarter the mistake was discovered and the credit note raised, leading to a cost in the current year which offsets the credit taken to the service when the initial invoice was raised (2019/20).

Service	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
	A	B	C = B - A	D	= C + D	
Directorate Management	0.0	0.2	0.2	0.0	**0.2**	0.1
Public Realm	39.0	40.8	1.8	0.2	**2.0**	0.6
Community Safety	10.6	8.7	(1.9)	0.7	**(1.2)**	0.1
Culture	4.7	4.1	(0.6)	0.3	**(0.3)**	(0.2)
Total	**54.3**	**53.8**	**(0.5)**	**1.2**	**0.7**	**0.6**

The Communities Directorate was formed in August 2023, and comprises of three main divisions, Public Realm, Community Safety and Culture which were previously reported in other directorates.

The Communities directorate has a net revenue budget of £54.3m and has a provisional outturn adverse variance of £0.8m after reserve adjustments (£1.2m net top up to reserves). This represents an adverse movement of £0.6m when compared with the adverse variance of £0.1m previously reported in quarter 3. The adverse variance primarily relates to Waste services, where the position has worsened by £1m where the base budget is inadequate for waste and cleansing since the service was in sourced from Veolia. The budget provision is currently being reviewed. This is being offset by a favourable movement within Arts, Parks & Events, with income targets exceeding those reported previously.

Further details of the variances against budget and movements from the variances previously reported are outlined below.

Communities Directorate Management - £0.2m Adverse Variance

A £0.2m 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.

Public Realm – £2.0m Adverse Variance

Public Realm has an outturn adverse variance of £2.0m against budget. This figure is inclusive of a proposed reserve movements netting to a £0.2m net top up. This represents an adverse movement of £0.6m when compared with previous forecasts. This primarily is the result of a worsening position within Waste Operations.

Public Realm Management – (£0.3m) Favourable Variance

Favourable variance resulting from underspend on employee related expenditure.

Operational Services – (£1.6m) Favourable

The overall favourable position within the service is largely being driven by a £1.6m 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. This was previously reported as a £1.1m favourable variance, based on a cautious estimate prepared by the disposal contractor.

Waste Operations (Environmental Services) – £4.2m Adverse Variance
A £0.3m favourable variance relating to payroll deductions resulting from the waste operative strike.

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.

A favourable variance of £1.6m against salaries and overtime relating to vacant posts. This is being offset by additional costs of £5.1m, a net budget pressure of £3.5m. This represents a worsening position of £1.6m when compared to previous forecasts. A proportion of this relates to the backdated pay award for the agency workers and additional payroll costs following the permanent appointment of agency workers. Despite this, agency costs have continued to increase.

The main reason for this variance is unbudgeted agency expenditure at the point of transferring staff from Veolia to Tower Hamlets in March 2020.

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.

Additional vehicle repairs and increased costs for scheduled maintenance due to contract prices increases is resulting in an adverse variance of £1m. This represents a favourable movement of £0.6m, with the Q3 position overly cautious.

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 – £0.7m Adverse Variance
There is an under recovery of income totalling £0.4m for commercial waste where customers were lost during the pandemic and the customer base has not recovered. A further adverse variance of £0.3m which has not previously been reported relating to an increase in the bad debt provision due to the level of outstanding debt over 12 months old increasing.

Concessionary Fares – (£1.2m) Favourable Variance
A £1m favourable variance for Freedom Passes resulting from 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 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. The TfL contribution to the scheme is sufficient to cover the cost of the taxi card scheme in 2023/24 in its entirety.

Parking services – Nil Variance
Parking services has a favourable variance of £3.1m 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. This reserve top up is £1.9m higher than previously forecast with income across the whole service exceeding previously reported levels and further underspends on expenditure.

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 additional income of £1.8m.

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.

Vacant posts across the Parking service is resulting in a favourable variance of £0.1m. Staff retention is challenging and when vacant these posts are difficult to fill.

Bay suspension income over-recovered by £0.6m with demand for the service continuing to be high.

Casual parking income exceeded budget by £1m with demand being higher than that budgeted and the early introduction of the 2024/25 fees and charges.

A £0.2m favourable variance resulting from an increase in demand for visitor vouchers.

Additional income totalling £0.2m relating to changes to Traffic Management Orders.

A £0.2m favourable variance relating to an underspend on expenditure where the parking stress survey work has been delayed.

A reduction in the corporate support service recharge of £0.6m relating to the customer contact centre where the SLA on which the previous calculation was based does not reflect the service received.

Street Trading – £0.3m Adverse Variance
The Street Trading account is a ringfenced account and has a £0.3m adverse variance. This relates to cleansing and refuse collection recharges from waste services. There is no reserve balance to mitigate this adverse variance and it is therefore a pressure on general fund budgets.

Community Safety – (£1.2m) Favourable Variance
Community Safety has an underspend of £1.2m at provisional outturn against a budget of £10.6m. This is a reduction on the reported underspend at period 9 by £0.1m.

MTFS Growth was agreed for 2023/24 as part of the Mayor's Priority Investments for growth in Tower Hamlets Enforcement Officer Recruitment of £2.829m. Due to delays in recruitment, and full utilisation of this growth, the balance of £1.3m will be transferred back to the Mayor's Priority Investment Reserve.

Culture – £0.3m Favourable Variance
Culture has a provisional outturn position with a favourable variance of £0.3m after reserve adjustments. This compares with an favourable variance of £0.1m reported previously, a favourable movement of £0.2m. This movement is predominantly against additional income generated within the Arts, Parks and Events budgets.

Service	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
	A	B	C = B - A	D	= C + D	
Corporate Costs	25.2	15.7	(9.5)	5.0	(4.5)	**(1.3)**
Total	**25.2**	**15.7**	**(9.5)**	**5.0**	**(4.5)**	**(1.3)**

A underspend of £4.5m for Corporate Costs is reported for the provisional outturn.

Pay inflation budget held centrally – £4.9m overspend
The final pay agreement was announced with a pay increase of the higher of £2,352 or 3.88%. Distribution of the budget increase for the pay award identified that the total allocation was £4.9m higher than originally budgeted. This was built into the MTFS to a recurring prevent a recurring pressure.

Non-pay inflation budget held centrally – £2.6m 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. A sperate contingency of £4.2m for energy costs was also included in the budget. Since the quarter 3 report an underspend of £1.4m has arisen due to the lowering of energy and fuel prices.

Cross-Directorate Savings – £1.1m overspend
There are two savings that haven't been allocated to a service and were agreed to be written off from 2024/25 as part of the 2024/25 budget setting.

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. To fund the future costs of the remaining Early Retirement / Voluntary Redundancy scheme payments, the underspend of £0.8m has been put into a reserve to utilise in 2024/25.

Pension Fund deficit repayment – £1.0m underspend
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 – £1.5m underspend
There is £3.1m included in the budget to cover unforeseen circumstances. The following allocations were made for VAT payments (£0.8m), refuse investment following strike action (£0.8m) and other smaller

amounts (£0.1m). This is a £0.5m improvement on quarter 3 as £0.2m of VAT overpayments where recharged externally and £0.3m set aside for additional contingency use was not required.

Treasury Management – £3.5m underspend

An underspend of £3.5m has arisen due to lower Minimum Revenue Provision costs and higher investment returns. This is a £2.4m improvement from quarter 3 as interest rates remained held.

Corporate income and expenditure – £1.9m Underspend

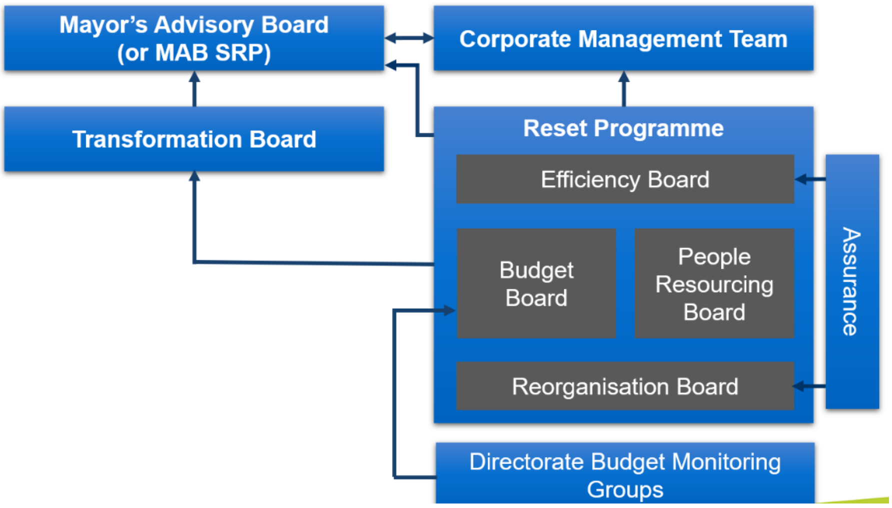
Following final confirmation of the 2021/22 business rates pooling position the £2.7m held in relation to this can now be released from reserves. Lower than anticipated corporate recharges of £0.8m have partly offset this.

This is £2m lower than the underspend reported at quarter 3 as the unexpected £2.2m from the London mayor in respect of Free Healthy School Meals has been used to maintain the Free School Meals reserve rather than drawing from it as originally budgeted.

As reported through the year, 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 3 to provisional outturn (increase in forecast underspend by £0.2m).

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	2023/24 Net expenditure budget £m	Provisional Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Over / (under) spend £m	Increase / (decrease) net spend from Quarter 3 £m
Housing Revenue Accounts (HRA)	0.9	3.7	2.8	2.4	5.2	5.3
Total	**0.9**	**3.7**	**2.8**	**2.4**	**5.2**	**5.3**

The Housing Revenue Account has a net budget of £0.9m. The provisional outturn position is an adverse variance of £5.2m against this budget. This balance is made up of a number of favourable and adverse variances which are detailed below. The outturn position represents an adverse movement of £5.3m when compared with previous forecasts. The movement relates primarily to repairs and maintenance costs, where costs were a lot higher than were forecast.

Delegated Budgets – £6.7m 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 £50m. There is an adverse variance of £6.7m against these budgets. This represents an adverse movement of £3.5m from that previously reported.

Income – £0.4m Adverse Variance

Delegated income budgets total £111m and primarily relates to tenants rents and service charges and leasehold service charges. There is a £0.4m adverse variance against these budgets in 2023/24, this represents an adverse movement of £0.7m on previous forecasts.

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 £1.6m adverse variance in tenant rental income due to properties being held void. A policy decision was taken to hold significant numbers of properties 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. Further properties are void on new build sites awaiting occupation and on sites disposal. These are in addition to the normal day to day voids occurring during the year. This represents an adverse movement of £0.9m on previous projections where it was forecast that a number of these properties would be returned to occupation but ongoing delays with works at Maltings & Brewster and Bentworth House has prevented this happening.

A £0.7m 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 £0.3m. A total of 87 garages have been decommissioned with the sites being included in the Mayor's new build property programme.

A £0.2m 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 – £6.3m Adverse Variance

Delegated expenditure budgets total £60.9m and have outturned with an adverse variance of £6.3m. Details of key drivers for the variances are provided below.

The repairs & maintenance budget has an adverse variance of £4.5m. This represents an adverse movement of £5m on previous projections. The budget pressure relates to a number of factors, including Major Works contracts not in place which has resulted in additional repairs to exiting assets for Lifts, Communal Doors & Emergency lighting; Emergency removal rather than replacement works resulting in costs remaining in revenue rather than being capitalised; Higher revenue costs where capital project delays have occurred, specifically scaffolding costs, security costs etc; A high number of communal boiler and Water pumps breaking down have resulted in higher hire costs for generators, pumps, boilers etc; Emergency Works were unknown and unbudgeted,
Spend expected in 2024/25 has come in earlier and included in the 2023/24 outturn figures.

A £1.4m favourable variance relating to communal energy costs. The budget for 2023/24 was based on estimated unit prices and usages with actual charges coming in lower than these budgets. This was helped by the mild winter, resulting in lower usage.

Building insurance has an adverse variance of £2.2m. 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.

An adverse variance of £0.5m relating to building and fire safety works. This represents a favourable variance of £1.1m when compared with previous projections. The pressure relates to outputs from the risk appraisal of external walls as part of the Council's response to the Fire and Building Safety Acts including waking watch and other measures to keep buildings safe ahead of remedial works being completed.

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.

Neighbourhood Action has an adverse variance of £0.1m relating to additional contract costs relating to pigeon proofing the properties to prevent damage requiring more extensive repairs.

A £0.3m against management fee costs post THH insourcing resulting from the legal SLA being higher than budgeted.

Non delegated budgets – £5.4m Adverse Variance

The non-delegated services have an adverse variance of £5.4m. This represents an adverse movement of £4.1m on previous forecasts. Details of the variances and reasons for this movement are outlined below.

A £0.4m favourable variance relating to non-dwelling rental income. This relates to shop income for Ben Johnson Road and St Stephens Health Centre which were not budgeted for in the HRA.

The Leaseholder Enfranchisements income has exceeded budget by £0.2m. The number of applications to extend leases is higher than budgeted. A total of 123 lease extensions have been completed in year.

Salary costs relating to building safety leads has a favourable variance of £0.3m. This results from the posts being difficult to recruit too with all local authorities competing for a limited resource.

A £2.8m 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. This represents an adverse variance of £2m on previous forecasts, with works being undertaken at Watney Market late in the year that were not forecast at quarter 3.

A £0.7m adverse variance for support service recharges relating to additional recharges from the General Fund, including the asset management, capital delivery and Strategy, Performance and Improvement teams who have undertaken additional HRA related works above those included in the budget.

Additional revenue pressures of £1m on staffing budgets due to slippage within the HRA cyclical capital programme. This represents an adverse movement of £0.3m against the quarter 3 forecast, with further slippage on the capital programme in the final quarter.

Feasibility costs expensed in year have exceeded budget by £1.2m, including costs incurred on schemes no longer proceeding.

A favourable variance of £0.5m against the Bad debt provision resulting from a review of outstanding debt, resulting in a greater collection of historic debt and higher levels of write offs in year, reducing the outstanding debt balance.

An adverse variance of £1.1m against insurance premiums for dwellings with costs rising at a higher percentage than was budgeted. This represents an adverse movement of £0.6m from that previously reported, with the Council being notified of these higher increases late in the year.

<u>Technical Adjustments – (£6.9m) Favourable Variance</u>

A favourable variance of £6.9m against the HRA technical adjustments. This represents a favourable movement of £3.3m from previous projections. Details of these variances are outlined below.

A favourable variance of £0.7m against the depreciation charge for HRA dwellings and non-dwelling properties.

An adverse variance of £3.6m for the Item 8 debit and a favourable variance of £9.4m for the item credit resulting from increased interest rates on both debt and investments (net favourable variance £5.8m). This represents a favourable movement of £2.9m against the quarter 3 forecast.

There is a £0.1m adverse variance against debt management costs as a result of a higher than budgeted Treasury Management costs .

The accounting policy for HRA MRP was revised in year, with voluntary contributions ceasing. This resulted in a £2.9m favourable variance as no charges have been applied against the budget. £2.4m has been transferred to an earmarked reserve to fund a risk-based review of the housing stock aimed at informing the ongoing cyclical major works programme, with the remaining £0.5m being a budget underspend.

General Fund general balances and all Earmarked Reserves

The table shows provisional outturn 2023/24 General Fund general balances and all Earmarked Reserves:

£m	Draft accounts 31 March 2023 £m	Contribution to / (from) Reserve £m	Draft accounts 31 March 2024 £m
GF balances (general reserve)	**20.9**	0.3	**21.2**
	20.9	**0.3**	**21.2**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
BAME	0.8	(0.2)	0.6
CIL Reserve	3.7	(1.3)	2.4
Collection Fund Smoothing*	45.8	(13.8)	32.0
Covid Recovery Fund	1.8	0.0	1.8
Covid-19 Grant	4.1	(1.7)	2.4
Free School Meals Reserve	1.8	0.0	1.8
HA&C Joint Funding Agreements	7.3	(3.5)	3.8
Insurance	7.9	0.2	8.1
Local Elections earmarked reserve	0.6	0.1	0.7
Mayors Community Grants**	0.0	10.7	10.7
Parking Control	8.8	1.0	9.8
Public Health Reserve	7.2	0.1	7.3
Revenue Grants Unused	12.1	(5.0)	7.1
Ringfenced Developers' Contributions	6.1	6.4	12.5
Earmarked reserves with restrictions – Subtotal	**108.0**	**(7.0)**	**101.0**
Earmarked reserves without restrictions			
ICT Reserve	9.3	0.4	9.7
Mayor Tackling Poverty Reserve	1.6	1.6	3.2
Mayors Priority Investment Reserve***	47.9	(26.7)	21.2
Risk Reserve	15.9	0.0	15.9
Services Reserve	14.6	(0.3)	14.3
Social Care Pressures Reserve***	0.0	3.2	3.2
Transformation Reserve	3.1	0.3	3.4
HRA Property Portfolio Reserve	0.0	2.4	2.4
Earmarked reserves without restrictions - Subtotal	**92.4**	**(19.1)**	**73.3**
Total Earmarked Reserves	**200.4**	**(26.1)**	**174.3**
Total GF and Earmarked reserves	**221.3**	**(25.8)**	**195.5**

*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 Mayors Community Grants reserve is restricted to fund the Mayor's Community Grants Programme which will provide funding to the voluntary and community sector

***The Mayor's Priority Investment reserve has reduced by £26.7m largely due to budgeted contributions to fund MTFS (22.1m) and the budgeted creation of a Social Care Pressures Reserves (£4.6m) as approved by council on 1st March 2023

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

HRA and DSG reserves	Draft accounts 31 March 2023	Provisional outturn contribution to / (from) reserves	Draft accounts 31 March 2024
	£m	**£m**	**£m**
Housing Revenue Account (HRA)	**38.5**	(14.2)	**24.3**
Dedicated Schools Grant (DSG)	**(13.1)**	(2.7)	**(15.8)**
Capital Grants Unapplied	**190.4**	46.6	**237.0**
Capital Receipts Reserve	**156.1**	4.4	**160.5**
Major Repairs Reserve (MRR)	**8.0**	(0.3)	**7.7**
Total Other Reserves	**379.9**	**33.8**	**413.7**

Draft accounts 31 March 2024 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 draft accounts balance as at 31 March 2024 was £93.4m.

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 2023-27 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 2023-27 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 were 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 at the end of 2023/24, of which the estimated Council share is £19.4m. The Council utilised 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 2023/24 continues to include a significant loss allowance (bad debt provision) for potential non-payment of debts, of which the Council share is £4.7m, to allow for the ongoing potential impacts of cost of living pressures.

To the end of Period 12, we have collected £419.1m of £425.9m billed (98.40% in-year collection rate) compared to 94.42% for 2022/23, a significant increase on the previous year and back to pre-pandemic levels. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

There has been a significant amount of Appeals that have been settled by the Valuation Office Agency (VOA) in year. This is far in excess of any previous year and totalled £54.5m. Combined with the resulting increase in the Appeals Provision this has created a provisional deficit of £19.4m for Tower Hamlets' share that can be met from the Collection Fund Smoothing Reserve which was set aside for these risks.

Council Tax

We are expected to collect £173.8m 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 2023/24, of which the estimated Council share is £5.5m. There is council share loss allowance (bad debt provision) of £18.2m 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 level of claimants has continued to reduce slightly from the increased pandemic level from 29,989 (end of 2021-22) to 27,816 (end of Period 12).

To the end of Period 12 we collected £158.3m of the £173.8m Council Tax bills raised (91.04% in-year collection rate) compared to 94.7% 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 was allocated Council Tax payers bringing the maximum payout to £59. Due to the lower collection rate and smaller increase in the base there is a deficit on the Council tax element of £5.5m for Tower Hamlets' share.

Overall Position

The nominal value of Council's investment at the end of March 2024 was £219.7m (a decrease of £18.2m from March 2023 and a decrease of £30.3m from Q3). Capital growth from strategic and cash pooled funds during the year was £1.6m, making the market value of investments as £217.3m.

External borrowing was £68.709m and no new external borrowing took place during the year.

The Council's investment balance at the year-end remains higher than the Arlingclose pool of 20 London and Metropolitan Boroughs average balance of £78.2m, and pool of 126 local authority average of £63.9m.

The net income from external investments in 2023-24 was £6.5m compared to an original budget estimate of £2m. The increase is due to a combination of higher interest rates (as a consequence of the Bank of England's aggressive rate increases to control inflation) and higher cash balances.

Investment Category	**Mar 2024 Nominal Value £m**	**Mar 2024 Fair Value £m**
Internally Managed Investments		
Banks	1.000	1.004
DMADF	0	0
Money Market Funds	142.701	142.701
Externally Managed Pooled Funds		
Cash Plus & Short Bond Funds	20.000	19.978
Strategic Pooled Funds	56.000	53.581
Total	**219.701**	**217.264**

<u>Income Position</u>
The yield of the internal portfolio at the end of the quarter was 5.21%. The portfolio was almost entirely invested in money market funds, so the return reflected the high interest rates across shorter durations. The income returns of the entire portfolio, including the Council's external investments during the quarter was 4.98% while total return including changes in the value of externally managed pooled funds was 5.74% (capital gain on cash plus pooled funds was 1.81% and strategic funds 2.38%).

<u>Benchmarking</u>
According to the March quarter benchmarking information received from Council's treasury advisor, Arlingclose Ltd, average income return of 4.98% slightly underperformed against both a group of 20 London and Metropolitan Boroughs (5.10%) average income return) and 126 national local authorities (5.10% average income return).

Liquidity
66% 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 69% and 126 Local Authorities in the Arlingclose pool of 50%.

75% of funds were available within 100 days of maturity compared with a London and Metropolitan Borough average of 77% and local authority average of 66%.

Overnight liquidity at the end of March was £143.7m which is 100% of the internal portfolio. The average days to maturity of the internal portfolio at the end of the quarter was 44 days (11 days December 2023) which reflects the underlying weighted average maturities of the money market funds.

Security
The investment average credit rating of A+ 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.

At the end of March 2024, the Council had £1m invested with Santander and £142.7m in MMF's. The Council therefore had minimal exposure to a single financial institution. Whilst the Council's investment portfolio's bail-in risk is 100%, this is all available overnight through MMFs.

Inflation
Inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.2%, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in March to 4.2% from 5.1% in December 2023.

CPI inflation is expected to return to close to the 2% target in the near term, but to increase slightly in the second half of this year owing to the unwinding of energy-related base effects, which reveals the persistence of domestic inflationary pressures.

Interest Rate Forecast May 2024

	Current	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**	**Mar-26**	**Jun-26**	**Sep-26**	**Dec-26**	**Mar-27**
Official Bank Rate Central Case	5.25	5.25	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00
3-month MMF rate Central Case	5.40	5.30	5.15	4.80	4.30	3.80	3.30	3.05	3.10	3.10	3.15	3.15	3.15
5yr gilt yield Central Case	4.04	3.95	3.85	3.75	3.60	3.50	3.40	3.40	3.40	3.40	3.45	3.50	3.55
10yr gilt yield Central Case	4.16	4.10	4.05	4.00	3.85	3.75	3.70	3.70	3.70	3.70	3.75	3.80	3.80
20yr gilt yield Central Case	4.60	4.50	4.40	4.35	4.25	4.25	4.20	4.20	4.20	4.20	4.25	4.30	4.35
50yr gilt yield Central Case	4.20	4.10	4.00	3.95	3.85	3.85	3.80	3.80	3.80	3.80	3.85	3.90	3.95

Borrowing
The Council has Public Works Loan Board (PWLB) loans totalling £51.2m and fixed rate bank loans totalling £17.5m. No external borrowing took place during the year as the capital program is temporarily funded using cash reserves, thereby saving on external borrowing costs in the short-term.

Savings

Target for year £15.5m

£12.3m savings to be delivered

Services	£m 2023/24 Target	£m Prior Year Slippage	£m Saving Target	£m 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	1.1	1.1	-	-
Communities	2.3	-	2.4	2.4	-	-
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 delivered savings;
- A net position of £2.1m is 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) provisional outturn £81.7m against a revised budget of £88.9m
Net Variance £7.2m - net slippage £8.9m, net overspend £1.7m

Capital General Fund (GF) Provisional Outturn (£m)

Theme	Directorate	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
Approved Programme	Children's Service	44.8	41.3	(3.5)	(1.1)	(3.2)	(0.3)	31.5	9.1	3.4	44.0
	Communities	11.1	10.3	(0.8)	0.5	(2.4)	1.6	44.3	29.0	7.1	80.4
	Housing & Regeneration	10.4	6.7	(3.7)	(1.4)	(3.8)	0.1	20.5	5.8	1.9	28.3
	Health, Adults& Social Care	5.1	7.8	2.7	(0.5)	1.9	0.8	4.1	2.0	0.1	6.2
	Resources	0.5	0.5	0.0	0.0	(0.1)	0.1	1.0	0.1	0.0	1.1
Approved Programme Total		**71.9**	**66.6**	**(5.3)**	**(2.5)**	**(7.6)**	**2.3**	**101.4**	**46.1**	**12.6**	**160.0**
Approved Rolling Programme	Children's Services	3.0	2.3	(0.7)	(0.7)	0.0	(0.7)	3.0	3.0	3.0	9.0
	Communities	6.3	5.3	(1.0)	(0.3)	(1.0)	0.0	8.4	5.4	0.0	13.9
	Housing & Regeneration	3.2	3.5	0.3	0.3	0.3	0.0	3.7	3.3	2.1	9.1
	Health, Adults& Social Care	0.0	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.0	0.6
	Resources	1.5	0.8	(0.7)	0.0	(0.9)	0.2	4.0	5.3	1.8	11.1
Approved Rolling Programme Total		**14.0**	**12.2**	**(1.8)**	**(0.4)**	**(1.3)**	**(0.5)**	**19.4**	**17.3**	**7.0**	**43.7**
Invest to Save Programme	Communities	0.9	1.2	0.3	0.0	0.3	0.0	4.0	0.0	0.0	4.0
	Housing & Regeneration	1.3	1.7	0.4	0.1	0.4	0.0	1.1	0.2	0.0	1.4
Invest to Save Programme Total		**2.2**	**2.9**	**0.7**	**0.1**	**0.7**	**0.0**	**5.1**	**0.2**	**0.0**	**5.4**
LIF Programme	Communities	0.7	0.0	(0.7)	(0.5)	(0.7)	0.0	0.8	0.3	0.1	1.2
	Health, Adults& Social Care	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.8
LIF Programme Total		**0.7**	**0.0**	**(0.7)**	**(0.5)**	**(0.7)**	**0.0**	**1.6**	**0.3**	**0.1**	**2.0**
Grand Total		**88.9**	**81.7**	**(7.2)**	**(3.2)**	**(8.9)**	**1.7**	**127.6**	**63.9**	**19.6**	**211.2**

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 provisional outturn report is set against.

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

The GF provisional outturn capital expenditure for the year is £81.7m, resulting in a total net variance of £7.2m against the 2023/24 revised capital GF budget of £88.9m (92% of the revised budget). This is due to net slippages of £8.9m and net overspends of £1.7m across the programme. The quarter 3 capital budget monitor report forecast an outturn position was £84.8m a movement of £3.2m (4%) in the spend position. The details of the programmes are set out below;

__Approved Programme__

Theme	Directorate	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
Approved Programme	Children's Service	44.8	41.3	(3.5)	(1.1)	(3.2)	(0.3)	31.5	9.1	3.4	44.0
	Communities	11.1	10.3	(0.8)	0.5	(2.4)	1.6	44.3	29.0	7.1	80.4
	Housing & Regeneration	10.4	6.7	(3.7)	(1.4)	(3.8)	0.1	20.5	5.8	1.9	28.3
	Health, Adults& Social Care	5.1	7.8	2.7	(0.5)	1.9	0.8	4.1	2.0	0.1	6.2
	Resources	0.5	0.5	0.0	0.0	(0.1)	0.1	1.0	0.1	0.0	1.1
Approved Programme Total		**71.9**	**66.6**	**(5.3)**	**(2.5)**	**(7.6)**	**2.3**	**101.4**	**46.1**	**12.6**	**160.0**

The 2023/24 revised budget for the Approved programme is £71.9m. The provisional year-end outturn for the approved programme is £66.6m (93% of the revised budget), resulting in a variance of £5.3m. The net slippages for the approved programme is £7.6m and the net overspends is £2.3m.

__Children's Services__

Revised Budget: £44.8

Provisional Outturn: £41.3 (92% of revised budget)

Variance: £3.5m (Net Slippages £3.2m, Net Underspends £0.3m)

The major programme under Children's Services is the Schools Basic Need and Expansion programme. Within the programme are schemes such as the Institute of Academic Excellence, the Mulberry London Dock School, Beatrice Tate Expansion. These three schemes account for £2.8m of the net slippage.

Mulberry London Dock expansion had a revised budget of £37.5m, and a spend of £36.4m (97% of the revised budget). The slippage of just under £1.1m relates to delays experienced with water suppliers. The water works were initially programmed to be delivered during the PCSA phase of the project in 2022, however, works did not commence until February 2024. A delay in this programme has knocked on to other elements of the development. The council is now working with contractors to deliver an accelerated programme to ensure the school is completed on time. It should be noted that the water supply works are a statutory undertaking and can only be carried out by the water supplier or their appointed contractor.

Beatrice Tate expansion had a revised budget of £1.3m, by the end of March the provisional outturn was £0.1m, this represents 8% of the revised budget. This is because there were significant delays procuring and consequently the project was not fully mobilised in-year. The main contract is expected to start on site imminently, with an expected completion date of June 2025.

The Institute of Academic Excellence was formally added to the capital programme by full council in February 2024. A preliminary budget was added for 2023/24 for works to start, however the project will start once deliverability is being concluded.

School Investments works programme was the flagship scheme to introduce universal free school meals for all secondary schools. This project is almost complete, the scheme shows a variance of £0.4m, from a revised budget of £0.7m – which is no longer required within the General Fund programme.

Communities
Revised Budget: £11.1m
Provisional Outturn: £10.3m (93% of revised budget)
Variance: £0.8m (Net Slippages £2.4m; Net Overspends £1.6m)

The Communities directorate was newly formed in August 2023. This directorate includes the following programmes: Parks, Waste, Recycling and Fleet, Public Realm Improvements, Markets, Environmental Health and Trading and Culture.

The revised budget for Parks was £3.7m, against an outturn of £2.3m, equating to 62% spend against revised budget. The significant areas of slippage relate to Victoria Park Mini Golf (£0.5m) and King Edward Memorial Park (£0.4m). A decision has now been made regarding the mini golf project and the scheme in its current form is no longer going ahead. King Edward Memorial Park is specific funding for the park, to mitigate the impact of the Thames Tideway project – or the "Super Sewer". Works on the Super Sewer are now complete and work at Kemp Memorial Park is now scheduled to start on site from 2025/26. The remaining slippages are across various projects, such as Inclusive Playgrounds (£0.2m) and Quality Parks (£0.2m). All projects within Inclusive Playgrounds and Quality Parks are expected to be delivered in 2024/25 and 2025/26. Christ Church gardens has been delayed, with the 97% of the 2023/24 budget slipping into 2025/26. This re-profiling is due the Advisory Group procuring a new design, which is expected to occur in 2024/25.

The Markets programme is experiencing delays with the procurement of various EV (Electric Vehicles) charging points. The highways team are now leading on the tender process for three types of EV charging points, currently organisations are being invited to tender for a hybrid Trader Power/EV combined solution. It is anticipated that this budget will be utilised in 2024/25. £0.3m (98%) of the markets budget has slipped into future years.

The Electric Charging Points for Council Vehicles has been delayed and has spent £0.2m (21%) of the revised budget of £0.9m, leading to slippages of £0.7m. Delays are due to the confirmation of final sites being chosen. Another project relating to Electric Vehicles has also been delayed due to the knock-on delays with the charging points projects, the revised budget for 2023/24 was £0.6m, however due to delays with the installation of the charging infrastructure, purchases needed to be pushed back, resulting in slippages of £0.5m.

The significant variance within New Infrastructure programme, is the Lochnager Bridge project. The revised budget for the year was £0.9m, however 35% of spend was achieved resulting in slippage of £0.6m. This project is being delivered with LB Newham, and delays result from land acquisitions that are outside of the control of LB Tower Hamlets. Various agreements that need to be made, including air rights and bridge development agreements, coupled with delays in planning determinations have stalled progress on the project in-year.

The Public Realm Improvements programme recently went through a review, with several schemes being reviewed and redeveloped and to ensure that works being delivered in line with s106 funding agreements. However, the highways team were able to accelerate delivery, and have delivered £0.2m of works including across City Island, Marsh Wall and Plumbers Row. The works will continue into 2024/25 and 2025/26.

Under Transport S106 Funded Schemes, where the Council collects s106 and under the agreement the council is responsible for transferring the contribution to the named party subject to checks and agreements on the use of funds. For the Blackwall Reach DLR project, accelerated spend of £1.5m was incurred. For the Friends of Tower Hamlets Cemetery a payment of £0.4m was made in-year, resulting in an overspend.

Transformation of CCTV system project is reporting a £0.4m overspend. This project has been beset with cost problems, with all contract awardees coming in with values significantly higher than original estimates and additional costs due to changes in location for the hub from the original plan being for the hub to be located at the New Town Hall.

The BLEN (Business Low Emissions) Neighbourhood project shows an overspend of £0.1m. The team have been successful in securing £0.2m grant from the GLA to cover this cost, and the remainder will be invested in other suitable transport schemes.

The Waste Recycling and Fleet programme, with a revised budget of £3.9m, has spent 66% of this budget by outturn. The Interim Depot is showing a £0.4m overspend. The costs of delivering the health and safety works pertaining to the depot have increased over time and due to the essential nature of the works and legal requirements the overspend was incurred.

Housing and Regeneration

Revised Budget: £10.4m
Provisional Outturn: £6.7m (64% of revised budget)
Variance: £3.7m (Net Slippages £3.8m; Net Overspends £0.1m)

The Housing and Regeneration directorate was also a newly formed Directorate in 2023/24. This directorate includes service areas such as Carbon Offsetting, Temporary accommodation, The New Town Hall, Investment works, Business and Economic Growth Local Cultural and Environmental projects.

The Carbon Offsetting programme has a revised budget of £1.7m, spending £0.5m, representing 26% spend against budget (£1.5m slippages and £0.3m accelerations). There are 4 projects that make up most of the slippage, they are the Renewable Energy Generation PV project (£0.5m slippage), Solar Community PV project (£0.4m slippage), the Residential Energy Efficiency Project (£0.4m slippage) and the Community Energy Efficiency and Renewable project (£0.3m slippage). The Community Energy Efficiency Project is in the final stage of the community grants programme and is closed for bids. Spend on this project is dependent on evidence and invoices supplied from community organisations, spend is therefore determined by pace of works outside of the council's control. The other three projects have all faced delays largely due to finalising specifications and appointing contractors. All three projects delivery is anticipated to start in 2024/25, with works continuing into future years.

The New Town Hall has accelerated spend for 2023/24. A revised budget profile of £3.8m was set at outturn the spend was £4.3m. The project is now complete, there are a few remaining invoices to be settled after the defect liability period, which ends in June 2024.

South Dock bridge had a revised budget of £1.9m, spend at outturn was £0.3m (which is 14% of the budget), resulting in slippages of £1.6m. The delays are a result of varying architect contracts to complete the detailed design, and delays with land acquisition as a property specialist has been appointed to negotiate land, air and water rights.

Within the High Street and Town Centre programme sit three projects relating to the regeneration of Roman Road West, Brick Lane and Middlesex Street. The combined revised budget is £1.0m, with £0.5m outturn, resulting in slippages of £0.5m. The largest area of slippage relates to Roman Road West, which is slipping £0.3m, this is due to delays in construction contracts, however the works are on course to be completed in early 2024/25. Middlesex Street shows a slippage of £0.1m, from a revised budget of £0.5m, the project was paused as part of the mayor's capital review, and a revised project will be delivered in early 2024/25, with a re-procurement of contractor for Leydon Street.

Health and Social Care (HASC)
Revised Budget: £5.1m
Provisional Outturn: £7.8m (152% of revised budget)
Variance: £2.7m (Net Accelerations £1.9m; Net Overspends £0.8m)

Public Health is the largest service area under the Health and Social Care directorate. From a revised budget of £3.3m, the outturn was £5.4m. This is a variance of £2.1m, which is explained by £1.7m accelerated spend and £0.4m overspend. Public Health focuses on works delivered by the NHS to meet the needs of a changing demographic, increasing the offer on health centres. Several of these health centres have now completed, and accelerated funds of £1.7m mean that final accounts are being settled. The centres that are now completed are Wood Wharf, Goodman's Fields, Aberfeldy and Island Medical Centre. The majority of the overspend is on the project that focuses on Maximising the Health Infrastructure (£0.3m) upon reconciliation of final accounts with the NHS.

Adult Social Care had a revised budget of £1.9m, provisional spend at outturn was £2.4m, which is 130% spend against budget. There are two live projects that sit under Adult Social Care; Sewardstone Road and Norman Grove. Sewardstone Road project has overspent by £0.4m, there have been many complications relating to this project, increases in construction costs due to inflation, reconfiguring of project management. Norman Grove is expected to complete in July 2024, and costs for this project have been accelerated (£0.3m).

Resources
Revised Budget: £0.5m
Provisional Outturn: £0.5m (100% of revised budget)
Variance: Nil variance (Net slippages £0.1m; Net Overspends £0.1m)

The 2023/24 revised budget for Resources Approved Programme is £0.5m. The provisional outturn for the programme is £0.5m (100% of the revised budget) resulting in nil variance across the programme due to net slippages of £0.1m and net overspends of £0.1m.

Annual Rolling Programme

Theme	Directorate	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
Approved Rolling Programme	Children's Services	3.0	2.3	(0.7)	(0.7)	0.0	(0.7)	3.0	3.0	3.0	9.0
	Communities	6.3	5.3	(1.0)	(0.3)	(1.0)	0.0	8.4	5.4	0.0	13.9
	Housing & Regeneration	3.2	3.5	0.3	0.3	0.3	0.0	3.7	3.3	2.1	9.1
	Health, Adults& Social Care	0.0	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.0	0.6
	Resources	1.5	0.8	(0.7)	0.0	(0.9)	0.2	4.0	5.3	1.8	11.1
Approved Rolling Programme Total		**14.0**	**12.2**	**(1.8)**	**(0.4)**	**(1.3)**	**(0.5)**	**19.4**	**17.3**	**7.0**	**43.7**

The revised approved budget for the Approved Rolling Programme for 2023/24 is £14.0m, outturn against the budget is £12.2m. This represents spend of 87% against the budget. Overall, the variance of £1.8m is made up of a net slippages of £1.3m and net underspends of £0.5m

Under the Rolling Programme there are five main service areas, they are Children's Services Conditions and Improvements; Public Realm Highways; Resources with the IT investment programme and Facilities Management with the Investment Works on LBTH assets and the Culture budget for Leisure Centre Investment Works.

The Conditions and Improvements (C&I) approved rolling programme had a revised budget of £3.0m, outturn of £2.3m, this is an underspend of £0.7m. Unspent budget allocation is not automatically rolled forward for rolling programme but will be recycled into future programmes. The annual allocation of the C&I programme is c£3m. Due to schools calendars, usually the majority of work is timed to fall within school holidays to lesson disruption to term time, which impacts the profiling of spend and slippages / accelerations can occur within the programme.

Leisure Centre Investment Works had a revised budget of £1.0m, the project was dependant on a conditions survey being produced which would inform the service what to prioritise workwise once the Leisure Centres were back in house. Due to this, the outturn was 10% of the revised budget, £0.1m. The budget has now been transferred to 2024/25 and the 2025/26 budget accelerated to allow priority works to be delivered across the council's leisure centres within the borough.

Public Realm – the Carriageways and Footways has a £5m annual budget set for the current capital programme for the years 2023-26. The programme spend is 97% of the revised budget.

Continued investment into the council's own assets ensure that fabrication, mechanical and electrical standards are adhered to, and buildings remain safe for users. The Revised budget for these works is £2.0m. Spend achieved at outturn was £1.9m, which is 94% of the budget.

The Health, Adults and Social Care project relating to Disabled Facilities Grant (DFG) works has accelerated spend of £0.3m against future year budgets which relates to adaptations to clients homes.

The IT rolling programme covers investment in IT systems to ensure the council can offer the best services possible to our residents by ensuring that both staff and users benefit from IT systems that work. The Revised budget for 2023/24 was £1.5m, outturn was £0.8m which is 54% of the budget. The variance is made up of £0.9m net slippage and £0.2m net overspend. Overspends relate to additional costs being incurred due to delays experienced from the supplier. Several projects have successfully completed such as the HR systems, the Resident Hub at the Town Hall and the customer access telephony to name a few. The IT rolling programme has a central budget held, that can be drawn from and added back to subject to governance.

Invest to Save

Theme	Directorate	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
Invest to Save Programme	Communities	0.9	1.2	0.3	0.0	0.3	0.0	4.0	0.0	0.0	4.0
	Housing & Regeneration	1.3	1.7	0.4	0.1	0.4	0.0	1.1	0.2	0.0	1.4
Invest to Save Programme Total		**2.2**	**2.9**	**0.7**	**0.1**	**0.7**	**0.0**	**5.1**	**0.2**	**0.0**	**5.4**

The invest to Save programme includes Public Ream investment in Streetlighting (Communities) and the Council Buyback programme for Temporary accommodation (Housing and Regeneration). The revised budget for 2023/24 was £2.2m, outturn was £2.9m, which is 133% spend against budget due a net acceleration of £0.7m across both programmes.

Local Infrastructure Fund (LIF) Programme

Theme	Directorate	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
LIF Programme	Communities	0.7	0.0	(0.7)	(0.5)	(0.7)	0.0	0.8	0.3	0.1	1.2
	Health, Adults& Social Care	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.8
LIF Programme Total		**0.7**	**0.0**	**(0.7)**	**(0.5)**	**(0.7)**	**0.0**	**1.6**	**0.3**	**0.1**	**2.0**

The revised budget for the LIF programme was £0.7m, outturn was £0.04m, which is 2% of the revised budget. The LIF programme will be slipped into future years. This profile represents the remaining legacy of the LIF programme. The LIF programme has now substantially been replaced by the Neighbourhood Community Infrastructure Levy (NCIL) programme. Schemes that have slipped into 2024/25 are Enforcing Effective Recycling and Waste management (CCTV) (£0.1m), due to delays in delivery of CCTV was delayed, which is now expected to complete in early 2024/25. The Recycling and Food Waste solutions project has also been delayed due to construction works, the slipped budget (£0.2m) will be carried forward to 2024/25. The Thames Path slipped budget of £0.3m was due to conclusion on reviews of scheme deliverability. This is now finalised, however, further complexities regarding landowner engagement for the wayfinding strategy have stalled the project with the project expected to delivered in 2024/25 and 2025/26.

Housing Revenue Account (HRA) provisional outturn £60.7m against a revised budget of £72.2m
Variance £11.5m - net slippage £10.6m, net underspend of £0.9m

Capital Housing Revenue Account (HRA) Provisional Outturn (£m)

Theme	Directorate	Programme	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
Approved Programme	Housing & Regeneration	New Council Homes	47.0	41.0	(6.0)	(4.4)	(5.1)	(0.9)	93.3	130.4	78.5	302.2
	Housing & Regeneration	HRA (Projects)	1.3	0.4	(0.9)	(0.8)	(0.9)	0.0	3.4	0.2	0.0	3.6
Approved Rolling Programme	Housing & Regeneration	HRA (Rolling)	23.9	19.3	(4.6)	0.8	(4.6)	(0.0)	23.0	30.3	36.3	89.6
Total			**72.2**	**60.7**	**(11.5)**	**(4.4)**	**(10.6)**	**(0.9)**	**119.7**	**160.9**	**114.8**	**395.4**

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 provisional outturn report is set against.

The outturn was £60.7m, with a variance of £11.5m. The variance is made up of £10.6m net slippages and £0.9m net underspends. The spend is 84% of the revised budget. The HRA is made up of three programmes, the New Build Programme, the Housing Stock Rolling Programme and the smaller housing estate projects (including in the Approved Programme below).

Approved Programme

Theme	Directorate	Programme	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
Approved Programme	Housing & Regeneration	New Council Homes	47.0	41.0	(6.0)	(4.4)	(5.1)	(0.9)	93.3	130.4	78.5	302.2
	Housing & Regeneration	HRA (Projects)	1.3	0.4	(0.9)	(0.8)	(0.9)	0.0	3.4	0.2	0.0	3.6
Total			**48.3**	**41.4**	**(6.9)**	**(5.2)**	**(6.0)**	**(0.9)**	**96.7**	**130.6**	**78.5**	**305.8**

The 2023/24 revised budget for the Approved Programme is £48.3m. The provisional outturn for the Approved Programme is £41.4m resulting in total variance of £6.9m due to net slippages of £6.0m and net underspends of £0.9m 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, outturn was £41.0m, this is 87% spend against the budget. The net variance is £6.0m, which is made up of £5.1m net slippages and £0.9m net underspends.

The largest area of slippage is on the HAP (Clichy Estate) project. £1.4m will be slipped into future years, due to a design of scheme and a resubmission of the planning application. Landon Walk will be paused, due to the contractor performance and the scheme will go through a redesign. This scheme has a slippage of £0.9m, from a revised budget of £2.2m and an actual spend of £1.2m. Two other schemes have completed in 2023/24, these are Keats House and the purchase of 88 Royal Mint Street. Slippage on Keats is £0.8m, this budget will be profiled into 2024/25, while the final accounts are settled. The housing development that is being built alongside the refurbishment of St George's Leisure centre spend is £0.3m against a revised budget of £1.0m, this project is still in the design stage and the budget will be slipped into future years.

The underspends have occurred on the Hanbury Street (£0.2m) and 88 Royal Mint Street (£0.7m) schemes, the remaining budget can be released and available for reallocation back into the HRA New Build programme once schemes are officially closed through the council's governance process.

Other reasons for slippages across the programme include;

- the New Building Safety Act 2022, where some schemes require a redesign to add a second stair core, improving fire safety measures in builds over 18m.
- 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

Approved Programme HRA projects are projects that are being delivered by councils Housing and Regeneration directorate. The 2023/24 revised budget for this programme is £1.3m. The spend to date for the programme is £0.4m (32% of the revised budget), resulting in a net slippage of £0.9m. There are two live projects under this programme, Watney Market Carpark, has budget of £0.2m, against a spend of £0.1m. Delays have occurred due to health and safety aspects and the need for additional drainage and concrete works. The second project under this programme is the introduction of new off street parking arrangements, this scheme had a revised budget of £1.1m, the spend for this project was £0.3m, the reason for the slippage is due the project being reviewed with no major site works taking place in the year. The budget will be slipped into 2024/25.

Annual Rolling Programme

Theme	Directorate	Programme	Revised Budget 2023/24	Actual Spend 2023/24	Variance	Increase / (Decrease) to actual spend from Q3 Forecast	(Slippage) / Acceleration	(Underspend) / Overspend	Revised budget 2024/25	Revised budget 2025/26	Revised budget 2026/27	Total 2024-27 Revised Budget
Approved Rolling Programme	Housing & Regeneration	HRA (Rolling)	23.9	19.3	(4.6)	0.8	(4.6)	0.0	23.0	30.3	36.3	89.6
Total			**23.9**	**19.3**	**(4.6)**	**0.8**	**(4.6)**	**0.0**	**23.0**	**30.3**	**36.3**	**89.6**

HRA - Rolling Programme

The HRA Rolling Programme, had a revised budget of £23.9m, provisional outturn was £19.3m, this represents 81% of the revised budget. The variance of £4.6m is due to slippages in the programme. The major obstacle being obtaining agreement to go ahead with works from leaseholders once the S20 notices are issued, which impacts on profiling of works.

Capital expenditure is financed through a variety of sources, from the sale of capital assets, capital grants, and external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing. The strategy for financing the capital programme is to utilise grants, before using council receipts and reserves, thereby minimising any requirements for borrowing which will impact on the council's revenue budget. The council can temporarily utilise other resources in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it merely defers the timing of external borrowing rather than removing the need and still requires contributions from revenue budgets to reduce internal borrowing as per usually debt financing. A summary of the provisional outturn capital financing for 2023/24 capital expenditure is set out below:

Sources of Funds	**General Fund (GF)**	**Ratio Finance to Source Total (GF)**	**Housing Revenue Account (HRA)**	**Ratio Finance to Source Total (HRA)**
	£ 'm	**%**	**£ 'm**	**%**
Capital Grants and contributions	44.1	54%	7.2	12%
External Contributions S106	8.6	11%	1.2	2%
External Contributions CIL	11.4	14%	0.0	0%
Capital Receipts	3.0	3%	1.2	2%
RTB Capital Receipts	1.1	1%	7.8	13%
GLA RTB Receipts	0.0	0%	2.7	4%
Borrowing	13.5	17%	15.0	25%
Direct Revenue/Reserves and Major Repairs Reserves	0.0	0%	25.6	42%
Total	**81.7**	**100%**	**60.7**	**100%**